



To: Port of Hood River Budget Committee
From: Michael McElwee, Budget Officer
Date: May 8, 2012
Re: Budget Message for Fiscal Year 2012/2013

The annual budget for the Port of Hood River is prepared by staff for review and modification by the Budget Committee and subsequent review and adoption by the Port Commission. This memorandum provides an overview of the proposed FY 12/13 budget and other information in accordance with O.R.S. 294.

Overview

The Port operates on a fiscal year that begins July 1 and ends June 30. Through the annual budget, policy and project decisions of the Commission are planned and implemented. In both draft and final form it is a public document and public input is sought and welcome.

All budget activities of the Port of Hood River are categorized within the following three funds:

- **General Fund:** This fund includes activities related to governmental activities. The revenue comes from property tax receipts. Since property taxes are insufficient to pay all governmental related expenditures, there is a transfer from the Revenue Fund for the difference.
- **Bridge Repair and Replacement Fund:** This special revenue fund segregates revenues and expenditures related to capital improvements associated with the Hood River Toll Bridge. Sources of revenues are grant monies, bond receipts, and dedicated revenue from both the 1994 and 2012 toll increases. These monies are transferred from the Revenue Fund. Expenditures for the fund are associated with capital improvements that extend the useful life of the bridge.
- **Revenue Fund:** Most of the Port's activities are business-type activities and are accounted for in the Revenue Fund. The major revenues are from bridge tolls and tenant leases. The revenues and expenditures are identified and allocated to asset centers.

Financial Policies

The key overall financial policies that underlie the proposed budget are described in the Port's Strategic Plan. These are summarized as follows:

1. Financial Management—the Port seeks to be financially self sufficient with a balance between sources of capital and cash flow.
2. Asset Management—The Port seeks to manage its assets with a holistic and integrated strategy intended to accomplish the public purposes described in ORS 280 and ORS 777.

No major changes in financial policy are anticipated in the 2013 fiscal year.

Budget Highlights

The following sections are important features of the Proposed FY 2012/13 Budget organized by major areas of the Port's operations and in connection with its financial policies.

ASSET AREAS

Industrial/Commercial Properties

- Significant planning and construction projects were initiated in FY 2011/12. The Port must remain focused on successful completion of these projects.
- The Port has invested a large amount of capital in real estate projects in recent years to achieve strategic objectives. The Port will limit its capital expenditures in FY 12/13 and build reserves for future projects.
- Overall occupancy rates remain high in Port buildings and there is limited space available for new tenants. The Port will not be in a position to build additional space in the near term but will seek ways to more effectively utilize its leased properties and maximize net lease revenues.
- The Port continues efforts to re-purpose the Expo Building for DaKine and the draft budget contains a significant capital expenditure for this purpose. The Port is also seeking ways to include private sector participation in the project to reduce risk and preserve capital.
- Acquisition of additional industrial lands to achieve employment goals remains an objective of the Port. However, the lack of available light industrial land means securing such property is unlikely. It is unlikely the Port will be in a position to acquire new property in the near-term.
- We continue to budget funds to continue planning the area east of N. 2nd Street— known as Lot #1— to build on the development strategy currently being prepared.

Bridge/Transportation

- In FY 2011/12, the Port initiated an important project to paint the lower chords of the Hood River Bridge. Additional work has been added to the contract to take advantage of existing staging and address unexpected deterioration. Although these decisions will reduce long-term costs, they will further diminish capital reserves in the near-term.
- A toll increase was implemented in January 2012 to provide adequate funds to keep the Bridge safe and operational for many years. It will need to be determined whether the net revenue from the toll increase matches projections.
- The budget assumes an overall increase in expenditures for maintenance, repairs and inspections consistent with the recommendations in the Long-term Operations Model completed in 2011.

Recreation/Marina

- The Marina's electrical system remains in a deteriorated condition. The budget amount assumes a large expenditure to upgrade the entire system. However, the Port continues to evaluate the feasibility of the project. Funding for this project would come from a revenue bond serviced by an increase in slip rates.
- The budget includes funds for planning and preliminary engineering for a possible re-configuration of the Sea Plane Dock and a renovation of the Visitor Dock. These are potential longer term projects.

Airport

- The 2013 fiscal year should see the most significant construction project at the airport in many years— the runway shift. Significant work over the last few years has led to the opportunity to re-build the runway and install new taxiways consistent with a B-2 airport standard. The \$2.5 million project will be funded primarily with federal funds; however, the FAA recently increased the local match from 5% to 10% resulting in a potential increase to the Port of \$125,000.

ADMINISTRATION

- The FY 2013 budget represents the second year that Port staff will be responsible for a share of their medical insurance. The cost share for exempt staff will increase to 10%. Non-exempt staff will assume a 5% share.
- Overall personnel costs are budgeted to increase about 4% in FY 2013. This includes modifications to the job description to two staff positions and a new, part-time position devoted waterfront projects and issues.

- The budget assumes a significant staff effort to update the Port's strategic plan during the fiscal year. Some modifications to the Port's financial policies may be made if approved by the Commission.

Summary

The Proposed 2012/13 Budget reflects project priorities, staffing levels and capital and administration expenditures that staff believes are consistent with the Port's Mission and Strategic Plan. The Budget Committee's review, modification and approval of a Proposed Budget followed by Commission adoption will be necessary before the budget can take effect July 1, 2012.