

**PORT OF NEWPORT MINUTES**

May 12, 2020

1<sup>st</sup> Budget Committee Meeting

*This is not an exact transcript. The audio of the session is available on the Port’s website.*

This meeting was held virtually only. The public was invited to view the live stream of this meeting on our YouTube Channel, Port of Newport Commission Meeting Audio, and were invited to participate during public comment. Live chat was not monitored. The public could also submit a comment through a form on our website no later 4:00 pm on Monday, May 11<sup>th</sup>. No comments were received in advance of the meeting.

**Agenda Item**

**Audio  
Time**

**I. CALL TO ORDER/INTRODUCTIONS .....**

Commission President Sara Skamser called the Regular Commission Meeting of the Port of Newport Board of Commissioners to order at 8:07 am at the South Beach Activities Room, 2120 SE Marine Science Drive, Newport, Oregon.

**Commissioners Present:** Walter Chuck (Pos. #1), Secretary/Treasurer; Sara Skamser (Pos. #2), President; Gil Sylvia (Pos. #3); Jeff Lackey (Pos. #4); and Jim Burke, Vice-President (Pos. #5/).

**Management and Staff:** Paula J. Miranda, General Manager and Budget Officer; Aaron Bretz, Director of Operations; Mark A. Brown, Director of Finance & Business Services; Mark Harris, Accounting Supervisor; and Karen Hewitt, Administrative Supervisor.

Burke asked the Committee members to introduce themselves.

**II. ELECTION OF BUDGET COMMITTEE CHAIR .....**

Burke asked for a volunteer to serve as Committee Chair. Lackey volunteered.

**A motion was made by Burke and seconded by Smith to select Lackey as Budget Committee Chair. The motion passed 6 – 0.**

**III. BUDGET MESSAGE.....**

Miranda introduced the Budget Message included in the Meeting Packet. She thanked the Committee members for attending the meeting. She commented this was a difficult message to prepare because of the issues with COVID-19. Miranda said the Port of Newport has not been affected as much as other ports depending on the type of business the ports were engaged in. She commented that the Port of Newport as a diversified portfolio which has helped to keep it afloat. She added the Port has a loss of about \$25K due to the virus, but she still doesn’t know how the Port will be affected in the long run as the virus affects users and tenants. Miranda reviewed highlights of the Budget Message. She added that the Port did not complete the Port Dock 5 Pier Project budgeted for in FY 2019-20 since the grant was received after the in-water work period. She said the Port Dock 5 and 7 electrical upgrades are planned over a three year period. This planning project is important since there are safety and potential liability issues. Miranda said the revenue and expenses reports were organized to provide an understanding of how each of the Port’s profit centers were performing. Referring to the personnel wages, she said there was an area salary survey prepared by HR Answers, and the wages reflected an attempt to get staff wages at

least up to the minimum. Miranda said the Port has been off for a long time in terms of pay. She offered to share that report with the Committee. She said she also had a list of the work Angel Nebel of Summit Public Relations Strategies has done this year which has improved Port communication with the general public, stakeholders and legislators.

Miranda said there were planning projects in the proposed budget. She said that if the Port were to seek grants, the agencies would want to see plans. If anticipated grant money was not received for a project, it wouldn't be done in the fiscal year. She emphasized that the projects need to be listed in the budget; this is also a factor in getting grants or loans. She commented on the difficulties of working in the current Port office, including social distancing and the inability to hire additional staff or interns. Miranda acknowledged this project was easily postponed but will have to be done at some point. She mentioned other projects included in the budget and said it is important to move forward. She commented on the good work Bretz had done working with the Army Corps of Engineers on dredging at the commercial marina, which would involve a study in the upcoming year. Miranda said management recommended projects based on the Strategic Plan and those projects that would bring revenue to the Port and avoid liability.

Miranda said the Committee could make a decision today or schedule another meeting. She added that the Port could only change by 10% in the fiscal year without getting approval for a supplemental budget.

#### **IV. OVERVIEW OF PROPOSED BUDGET**

Brown introduced the LB forms included in the Meeting Packet. He said the budget was prepared with staff input, and he had looked back up to four years comparing budget and spent numbers to make adjustments. These adjustments were increases in some areas and decreases in others. Miranda commented on the good job giving the big overview and the effort to account for things in the right place. Brown said professional fees were high because planning fees cannot be capitalized.

Capri asked about the NOAA MOC-P decrease and the Commercial Marina increase on LB 1. Brown said most of the projects identified were in the Commercial Marina. Bretz spoke to the importance of those projects, saying some areas would become unusable if work wasn't done. He added it would be more efficient to replace areas to configure them for their useful lives rather than continue to repair the current facilities, which did not suit the changes in the fishing industry. Brown reiterated that if the anticipated grants weren't received, the project would not be done in the next fiscal year. Lackey referred to the Budget Message and the comment that grants would not be received if the projects were not in the budget. He had sent an email to Miranda asking about cash reserves for emergencies and matching funds, and considered a buffer/stop gap to be the minimum amount of reserves. Miranda and Brown said the plan was to remain close to the current \$1.2MM in reserves. Miranda said the Port has to be more aggressive about completing projects and plans were needed to get grant funds. She commented the better the plan and the more matching funds available, the greater the likelihood of receiving a grant. Miranda added that there was the possibility of getting loans as high as \$2.5MM if needed for matching funds.

Burke asked if the personnel budget reflected any additional staff or just increases to current staff salaries. Miranda said, as of right now, this was for current staff or replacements, part-time and seasonal workers. Brown noted that seasonal workers were in the budget under personnel as opposed to materials and services. Hiring seasonal workers directly saved 25% of the cost. He added that insurance went up dramatically, and HRA liability was also added.

paved or graveled. There will be need for storage when the wave energy project gets going off shore. He suggested that more lay down space would be a good investment, and the Port should not fall behind maintenance of the fairly new facility. Miranda said that at some point there would be two alternatives for use of this area: a single user or multiple users. She commented the Port has little unused property, and it wouldn't be good for the Port if this parcel became wetlands. Brown will look into allotting the appropriate amount of insurance to NIT.

**VI. MAJOR PROJECTS OVERVIEW .....**

Miranda said most of the projects on page 24 of the Meeting Packet have been discussed. She commented that some of the projects have been postponed over and over in past years. Miranda said the sea wall could be a liability for the Port and could possibly lead to the loss of a major tenant. She said the Port Dock 7 replacement planning would be an easy project to discuss for funding from the State since it affects major users, the Newport fishing fleet. The Port has already received an EDA grant for the Dock 5 Pier Project, so that must move forward. A consultant for evaluating use of NIT may not qualify for a grant this year since the State has already invested a lot of money in that area, but she will talk to them. Miranda said she had spoken with the Regional Solutions Team about planning grants and 0% loans. The South Beach "expo" building could house the Seafood & Wine Festival, as well as other events, which would bring revenue to the Port. Farley asked if Miranda had looked at the Commons project at the fairgrounds. Miranda said if the project moved forward, it would be important to get the City and County involved to mitigate competition with other venues.

Lackey asked if staff had discussed the must do projects. Miranda suggested leaving projects in the budget while making sure to maintain reserves. Some projects could be moved to future years or dropped off if grants aren't received, but she wouldn't want to remove projects from the budget and miss opportunities if funds became available. She said all of the projects were important either to generate revenue, address users' needs, or address potential Port liability. Lackey asked what could reasonably be expected to get done and still maintain reserves. Brown said that was a difficult question to answer now because of the current shut downs due to COVID-19. He commented there may be other grants not yet identified for some of the projects. He suggested the RV Park Annex conceptual design might not happen in FY 2020-21. That area is for a different socioeconomic group from the main RV Park, and it would need infrastructure repairs. Although all projects are critical, the accounting software and replacing the manned crane would probably not be completed in FY 2020-21. Brown spoke about replacing current equipment with steerable/trainable containers could reduce the risk for staff injury. He said he was committed to keeping \$1 – 1.5MM in reserves. Bretz said many of the projects were for planning, and a lot of the upfront work has been done at the harbor master level. He said that the Port would not get much of the money back by continuing to repair rather than replace Port Dock 7. This could probably be deferred for another year, but not much more. Bretz said the RV Park Annex needs to be redesigned and some space could be added with conditional use zoning. Miranda said COVID-19 has hurt a lot of funds and that could affect grant availability. Bretz commented that the Commission would still need to authorize spending on any projects. Lackey said he thought it would be a good idea to come out of the budget process with a general expectation of what the next fiscal year would look like in a best/worst case scenario. Capri asked if building the administration building included purchasing real estate. Miranda said the building would be on property owned by the Port and spoke about the potential lease of office space to help offset loans.

**VII. CONCLUDING COMMENTS .....**

Lackey said he understood the Port was getting caught up on personnel costs but wondered how that would affect PERS liability. Brown said the PERS liability would be declining. Lackey said he had looked at some of the steps, acknowledging some people are under market but the Committee has to consider its responsibility. Brown shared a sheet showing individual increases, which will also be posted online. The current market rates are based on experience and years in the position. Miranda said the proposal was to be at least above the low numbers in the survey. She commented that there was still difficulty finding maintenance crew members at the wages offered considering the cost of living in Newport. Bretz said the operations salaries are at the low end of regional wages. Lackey asked if the discrepancies needed to be made up in one year; the Port needs to be fiscally responsible. Miranda said this is one area she wouldn't want to see trimmed down. There were times in the past when staff did not get any raises, so the Port is now in catch up mode. The wage increases could slow down from this point forward using typical COL to adjust the wage scales, but it was important to adjust wages so as not to lose staff and let staff know the Port wants them here. Lackey asked about the wages steps, noting that Bretz would be at the low end of the wage steps, but is not a low end employee. He noted the changes in the steps were substantial. Miranda said the numbers came from the salary survey, and the Port was required to pay in an equitable manner. Miranda said she would share the survey. Bretz asked the Committee to consider the view of the person looking for a job. If the Port wants good employees, they have to pay fairly or job seekers will look elsewhere. He asked what the Port wants its workforce to look like and what experience should they have. Lackey said he agreed with the comments, but the Committee has to do due diligence. Lackey said he would like to see the salary survey. Chuck reiterated what Lackey said and the Port also has to manage public perception around this issue in the current environment. He asked that the survey also be posted on the website

**VIII. PUBLIC QUESTIONS/COMMENTS.....**

There were no public comments.

**IX. COMMITTEE COMMENTS .....**

Capri asked if Brown thought the Port could generate enough revenue to support this proposed budget. Brown said yes, but COVID-19 is an ongoing unknown. He said he expected recreation to come back strong. Bretz said he thought that commercial moorage revenue would remain mostly static. Revenue from services respond more to the market, but aren't as large a percentage of the revenue as moorage. At NIT, storage is the highest source of revenue and should remain about the same.

Chuck commented the Port moving forward needs to make sure that unrestricted NOAA funds are not used for any projects. Brown discussed the potential loss of income of approximately 7% in the RV Parks, but little impact elsewhere. Chuck asked if there had been any thought of contracting out services like forklift drivers. Brown said most capital projects are contracted out to get the projects done with minimal risk to employees. Miranda said if something can be done by staff, she would rather keep them in house so the Port has more control. Some projects are more suited to professional services, for example the project management of the Port Dock 5 Pier project. Bretz said the Port would outsource when it was important, but it was not best to outsource front door services like the forklift. Brown said the rates being charged for these services covered costs. Chuck commented that the Port has not brought in a significance source of new income. He also commented on the difficulties when an event center was proposed in the past, and suggested it could change the character of the South Beach area.

Brown said that rates and fees were overall increased by 4%, and 10% in the Commercial Marina. These increases are to cover the Port's increased costs. Miranda said she shared the rates with Heather Mann to share with the commercial fishing, but has not yet heard any feedback. Capri asked about materials and supplies at NIT, item B. Bretz said that addressed when the Port had to rent equipment for services to users, and should be cost plus 25%. Brown said that the Commercial Fishing Users Group Committee and others had given feedback regarding forklift charges for services taking less than an hour, and fees have been adjusted. Lackey asked if approving the budget would also approve the fees. Miranda said that rates & fees as well as salaries are adopted as resolutions in the May regular meeting.

**X. APPROVAL OF BUDGET OR SCHEDULE ADDITIONAL MEETNG.....**

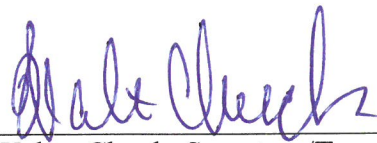
Chuck said he would prefer that Commissioner Sylvia have input on the budget, and Burke agreed. Lackey asked that the salary survey be provided in advance of a second Budget Committee Meeting, in addition to an expectation of what could be expected in best/worst case scenarios. He added he appreciated the work done to this point, putting the Port in a better position and looking long term. It was decided that a Doodle poll would be distributed to find a date and time for a second meeting. The Committee decided to approve the tax rate when the budget was approved at a future meeting.

**XI. ADJOURNMENT.....**

Having no further business, the meeting adjourned at 10:48 am.

ATTESTED:

  
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Jim Burke, Vice-President

  
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Walter Chuck, Secretary/Treasurer