



# STRATEGIC BUSINESS PLAN AND CAPITAL FACILITIES PLAN



JANUARY 14, 2013

## **ACKNOWLEDGEMENTS**

### **PORT OF NEWPORT**

#### **Port Commission**

JoAnn Barton  
David Jincks  
Don Matthews  
Walter Chuck  
Dean Fleck

#### **Port Staff**

Don Mann, General Manager  
Pat Albaugh, Finance Director  
Pete Dale, Project Manager/Engineer Technician  
Maureen Keeler, Special Projects Manager

### **CONSULTANT TEAM**

#### NORTHWEST PORT PLANNING TEAM

Al Benkendorf, Project Manager  
Jerry Johnson, Market Research  
Allan Rumbaugh, Port Operations  
Ron Stillmaker, Project Engineer



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## INTRODUCTION

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### HISTORY OF THE NEWPORT PORT DISTRICT

The Port district was formed in 1910 to promote water-related commerce in Lincoln County. The Port is located on the central Oregon coast and encompasses the Yaquina Bay estuary. The Port boundaries extend north to Otter Rock, east up to six miles inland, south to Seal Rock and west to the Pacific Ocean. The Port of Toledo is adjacent to the Port of Newport's eastern boundary and the Port of Alsea adjoins the Seal Rock boundary.

In 1948, a private company sank two flat-bottom concrete barges at McLean Point to serve as wharves for cargo handling. The terminal was operated by private operators from the 1950s through the late 1970s. In 1982, the Port purchased the terminal and in 1987 contracted Jones Oregon Stevedoring/Newport Terminal Company to manage the facility. The Port terminated the contract in 1995 and assumed the management. The Port is currently completing a thorough renovation of the International Terminal which is expected to be complete in December, 2012.

To meet an ever-increasing demand for boat launching, parking and moorage facilities on the north shore of the bay, in 1978-79 the Port began construction of a 600 berth recreational boat basin, four lane launch ramp and harbor improvements in South Beach.

In 1991 Oregon Brewing located their brewing operations and a tasting room in a part of the former dry boat storage building at the South Bay Marina and now occupies the entire building for storage and distribution. In 2006, the Port completed a \$3.2 million Destination RV Park that includes 92 spaces, store, operations building and registration/activity center.

A new chapter in the Port's history will be written in the next two years as it plans and constructs a new Port of Newport Administration office building on the north shore of Yaquina Bay.

### PORT COMMISSIONERS

The Board of Commissioners is elected, at large, from the Port District. The Board is comprised of five members elected for four year terms. The current Board is comprised as follows:

JoAnn Barton, President, was first elected to the Commission on July 1, 2007 and re-elected July 1 2011. Her current term expires on June 30, 2015. Ms. Barton is retired from a career as a therapist in primary education.

David Jincks, Vice President, was appointed to the Board on February 2, 2009 and his current term expires on June 30, 2013. Mr. Jincks is a commercial fisherman.

Don Mathews, Treasurer, was appointed to the Board on January 30, 2001 and elected to the Board on July 30, 2001. His current term expires on June 30, 2013. Mr. Matthews owns a business in Newport.

Walter Chuck, Secretary, was appointed to the Commission November 22, 2011. Mr. Chuck's term expires June 30, 2013. Mr. Chuck is the operator at several water treatment plants in the region.

Dean Fleck, Assistant Secretary-Treasurer, was first elected to the Board July 1, 2007 and re-elected in 2011. Mr. Fleck's term expires on June 30, 2015. Mr. Fleck is the manager of Englund Marine Supply in Newport.

## **PORT MANAGEMENT STAFF**

Mr. Don Mann, General Manager joined the Port in January 1996. Mr. Mann has over 30 years of experience in the port industry and economic development. He previously worked for the Oregon Economic Development Department where he proceeded to conclude his career with the state as the Regional Development Officer for Clackamas and Hood River Counties. He serves on several local and regional Boards including as Secretary of the Oregon Ports Group and currently serves on the Boards of Directors for the Pacific Northwest Waterways Association and the Greater Newport Chamber of Commerce.

Pat Albaugh, Finance Director has more than two decades of public, private and non-profit experience at the Finance Director/Controller level. Prior to joining the Port, Pat spent seven years at the Port of Cascade Locks as Director of Finance & Operations.

Pete Dale, Project Manager/Engineer Technician joined the district in October, 2006 and has over thirty years experience in marine and heavy construction project management.

Maureen Keeler, Special Projects Manager/Administrator Coordinator, has been with the Port District since 1986. Ms. Keeler assists the General Manager with business administration and planning and is responsible for special projects and grant writing.

In addition, to the staff described above, other Port employees include a Facilities Lease Manager for NOAA MOC-P, an administrative assistant, four accounting clerks and ten operations and maintenance personnel.

## **OVERVIEW OF STRATEGIC BUSINESS PLANNING PROCESS**

The Strategic Business Planning process for the Port of Newport is consistent with the process recommended in Ports 2010: A New Strategic Business Plan. The Plan was prepared by the Oregon Business Development Department and adopted by the Infrastructure Finance Authority and the Oregon Business Development Commission in May and September, 2010, respectively. The Scope of Work includes preparation of a

Public Outreach Plan, including coordination with the Port’s primary lessees and patrons, and the commercial fishing fleet.

The technical analysis is comprised of five primary tasks:

- *Management and Coordination with the Port staff and Commission.*
- *Data Collection regarding the existing conditions of the Port including management policies and procedures, financial status, and facilities, including International Terminal and the NOAA Marine Operations Center – Pacific (MOC-P).*
- *Draft SBP including a definition of the problems and opportunities, the policy and regulatory context within which the Port operates and proposals and recommendations to guide the future of the Port.*
- *Final SBP including goals, objectives and strategies to guide the management of the port including its financial resources, environmental context and marketing opportunities. And, a Capital Facilities Plan which will address the needs of the Port’s marine facilities, equipment, properties and buildings and utilities.*
- *The fifth task is preparation and implementation of a public Outreach Plan which will assure that all of the Port’s constituents have an opportunity to express their points of view and comments during the planning process.*

The final Strategic Business and Capital Facilities Plans are intended to serve the Port Commission and staff for the next five years.

## VALUES, VISION AND MISSION

### Values Statement

**Values** represent the Port’s most deeply held driving forces, which help us determine our highest priorities. They are the foundation on which we as Port Commissioners and as staff conduct ourselves and perform work for the Port. They serve as our guiding principles -- the motivation for our goals, strategies and actions to accomplish our mission. They clarify who we are as the Port of Newport, articulate what we stand for, and express what we deem as acceptable standards for how the Port of Newport interacts with users, customers, partners, and our own team members.

### Governing Values

Leadership. The Port of Newport accepts **responsibility** for taking the lead role on behalf of the citizens of the Port district in actively pursuing **economic progress**, which we believe means building and maintaining an economically diverse and thriving community that is resilient in its ability to respond positively to changing conditions and circumstances.

Service. Our business is public service – to the commercial and recreational fishing fleets, to the tourist and marine industries, to our lessees and visitors, and to the citizens of the Port District. Our intent is to strive constantly for **quality** in all the services we provide.

Collaboration. We pursue and maintain mutually supportive partnerships with our neighbors, including the private sector and local, state and federal government agencies. In the Port’s experience, the greater Newport community owes a significant part of its success to the foundational belief of governments and citizens alike to work with determination toward common goals in a spirit of mutual respect and cooperation.

Accountability. The Port serves as a steward of public resources. We manage our properties in a responsible manner, and support our personnel – our human resources – through regular feedback and evaluations designed to improve competence and performance.

Sustainability. The Port recognizes that we must manage the resources of the built environment and the natural environment in a manner that does not compromise the ability of future generations to meet their needs. To that end, we will maintain our capital facilities in working order, we will manage the funds entrusted to us wisely, prudently and ethically, and we will maintain policies that guide us in helping nurture a healthy estuary that is the foundation of our working waterfront.

Optimism. We have confidence in the importance of our mission, and in our ability to overcome obstacles, seize opportunities, and pursue our vision through steadfastness of purpose, awareness of our core values, and persistent focus on achievement.

#### Vision Statement

The idea behind a vision statement is to express, more or less in future tense, what we want the Port (and Newport) to be at some future point. Since a mission statement and the Strategic Business Plan itself are typically five-year efforts, the Vision Statement looks a little farther (10 or 20 years) into the future. Our vision expresses what we want to see, what we believe we can accomplish if we stretch our capabilities and aim for the vision.

- Vision: The Port of Newport will serve as the premier Oregon coast port for the commercial fishing fleets, for recreational fishing and tourism, and for ocean observation and marine research support. We will be one of the top two Oregon coast ports for waterborne commerce while protecting and enhancing the beauty and integrity of the natural environment which is the foundation of our working waterfront community.

#### Mission Statement

A Mission Statement defines the Port of Newport’s purpose – what we do and why we do it. The intention of having a mission statement is to give the Port’s public, its customers (and ourselves) a succinct awareness of that purpose.

**Current Mission Statement:** “Promote and support projects and programs in cooperation with other community organizations and businesses, that will create new jobs and increase community economic development.”



**New Mission Statement: “Build and maintain waterfront facilities, and promote/support projects and programs in cooperation with other community organizations and businesses that will retain and create new jobs and increase community economic development.”**

## **PUBLIC PARTICIPATION**

The Strategic Business Planning process was initiated by the Port in August 2012. A press release was provided to the Newport News Times in order to alert the community to the initiation of the Port business planning program.

In September, two Focus Group workshops were conducted to learn the primary stakeholder’s opinions of the port and its future. The 14 participants were organized in to two groups representing the Port’s facilities and development on the north and south side (South Beach) of Yaquina Bay. More specifically, the participants represented port tenants such as commercial fishers, business owners such as the Rogue Brewery, Hatfield Marine Science Center and NOAA MOC-P. The opinions of the stakeholders were presented as Strengths, Weaknesses, Opportunities and Threats (SWOT) to the Port. The senior Port staff and representatives of the Commission also participated in a SWOT session with the consulting Team.

In addition to the workshops, specific telephone and in-person interviews with representatives of the City of Newport, Lincoln County and the Economic Development Alliance of Lincoln County were conducted.

## I. EXECUTIVE SUMMARY

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The Strategic Business Plan is one of two documents. The Port's Capital Facilities Plan is included as a separate document.

### ECONOMIC AND MARKET TRENDS

The national economy is currently expanding at a modest rate, following the most severe recession in the post WWII era. The State and local economies have been performing marginally better, and are expected to continue that trend through the current expansion cycle.

Relative to other areas in Oregon, the economy of the North Coast has performed well by comparison. Combined unemployment in Clatsop, Tillamook, and Lincoln County is currently at 7.0%, significantly below 7.6% at the state and national level. The Port district's economic composition is highly reliant upon fishing, forestry and logging, and tourism. The Port of Newport plays an important role in each of these sectors, as well as the emerging marine and ocean observing research and education sector identified by the City of Newport as a target industry.

### MARKET OPPORTUNITIES

The Port of Newport has a number of key market opportunities, many of which are related to leveraging existing investments. The new Marine Terminal has the potential to serve a broader range of business types over time, providing for the direct accommodation of new businesses as well as supporting the broader economy of Lincoln County and the State of Oregon.

The Port is well positioned to contribute substantively to the regional economy, with major investments in key industries such as fishing, tourism and shipping. The commercial fishing fleet is already a major contributor to the region's economy, but the terminal and improvements to facilities have the potential to expand Newport's share of that industry. The emerging marine science cluster in Newport has future potential, as well as ongoing efforts to promote and expand the tourism sector.

### PLAN OBJECTIVES AND STRATEGIES

The objectives and strategies provide the overall direction of the Port's major programs. The objective is a specific target or milestone the Port wishes to achieve and the strategies describe how you are going to accomplish the objective. There are four major categories of objectives which include: Management, Economic Development, Coordination and the Business Units. The Port is managed by its governance, financing, human resource and environmental policies.

The Port owns and operates five different, yet complementary, types of businesses. These include: Commercial Fishing Fleet facilities and services, a Sport Marina and Recreational Vehicle (RV) Park, vacant available properties and real estate leased to complementary businesses. The Port is completing the rehabilitation of its International Terminal which will provide facilities and equipment to import and export specific commodities. A new NOAA MOC-P facility was dedicated on Newport Bay in the Spring of 2012. The facility provides many new opportunities for the Port in the marine science arena as described further in the plan

## **FACILITIES AND PROPERTY**

The Port's facilities and real estate are divided by Yaquina Bay in to two distinct development areas, namely the North Shore Development Area and the South Beach Development Area.

- North Shore Development Area is Newport's "working waterfront" and comprised of the land and water side improvements between Bay Boulevard and the limits of the commercial fishing docks and the leased water areas. This area is primarily utilized by Commercial fishers and the Distant Water Fleet.

The International Terminal is in the final stages of renovation and is expected to be completed by early 2013. The facility is a multi-use facility serving both the cargo shipping needs and the commercial fishing Distant Water Fleet.

- South Beach Development Area is comprised primarily of facilities designed to service sport and recreation fishers, traveling tourists via RVs and facilities designed to provide a positive experience for active visitors as well as those enjoying the beauty of the Yaquina Bay and its environs.

Completion of the NOAA MOC-P facility brings an expanded vision an opportunity of the potential for Marine Science research to this part of the Oregon coast.

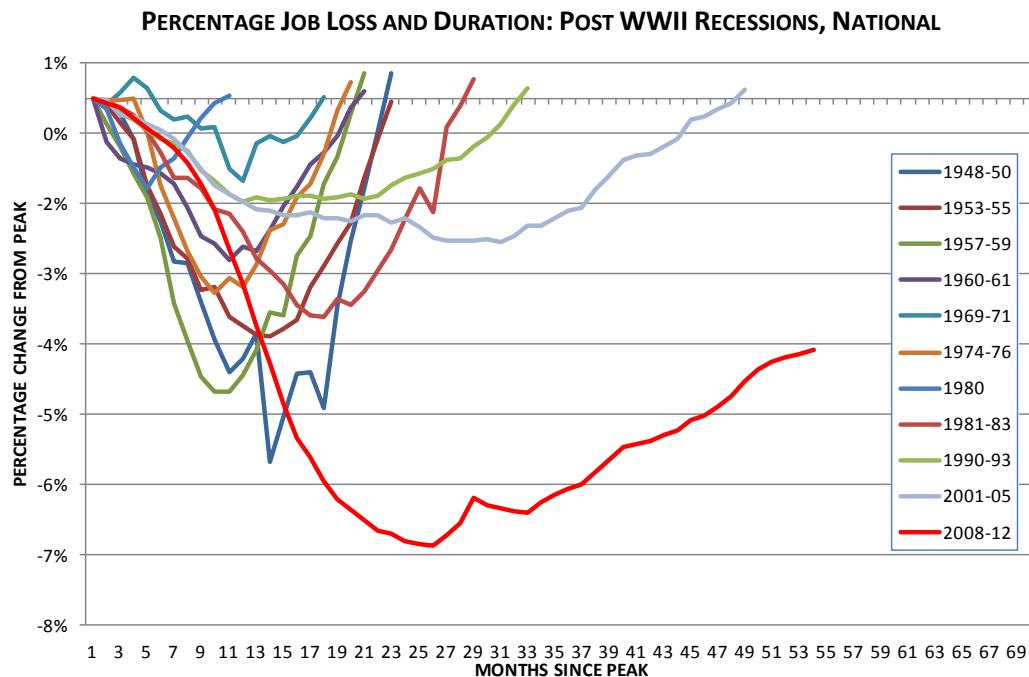
## **CAPITAL FACILITIES PLAN**

The Capital Facilities Plan (CFP) is a separate document and establishes a vision of the Port's facilities and properties. The needed facility improvements, estimated project costs and the scheduling over time of improvement implementation are the essential components of the CFP.

## II. ECONOMIC AND MARKET TRENDS

### A. NATIONAL TRENDS

The National economy appears to be firmly into recovery, although to-date that recovery has been less than robust. In terms of Gross Domestic Product (GDP), the economy has been expanding for over two consecutive years. When the recent recession is compared to other post-WWII recessions, it becomes clear that the downturn is historic in terms of employment losses and duration. Employment is not expected to regain its pre-recession levels until 2014, over six years from the initial employment losses.



On-going uncertainty about the future continues to drive the status quo; specifically the protracted European Debt Crisis, economic deceleration in Asia, and most importantly the clarity of long-term domestic fiscal policy.

From peak to trough, nonfarm payroll employment in the United States fell by over 7.7 million jobs during the "Great Recession". However, the nation's employment situation has begun to slowly improve. In the first half of 2012, non-farm payrolls rose by an average of roughly 200,000 per month in the first quarter and 70,000 per month in the second quarter. The economy has regained nearly 2.8 million jobs and the unemployment rate has fallen back to 7.8%.

Over the longer term, the pace of economic growth is expected to accelerate moderately following 2013. Gradually, idle resource in the economy will begin to be productive, drawing growth higher to 4.3% between 2014 and 2017, and narrowing the production gap by 2018 and growing at the rate of potential (around 2.4%) thereafter.

Payrolls should continue to increase at a moderate pace in the near-term. However, because unemployment had been driven down by lower labor force participation, the unemployment rate will recover at a slower pace.

## **B. STATE AND COUNTY/PORT DISTRICT**

Payroll employment in Oregon has begun to recover from the recent recession. The State has exhibited 26 consecutive months of positive year-over-year job growth while adding nearly 50,000 jobs since post recession low employment. In the long-term, Oregon's economic growth is expected to outpace growth at the national level. Through 2020, the Oregon economy, as measured by employment, is expected to outpace the national average, growing by an estimated 15% compared to 11% nationally. Incomes in Oregon are also expected to be above average, growing at 2.2% annually compared to just 2% at the national level.

Through 2020, the Oregon Office of Economic Analysis forecasts 245,000 new jobs in the Oregon economy. Mirroring national forecasts, a significant share (44%) are expected to fall on Professional and Health Services. Manufacturing and Construction are expected to add over 46,000 jobs in the state while growth in trade and other service categories is expected to be more measured.

### Local Employment Forecast

Relative to other areas in Oregon, the economy of the North Coast has performed well by comparison. The North Coast unemployment rate tracks very closely to the national average, and outperformed the state average coming out of the recession. Combined unemployment in Clatsop, Tillamook, and Lincoln County is currently at 7.0%, significantly below 7.6% at the state and national level. Since the bottom of the business cycle the North Coast economy has added roughly 4,200 jobs. The City of Newport serves as a major economic engine for the County and broader region. In addition to the area's substantial fishing and tourism industry, it also houses UPS and FedEx facilities at the Newport Airport, which provide important links for local businesses.

By mid-2012, the Lincoln County economy had over 16,700 non-farm payroll jobs. An evaluation of the structure of the Lincoln County economy reveals the significance of its tourism and traded-sector industries. (LQ analysis is generally conducted on private sector employment, so government concentrations from Newport's NOAA operation are not present). The following table shows a location quotient analysis of Lincoln County, comparing the employment composition by sector within the County to State and National levels.

Location quotients are a way to readily compare the industrial activity levels among different areas of the country. In general, location quotients are ratios that compare the

concentration of a resource or activity, such as employment, in a defined area to that of a larger area or base. For example, location quotients can be used to compare County employment by industry to that of the nation. When the location quotient is greater than 1.0, the analysis indicates that this sector represents an export or “basic” industry. Basic industries are also commonly referred to as “traded sector” industries. Products and services exported out of the area are the primary means that wealth is added to an area, and as a result, are the primary focus of most economic development efforts.

**Location Quotient Analysis, Lincoln County, Oregon (2011)**

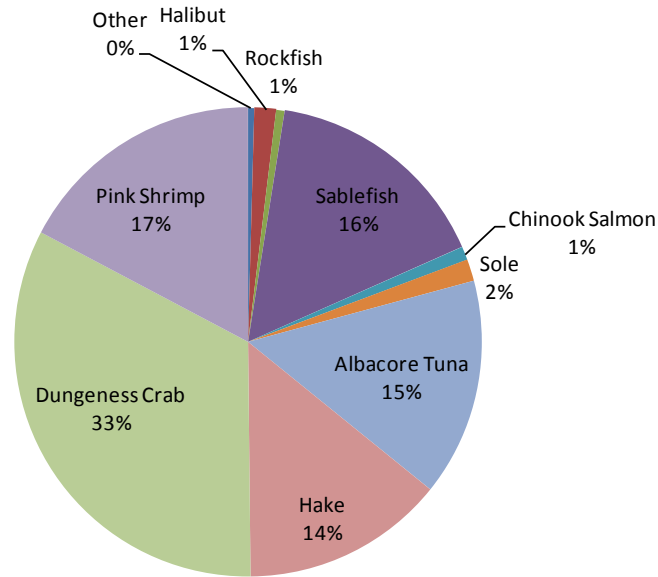
Industry	Employment		Distribution		Location Quotient
	U.S.	Lincoln	U.S.	Lincoln	
<b>Traded Sectors</b>					
114 Fishing, hunting and trapping	8,312	100	0%	1%	98.39
113 Forestry and logging	55,665	111	0%	1%	16.31
311 Food manufacturing	1,454,090	313	1%	2%	1.76
321 Wood product manufacturing	336,235	59	0%	0%	1.43
112 Animal production and aquaculture	230,610	34	0%	0%	1.21
<b>Tourism &amp; Retail</b>					
487 Scenic and sightseeing transportation	27,313	40	0%	0%	11.98
721 Accommodation	1,784,558	1,726	2%	13%	7.91
448 Clothing and clothing accessories stores	1,353,784	521	1%	4%	3.15
453 Miscellaneous store retailers	778,386	211	1%	2%	2.22
445 Food and beverage stores	2,825,284	659	3%	5%	1.91
485 Transit and ground passenger transportation	429,815	99	0%	1%	1.88
722 Food services and drinking places	9,587,402	2,074	9%	16%	1.77
531 Real estate	1,384,500	273	1%	2%	1.61
452 General merchandise stores	3,095,518	454	3%	3%	1.20
<b>Other High LQ Industries</b>					
813 Membership associations and organizations	1,315,466	370	1%	3%	2.30
562 Waste management and remediation services	363,699	92	0%	1%	2.07
237 Heavy and civil engineering construction	820,345	144	1%	1%	1.44
444 Building material and garden supply stores	1,147,148	175	1%	1%	1.25
<b>Other Typical or Lower LQ Industries</b>					
236 Construction of buildings	1,211,690	177	1%	1%	1.19
446 Health and personal care stores	986,124	144	1%	1%	1.19
442 Furniture and home furnishings stores	438,243	62	0%	0%	1.16
447 Gasoline stations	823,620	107	1%	1%	1.06
441 Motor vehicle and parts dealers	1,683,213	210	2%	2%	1.02
451 Sports, hobby, music instrument, book stores	581,603	62	1%	0%	0.87
623 Nursing and residential care facilities	3,162,214	320	3%	2%	0.83
811 Repair and maintenance	1,163,914	112	1%	1%	0.79
238 Specialty trade contractors	3,441,010	329	3%	2%	0.78
515 Broadcasting, except Internet	285,846	26	0%	0%	0.74
443 Electronics and appliance stores	526,699	46	0%	0%	0.71
814 Private households	641,473	56	1%	0%	0.71
522 Credit intermediation and related activities	2,548,004	220	2%	2%	0.71
812 Personal and laundry services	1,287,882	108	1%	1%	0.69
339 Miscellaneous manufacturing	572,591	46	1%	0%	0.66
492 Couriers and messengers	521,240	38	0%	0%	0.60
517 Telecommunications	880,139	63	1%	0%	0.59
561 Administrative and support services	7,347,425	509	7%	4%	0.57

SOURCE: U.S. Bureau of Labor Statistics

The commercial and sport fishing industries are major contributors to the local and regional economy. The commercial fishing fleet at Newport captured over 82 million pounds of fish, crab, squid and clams in 2011, with an estimated value at the fisherman's

level of over \$44 million. The primary contributors in terms of value for commercial fishers were Dungeness crab, shrimp, sablefish (black cod), albacore tuna and hake (pacific whiting).

**VALUE OF 2011 COMMERCIAL LANDINGS**



The commercial fishing industry impacts the local economy through increases in personal income from harvesting and processing, as well as providing support to local industries and businesses. The Newport area also is positively impacted by the distant water fleet, which uses Newport as a home port as well as for repairs and/or provisions.

Sportfishing is also a major contributor to the local and regional economy. The regional economic impact (REI) of saltwater sportfishing on the Oregon Coast from trips in 2010 was estimated at \$822 thousand for salmon and \$3.5 million for bottomfish, halibut, dive and tuna.<sup>1</sup> This estimate includes charter, private boat and bank access to ocean and estuary sites. Not included are expenditures on capital items such as boats, vehicles to pull boats and second homes.

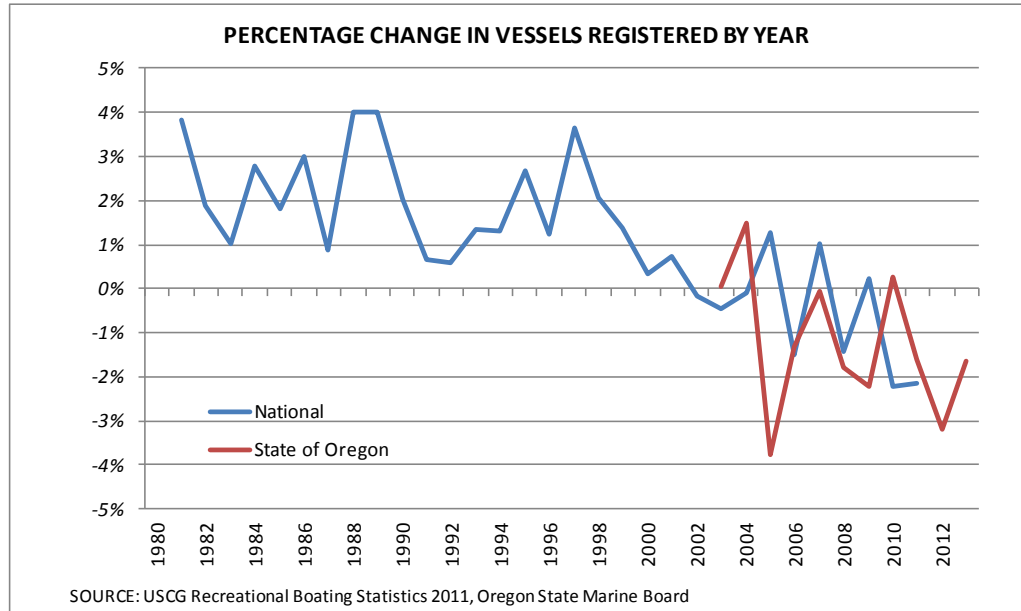
Travel generated expenditures for fishing in Lincoln County were estimated at over \$32 million for fishing and almost \$7.7 million for shell fishing in 2008.<sup>2</sup> Local recreation expenditures accounted for an additional \$3.5 million in activity in the County. Sportfishing contributions included expenditures for overnight lodging, meals and other tourist-related activities.

In addition to the commercial fishing fleet, the Port's operations involve four broad sportfishing market segments: ocean charters; ocean and freshwater private boat

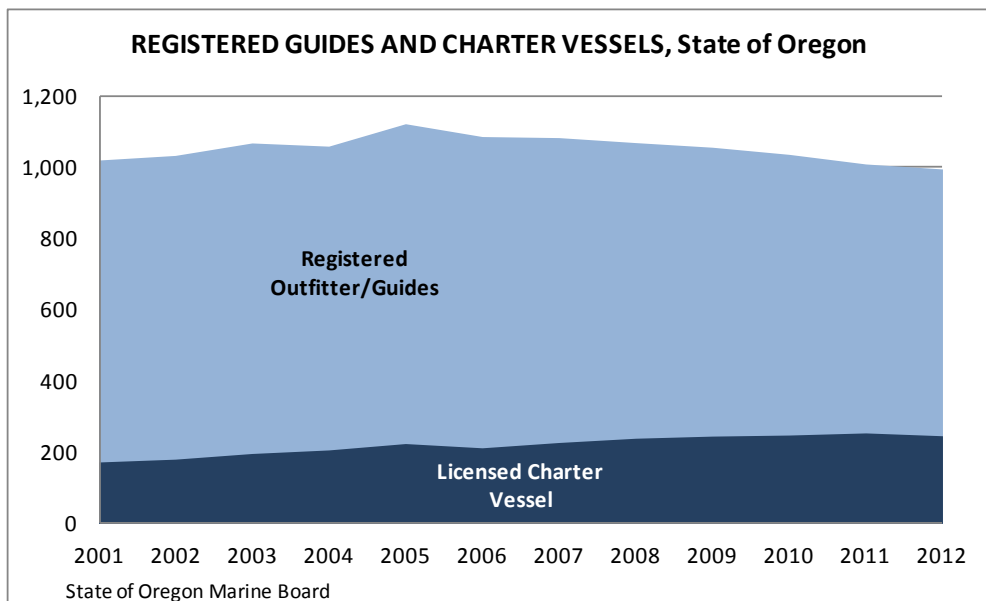
<sup>1</sup> The Research Group, personal communication with TRG December 2012.

<sup>2</sup> Dean Runyan Associates, Fishing, Hunting, Wildlife Viewing, and Shellfishing in Oregon, 2008 State and County Expenditure Estimates, Oregon Department of Fish and Wildlife, Travel Oregon

trailerable; ocean and freshwater private boat moorage; and bank and pier pole and shellfish anglers. Over the last decade, the State of Oregon has seen highly significant decline in the number of boat registrations and use days, both on an absolute and a per capita basis. As shown in the following graphic, this trend is consistent with the national trend.



In the State of Oregon, the number of registered vessels has dropped by 13% over the last decade. The number of new boat titles recorded has dropped by 35% from 2005 through 2012. The decline in boat registrations would be expected to be associated with a decline in moorage and boat launch demand for the Port's sport marina. While moorage fees have decreased at the Port from 2011 through 2012, fees are still above 2009 levels. Launch fees at the Port have declined though from a peak in 2004.





While recreational vessel registrations have declined in the State, the charter industry has shown steady growth over the same period. The Central Oregon Coast accounts for over 22% of fishing guides in the State.

In July 2012, the City of Newport completed a draft of its economic opportunity analysis as a part of its periodic review process. This analysis identified key industries targeted by the city for future growth. Growth is expected to reflect community aspirations and policies facilitating the recruitment, retention, and growth of firms in targeted sectors. Specific sectors included:

- *Marine and Ocean Observing Research and Education*
- *International Commerce*
- *Fishing and Seafood Processing*
- *Tourism*

The Port of Newport has historically played a significant role in the development of all four of these industries, and is expected to be one of the lead agencies in ongoing efforts to support these sectors.

## **C. SUMMARY**

The national economy is currently expanding at a modest rate, following the most severe recession in the post WWII era. The State and local economies have been performing marginally better, and are expected to continue that trend through the current expansion cycle.

The Port district's economic composition is highly reliant upon fishing, forestry and logging, and tourism. The Port of Newport plays important roles in each of these sectors, as well as the emerging marine and ocean observing research and education sector identified by the City of Newport as a target industry. The commercial fishing industry is a major contributor to the vitality of the local economy, and the industry is highly reliant upon Port facilities and services. The recreational fishing fleet, including charters, also plays a significant role in the local and regional economy.

### III. MARKET OPPORTUNITIES

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The Port of Newport has a number of key market opportunities, many of which are related to leveraging existing investments. The new Marine Terminal has the potential to serve a broader range of business types over time, providing for the direct accommodation of new businesses as well as supporting the broader economy of the Oregon Coast and the State of Oregon. The commercial fishing fleet is already a major contributor to the region's economy, but the terminal and improvements to facilities have the potential to expand Newport's share of that industry. The emerging marine science cluster in Newport has future potential, as well as ongoing efforts to promote and expand the tourism sector.

The following is a discussion of future market opportunities for the Port of Newport. There is no prioritization implied by the order of discussion, and the opportunities presented are representative and not comprehensive.

#### A. MARINE TERMINAL

- New Business - The terminal represents a significant investment by the Port, and ongoing efforts should be made to optimize the potential positive impacts of this facility on the local and regional economy. The following is a list of areas of potential opportunity.
  - Import/Export - The facility will expand shipping options for local and regional businesses, and the Port should actively pursue additional users of the facilities. Prospective future users could include value added lumber/forest products, fishing related products and waste paper. Proximity to Asian markets represent an opportunity for greater trade, and recent efforts have been made to broaden the export market for crab to Europe.
  - Development of upland property - Seek opportunities to develop or encourage the development of upland properties with industry that benefits from proximity to the terminal facilities.
  - Commercial fishing fleet expansion - Continue to expand on facilities and services to support the commercial fishing fleet at the terminal.
  - Short sea shipping - Consistent with the import/export opportunity, seek to expand shipping options for the local and regional economy.
  - Marine Science/Research uses - Renewable Energy & Servicing
  - Coordinate with State efforts
- Opportunity to purchase additional property - Strategically look for opportunities to control upland and proximate properties
- Improve the economic performance of the facility to provide for net income generation to support other Port facilities and operations. While the debt service obligations associated with the facility can be serviced through the expected initial tenants, expansion of the use of the facility can provide positive cash flow to support other Port efforts and business units.

## **B. COMMERCIAL/INDUSTRIAL**

- The Port of Newport controls a significant real estate portfolio, including raw sites and improved properties. These are largely concentrated along the bay frontage, and include some of the area's key improvements such as the Hatfield Marine Science Center, the NOAA-MOC-P facility, and the Rogue Brewery properties. The Port has not traditionally served as a property developer, except in limited instances such as the NOAA-MOC-P facility. Port control of properties allows for active land development to support Port objectives, as well as strategic management of those properties. In some cases, this may be associated with limiting development activity if inconsistent with Port objectives.
- The following are seen as areas of market opportunity in terms of its commercial/industrial portfolio.
  - Acquisition of real estate - The Port can acquire additional real estate assets on an opportunistic as well as strategic basis. This should be preceded by a more strategic look at the Port's goals, objectives and future needs.
  - Support for the Ocean Technology Center
  - Storage buildings - These types of real estate improvements are functionally valuable to the commercial and sport fishing fleet, and can also provide for net positive cash flow.
  - Parking - The commercial fishing fleet has consistently expressed a need for additional convenient parking options. This is a functional requirement, and also has the potential to impact the general perception of Newport as a commercial fishing location. Strategic planning to address parking needs should be a precursor to any asset allocation or acquisition strategy.
  - New office space for Port - The Port will require new office space within the next few years. The need for the facility will impact property requirements, but may also serve as an opportunity to leverage the Port as an anchor tenant for a larger development, and/or potentially joint use of spaces such as meeting rooms.
  - In light of the scarcity of available bay front and proximate properties, the Port should evaluate its existing portfolio of properties in a strategic manner. Property uses and disposition should be guided by the Port's goals and policy objectives.

## **C. TOURISM**

The tourism sector is a critical component of the local and regional economy, and the Port's control of much of the waterfront property along the bay make it a major player in the local tourism market. Investments such as the RV Park and sport marina actively and directly support the local tourism industry, while tenants such as Rogue also play a supporting role in tourism generation. The commercial fishing fleet is also seen as a promoter of tourism, both through the availability of fresh local seafood as well as inherent appeal of a working harbor. While much has been done to support the tourism sector, the following are a few market opportunities to expand upon the Port's role in the local tourism sector.

- RV Park - A number of marginal improvements at the Port's RV park can improve the facilities marketability vis-à-vis alternative facilities on the Central Oregon Coast.

- Aesthetic values of the RV Park can be improved
  - Upgrading bathrooms
  - Expanded information technology
  - Increase and improve the facility's web presence
- Sport Marina - The sport marina is a major generator of visitor activity, but could be enhanced over time.
    - Develop dry storage as an amenity and income generator
    - Increase the number of fish cleaning stations
    - Increase coordination and monitoring of ocean charters
- Eco Tourism - The eco tourism sector is a growing industry, and the bay front presents an excellent opportunity to provide facilities and services to promote and support this industry.
    - Kayak launch and storage - enhance and promote non motorized access points.
    - Develop collateral materials promoting eco-tourism. This would include area maps of kayak watch sites, and can be coordinated with the City.
    - Paddle boarding
- Trade Shows/Boat Shows - Program events with strong draws to extend and enhance the shoulder seasons.
- Festivals - In a similar vein, the Port could host events similar to the Oregon Coast Jazz Festival, providing for additional venues.
- Cruise Vessels - While not perceived as a priority at this time, the Port has periodically considered encouraging the docking of cruise vessels.

## **D. OTHER**

The Port has a number of additional market opportunities to further support its goals and objectives, as well as to potentially enhance its financial position. The following is a summary of some key opportunities.

- Commercial Fleet - The commercial fishing fleet is a major contributor to the local and regional economy, and support for the fleet has long been a priority of the Port. The following are some potential future actions related to the commercial fleet.
  - Parking management/Parking district - addressing the parking needs of the fleet will be critical the long term health and potential expansion of the fleet
  - Branding - work with the commercial fleet to evaluate potential branding opportunities for locally caught seafood. Examples of branding efforts may include Alaska's Copper River Salmon and Port Orford's Sustainable Seafood.
  - Collaboration with resource agencies at the State and Federal level
  - Sustainable marine resources
  - Improve customer service/relations
- NOAA MOC-P
  - GSA Vendor Training Programs, to encourage a greater local capture of NOAA expenditures
  - Accommodate expansion as available

- Ongoing Support of the Marine Science Cluster

## IV. PLAN OBJECTIVES AND STRATEGIES

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The following Objectives and Strategies are based on the following resources:

- *The Port of Newport Strategic Business Plan Update – 2008*
- *Two Focus Group sessions comprised of key Port stakeholders*
- *SWOT – Strengths, Weaknesses, Opportunities and Threats Workshop held with the Port of Newport Commissioners and senior staff.*
- *NPPT past experience with the Oregon port industry*
- *Yaquina Bay Ocean Observing Initiative Strategic Framework*
- *International Terminal Renovation Project Economic Analysis*

### A. MANAGEMENT

#### Governance

##### *Objective*

Review existing and adopt new Port Commission policies to provide written guidance for (1) stronger continuing education requirements for members of the Board of Commissioners, and (2) opportunities for staff development.

##### *Strategy*

As part of the Management Plan section of the Strategic Business Plan, review the Special Districts Association of Oregon (SDAO) policy manual. Consider any specific minor modifications appropriate to the circumstances of the Port of Newport, edit and adopt policies similar to the following:

- **Board of Commissioners Education**  
In order to effectively carry out their duties, board members must be adequately informed. As part of these duties, Commission members are encouraged to attend on a continuing basis such conferences and training programs identified as suitable training in order to meet the terms of the Individual Business Agreement between the Port of Newport and the State of Oregon.
- **Staff Training and Development**  
The Port of Newport provides continued education and training for employees to enhance job performance and assist in potential career advancement within the District. The District shall provide such in-service training as deemed necessary and beneficial to the delivery of services and performance of duties.

## Financial Principles

### *Objective*

Maintain Port financial strength and flexibility to strategically and sustainably support the Port's mission.

### *Strategies*

- A. Increases to user fees (boat slips, RV spaces) should be linked to improved facilities in order to remain competitive in the market.
- B. Utilize quality “state of the art” technology to maximize the accounting of Port financial resources and expenditures.
- C. Be alert to potential Port liability issues in the event of loss of life or damages from Charter Boat operations.
- D. Develop regular management reports that break down operating trends and budgeting by a series of relevant business units.
- E. Regular identification and evaluation of risks, including forward looking forecasts.

## Human Resources

### *Objective*

Maintain and enhance Port management, personnel, and service capabilities to ensure the efficient and effective delivery of Port and community services.

### *Strategies*

- A. Provide on-going training of commissioners and staff consistent with the 2010 Statewide Port System Plan template, as listed in the Governance section preceding.
- B. Utilize training videos and other state of the art technology to facilitate training and minimize job absences.
- C. Improve customer service/relations with all tenants, lessees and tourists by utilizing customer relations training.

## Environmental Values and Policies

Declaration of Environmental Values The Port of Newport serves as a steward for Port district resources, which include the facilities and infrastructure of the built environment as well as the land, water and air quality of the natural environment. The Port recognizes that the built environment provides necessary shelter, transportation and employment opportunities for its citizens. The Port also recognizes that proper attention to the quality of the natural environment is essential to maintain a resilient and thriving coastal ecosystem that in turn provides a healthful and attractive setting for living, working and recreating. The Port assumes responsibility for ensuring that its actions will promote a healthful, beneficial and sustainable environment for the enjoyment of its citizens.

Expected Actions during Five-Year plan period Port will adopt the following policies that maintain best management practices in all operations, comply with all applicable environmental laws, utilize up-to-date manuals of procedure, and maintain employee training for responding to environmental emergencies.

### Environmental policies

**Objective:** Adopt best environmental practices available.

**Strategies:** Review and adopt an Environmental Plan component of the Port of Newport Strategic Business Plan that contains at least the following policies:

- A. The Port will strive to prevent new sources of contamination on Port property through best management practices and continued improvement of written standard operating procedures.
- B. The Port of Newport will minimize impacts and seek opportunities to enhance natural resources where appropriate while carrying out Port projects.
- C. The Port will comply fully and promptly with all applicable environmental laws and regulations.
- D. The Port and its subcontractors will maintain in good working order manuals of procedure for responding to environmental emergencies, and will ensure periodic training of staff in such procedures.
- E. The Port will maintain cooperative working relationships with local, state and federal permitting and resource agencies.
- F. The Port will respond in a timely and thorough fashion to inquiries or expressions of concern regarding environmental issues related to Port or tenant activities.

## Capital Facilities Plan

### *Objective:*

Adopt the 2013 Capital Facilities Plan and update the plan on an annual basis. The Capital Facilities Plan is included as a separate document.

## **B. ECONOMIC DEVELOPMENT**

### *Objectives:*

Promote, protect and expand traditional community economic activities and businesses.

Promote and support improvement in the level of local employment, community income and general economic activity.

Develop and market existing Port assets and services, and acquire new assets to enhance local employment and income levels.

### *Strategies*

#### A. Existing Economic Development Activity

1. Promote and support the expansion of community and regional tourism and recreation facilities, programs and activities.
2. Collaborate with the state by “Branding” supportable and sustainable fisheries.

#### B. New Economic Development Opportunities

1. Actively seek additional users for the International Terminal, including an outreach program to local and regional firms with potential inbound and/or outbound shipping needs. Industry targets would include but not be limited to finished lumber and scrap paper.
2. Continue to participate as a partner in Ocean Observation in collaboration with the Hatfield Marine Science Center and NOAA MOC-P.
3. Continue to support the concept of the Ocean Technology Center by coordinating with other public and private players including OSU Sea Grant, ODFW, UW, and private interests. The Center will expand Marine science research such as wave energy and servicing the technology.
4. Extend the tourism shoulder season with continued growth of the Seafood & Wine Festival, Wild Seafood weekend, boat shows, and other activities and events that can occur in the off season.



5. Leverage the new marine facilities to expand the distant water fleet and support “at sea” processing vessels.

#### C. Marine Science

1. Enhance opportunities in marine science for existing businesses on the central coast
2. Attract scientific entities and institutions to invest and work in Newport.
3. Attract new businesses, including high-tech, that will support the new cutting edge work in marine science on the Oregon Coast.
4. Enhance current marine infrastructure to provide safe and efficient work platforms for scientific entities, institutions and the movement of maritime commerce.

### C. COORDINATION

1. Identify, develop and enhance cooperative relationships with public and private organizations that share an interest in economic and community development.
2. Maintain and nurture the current quality relationships with the Corps of Engineers and other city/state/federal agencies
3. Coordinate the Port’s import/export Plan with the state’s collaboration to encourage value added lumber/forest products for export.

### D. BUSINESS UNITS

#### Commercial Fishing Fleet

- A. Provide quality services and facilities to the commercial fishing industry.
- B. Promote and support development and expansion of marine science and fisheries research
- C. Improve the poor condition of slips serving the commercial fleet including: an upgrade and repair to Port Dock 7, Hoist Dock and approach to Dock 5, prepare dredging plan for commercial moorages and upgrading utilities in and around existing slips.
- D. Prepare a Maintenance Plan, identify and budget adequate funds, and prepare a maintenance schedule for the Maintenance Team to implement the plan.

- E. Enhance and maintain Newport’s services to the Distant Water Fleet, such as Foul Weather Trawl.
- F. Encourage the members of the Parking Management District to participate in a Master Planning effort for the Port’s properties on the north side. The Plan would not only address parking and circulation but also benefit new gear storage and a new port office location.
- G. When adding new or replacing major existing sections of piers and floating docks, consider adding meters to determine individual electrical and water usage, subject to an analysis that the likely benefits of lowered utility costs exceed the amortized cost of meter installation.

Sport Marina and RV Park

Prepare a Master Plan for the South Beach area that will include for example: additional fish cleaning stations, dry storage for recreational boaters, improved restrooms, an access point for non-motorized boats and recommendations for short/long term development of under-utilized or vacant parcels, and a utility metering system for individual marina spaces.

Real Estate

- A. Monitor opportunities to purchase additional land areas for new and/or expanding uses that are compatible with the theme of the development on the north and south, in order to address the lack of sufficient developable real estate for existing and new businesses and parking on the North side and very limited opportunities at South Beach
- B. Utilize existing available properties prudently by either maximizing income or fulfilling public policy objectives.
- C. Periodically review gear storage areas for illegal or outdated gear so as to free new space for storage.
- D. Be alert to the possibilities of expansion by NOAA MOC-P, ocean observation, marine science and marine technology industries by reserving adjacent land and shoreline areas to capture such opportunities.

International Terminal

- A. Maintain and promote an appropriate level of ocean terminal services and facilities.
- B. Maximize International Terminal cargo opportunities such as finished lumber, development of upland area, cruise ships (in time), coordination with GP at Toledo, etc.

NOAA MOC-P

- A. Explore the potential to draw in related service businesses and support local businesses with the GSA’s Vendor Training Program

## V. FACILITIES AND PROPERTY

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The following is a summary of the Port's facilities on Yaquina Bay. The facilities are separated by the Bay and occur on the north and south shorelines. For the purposes of this report, the areas that are developed and managed by the Port of Newport are referenced as:

- *North Shore Development Area and,*
- *South Beach Development Area*

### **NORTH SHORE DEVELOPMENT AREA**

The **North Shore Development Area** comprises water-side and land-side development areas as well as Port-owned equipment:

The 214-slip marina is utilized primarily by Commercial fishers and the Distant Water fleet. In addition to Docks 1, 3, 5 and 7, Swede's Dock provides over 240 feet of floating moorage for boat maintenance, and the 220-foot fixed moorage contains four hoists of varying capacities, enabling large and small vessels to perform gear changes, off-loading fish product and other maintenance and repair work. Land-side improvements include paved parking and gear storage areas at Dock 7 and leases to Englund Marine and the Yaquina Bay Yacht Club. The Port's temporary main office is located in this area as well as a vacated building which has served as the Port office in the past. The Port's operations building which houses the forklifts used for the commercial fleet and maintenance shops for that area are located near the hoist dock. There is also a Restroom and Oil Reclamation Building for use by the Port's moorage tenants. The Port also leases office space to the federal Bureau of Customs and Border Protection (known as the US Customs Service until combined into the U.S. Department of Homeland Security in 2003).

There are 60 paved parking spaces serving Dock 7 and the port offices. Twenty three spaces are adjacent to the Englund Marine retail outlet and three spaces have been delineated at International Terminal.

The Port owns and operates several pieces of equipment used in day-to-day operations and maintenance of Port Facilities. Much of the portable equipment is used at all the Port facilities (North Shore and South Beach) and some is assigned to specific locations. Port-owned vehicles and Port equipment include:

- *Tugboat 34' long and 200 horsepower engine*
- *Boston Whaler outboard motor boat, 90 hp engine*
- *GROVE RT530E 30 ton mobile crane*
- *Five forklifts ranging in lifting capability from 2 ½ tons to 25 tons.*
- *Five Dock Hoists – Four are at the commercial fleet moorage facilities and one is at the international terminal ranging in lifting capability from one to five tons.*
- *Seven Pick-Up trucks ranging from ½ Ton to 2 1/2 tons.*

International Terminal is in the final stages of renovation and is expected to be completed by early 2013. This facility is a multi-use facility serving both the cargo shipping needs and the commercial fishing Distant Water Fleet. The terminal will provide 610 linear feet of berthing for deep draft vessels and barges serving the West Coast and Hawaii as well as small ships serving the Pacific, as well as providing space for the Distant Water Fleet when cargo vessels are not in port. There is also an additional 400 feet of berthing for the fishing industry vessels at the east berth. The Terminal is a 17 acre facility.

## **SOUTH BEACH DEVELOPMENT AREA**

The South Beach Development Area is comprised of the following primary uses:

- *Major recreational (sport) marina made up of 527 slips.*
- *Three Recreational Vehicle Parks (RV) offering a total of up to 224 spaces.*
- *A Marine Operations Center – Pacific (NOAA MOC-P) facility.*
- *A distillery, restaurant, and other smaller retail uses serving Sport and Commercial fishers and visitors.*
- *643 parking spaces in six different locations serving the multi-use South Beach area, exclusive of the 178 spaces that are integral to the MOC-P facility.*
- *Hatfield Marine Science Center of Oregon State University*

The **Sport Marina** has slips ranging in size from 24 to 48 feet in length. Larger vessels can be accommodated at linear tie-ups. The marina has a full multi-lane boat ramp and pay station, transient dock, serviced fuel dock, fresh water hook-ups, a sanitary pump out station and shore power. The other facilities associated with the Marina include:

- *Marina Store and RV Office, Laundry and Activity Center*
- *Public Pier*

### Recreation Vehicle (RV) Parks

The Port has three separate areas at the South Beach facility providing space for recreational vehicles; two are fully serviced and the other has no services (except as noted below). The most recent rate increases for the Port's RV parks was in the years 2008, 2009 and 2010. The Port decided it would be prudent to forego rate increases in 2011 and 2012, based on comments received from potential customers and on general economic conditions.

**Marina RV Park.** This is the largest facility, containing a total of 92 fully-serviced spaces. Services include water, sewer, TV and electrical hook-ups, with a choice of 30-amp or 50-amp service available. All spaces and roadways are paved. Pricing for these sites is \$2/night higher than others because of the location and market demand, although the Port offers the Good Sam Club 10% discount for these sites also. The registration office is located at the Marina RV Park; the building includes an activity center (seating capacity = 70 persons) that is available for reservation by groups and the general public. Laundry, shower and restroom facilities are also available at this building. Although site sizes vary to some extent, the Marina RV Park generally contains the largest and most sought-after sites:

- 45 sites are pull-through, about 62 feet long and 16-18 feet wide;
- 11 sites are pull in, roughly 45-50 in length but wider at 22-25 feet;
- 11 sites are front-view/back-in, about 34 feet long and 24 feet wide, but units up to 40 feet can locate there and overhang the space, depending on the RV's configuration;
- 13 sites are other back-ins; these are usually perimeter sites, some near the laundry;
- 12 sites are shorter pull-in/back-out, generally 35 feet long and 23 feet wide.

**RV Park Annex.** This 52-space park is located south of OSU Drive, across the street from the Oregon Coast Aquarium, and is separated from the view of the Marina by the Rogue Brewery parking area and the Dry Camp RV park. The Park can accommodate RVs up to 50 feet in length in some sites. The park has no asphalt paving, but all pads are graveled. All sites are fully serviced (water, sewer, TV and power); a few sites have 50-amp service but most have 30-amp only. All sites are priced the same, and all are back-in (no pull-through). Length and width vary; generally, length of sites is 30-36 feet (some are 25-27 feet) and some are 25-30 feet wide. Users have access to restroom and shower facilities.

**Dry Camp.** This park has no services except for one public dump station; users have access to the coin-operated laundry facilities. Its lower pricing makes it more popular with some campers, especially during the Independence Day holiday period and during the Wine and Seafood Festival in late February. Site capacity depends upon the size of vehicles and the method of parking, but is probably no greater than 80 RVs.

There are a total of 643 parking spaces at South Beach. These are located adjacent to specific uses. For example, 139 spaces are available to the Rogue Ale Brewery and House of Spirits, 102 spaces to the Dry camping area, 86 to the marina store and 304 for Boat trailer parking and Boat Ramp.

#### NOAA MOC-P Facilities

The MOC-P facility is located on the north shore of the Port's South Beach development area. On the land side, the facility is comprised of five (5) buildings including:

- Office Building, Warehouse, Guard Building
- Generator Building and HAZ-MAT Storage Building

On the Bay front is 1,300 linear feet of dock designed to accommodate NOAA's fleet of ships. There is also a 224 foot dock for smaller boats. The parking areas accommodate 178 vehicles.

#### Service Facilities

There are a variety of facilities that provide services to the Port's Multi-Use South Beach development, all associated with the marina, RV parks, recreation and minor retail outlets. These include:

- Six public restrooms, three fish cleaning stations, three picnic areas, four information kiosks, and miscellaneous minor facilities such as a boat washdown, diver shower, and fishing pier.

## VII. CONSISTENCY WITH STATE AND REGIONAL PLANS

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### A. PORTS 2010 – A NEW STRATEGIC BUSINESS PLAN

The Oregon Business Development Commission (OBDC) recently adopted “*Ports 2010: A New Strategic Business Plan for Oregon’s Statewide Port System.*” The purpose of the Oregon Statewide Port Strategic Plan is to: “Define the State of Oregon’s future role, interest and investment in the statewide port system based on a realistic assessment of port markets, and economic and business development opportunities.” Building on past planning efforts and lessons learned, the ports’ current situations and their future outlook, the state’s strategic plan provides a set of recommendations and implementation strategies intended to create a successful business relationship between Oregon’s state government and all of Oregon’s ports.

The state’s goals include:

- *Improve state support and funding for ports to identify and grow their existing business lines.*
- *Identify strategies for Oregon’s ports to tap into emerging markets and respond quickly to new opportunities.*
- *Organize the state’s programs to facilitate the success of Oregon ports.*
- *Provide education, outreach, training, advocacy and support for ports.*
- *Provide financing programs and investment strategies to improve the ports’ ability to pursue existing business lines and net markets.*

The plan also includes a template which is intended to serve as a guide to ports for their Strategic Business Plans. The Port of Newport’s Strategic Business Plan has been designed to comply with the state’s template.

### B. STATEWIDE PLANNING GOALS AND POLICIES

Since 1973, Oregon has maintained a strong statewide program for land use planning. The foundation of the program is a set of 19 statewide planning goals. The goals express the state’s policies on land use and on related topics such as natural resources, economic development and transportation. The goals are mandatory and have been adopted as Oregon Administrative Rules (OAR) Chapter 660. Cities and Counties are responsible for complying with Chapter 660 by assuring that their Comprehensive Plans and Development Ordinances fulfill the requirements of the OAR for each Goal.

The Port’s responsibility is to coordinate the improvement of its facilities and long range plans with the general purpose government. In some communities, ports have an excellent working relationship with the cities and counties and in others, productive cooperation is often not achieved. As noted later within this section, the relationship between the Port and City of Newport is considered to be excellent.

The Statewide Planning Goals that provide a framework for Port programs in the Newport area especially include:

1. Goal 9 - Economic Development: *To provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare, and prosperity of Oregon's citizens.*

The Oregon Administrative Rule Chap.660.009.0000 DIV.9 Economic Development was amended in 2008 and specifies the requirements for complying with the goal. Cities and counties are required to assess the national, state and local trends and inventory their commercial and industrial zoned lands. Based on an assessment of future economic opportunities, the jurisdiction must identify and plan for the number and types of sites that will be required to accommodate the need.

The Goal 9 planning process is an opportunity for a port to incorporate its vision into various cities' and the county's Comprehensive Plans. By coordinating the port's long range plans with the city and county, future regulatory issues related to commercial and industrial development, have an improved standing with the state and federal agencies. The Department of Land Conservation and Development has been very aggressive in the past two to five years in providing funds to communities to update this section of their Comprehensive Plans.

2. Goal 12 – Transportation: *To provide and encourage a safe, convenient and economic transportation system.*

Goal 12 refers to “transportation” as the movement of people and goods. The Oregon Administrative Rule Chap.660-012-0000 Division 12 Transportation Planning (filed in August 2002) is directed at all modes including port facilities, airports, railroads and regional pipelines. The rule requires jurisdictions to prepare Transportation Systems Plans (TSPs) that are composed of transportation system planning and transportation project development.

3. Goal 16 – Estuarine Resources: *To recognize and protect the unique environmental, economic, and social values of each estuary and associated wetlands; and To protect, maintain, where appropriate develop, and where appropriate restore the long-term environmental, economic, and social values, diversity and benefits of Oregon's estuaries.*

The Yaquina Bay component of the Lincoln County Estuary Management Plan identifies specific management units based on inventories and characteristics that describe whether the unit shall be managed for natural, conservation or development uses. Where uses are needed that would not otherwise be allowed (such as the outfall and storm drainage for the South Beach development area emptying into a “natural” management unit), a formal public process known as a “goal exception” must be undertaken (and was during the plan's adoption phase) to justify what would otherwise be a conflict with the goal.

4. Goal 17 – Coastal Shorelands: *To conserve, protect, where appropriate, develop and where appropriate restore the resources and benefits of all coastal shorelands, recognizing their value for protection and maintenance of water quality, fish and wildlife habitat, water-dependent uses, economic resources and recreation and aesthetics. The management of these shoreland areas shall be compatible with the characteristics of the adjacent coastal waters; and To reduce the hazard to human life*

*and property, and the adverse effects upon water quality and fish and wildlife habitat, resulting from the use and enjoyment of Oregon's coastal shorelands.*

As with estuarine areas, coastal shorelands within Yaquina Bay are divided into various management units, each based on the underlying characteristics of the area, and with management objectives and policies tailored to the type of unit (natural, conservation or development). As noted in the next section, the Port of Newport's developable property is appropriately designated and protected for development.

## **C. CITY AND COUNTY POLICIES AND PLANS**

The Port of Newport's land and waterside holdings occur almost entirely within the incorporated limits of the City of Newport, meaning that it is primarily City (and to some limited extent County) plans and policies that may affect the Port's ease of conducting business. For purposes of expediency, this review will focus on policies and plans within those two jurisdictions.

- 1. Lincoln County.** The County's Comprehensive Plan does not specifically address the Port of Newport. Section 1.0135, "Economic Policies", includes policies which require the County to "work with port districts..." to "establish clear and concise long range goals" (Policy #8) and "to promote commerce and industry" (Policy #9). The Lincoln County Estuary Management Plan (LCEMP) provides the basis for management of shorelands and estuarine areas, including the properties and location of the Port of Newport, identified in the LCEMP as "Newport Sub-area". The LCEMP has not been through periodic review for a significant time period since its adoption in 1982, but the Plan contains clear requirements that all local governments, including the Port of Newport, will be partners in its update. Part V "Estuarine Use Standards" set forth requirements dealing with structures, dredging, shoreline stabilization, fill, marina and port facilities, dredged material disposal and other activities that affect the Port of Newport's planning and operations.
- 2. City of Newport.** The Port of Newport's major landholdings and waterside development are situated entirely within the incorporated limits of the City of Newport. As such, the City's Comprehensive Plan – which also subsumes relevant portions of the Yaquina Bay portions of the Lincoln County Estuary Management Plan – deals specifically with Port of Newport issues on many levels. In the interests of brevity and focus, the following specific sections are noted:
  - a. Chapter 5d, "Water Transportation" section of the Transportation chapter, is relatively short in scope; the relevant portion is Table 9 listing needed capital facilities projects for the Port of Newport at the time of preparation of the plan (two decades prior to this Port Strategic Business Plan).
  - b. Chapter 5g, "Port Facilities", is a seven-page section that describes the Port's existing facilities, their various conditions, recommended improvements and priorities, although the data in the Plan dates to a CH2M Hill, Inc. report of 1989, "Update of Port Element of Comprehensive Plan".



- c. Chapter 7, “Yaquina Bay and Estuary Section”, comprises three parts that each apply to the Port of Newport: it describes the inventory of resources and uses (pulled from the Estuary Management Plan), identifies individual management units with Yaquina Bay and assigns specific management objectives as well as permitted and proscribed uses within each management unit. To summarize the portions most relevant to the Port of Newport:
  - The relevant management units for Port of Newport operations are especially Unit #4 (the federal navigation channel and turning basin), Unit #5 (the North Shore to McLean Point) and Unit #7, (South Beach).
  - This section also includes two goal exceptions, the second of which is for storm water drainage and outfall for the portion of South Beach that naturally drains into Management Unit 9-A (which would otherwise have been prohibited based on the characteristics and management objectives of Unit #9 when LCDC goal #16 is applied).
  - This chapter includes a “Port Development Plan” that is a summary of the previously described 1989 report prepared by CH2M Hill, Inc., identifying “Industry Demands”, “Potential Development of Bay Front Areas”, and “Development Restrictions” (essentially limited funding and environmental regulations).
  - Chapter 7 sets forth a goal (“To recognize and balance the unique economic, social, and environmental values of the Yaquina Bay Estuary”) and fifteen policies to implement the goal. Of the fifteen policies, at least the first twelve involve or impact the Port directly, although the Port of Newport is mentioned by name only once (Policy #6, “Protection of Mitigation Sites”) and “Implementation Measure #3” under Policy #15, “Temporary Alterations in Natural and Conservation Management Units”.
  - Implementation Measure #3 states “The Port of Newport and the city shall cooperate in the implementation of the Port Development Plan (dated July of 1989) or any other plan adopted by the port and consistent with the city's Comprehensive Plan”.

**3. Assessment.** Part of the State of Oregon’s requirement for conducting a strategic business plan is to “characterize the working relationship of the port with the county, local cities and special districts.” Based on results of focus group meetings held as part of the process to develop this Strategic Business Plan, and especially a telephone interview with the Newport Community Development Director, it is appropriate to characterize the working relationships involving the Port of Newport as “excellent”, primarily through the proactive collaboration and attitude of the Port General Manager. In particular, staff noted that the Port and the City communicate regularly on a range of issues, and that the Port typically contacts the City early on issues. Specific City coordination issues elicited from the interview (some of which also were noted at the focus group meetings) include:

- The City and the Port both own waterfront property, and they have a common interest in how they each manage their properties.

- Likely the most important coordination issue for the City is how the City's investment in new infrastructure is tied to the Port's needs and plans. That is, the City bases some of its investments in (for example) sewer-line and water-line extensions on the Port's plans and proposed projects. The City wants to ensure that the Port actively pursues its proposed projects to fruition to help justify the City's advance investment, especially regarding the "marine related footprint".
- The Port is seen as active in local environmental issues to the extent that it involves the Port's interest; the Port is seen as interested in and serious about mitigation, such as their planting of eelgrass.
- Public perception of the Port's environmental values, policies and practices has improved slightly based on improving values at the Port.
- The Port should continue active discussions with the City of Newport regarding the future of the Newport Municipal Airport and the Port's role.
- The public would probably accept seeing the port consider large vacant industrial property holdings with the idea of purchase.
- The City recognizes that its plan components regarding port facilities are dated, and expects to incorporate especially the capital facilities planning components into future updates of the City's Comprehensive Plan.

## APPENDIX A EXISTING CONDITIONS ASSESSMENT

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### A. POLICIES AND PROCEDURES

1. **Port Commission.** The Port is in the process of updating its policy document entitled “Commission Duties and Responsibilities” adopted in May, 1993. The policy document clearly specifies the Port Commission’s policy-making role and line of overall authority, and delegates administrative functions to its General Manager. The policy document thoroughly covers matters appropriate to the proper functioning of the Port of Newport, particularly the authority and limitations of the Port Commission, and sets forth clear rules for the conduct of a Port Commissioner.
2. **General Administration.** The Port’s principal administrative document, published in booklet form as “Ordinance No. 1 – 1991” is under revision by Port staff. Completion of a draft for Port Commission review is expected before the end of the current fiscal year. Ordinance No. 1 was adopted January 22, 1991, and modified March 23, 1993 by Ordinance No. 2 – 1993 (relating to delinquent accounts and to the Port’s ability to secure a vessel or property without prior notice to the owner). The document provides clear, published rules and regulations for moorage and harbor services, operation of harbor facilities, and rules and fee schedules specific to South Beach Marina and to the RV Park. The Port utilizes the availability and expertise of Special District Association of Oregon (SDAO); SDAO annually does risk evaluations of operations and provides a written report to the Port. The central office is in the process of ensuring that it has a copy (physical or on computer) of every facilities written procedures, although that process is not yet at completion.
3. **Finance and Personnel.** The Director of Finance also serves as the personnel officer and maintains an extensive set of policies on the full range of accounting procedures (such as accounts payable and receivable, payroll, internal controls, records retention and others), public finance and contracting, and personnel procedures. Most of these policies are housed in computer files rather than print form.
4. **Port Facilities.** Each of the Port’s major public facilities has standard operating procedures for safe equipment operation, even down to details of the kind of clothing that should be worn for each kind of equipment (for example, use of a chain saw versus a drill press). Each facility maintains a spill response plan; the central office has a copy of all such plans. The Port is preparing an overall “Emergency Response Plan”, to include items such as evacuation procedures in public emergencies; a final draft is currently being reviewed by the Port Commission. This document is scheduled to be finalized by the end of 2012. Each facility provides a representative to the Port’s Safety Committee, which meets monthly.
5. **Assessment.** Although the Port does not maintain one single overarching “policy document”, (a) the Port Commission by rule and by practice appears to understand its role as policy maker; (b) staff maintains a variety of policy documents and appears to utilize them as a means of implementing Port Commission direction; and (c) the Port is moving toward having one centralized site that will have a copy of all policies and procedures. One area where the Port would benefit from additional

clarity in policy form is Port Commissioner training and staff development. The Port Commission's "Duties and Responsibilities" document mentions Commissioner training, but it is passive rather than directive, leaving training up to the volition of each particular Commissioner. Although there is sentiment in favor of staff development, there is no clear policy supporting it, no description of the circumstances and extent to which it could be accomplished, nor any identification as to how it could be funded.

## **B. OPERATIONS**

### General Comments.

1. **Maintenance.** Maintenance workers are out in the elements all day, every day, regardless of the weather; maintenance workers and working facility managers account for twelve employees out of a total port staff of twenty personnel. Port staff maintains all leased buildings (such as roofs and windows); contracted labor has been increased over the last 10 years to the point that it is now estimated by staff to be approximately 40% in the categories of landscaping, painting and janitorial. The Port developed a "Facilities Maintenance Plan – Draft" detailing major assets for each facility, the various maintenance projects needed, and estimated costs, but the document has not been updated since Fiscal Year 2007/2008.
2. **Management and Administration.** The General Manager has five direct reports, including the Director of Finance, Administrative Assistant, Special Projects Manager, NOAA MOC-P facility, and Project Manager/Engineer Technician (to whom the two harbormasters and the International Terminal Manager report). Typical of other similar sized ports, some members of the staff move to the busier facility (South Beach Marina) part of the week during the summer season. The Director of Finance also splits his time at each of the marina facilities to provide increased staff coverage and assistance.
3. **Commercial Fishing Facilities and Services.** The Port of Newport utilizes separate harbormasters for each of their two marina facilities. Normally, the Commercial Marina complex includes four other maintenance staff plus the harbormaster. Maintenance employees are moved to other facilities when a project or seasonal demand requires it; for example, one of the Commercial Marina maintenance employees is temporarily assigned to South Beach to help complete repairs to G Dock. Typical routine maintenance includes repairs to water lines, electrical lines, cleats, and pump-aheads, plus staying current with dumpsters and bathroom cleaning and similar tasks. However, as much as 75% of staff time is estimated to be devoted to running the hoists and fork lift equipment for the fishing community. The Port charges an hourly tie-up fee for boats at the hoist dock, and charges \$42.50/hour for fork lift use (more for crane work). Staff performs monthly (or more frequent) inspections of the crab pot and gear storage area to ensure compliance with storage and fee revenue requirements.

Major upcoming projects requiring substantial staff time includes maintenance dredging as well as dock repair/replacement. (The Port has removed several hundred feet of dock footage over the last few years because of significant

deterioration of steel piling.) Port staff would not perform the dredging, but would likely be required to move finger docks out of the dredge's way, and would also perform much of the dock repair, except for pile-driving.

Most Port administrative activities are housed at the Commercial Marina offices. This office receives fewer customer service requests at the office than the South Beach facility, although maintenance staff members are frequently in customer contact throughout the facility. The Port recently began, in cooperation with the Hatfield Marine Science Center (HMSC) and OSU Sea Grant, a "Working Waterfront" docents program using uniformed volunteers who help answer many tourists' questions about operations and usage at the Port's facilities. The program is not only popular with tourists but also enables staff (and commercial fishers) to share the use of the Port Dock One facility with preference to the commercial fishing industry

4. **RV Facilities and Sports Marina at South Beach.** Facility staff housed at the RV Facility office includes an office manager, full-time clerk, and part-time clerk, plus the Director of Finance splits his time between the North and South facilities as needed. Maintenance staff normally comprises the harbormaster plus three full-time maintenance staff, supplemented in the busy summer season with temporary help. Port employees are currently rebuilding G-Dock so that it can be reopened for customers. G-dock work by staff includes replacing utilities and walers, and reattaching finger docks. In order to complete the work, Port staff devotes three days of activity per week to G-Dock; this project takes time away from other routine maintenance activities, which include cleaning/emptying dumpster, fish dumpster, fish cleaning and filleting stations, and laundry facilities (two separate locations in the Marina). Customer service calls may account for less than 5% of weekly activity, depending on the season. Most of the customers contact the office with their requests, where the maintenance need is entered into a log book that is checked daily by maintenance staff. Some activities are performed by private firms. For example, a janitorial service cleans the restrooms, major landscaping services are typically hired once per year for vegetation spraying and removal, and the Port's fuel facility is leased and run by private operators.
5. **International Terminal.** The Terminal Facility Supervisor does the crane work on site, servicing the commercial fishing fleet, including responsibility for berthing of vessels tying to the dock. When the Distant Water Fleet is in, the manager may spend as much as 90% of his time on the crane, assisting for example with gear removal and change; the Supervisor also operates forklifts and other equipment to provide service to the fleet with storage and other needs, and is responsible for maintenance of facilities and equipment. When Terminal renovations are completed, duties will include working with the Stevedores, Longshoremen and major lessees at the Terminal to facilitate safe and effective handling of cargo.
6. **NOAA MOC-P Facility.** This facility has a separate full-time manager. The agreement between NOAA and the Port specifies that the Facility Manager will conduct frequent inspections of major components, such as HVAC system, emergency generators, and docks to maintain full functionality. Maintenance

includes both physical actions (for example, janitorial) and also preventative maintenance through scheduled inspections. The manager utilizes a software program to assist in keeping track of scheduled maintenance and monitoring activities at the facility. The facility manager is also the lead at the Port to initiate and implement use of a software program of similar capability to establish software database maintenance schedules for all Port assets and facilities.

#### Assessment.

1. Staffing structure. Operations in a heavily utilized harbor require constant staff attention to routine and preventive maintenance, both for user safety and for “maintaining” revenue flows. The Port’s prime location near the salt air environment of the ocean simply hastens the deterioration and maintenance needs of fixtures and equipment. Most of the Port’s staffing structure appears properly weighted toward physical operations and maintenance; this includes not just the maintenance crews and their working supervisors, but also the accounting staff that also serves heavy customer demands at the two marina facilities. Port management mobilizes staff from one Port facility toward another, as needed. The Port also focuses on operational safety for users, removing (for example) several sections of Commercial Marina docks because of deteriorated steel pilings.
2. Facility cost versus revenue issues. Dock sections removed for safety reasons represent lost revenue opportunities, assuming that new revenues would amortize replacement costs over a reasonable time period. There are, however, no funds budgeted or identified to acquire the needed dock materials and piling and to pay for pile driving services. Later sections of this Strategic Business Plan will indicate whether revenues from the commercial marina have kept pace with commercial marina costs. It appears from existing Port documents that South Beach Marina rate increases have significantly outpaced rate increases for the Commercial marina and its operational costs.
3. Priorities and Focus. The Capital Facilities Plan process now underway will help the Port identify and prioritize longer term capital replacement items such as deteriorated steel piling. In the meantime, the priority of maintenance staff activities has been to focus on the reconstruction of the docks at South Beach, and to maintain services to the commercial fishing fleet. Over the past several years, Port administration and Commission has sharply focused on the successful completion of two major projects, the NOAA MOC-P facility and International Terminal. These projects not only will provide a dynamic boost to the Newport economy but have also garnered positive state-wide attention to the community of Newport, in no small part because of the Port’s ability to garner significant community and state-wide financial support. Now that one project is complete and the other nearly so, the Port can utilize the Strategic Business Plan process underway to refocus its efforts on the noted maintenance and revenue issues.

## APPENDIX B DETAIL OF FINANCIAL CONDITION

The Port of Newport's financial profile has changed significantly over the last few years, as major capital improvements such as the NOAA MOC-P and International Terminal have boosted capital assets as well as long term liabilities through bond issuance. The Port's total net assets at the end of the 2011 Fiscal Year was just over \$49.3 million, reflecting assets of \$95.5 million and liabilities of \$46.2 million.

### SUMMARY OF NET ASSETS AT END OF FISCAL YEAR (Thousands)

	Port-Wide			Net Change		
	2009	2010	2011	09-10	10-11	09-11
<b>ASSETS</b>						
Cash and Investments	\$9,492	\$22,482	\$18,272	\$12,990	(\$4,210)	\$8,780
Other Assets	\$447	\$466	\$1,409	\$19	\$943	\$962
Capital Assets	\$12,336	\$38,999	\$75,837	\$26,663	\$36,838	\$63,501
<b>Total Assets</b>	<b>\$22,275</b>	<b>\$61,947</b>	<b>\$95,518</b>	<b>\$39,672</b>	<b>\$33,571</b>	<b>\$73,243</b>
<b>LIABILITIES</b>						
Current Liabilities	\$1,105	\$15,148	\$3,338	\$14,043	(\$11,810)	\$2,233
Long-Term Liabilities	\$13,271	\$12,819	\$42,826	(\$452)	\$30,007	\$29,555
<b>Total Liabilities</b>	<b>\$14,376</b>	<b>\$27,967</b>	<b>\$46,164</b>	<b>\$13,591</b>	<b>\$18,197</b>	<b>\$31,788</b>
<b>NET ASSETS</b>						
Invested in Capital Assets <i>Net of Related Debt</i>	\$6,489	\$29,760	\$43,475	\$23,271	\$13,715	\$36,986
Restricted	\$390	\$2,978	\$2,242	\$2,588	(\$736)	\$1,852
Unrestricted	\$1,020	\$1,242	\$3,637	\$222	\$2,395	\$2,617
<b>Total Net Assets</b>	<b>\$7,899</b>	<b>\$33,980</b>	<b>\$49,354</b>	<b>\$26,081</b>	<b>\$15,374</b>	<b>\$41,455</b>

SOURCE: Audited Financial Statements, Fiscal Years Ended June 30, 2011, June 30, 2010 and June 30, 2009

The Port's land assets have increased across the board, with the exception of equipment, which declined slightly due to depreciation. Much of this shift is associated with a change in the valuation methodology for land as opposed to net new acquisitions or escalation. Total capital assets at FYE 2011 were \$63.5 million higher than at FYE 2009.

**SUMMARY OF CAPITAL ASSETS**  
**FISCAL YEAR ENDING JUNE 30TH**  
**(Thousands)**

	Total Port			Net Change	
	2009	2010	2011	09-10	10-11
<b>NON-DEPRECIABLE ASSETS</b>					
Land	\$2,732	\$20,222	\$20,222	\$17,490	\$0
Construction in Progress	\$3,348	\$12,716	\$29,206	\$9,368	\$16,490
Total Non-Depreciable Assets	\$6,079	\$32,937	\$49,427	\$26,858	\$16,490
<b>DEPRECIABLE ASSETS</b>					
Land Improvements	\$9,548	\$9,548	\$18,261	\$0	\$8,714
Buildings & Docks	\$12,023	\$12,167	\$23,209	\$144	\$11,042
Equipment	\$825	\$789	\$789	(\$36)	(\$0)
Total Depreciable Capital Assets	\$22,396	\$22,504	\$42,259	\$108	\$19,755
<b>LESS ACCUMULATED DEPRECIATION</b>					
Land Improvements	(\$6,568)	(\$6,719)	(\$6,690)	(\$151)	\$29
Buildings & Docks	(\$9,168)	(\$9,410)	(\$8,840)	(\$242)	\$570
Equipment	(\$404)	(\$313)	(\$320)	\$90	(\$7)
Total Depreciable Capital Assets	(\$16,139)	(\$16,442)	(\$15,849)	(\$303)	\$593
Total Capital Assets	\$12,336	\$38,999	\$75,837	\$26,664	\$36,838

SOURCE: Audited Financial Statements, Fiscal Years Ended June 30, 2011, June 30, 2010 and June 30, 2009

The Port of Newport uses the accrual method of accounting to track operations. Operating activities at the Port are currently reported using five funds, which are as follows:

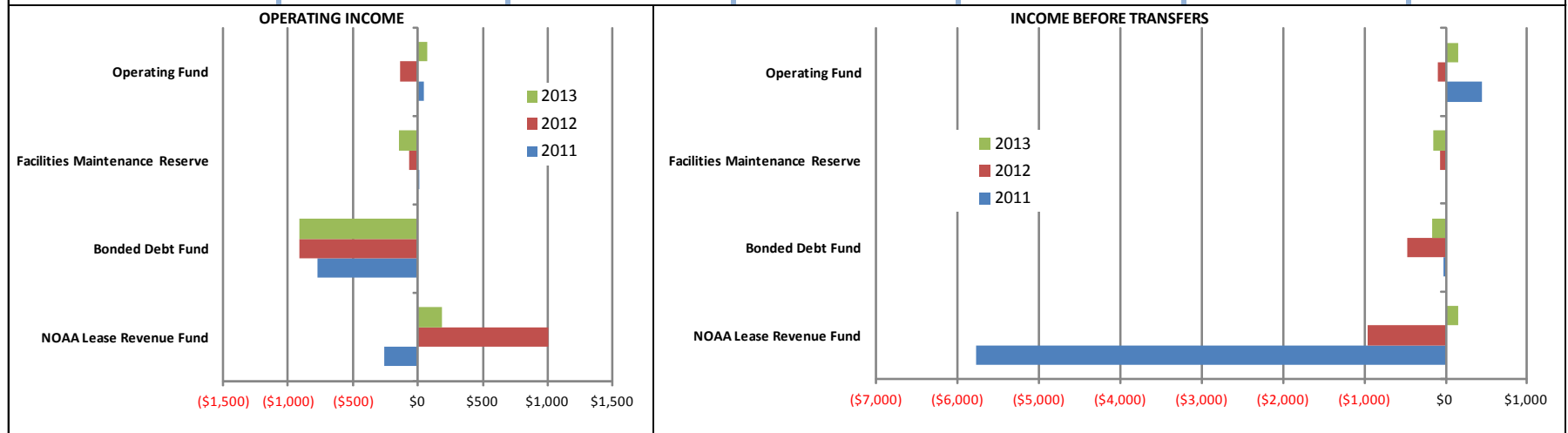
- **NOAA Lease Revenue Fund** - This fund accumulates revenues from NOAA's lease payments, and funds operating expenses and debt payments associated with the NOAA facility.
- **Bonded Debt Fund** - This fund is used to receive dedicated property taxes to repay the general obligation bonds for the Newport International Terminal.
- **Facilities Maintenance Reserve Fund** - This fund is relatively new, and is intended to meet the requirements of the facilities maintenance plan, as well as to meet unforeseen or emergency occurrences.
- **Construction Fund** - This fund includes expenditures from the International Terminal Project. The fund will be collapsed into the General Operating Fund following completion of the terminal.
- **Operating Fund** - Most of the Port's operations are included as part of the Operating Fund.

As outlined in the next two pages, the Port's operations are largely funded by operating revenues and grants, with property taxes accounting for only a modest share of operating fund revenues. For this fiscal year it is budgeted at 2.43%, or approximately 2.7% if grants are taken out of the equation, and roughly 3% without grants and shipping. Historically, the percentage has been closer to 3%.



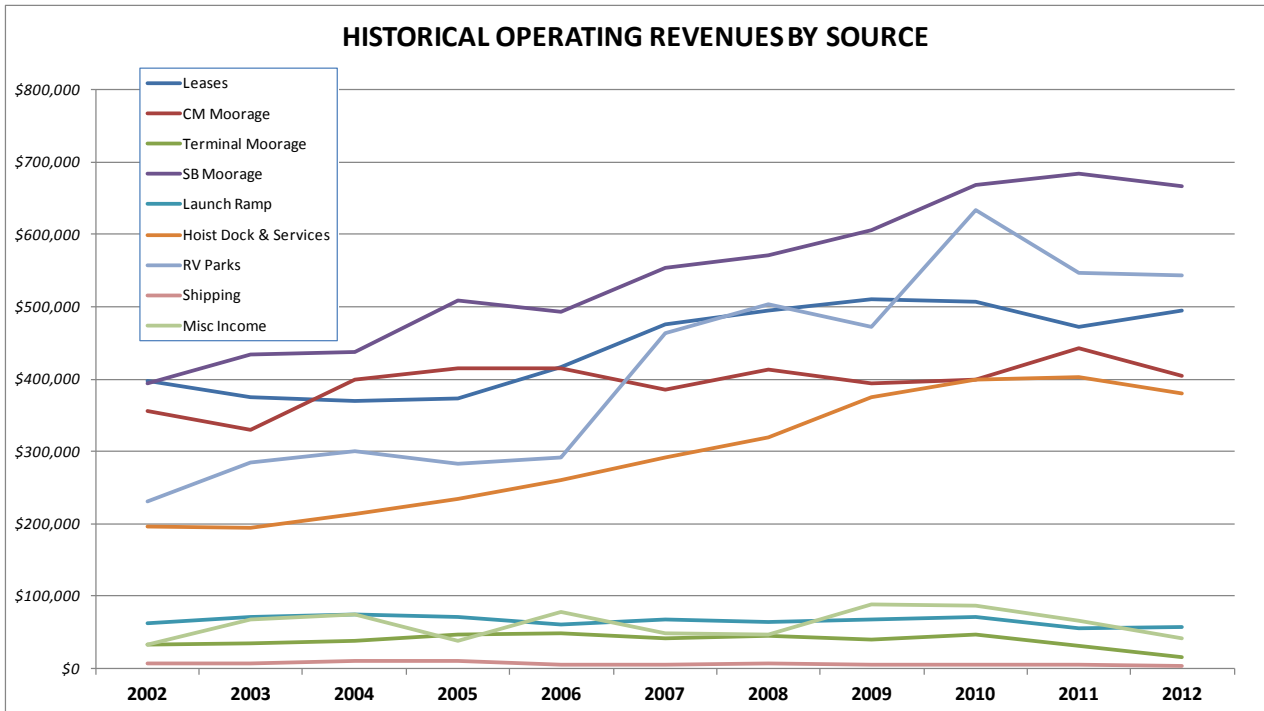
**SUMMARY OF OPERATING ACTIVITIES  
FOR THE FISCAL YEAR ENDING JUNE 30  
(Thousands)**

	NOAA Lease Revenue Fund			Bonded Debt Fund			Facilities Maintenance Reserve			Construction Fund			Operating Fund			Net Change	
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	11-12	12-13
<b>REVENUE</b>																	
Operating Revenues	\$422	\$2,533	\$2,533	\$5	\$2	\$2	\$0	\$0	\$0	\$43	\$21	\$4	\$2,708	\$2,648	\$3,179	(\$60)	\$532
Non-Operating Revenues																	
Property Taxes				\$745	\$443	\$752							\$82	\$88	\$87	\$6	(\$0)
Grants	\$500												\$3	\$3	\$314	\$1	\$311
Interest	\$110	\$15	\$12										\$8	\$3	\$3	(\$5)	(\$0)
Gain from Sale of Assets													\$0	\$1	\$13	\$1	\$12
Bond Proceeds	\$23,863									\$5,394			\$0	\$0	\$0	\$0	\$0
Loan Proceeds										\$800	\$300	\$3,400	\$469	\$0	\$0	(\$469)	\$0
Total Revenue	\$24,896	\$2,548	\$2,545	\$749	\$445	\$754	\$0	\$0	\$0	\$6,237	\$321	\$3,404	\$3,270	\$2,743	\$3,596	(\$527)	\$531
<b>EXPENSES</b>																	
Operating Expenses	\$681	\$1,530	\$2,350	\$782	\$918	\$918		\$66	\$147	\$0	\$0	\$0	\$2,665	\$2,787	\$3,105	\$122	\$318
Non-Operating Expenses	\$29,989	\$1,973	\$45	\$0	\$0	\$0		\$0	\$0	\$6,960	\$8,164	\$4,379	\$155	\$57	\$337	(\$99)	\$281
Total Expenses	\$30,671	\$3,503	\$2,395	\$782	\$918	\$918	\$0	\$66	\$147	\$6,960	\$8,164	\$4,379	\$2,820	\$2,844	\$3,442	\$24	\$598
<b>SUMMARY</b>																	
Operating Income	(\$259)	\$1,004	\$183	(\$777)	(\$916)	(\$916)	\$0	(\$66)	(\$147)	\$43	\$21	\$4	\$43	(\$139)	\$75	(\$183)	\$214
Income Before Transfers	(\$5,775)	(\$954)	\$150	(\$33)	(\$473)	(\$163)	\$0	(\$66)	(\$147)	(\$723)	(\$7,842)	(\$975)	\$450	(\$101)	\$154	(\$551)	\$255
Capital Contributions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfers/Net	\$26	(\$1,100)	(\$150)	\$9	\$8	\$8	\$0	\$44	\$125	\$2,596	\$0	\$500	(\$469)	(\$44)	(\$125)	\$425	(\$81)
Change in Assets	(\$5,749)	(\$2,054)	\$0	(\$24)	(\$465)	(\$155)	\$0	(\$22)	(\$22)	\$1,874	(\$7,842)	(\$475)	(\$19)	(\$145)	\$29	(\$126)	\$174

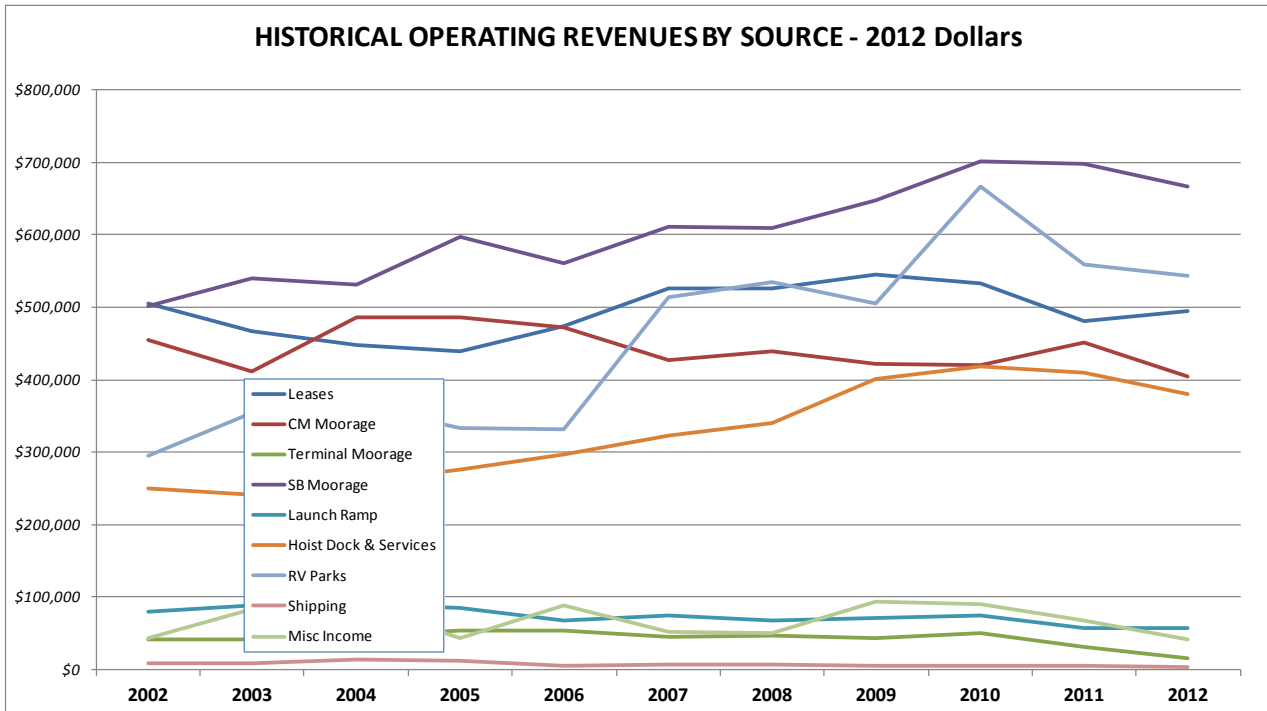


SOURCE: Audited Financial Statements, Fiscal Years Ended June 30, 2011, estimated numbers through June 30, 2012 and Proposed 12-13 Budget

In nominal terms, growth in operating revenues for the Port have historically been derived primarily from the sport marina, RV Parks, launch ramp and hoist dock and services.



When adjusted for inflation, other sources of income have remained steady or declined in the last decade.



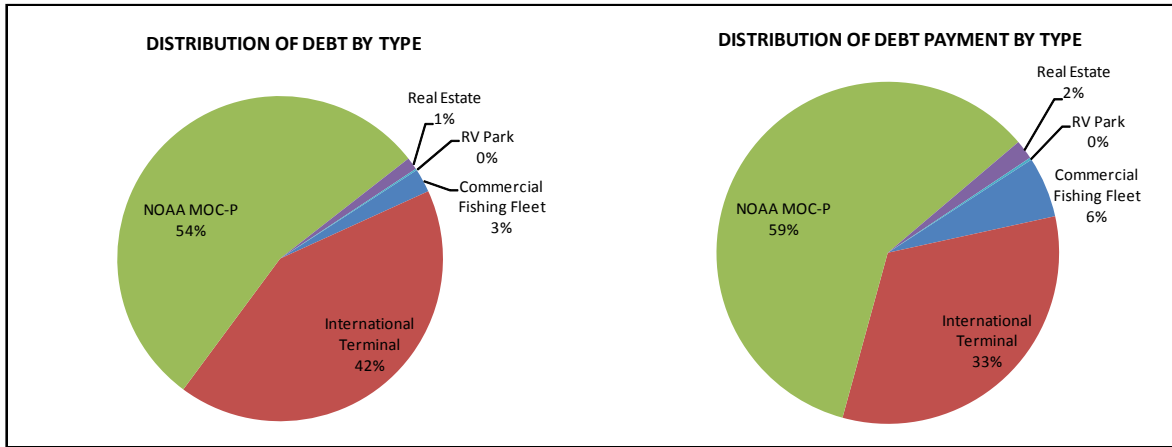
Port operating revenues have grown sharply in the sport marina, RV Park and from commercial leases, while revenues from the commercial marina have been constant. The Port has seen considerable historic growth in revenues from the hoist dock and other services. The terminal moorage and launch ramp revenue have been flat historically, but terminal revenue should increase sharply following completion of the new facility.

As noted previously, the Port's long term debt liabilities have grown substantially, primarily attributable to the NOAA MOC-P revenue bonds and general obligation bonds for the International Terminal.

**SUMMARY OF LONG TERM DEBT OBLIGATIONS  
PORT OF NEWPORT**

	Initial Amount	6/30/12 Principal	Maturity Date	FY 2013 Payment	Description of Use
<b>PORT REVOLVING LOAN FUND</b>					
Loan #153	\$163,080	\$21,386	4/15/2013	\$21,383	Construction of storage facilities for fishing industry. Construction completed in FY 1999
Loan #161	\$202,984	\$101,428	6/15/2019	\$17,852	Industrial buildings at South Beach, currently leased to Oregon Brewing Company.
<b>SPECIAL PUBLIC WORKS LOAN</b>					
Loan #L93111	\$787,440	\$787,440	7/15/2013	\$65,157	Consolidation loan
Loan #L93012	\$298,500	\$54,909	7/15/2013	\$30,103	Commercial dock rehabilitation, Port Docks 3, 5 & 7
Loan #L00012	\$86,683	\$66,531	12/1/2024	\$7,520	Terminal dock remediation and geotechnical investigation. Match for grant.
Loans # J05005 & X06001	\$3,248,139	\$66,531	12/1/2024	\$7,520	RV Park expansion and improvements
Loan #L12005	\$3,000,000	\$2,624,942	12/1/2024	\$227,700	Newport International Terminal Dock
<b>EPA COALITION BROWNFIELD LOAN</b>					
Loan #Q10001	\$1,500,000	\$1,300,000	6/30/2032	\$0	Remediation of petroleum and non-petroleum hazardous materials at International Terminal. \$200,000 in loan forgiveness, zero interest through 6/30/13, interest only through 7/1/13.
<b>SDAO FLEX LEASE</b>					
2003 Series F	\$121,000	\$15,000	12/1/2013	\$15,345	Rehabilitation of Port Dock 5
<b>OREGON COAST BANK</b>					
30 T Mobile Crane	\$315,955	\$156,298	11/15/2015	\$51,251	Mobile Crane
9 T Forklift for Terminal	\$44,046	\$5,156	11/1/2012	\$5,156	Terminal Forklift
Terminal Buildings	\$465,811	\$448,236	7/15/2025	\$43,295	Terminal Buildings
<b>TOYOTA FINANCIAL SERVICE</b>					
Capital Lease	\$33,038	\$12,420	11/1/2013	\$9,183	Forklift for Commercial Marina
<b>GENERAL OBLIGATION BONDS</b>					
Series 2007	\$5,000,000	\$4,550,000	12/31/2036	\$291,778	Newport International Terminal Dock
Series 2008	\$5,000,000	\$4,620,000	12/31/2037	\$228,290	Newport International Terminal Dock
Series 2011	\$5,452,000	\$5,440,000	12/31/2040	\$337,455	Newport International Terminal Dock
<b>REVENUE BOND</b>					
Series 2010	\$24,095,000	\$24,095,000	7/1/2023	\$1,998,759	NOAA MOC-P Facility
<b>TOTAL</b>					
Commercial Fishing Fleet	\$1,719,013	\$1,047,453		\$192,422	Dock Rehabilitation, Equipment, Storage
International Terminal	\$20,082,729	\$18,606,629		\$1,097,899	Construction, Equipment, Remediation
NOAA MOC-P	\$24,095,000	\$24,095,000		\$1,998,759	Construction
Real Estate	\$668,795	\$549,664		\$61,147	Construction
RV Park	\$3,248,139	\$66,531		\$7,520	Expansion and Improvements
<b>Total</b>	<b>\$49,813,676</b>	<b>\$44,365,277</b>		<b>\$3,357,747</b>	

The NOAA MOC-P accounts for 54% of overall debt, while the International Terminal accounts for 42%.



The recent performance of the General Operating fund provides limited information for projecting revenues, as the construction of NOAA MOC-P and the International Terminal have distorted income and expense streams.

	General Operating Fund FYE					Net Change	
	2009	2010	2011	2012	2013	11-12	12-13
<b>REVENUES</b>							
Property Taxes	\$72,739	\$76,021	\$82,016	\$87,827	\$87,402	\$5,811	(\$425)
Moorage	\$1,551,774	\$1,115,149	\$1,158,584	\$1,133,542	\$1,128,012	(\$25,042)	(\$5,530)
Leases		\$506,456	\$472,464	\$487,783	\$689,854	\$15,319	\$202,071
Shipping Terminal	\$4,961	\$4,448	\$5,109	\$4,186	\$323,596	(\$923)	\$319,410
Hoist Dock & Services	\$374,583	\$398,616	\$402,085	\$393,951	\$381,150	(\$8,134)	(\$12,801)
RV Park Revenues	\$471,990	\$634,010	\$547,668	\$528,541	\$530,535	(\$19,127)	\$1,994
Launch Ramp	\$67,268	\$70,480	\$56,098	\$56,000	\$56,000	(\$98)	\$0
Miscellaneous Income	\$88,966	\$79,537	\$52,981	\$43,767	\$55,300	(\$9,214)	\$11,533
Interest Income	\$22,383	\$12,033	\$8,293	\$3,369	\$3,000	(\$4,924)	(\$369)
Sales - Property & Dredge Materials	\$16,784	\$978	\$0	\$841	\$12,620	\$841	\$11,779
Pass Thru Revenue		\$6,851	\$13,000	\$0	\$15,000	(\$13,000)	\$15,000
Grants	\$78,700	\$22,911	\$2,643	\$3,222	\$313,816	\$579	\$310,594
Loans	\$44,046	\$33,039	\$469,049	\$0	\$0	(\$469,049)	\$0
<b>Total Revenue</b>	<b>\$2,794,194</b>	<b>\$2,960,529</b>	<b>\$3,269,990</b>	<b>\$2,743,029</b>	<b>\$3,596,285</b>	<b>(\$526,961)</b>	<b>\$853,256</b>
<b>EXPENSES</b>							
Personal Services	\$1,114,179	\$1,097,138	\$1,061,775	\$1,099,475	\$1,056,331	\$37,700	(\$43,144)
Materials and Services	\$1,108,170	\$1,084,468	\$1,098,751	\$1,172,759	\$1,545,004	\$74,008	\$372,245
Capital Outlay	\$170,062	\$96,538	\$155,226	\$56,693	\$337,443	(\$98,533)	\$280,750
Debt Service	\$467,221	\$471,570	\$504,085	\$514,702	\$503,234	\$10,617	(\$11,468)
<b>Total Expenses</b>	<b>\$2,859,632</b>	<b>\$2,749,714</b>	<b>\$2,819,837</b>	<b>\$2,843,629</b>	<b>\$3,442,012</b>	<b>\$23,792</b>	<b>\$598,383</b>
<b>SUMMARY</b>							
Income Before Transfers	(\$65,438)	\$210,815	\$450,153	(\$100,600)	\$154,273	(\$550,753)	\$254,873
Transfers	(\$67,000)						
<i>Bonded Debt Fund</i>		(\$68,540)					
<i>Facilities Maintenance Reserve Fund</i>		(\$13,454)		(\$44,213)	(\$125,000)		
<i>Construction Fund</i>			(\$469,049)				
<i>NOAA Lease Revenue Fund</i>		(\$50)	(\$26)				
Change in Assets	(\$132,438)	\$128,771	(\$18,922)	(\$144,813)	\$29,273		
Beginning Fund Balance	\$505,840	\$373,402	\$502,173	\$483,251	\$338,438		
Ending Fund Balance	\$373,402	\$502,173	\$483,251	\$338,438	\$367,711		

SOURCE: Audited Financial Statements, 2011-12 estimates and 2012-13 Budgets

Another useful exercise to understand Port operations is to break down the operations by general business units. As outlined in the following tables based on the Fiscal Year 2012-13 budget, the Port generates positive operating cash flow from the RV Park and Sport Marina, while the commercial moorage operates at a modest loss. The losses associated with the International Terminal reflect the ongoing construction, and are expected to be offset by revenues when fully operational. The NOAA facilities are designed to operate with a small annual surplus.

PORTWIDE			
Operating Revenues	\$3,133.0	Operating Expenses	\$2,636.0
Property Taxes	\$875.0	Other	\$825.0
Grant/Loan Proceeds	\$14,712.0	Transfers	
Interest	\$123.0	Total Expenses	\$3,461.0
Gain/(Loss) on Sales	(\$8.0)		
Total Revenues	\$18,835.0	Net Change in Assets	\$15,374.0

GENERAL OPERATIONS			
Operating Revenues	\$55.3	Operating Expenses	
Property Taxes	\$80.7	Debt Service	
Grant/Loan Proceeds	\$313.8	Transfers	
Transfers		Total Expenses	\$0.0
Gain/(Loss) on Sales	\$125.6		
Total Revenues	\$575.4		

COMMERCIAL MARINA			
Moorage Revenue	\$604.3	Operating Expenses	\$615.7
Storage/Services Revenue		Debt Service	\$192.4
Grants		Transfers	
Transfers		Total Expenses	\$808.1
Total Revenues	\$604.3		

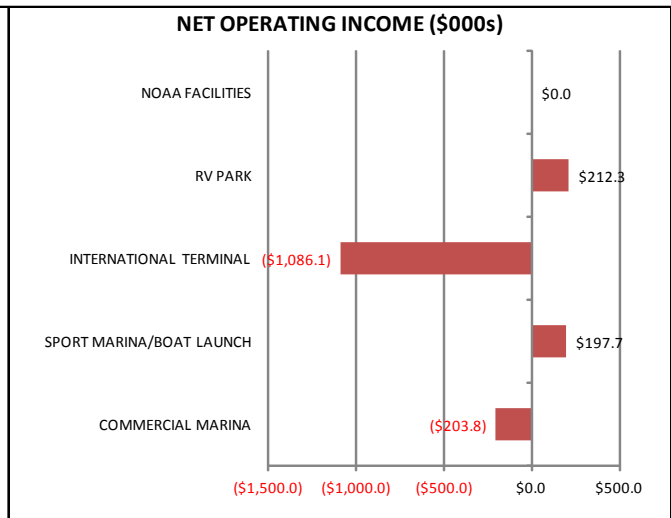
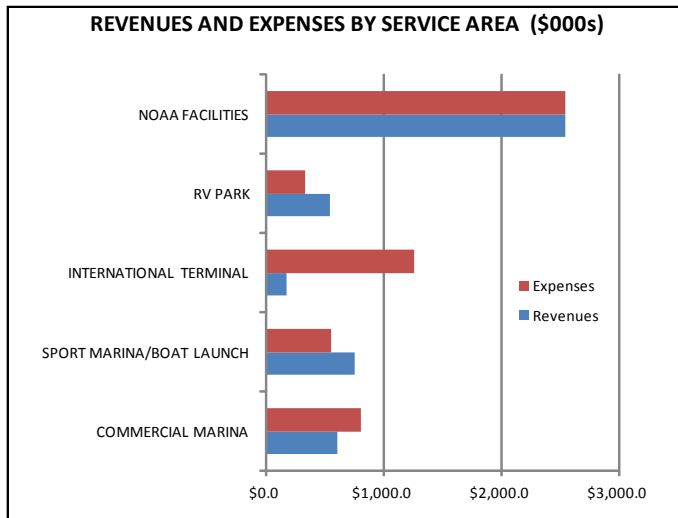
INTERNATIONAL TERMINAL			
Terminal Operations	\$180.8	Operating Expenses	\$169.1
Storage/Services Revenue		Debt Service	\$1,097.9
Grants		Transfers	
Transfers		Total Expenses	\$1,267.0
Total Revenues	\$180.8		

SPORT MARINA/BOAT LAUNCH			
Moorage Revenue	\$755.1	Operating Expenses	\$557.4
Launch Ramp		Debt Service	
Grants		Transfers	
Transfers		Total Expenses	\$557.4
Total Revenues	\$755.1		

RV PARK			
Operating Revenue	\$544.4	Operating Expenses	\$324.6
Storage/Services Revenue		Debt Service	\$7.5
Grants		Transfers	
Transfers		Total Expenses	\$332.1
Total Revenues	\$544.4		

NOAA FACILITIES			
Lease Revenues	\$2,532.9	Operating Expenses	\$351.2
Other Revenue	\$12.0	Capital Outlays	\$44.9
Grants		Debt Service	\$1,998.8
Transfers		Transfers	\$150.0
Total Revenues	\$2,544.9	Total Expenses	\$2,544.9

REAL ESTATE			
Lease Revenue	# \$605.7	Operating Expenses	\$1,163.9
Other Revenue		Debt Service	\$61.1
Grants		Transfers	
Transfers		Total Expenses	\$1,225.1
Total Revenues	\$605.7		



While the Port currently provides operating statements that are consistent with accounting practices, we would recommend that management statements are also prepared that evaluate the operations of the Port based on a breakdown by business unit, with administrative costs allocated to the extent possible. The following diagram outlines a potential series of units that appear to be consistent with the current tracking of data at the Port.

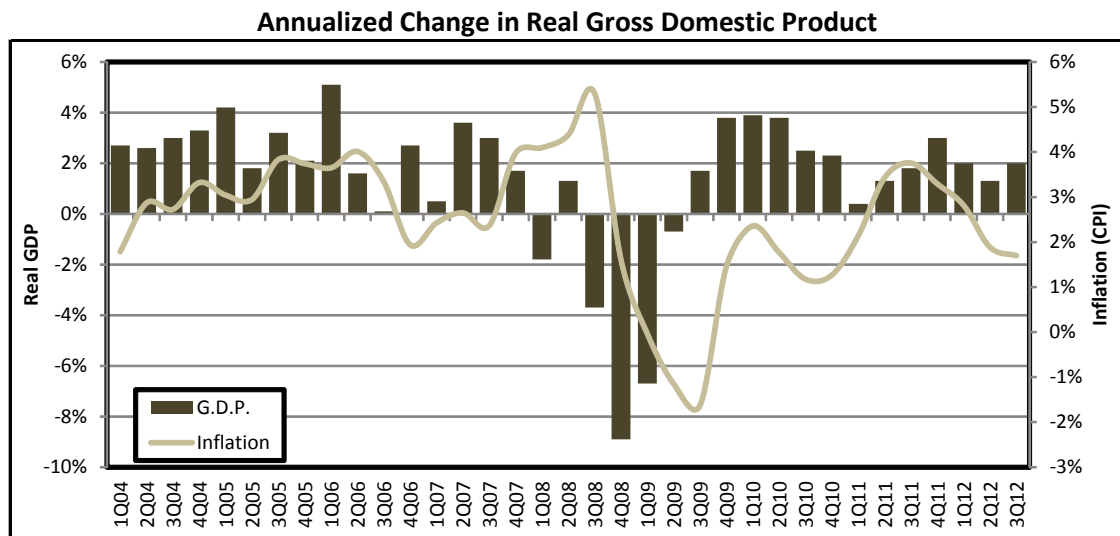


## APPENDIX C ECONOMIC AND MARKET TRENDS

### A. NATIONAL TRENDS

#### Real Gross Domestic Product

Economic activity in the United States has continued to expand a modest pace throughout 2012. Initial "advanced" estimates of GDP came in at a 2.0% annualized for the third quarter, while second quarter estimates were revised downward to only 1.3%. According to the Bureau of Economic Analysis, "The increase in real GDP in the third quarter primarily reflected positive contributions from personal consumption expenditures (PCE), federal government spending, and residential fixed investment that were partly offset by negative contributions from exports, nonresidential fixed investment, and private inventory investment. Imports, which are a subtraction in the calculation of GDP, decreased."<sup>3</sup>



SOURCE: Bureau of Economic Analysis

While growth has remained positive, and threat of a recessionary turn remains subdued, the national economy continues to suffer from tepid hiring and exceedingly lackluster capital investment. On-going uncertainty about the future continues to drive the status quo; specifically the protracted European Debt Crisis, economic deceleration in Asia, and most importantly the clarity of long-term domestic fiscal policy (the "Fiscal Cliff").

In light of exhibited growth and long-term inflation estimates stuck below the Fed's dual mandate targets, the Federal Open Market Committee (FOMC) moved in the third quarter to provide additional accommodative stimulus through balance sheet expansion (QE3). In doing so, the Fed committed to open ended purchases of mortgage-backed securities at a rate of \$40 billion per month. The FOMC further committed to continue its maturity

<sup>3</sup> Bureau of Economic Analysis. National Income and Product Accounts, 3Q12 Advanced Estimate, Released October 26, 2012

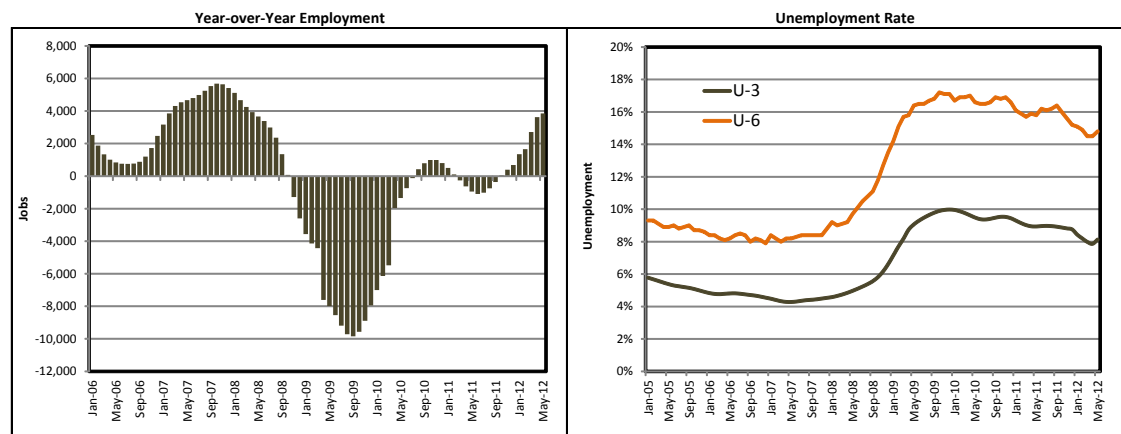
extension program (Operation Twist) and to keep the Federal Funds Rate near zero for the foreseeable future.

While the extent this monetary accommodation translates into economic expansion is a debated issue among academics, it is intended to provide strength to a sluggish recovery. And that is the outcome expected by both the Federal Reserve and the Blue Chip<sup>4</sup> consensus survey, which forecasts Real GDP growth in the vicinity 2.2% to 2.8% in 2013.

### Employment & Labor Force

From peak to trough, nonfarm payroll employment in the United States fell by over 7.7 million jobs during the "Great Recession". This recession has been notably characterized for its depth and duration, a characteristic which international examples show are a common result of financial crises. During this period the unemployment rate rose to over 10% with the more broadly defined U-6 metric exceeding 17%<sup>5</sup>. The unemployment rate would likely have been significantly higher had there not been an unusually large decline in labor force participation.

However, the nation's employment situation has begun to slowly improve. In the first half of 2012, non-farm payrolls rose by an average of roughly 200,000 per month in the first quarter and 70,000 per month in the second quarter. The economy has regained nearly 2.8 million jobs and the unemployment rate has fallen back to 7.8%.



SOURCE: U.S. Bureau of Labor Statistics

### Factors Affecting National Economic Conditions

- **Housing:** Housing has emerged as a surprising strong point in the national economy after several years in the doldrums. The majority of data indicates that the housing market has turned the corner, with a slow drawing down of excess inventory. Fixed residential investment is expected to provide some much needed support to the economy in coming years.

<sup>4</sup> Monthly survey of over 50 leading business economists from banking, insurance, manufacturing, and brokerage industries.

<sup>5</sup> U-3 = The total unemployed as a percentage of the labor force. It is the official unemployment rate.  
 U-6 = Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.

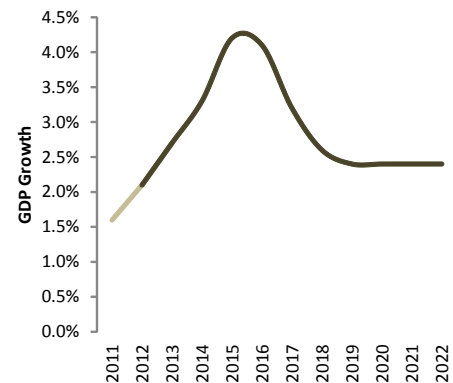


- **Business Investment:** Real business investment grew strongly in the first half of 2012, reaching an annualized rate of 6.4% through the first two quarters. This input is expected to maintain above average growth through the year. However, businesses are facing competing dynamics, with favorable borrowing conditions offset by the uncertainty of future fiscal conditions (see "Policy" below).
- **Government Spending:** Reductions in government spending continue to be a drag on the economy, and will likely continue to do so in the near future with on-going political pressure toward fiscal austerity.
- **Policy:** The direction of future fiscal policy will perhaps have the greatest impact on economic conditions seen in some time. The scheduled expiration of current tax cuts in addition to spending provisions in the 2011 Budget Control Act (broadly referred to as the "fiscal cliff") would severely impact near-term growth. Just the threat of such dramatic policy action is already weighing on business investment.
- **Consumer Spending:** Consumer spending has remained weak reflecting high unemployment and stagnate disposable income growth. Consumer will certainly be impacted by whether or not the Bush Tax Cuts are allowed to expire in 2014.
- **External Shock:** The extent to which the European Recession and financial crisis and slower economic growth in Asia impact U.S. growth.

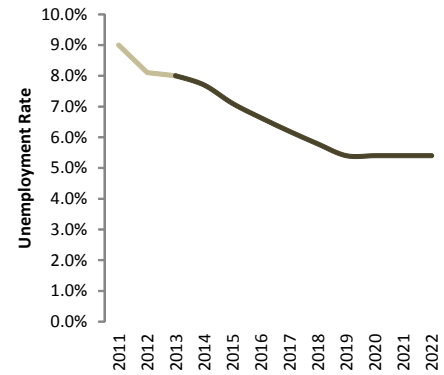
National Economic Outlook

Over the longer term, the pace of economic growth is expected to accelerate moderately following 2013. Idle resource in the economy will gradually begin to be productive, drawing growth upwards to 4.3% between 2014 and 2017, narrowing the production gap by 2018 and growing at the rate of potential (around 2.4%) thereafter.

Because of the large amount of unused resources currently in the economy, inflation is expected to remain subdued in the foreseeable future, despite additional monetary easing. Further, the Federal Reserve has openly committed to keeping the Federal Funds Rate low through 2015. Inflation rates should stay below 2% through 2022 on average.

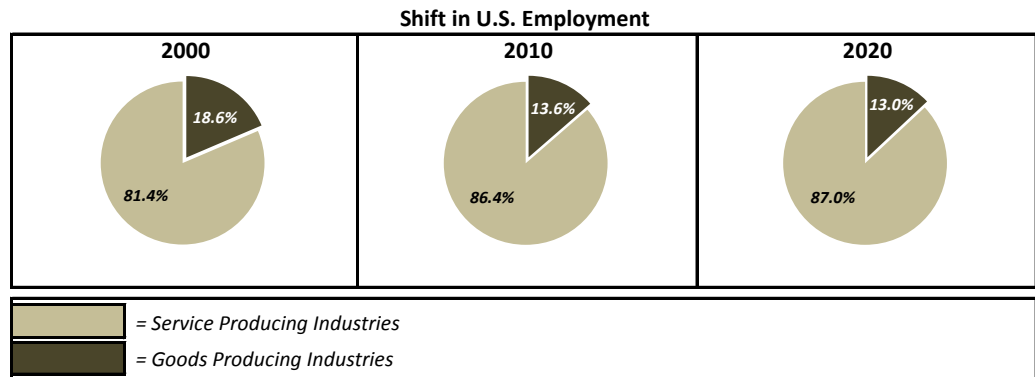


Payrolls should continue to increase at a moderate pace in the near-term, accelerating consistent with GDP growth. However, because unemployment had been driven down by lower labor force participation, the unemployment rate will recover at a slower pace. Unemployment is expected to average near 7% through 2015 and fall to 5.4% subsequently.



**Factors Affecting Long-Term Economy**

- **National Employment Shift:** The share of employment in goods producing industries has declined markedly in recent cycles on increasing worker productivity and international outsourcing. With lower cost labor still widely available in foreign markets, this is a conditions which is expected to continue in the coming decade, albeit at a far more measured pace. U.S. employment growth is expected to be strongest in Health Care, Professional & Business, and Other Services.

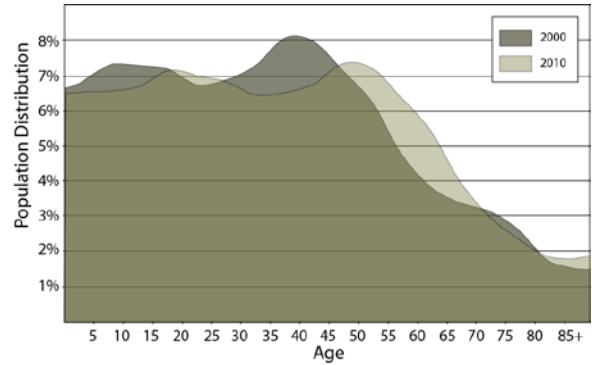


*SOURCE: Bureau of Labor Statistics, Forecast of Industry Employment, CES Data*

- **Business Cycles:** This evaluation is not attempting to predict future fluctuations in the business cycle. However, we are already several years into the current cycle, with cycles typically lasting 8 years on average. This would indicate a reasonable degree of likelihood of future economic contraction this decade.
- **Monetary Policy:** Monetary Policy is expected to remain accommodative into the foreseeable future. When the threat of accelerated inflation begins to solidify, Monetary Policy will subsequently tighten. However, as mentioned above, by the end of 2015 we will be approaching a typical cyclical length. With policy expected to remain tight through this period, there is some risk that monetary policy will not get off the zero bound in this timeframe, seriously constricting the monetary "toolbox" to provide future accommodation.
- **Fiscal Policy:** If current law holds, historic fiscal contraction will likely constrain growth considerably in the near-term, with higher growth further out resulting from a

reduction in federal debt. However, if a compromise is made and the "fiscal cliff" is avoided, growth will accelerate in the near-term with slower growth farther out as federal debt crowds out private investment.

- **Demographic Factors:** The aging of the baby boomer generation is already underway, with the share of the population age 55 and older approaching 25% in 2010, with the number of residents age 65 and older expected to double over the next 40 years. The economic effects of this shift will be widespread. A slowing of labor force growth will coincide with exceedingly high job replacement demand. Further, the increased demand for health care services will place additional pressure of federal balance sheets.



- **Lasting Impacts of Recession:** The severe depth and prolonged duration of the recent recession and subsequent lackluster recovery with have permanent long term impacts on the economy. For example, job shortages have caused lowered labor force participation and in many cases early retirement. When combined with long-term unemployment increasing the risk of skill deterioration, the level of productive capital has certainly created a new reality for potential output. Similar deferrals of capital investment have occurred at sub optimal levels.
- **Other Factors:** A wide range of other factors, certain and otherwise, known and unknown, will continue to shape the future of the economy in the long-term. Potential factors include the direction of energy price, unexpected improvements or deterioration in business and consumer confidence, and the direction of external factors such as the European financial crisis and the economies of Asia and Latina America.

## B. STATE AND COUNTY/PORT DISTRICT

Oregon’s GDP growth between 2010 and 2011 was nearly three times that of the U.S. economy, making Oregon the second fastest growing economy over this period. The state’s durable goods manufacturing industry was the second-fastest growing sector in the nation in 2011 at a rate of 3.94%, almost 20% of Oregon’s economic growth. High tech companies such as Intel Corp., which employs about 16,300 in Portland, dominate the durable goods manufacturing industry. This can be attributed to a partial reverse of recent off shoring trends, which is occurring partially as a result of defects, delays, and theft in overseas supply chain locations.













Given its geographic location, Oregon trades largely with countries on the Pacific Rim, most notably Canada and Asian powers. Unfortunately, the later region is among the most economically volatile areas of the world right now, with economic growth falling off

considerably. This, in turn, has caused Oregon's export driven growth to moderate somewhat in light of falling global demand.

### Industry Analysis

The figure below outlines a breakdown of Oregon's primary industries, where they appear to be in the cycle, and forecasts of growth over the near-term.

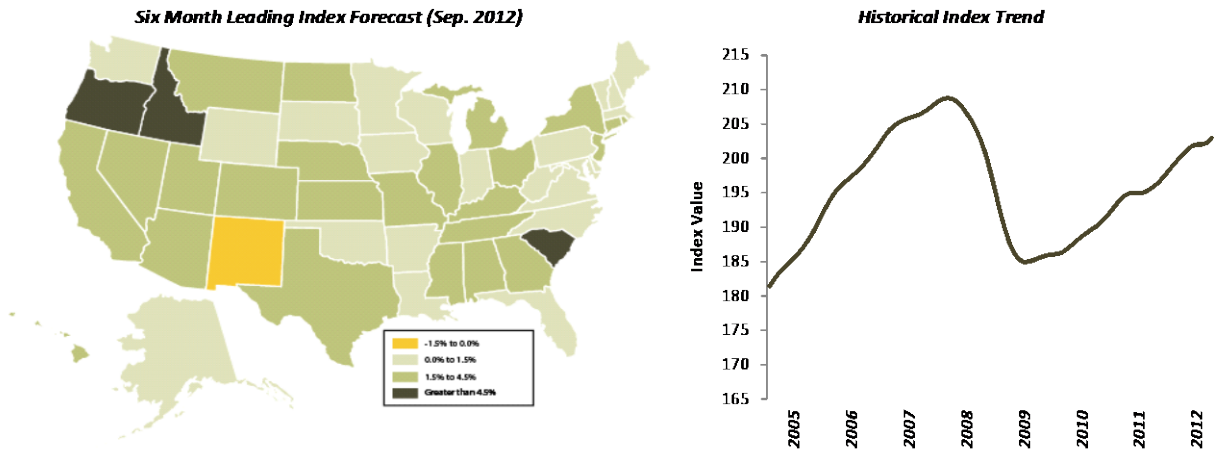
Through the first half of 2012, employment gains were generally positive across most industries, with the exception of Government and Transportation Equipment Manufacturing. Construction grew significantly, driven by a mix of public construction projects and the beginning of a rebound in housing starts. Other export driven commodities remained positive, but growth is down from 2011 highs. Service oriented industries are stabilizing at slow and steady rates commensurate with broader economic expansion.

Industry	Growth Signal	Growth Projections			Comments
		2012	2013	2014	
Wood Products	 Strong Growth	1.9%	6.7%	5.8%	Among the strongest forecasted sectors. Driven by exports and housing recovery.
Computer & Electronic Equipment	 Moderating Growth	1.8%	0.2%	1.4%	Recent growth will moderate on falling export growth.
Transportation Equipment	 Early Recovery	-0.9%	0.2%	5.2%	Among the hardest hit recession sectors. Recovery is just beginning.
Metals and Machinery	 Positive Growth	4.8%	2.5%	-0.1%	Strong growth emerging from a hard hit sectors.
Food Processing	 Flat Growth	1.3%	-0.5%	1.1%	Exports moderating. Global demand and price volatility
Construction	 Positive Growth	4.8%	2.5%	3.6%	Looking forward to a rebound in housing starts. Still well below recession levels.
Industry	Growth Signal	Growth Projections			Comments
Information	 Stabilizing	0.8%	2.3%	1.9%	Beginning to see job growth. Measured growth estimated on the horizon.
Financial Activities	 Stabilizing	0.0%	3.0%	1.6%	Weakness in real estate limits growth in 2012. Measured recovery thereafter.
Professional & Business	 Positive Growth	3.7%	2.9%	4.2%	Will grow slightly faster than the general economy. A high growth sector
Education & Health	 Positive Growth	1.5%	1.8%	2.3%	Sector remained positive through recession, and growth will remain stable
Leisure & Hospitality	 Positive Growth	1.9%	2.8%	2.0%	Growth curtailed by falling discretionary spending, but remaining surprisingly positive.
Government	 Negative Growth	-1.8%	-0.1%	0.6%	Negative state and local growth partially offset by Federal gains. Future federal growth less likely.

SOURCE: Oregon Office of Economic Analysis and Johnson Reid, LLC

### Economic Recovery Prospects

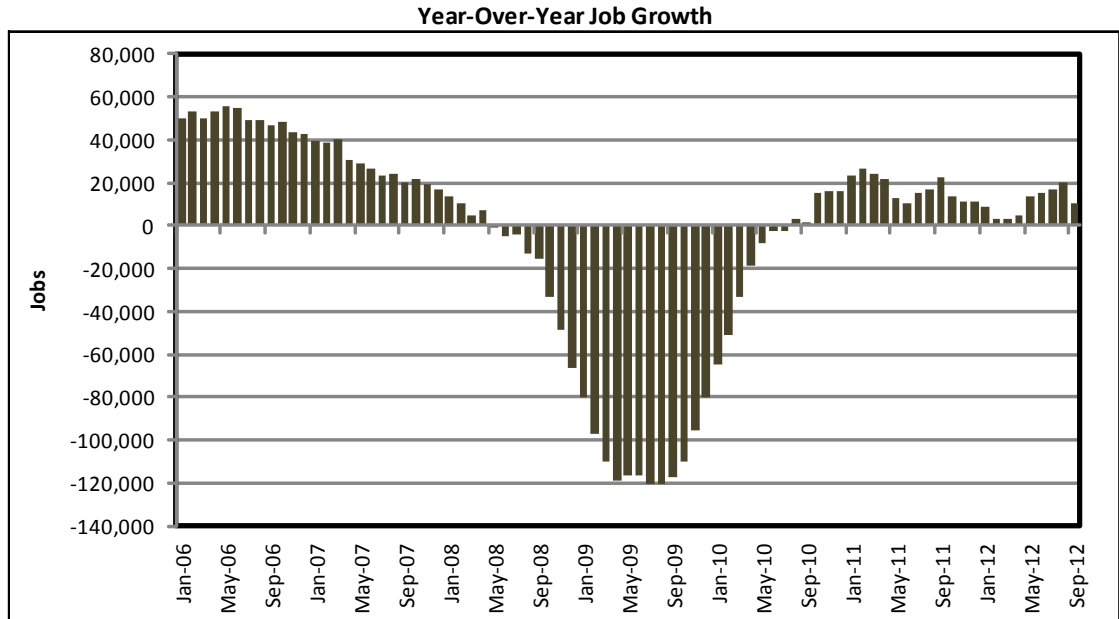
The Federal Reserve Bank of Philadelphia produces monthly indices of economic indicators for every state in the nation. The coincident indices combine four state-level indicators to summarize current economic conditions in a single statistic. The four state-level variables in each coincident index are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average). In its September 2012 release, Oregon's 3-month annualized growth reflected Oregon's recent soft patch, coming in at 1.9% compared to 2.5% nationally. However, The Fed's 6-month leading forecast has Oregon in the top 3 among all states, with estimated growth of 4.5% annualized over the next two quarters.



SOURCE: Federal Reserve Bank of Philadelphia

### Employment Conditions

Reflecting its recovery prospects, payroll employment in Oregon has begun to recover from the recent recession. The State has exhibited 26 consecutive months of positive year-over-year job growth while adding nearly 50,000 since post recession low employment.



SOURCE: Oregon Employment Department

### Statewide Outlook

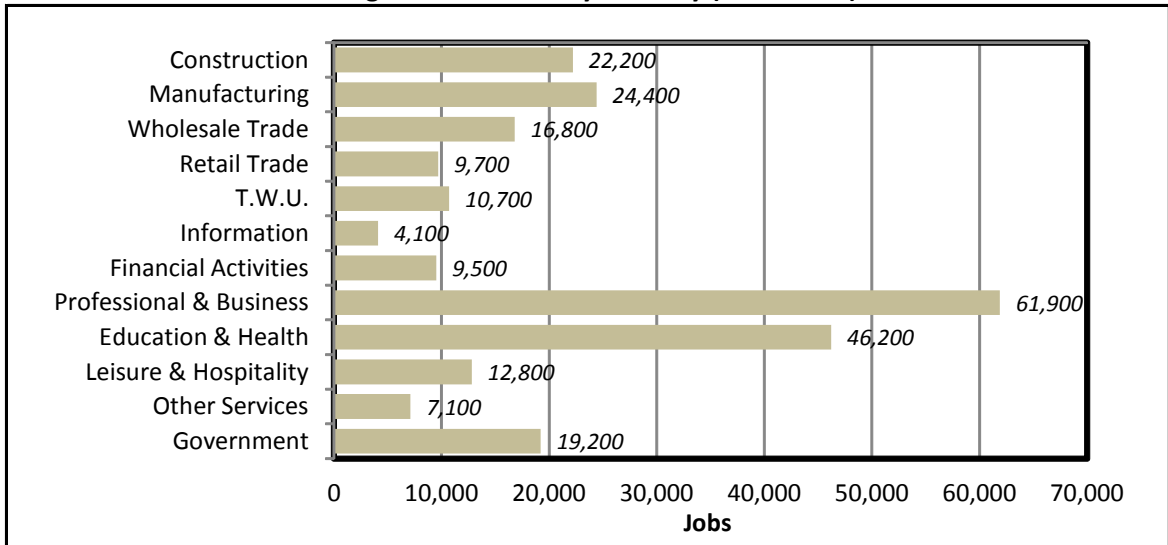
In the long-term, Oregon's economic growth is expected to outpace growth at the national level. Through 2020, the Oregon economy, as measured by employment, is expected to outpace the national average, growing by an estimated 15% compared to 11% nationally. Incomes in Oregon are also expected to be above average, growing at 2.2% annually compared to just 2% at the national level. Over the intermediate term, Oregon's growth prospects will be a function of a number of factors.



- Location to Asian countries and Canada continuing to drive trade growth.
- High commodity prices for Oregon exports.
- Business cost advantages.
- Relative cost of living and housing affordability advantages.
- Statewide focus on traded sector industry recruitment and retention.
- Quality of life.
- Continued growth in renewable energy and clean technology sectors.
- State tax incentives.
- Positive population growth, most notably due to net-migration from California, Nevada, and large Midwest and Eastern states. Surprisingly, Oregon maintains a negative migration rate with Washington State and Idaho.

Through 2020, the Oregon Office of Economic Analysis forecasts 245,000 new jobs in the Oregon economy. Mirroring national forecasts, a significant share (44%) are expected to fall on Professional and Health Services. Manufacturing and Construction are expected to add over 46,000 jobs in the state while growth in trade and other service categories is expected to be more measured.

### Oregon Job Growth by Industry (2012-2020)



SOURCE: Oregon Office of Economic Analysis

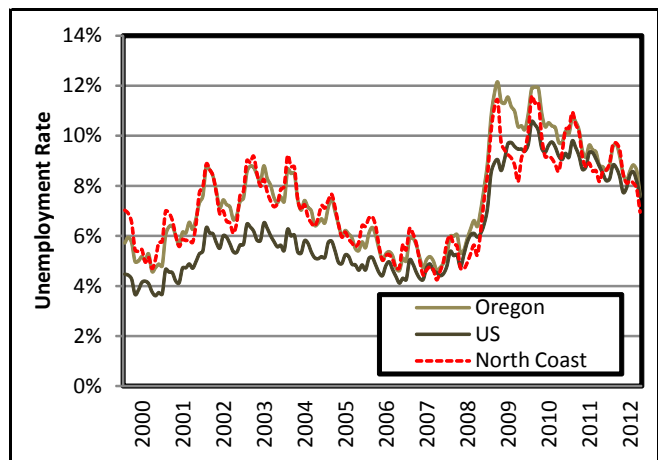
#### Risk Factors

While it would appear that a systematic recovery, albeit at a slow pace, is underway both nationally and in Oregon, significant downside risks remain. The single greatest risk remains external factors such as further financial meltdown in the Euro zone, a bursting housing bubble in China, or military conflict in Iran. The housing market is beginning to move from the risk to the upside category, but many other downside factors remain:

- *A reversal of commodity prices from declining to inflation.*
- *The Fiscal Cliff*
- *Unknowns legislative changes and referendums derived out of the current election cycle*
- *Again, external factors in Europe, Asia, and the Middle East*

#### Local Employment Forecast

Relative to other areas in Oregon, the economy of the North Coast has performed well by comparison. The North Coast unemployment rate track very closely to the national average, and outperformed the state average coming out of the recession. Combined unemployment in Clatsop, Tillamook, and Lincoln County is currently at 7.0%, significantly below 7.6% at the state and national level. Since the bottom of the business cycle the North Coast economy has added roughly 4,200 jobs.



By mid-2012, the Lincoln County economy had over 16,700 non-farm payroll jobs. The largest sectors of the economy remain government and tourism. The highest wages in Lincoln County are in Manufacturing, Natural Resources, and Health Services. Wages in Government and Wholesale Trade are also well above average.

**Lincoln County Employment and Payroll**

<b>NAICS Industry</b>	<b>2012 Employment</b>	<b>% of County</b>	<b>Total Payroll</b>	<b>% of County</b>	<b>Average Payroll</b>	<b>% of Average</b>
Natural Resources	285	2%	\$6,029,920	2%	\$42,315	123%
Construction	610	4%	\$11,486,626	4%	\$37,661	109%
Manufacturing	960	6%	\$25,856,346	10%	\$53,867	156%
Wholesale Trade	185	1%	\$3,959,861	2%	\$42,809	124%
Retail Trade	2,648	16%	\$29,398,940	11%	\$22,209	64%
T.W.U.	298	2%	\$4,905,375	2%	\$32,922	95%
Information	173	1%	\$3,223,926	1%	\$37,379	108%
Financial Activities	564	3%	\$8,581,391	3%	\$30,457	88%
Professional & Business	950	6%	\$12,590,762	5%	\$26,521	77%
Education & Health	1,695	10%	\$37,544,730	14%	\$44,301	128%
Leisure & Hospitality	3,829	23%	\$32,438,726	12%	\$16,944	49%
Other Services	613	4%	\$5,938,390	2%	\$19,391	56%
Government	3,898	23%	\$81,678,377	31%	\$41,913	121%
<b>TOTAL:</b>	<b>16,705</b>	<b>100%</b>	<b>\$263,633,370</b>	<b>100%</b>	<b>\$34,515</b>	<b>100%</b>

*\* All figures through the first half of 2012. Average wage is annualized.*

*SOURCE: Oregon Employment Department*

An evaluation of the structure of the Lincoln County economy reveals the significance of its tourism and traded-sector industries. (LQ analysis is generally conducted on private sector employment, so government concentrations from Newport's NOAA operation are not present.) The table following shows a location quotient analysis of Lincoln County, comparing the employment composition by sector within the County to State and National levels.

Location quotients are a way to readily compare the industrial activity levels among different areas of the country. In general, location quotients are ratios that compare the concentration of a resource or activity, such as employment, in a defined area to that of a larger area or base. For example, location quotients can be used to compare County employment by industry to that of the nation. When the location quotient is greater than 1.0, the analysis indicates that this sector represents an export or “basic” industry. Basic industries are also commonly referred to as “traded sector” industries. Products and services exported out of the area are the primary means that wealth is added to an area, and as a result, are the primary focus of most economic development efforts.



**Location Quotient Analysis, Lincoln County, Oregon (2011)**

Industry	Employment		Distribution		Location Quotient
	U.S.	Lincoln	U.S.	Lincoln	
<b>Traded Sectors</b>					
114 Fishing, hunting and trapping	8,312	100	0%	1%	98.39
113 Forestry and logging	55,665	111	0%	1%	16.31
311 Food manufacturing	1,454,090	313	1%	2%	1.76
321 Wood product manufacturing	336,235	59	0%	0%	1.43
112 Animal production and aquaculture	230,610	34	0%	0%	1.21
<b>Tourism &amp; Retail</b>					
487 Scenic and sightseeing transportation	27,313	40	0%	0%	11.98
721 Accommodation	1,784,558	1,726	2%	13%	7.91
448 Clothing and clothing accessories stores	1,353,784	521	1%	4%	3.15
453 Miscellaneous store retailers	778,386	211	1%	2%	2.22
445 Food and beverage stores	2,825,284	659	3%	5%	1.91
485 Transit and ground passenger transportation	429,815	99	0%	1%	1.88
722 Food services and drinking places	9,587,402	2,074	9%	16%	1.77
531 Real estate	1,384,500	273	1%	2%	1.61
452 General merchandise stores	3,095,518	454	3%	3%	1.20
<b>Other High LQ Industries</b>					
813 Membership associations and organizations	1,315,466	370	1%	3%	2.30
562 Waste management and remediation services	363,699	92	0%	1%	2.07
237 Heavy and civil engineering construction	820,345	144	1%	1%	1.44
444 Building material and garden supply stores	1,147,148	175	1%	1%	1.25
<b>Other Typical or Lower LQ Industries</b>					
236 Construction of buildings	1,211,690	177	1%	1%	1.19
446 Health and personal care stores	986,124	144	1%	1%	1.19
442 Furniture and home furnishings stores	438,243	62	0%	0%	1.16
447 Gasoline stations	823,620	107	1%	1%	1.06
441 Motor vehicle and parts dealers	1,683,213	210	2%	2%	1.02
451 Sports, hobby, music instrument, book stores	581,603	62	1%	0%	0.87
623 Nursing and residential care facilities	3,162,214	320	3%	2%	0.83
811 Repair and maintenance	1,163,914	112	1%	1%	0.79
238 Specialty trade contractors	3,441,010	329	3%	2%	0.78
515 Broadcasting, except Internet	285,846	26	0%	0%	0.74
443 Electronics and appliance stores	526,699	46	0%	0%	0.71
814 Private households	641,473	56	1%	0%	0.71
522 Credit intermediation and related activities	2,548,004	220	2%	2%	0.71
812 Personal and laundry services	1,287,882	108	1%	1%	0.69
339 Miscellaneous manufacturing	572,591	46	1%	0%	0.66
492 Couriers and messengers	521,240	38	0%	0%	0.60
517 Telecommunications	880,139	63	1%	0%	0.59
561 Administrative and support services	7,347,425	509	7%	4%	0.57

SOURCE: U.S. Bureau of Labor Statistics

In July 2012, the City of Newport completed a draft of its economic opportunity analysis as a part of its periodic review process. This analysis identified key industries targeted by the city for future growth. Growth is expect to reflect community aspirations and policies facilitating the recruitment, retention, and growth of firms in targeted sectors. Specific sectors included:

- *Marine and Ocean Observing Research and Education*
- *International Commerce*
- *Fishing and Seafood Processing*
- *Tourism*

Together, growth in these industries, combined with others, is expected to generate 2,215 new jobs over the planning period, a rate of 1.0%. The majority of jobs were forecasted to be commercial or retail/service oriented type jobs, with 733 jobs expected to be in industrial space utilizing industries.

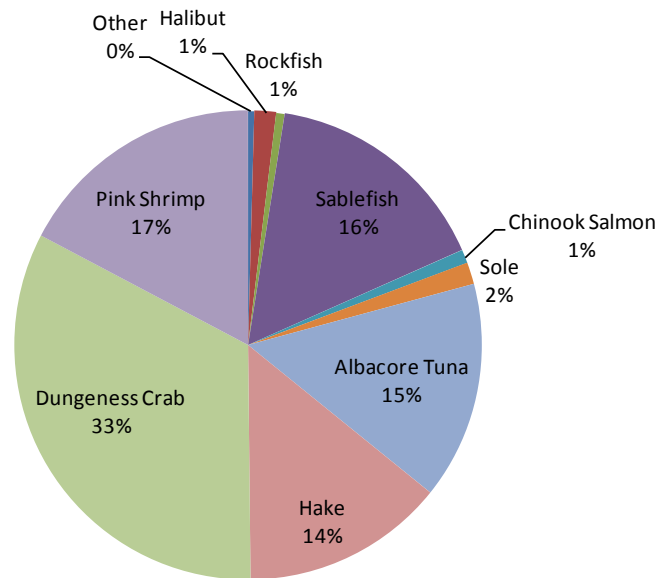
### 20-Year Employment Forecast, City of Newport

Employment/Land Type	2012		2033		'12-'33 Change	
	Employment	% of Total	Employment	% of Total	#	AAGR
Industrial	1,108	11%	1,841	15%	733	2.4%
Commercial	7,269	72%	8,593	70%	1,324	0.8%
Government	1,683	17%	1,841	15%	158	0.4%
<b>Total</b>	<b>10,060</b>	<b>100%</b>	<b>12,275</b>	<b>100%</b>	<b>2,215</b>	<b>1.0%</b>

SOURCE: City of Newport Economic Opportunities Analysis, July 2012

The commercial and sport fishing industries are major contributors to the local and regional economy. The commercial fishing fleet at Newport captured over 82 million pounds of fish, crab, squid and clams in 2011, with an estimated value at the fisherman's level of over \$44 million. The primary contributors in terms of value for commercial fishers were dungeness crab, shrimp, sablefish (black cod), albacore tuna and hake (pacific whiting).

### VALUE OF 2011 COMMERCIAL LANDINGS



The commercial fishing industry impacts the local economy through increases in personal income from harvesting and processing, as well as providing support to local industries and businesses. The Newport area also is positively impacted by the distant water fleet, who use Newport as a home port as well as for repairs and/or provisions.

Sportfishing is also a major contributor to the local economy. Travel generated expenditures for fishing in Lincoln County were estimated at over \$32 million for fishing and almost \$7.7 million for shell fishing in 2008.<sup>6</sup> Local recreation expenditures accounted for an additional \$3.5 million in activity in the County. Sport fishing contributions included expenditures for overnight lodging, meals and other tourist-related activities.

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<sup>6</sup> Dean Runyan Associates, Fishing, Hunting, Wildlife Viewing, and Shellfishing in Oregon, 2008 State and County Expenditure Estimates, Oregon Department of Fish and Wildlife, Travel Oregon