

**OREGON INTERNATIONAL PORT OF COOS BAY
BUDGET COMMITTEE MEETING**

Wednesday, May 24, 2023, 12:00 p.m. – 2:00 p.m.

Port of Coos Bay Commission Chambers, 125 W. Central Ave, Suite 230, Coos Bay, OR 97420

ATTENDANCE

Commission:

Eric Farm, President; and Nick Edwards, Commissioner were present. Kyle ViksneHill, Treasurer; and Kyle Stevens, Secretary attended via Zoom. Brianna Hanson, Vice President; was excused.

Budget Committee:

Maeora Mosieur; Lou Leberti; Elise Hamner; Shane McGowne; and George Wales.

Staff:

John Burns, Chief Executive Officer; Lanelle Comstock, Chief Administrative Officer; Megan Richardson, Director of Finance and Accounting; Margaret Barber, Director of External Affairs and Business Development; Mike Dunning, Chief Port Operations Officer; Steve Bawn, Charleston Marina Manager; Rick Adamek, Director of Asset Management; Mary Green, Fiscal Support Technician; Brian Early, CBRL Operations Manager; Brad Stiennon, CBRL Operations Manager; Treece Rempelos, CBRL Trainmaster; and Laura Fortin, Administrative Assistant.

Media & Guests:

1. CALL MEETING TO ORDER

Megan Richardson, Budget Officer, called the meeting to order at 12:03 p.m.

2. INTRODUCTIONS

3. SELECTION OF BUDGET COMMITTEE CHAIR

Upon a motion by Maeora Mosieur (second by Lou Leberti), the Budget Committee voted to appoint Elise Hamner as Budget Committee Chair. **Motion Passed.**

4. RECEIVE FY 2023/24 BUDGET MESSAGE BY JOHN BURNS, CHIEF EXECUTIVE OFFICER

Mr. Burns thanked the Committee for their time and service to the community. Mr. Burns stated looking ahead to the coming year, staff focused on providing the resources to maintain the assets and facilities that the Port currently has while also looking toward the future. Mr. Burns discussed challenges seen in the current year including escalated prices and workforce issues, including both recruitment and retainability.

Mr. Burns said the Port's proposed budget for the upcoming fiscal year is \$9.3 million. The projected revenues and expenses within the budget must be balanced. 67% of revenues is generated through fees for service, 22% comes from taxes, and 11% comes from other sources such as interest, loan repayments and grants. The expense side of the ledger reflects \$2.18 million spent in Charleston, \$2.1 million spent in Administration, \$1.1 million in Port Operations and half million in External Affairs.

Mr. Burns said the key projects in the Special Projects Fund will be railroad steel bridge rehabilitation with the BUILD grant and State grants along with Port's money to cover extra cost; the Tie Replacement Project funded by a MARAD grant and Port funds; and the channel deepening project, with funds coming from the State of Oregon. The Reserve Fund is essentially a fund kept for unexpected emergencies, and planning for the future; the projection of \$2.1 million this year is the same amount budgeted last year.

Mr. Burns gave a brief overview of each department. The Administration Department will focus on driving a culture of safety, leveraging technology to improve performance across all departments, and centralizing purchasing and inventory management. The primary focus in Charleston is to continue execution of the maintenance plan, training and safety, and acquisition and upgrades of appropriate equipment. Business Development will focus efforts on leasing properties, generating revenue, and continuing improved communications. Port Operations concentrates on project management, the channel deepening project, and regulatory compliance. The Port's Railroad budget is for infrastructure and assets, not operations.

5. REVIEW THE PROPOSED BUDGET DOCUMENT

A. Overview of the Budget Funds: General, Special Projects, Reserve, and Dredge – Megan Richardson, Director of Finance & Accounting

The General Fund covers all operational activities of the Port with an anticipated total income of \$9.3 million. 66.7% of revenue comes from operations across five departments including leases, property agreements, Marina services, Rail operations, and administration fees. 22% of revenue comes from property taxes while 11.3% comes from other sources, such as interest earned, small grants, and rail line tax credits.

The Special Projects Fund contains large grants and loan funded projects, outside of normal Port operations. This year there are three major projects budgeted for a total of \$35 million: the channel modification (\$5.3 million); the Bridge Rehabilitation Project (\$19.7 million funded by the Federal BUILD grant and State grants); and the Tie and Resurfacing Project (\$10 million funded through a Federal PIDP grant).

The Reserve Fund has a projected beginning balance of \$2.1 million. \$120,000 will be transferred from the Reserve Fund to the Special Projects Fund for the Port match on the PIDP project. The balance of this fund is unallocated.

The Dredge Fund includes all activity related to the State-owned dredge and associated equipment and is separate from Port operations. There has been no customer identified and all expenditures are related to repairs and maintenance. Any funds not spent are categorized as unappropriated ending fund balance and are reserved for future use of the dredge.

B. Administration – Lanelle Comstock, Chief Administrative Officer

The Administration Department oversees the administrative functions for the Port of Coos Bay and the Coos Bay Rail Line. The Administration budget covers all administrative support expenses needed to operate. The strategic goal emphasis for the upcoming year is to foster dynamic staff through training, development and process and policy enhancement with a strong emphasis on safety and risk mitigation. Safety will be a strong component throughout all departments this year.

Major goals include promoting a workplace culture of safety, providing necessary training and certifications; developing an employee success plan by developing staff skills; promoting online customer transactions; promoting technology internally to increase efficiency and consistency in security; and to develop a centralized procurement and inventory control process.

The Administration Department receives revenues from property taxes, interest earnings, the Coos County Urban Renewal Agency administration fee, lease revenue from the HUB Building and the Southport Note repayment.

The primary expenses include salary and benefits for 11 FTE's. There is no plan to increase the staff for this department in the coming year. Staff include Administration and Accounting located in the HUB building; also included are the Administrative Staff in the Charleston Marina office, which is approximately \$280,000 that is not included in the Charleston budget. Personnel Services throughout all departments will have an increase in the cost of benefits including a 15.5% increase in health insurance. Materials and Services expenses include overhead costs associated with maintaining the administrative offices, management of the HUB building, and costs for IT support, IT equipment, software subscriptions, legal services, and merchant fees.

C. Charleston & Dredge Operations – Steve Bawn, Charleston Marina Manager

The Charleston Operations strategic focus is on continued execution of the maintenance plan, staff training for safety and career development, acquisition of necessary equipment to improve safety and efficiency, and to provide continued education opportunities.

Total operating revenue for Charleston Operations is \$2,578,565 generated from moorage, storage facilities, leases, RV space rents and user fees. Service-related revenue is generated through sales of ice, propane, merchandise and loading docks; with total expenses of \$2,802,089. The additional funds needed are covered by the General Fund and the other operations of the Port. Personnel Services are budgeted at \$847,091 and include 9.0 FTE. Materials and Services are budgeted at \$1.6 million. Utilities make up nearly 31% of the expenses.

Ms. Hamner asked why derelict vessel destruction expenses were above budget this fiscal year, but less is budgeted in the next fiscal year. Mr. Bawn said 23 abandoned vessels were destructed this fiscal year by a contractor. He said the purchase of an excavator is proposed in this next fiscal year budget, which will allow staff to destruct the vessels rather than paying a contractor, which would reduce the cost in half to destruct vessels.

Infrastructure repairs and improvements budgeted include \$293,900 for dock & finger maintenance and repairs, \$170,300 for building rehabilitations, piling replacement is budgeted at \$120,000 (Capital Outlay), dock head security gates are budgeted at \$25,000 (Capital Outlay), and \$100,000 (Capital Outlay) is budgeted for an excavator. Additionally, there is \$150,000 budgeted for a feasibility study for the Section 107 project.

Mr. Burns said staff have been working with delegations both in the House and the Senate, requesting \$3 million in Federal Funding for Charleston. These dollars are not included in the budget, as there is no certainty in receiving the funds at this time. In addition, staff have requested \$1 million in State funds for Charleston for Shipyard projects and piling replacement.

Mr. Leberti said although the emphasis this upcoming year is on safety, he has concerns about the safety of the Shipyard, docks, and marine ways. He said these safety concerns have been brought up every year but have never been addressed or fixed. Commissioner Edwards expressed his concerns about marking the channel and the marine ways.

Recommended rate changes at the Marina Complex this year include a 10% rate increase for all Marina and Shipyard services, effective July 1, 2023, and RV Park rates effective January 1, 2024. Exceptions to this increase are the Shipyard environmental fees and long-term work areas in the Shipyard.

Ms. Mosieur asked about the bad debt expense line in the budget sheet. Mr. Bawn explained this is for the disposal of derelict boats. There is a disposal fee for the boat owner that is not expected to be received.

Mr. Edwards asked about the cost of ice increasing to \$100 per ton. He claimed that Charleston will now be double the price of Astoria. Mr. Bawn explained the Port is currently losing \$83.00 per ton of ice sold. A \$40,000 project for the new fans will cause a loss of \$104.00 per ton. He said, 10% is a \$9.00 increase. Ms. Richards added that whether ice is sold or not, there are still expenses incurred to keep the plant running and to pay back the \$200,000 in debt services for the Ice Plant. Ms. Richards said there is about \$400,000 in debt service annually in Charleston.

Mr. Edwards explained the fisheries in Charleston are struggling financially and many vessels may be forced to relocate and pay double moorage at another facility. Mr. Edwards said the Port of Newport calculates moorage on the documented length of vessels, while Charleston calculates moorage on overall length, which adds a greater expense. He said the Port is putting a financial burden on the fleet by increasing rates 10%.

President Farm discussed the importance of the larger projects that the Port is trying to attract. He said the revenues received from these projects could go towards other operating lines, such as Charleston.

D. Business Development/External Affairs – Margaret Barber, Director of External Affairs and Business Development

The mission of the External Affairs and Business Development department includes supporting all departments in optimizing revenue; clearly communicating with staff and stakeholder groups promoting the mission, vision, and operations of the Port; and effectively managing relationships with local, State and Federal elected officials and key stakeholders to promote the ongoing growth of the Port.

The department's strategic emphasis this year will be to optimize revenues through enhancing existing customer relationships and facilitating new business development, actively marketing Port assets and working with inquiries that have an interest in leasing ground space at Terminal One and other Port owned properties, as well as provide communications and legislative support for the PCIP project.

The budgeted revenue of \$120,000 for this department is derived primarily from reimbursements for legislative support provided on the PCIP project. Department expenses this year are budgeted at \$580,843. There is an increase in staff expenses for an additional staff member in the department. Department travel is down as well as memberships and subscriptions, advertising, and professional services.

Ms. Mosieur asked if the budgeted \$1,100 is enough for advertising. Ms. Barber said this expense was reduced for this upcoming fiscal year.

E. Port Operations/Asset Management – Mike Dunning, Chief Port Operations Officer

The Port Operations department focuses on preparing for the future while maintaining present day operations; providing expertise in project management and grant administration for all departments and ensuring stability and focused oversight of all major and minor projects.

The strategic emphasis this year is to promote the safety and security of Port Staff and assets while supporting new and existing operational priorities, to include the channel modification project, Charleston Marina and Shipyard infrastructure improvements, rail infrastructure improvements, Port asset and project management, future shipping opportunities, and development of Terminal One.

Within the focus for safety and security, one of the major projects being overseen by the Operations department for Charleston this year is dock head security gates budgeted under Capital Outlay for \$25,000. Security gates installed on the dock heads in the Marina will attract customers from the valley who will trust mooring their boats, bringing more revenue to the Charleston area.

Capital Projects for this next year include the PIDP Project for ties and resurfacing, the Rail Bridge Rehabilitation (BUILD) project, and the Pacific Coast Intermodal Port (PCIP) project.

The Port Operations Department budgeted revenues of \$486,609 are derived from building leases and property agreements, and grant funds. Expenses budgeted for \$1,140,574 include Personnel Services for 9.0 FTEs, and Materials and Services.

Mr. Leberti asked about the future of the derelict docks along the upper bay. Mr. Dunning said there isn't much landside capacity around the docks, so the feasibility of these docks isn't great but they shouldn't be removed because doing so may cause permitting difficulties in the future.

Mr. Edwards asked if replacing the transient dock in the Shipyard would require new permits. Mr. Dunning said it will be difficult. Mr. Wales mentioned there isn't much transient dock space between San Francisco and Astoria, so this could be a good option for revenue.

Ms. Mosieur asked why the FTE count in the Port Operations department decreased from the current year to the upcoming fiscal year. Mr. Dunning said a Manager for Terminal One was budgeted for this fiscal year, which was not filled.

Mr. Farm asked about the banking fees in the Port Operations budget. Ms. Richardson said the banking fees are for the line of credit to maintain cash flow for the grants.

F. Railroad Operations – John Burns, President, Coos Bay Rail Line

The Railroad Department provides oversight of the Coos Bay Rail Line, Inc. operations. Strategic goals this year are to support the Port's economic development mission by providing local and regional businesses with safe, direct, efficient, and cost-effective rail access to the national rail network and global markets. To sustain the economic growth and development of rural Lane, Douglas, and Coos Counties with a consistent improved and maintained rail line infrastructure.

Infrastructure projects budgeted for this year include, detailed inspection of the North Bend Swing Bridge, emergency repairs to bridges and tracks, enhanced walkways, ladders, and stairs with navigation lights for the Reedsport bridge, and a rail spur (a pitted round house for train repairs) constructed in Reedsport. These projects are separate from the larger on-going grant funded projects.

The department budget is based on 12,322 carloads. The projected revenues are \$3,704,406 and of that, \$1.03 million will go into the Port's General fund for future assets and infrastructure needs. Revenue is derived from rail surcharges, property agreements, tax credits, loans, operations, and excess income. Expenses for insurance, contracted services, and infrastructure repairs are budgeted at \$1,211,200.

Mr. Leberti asked for an explanation of the tax credit. Mr. Burns said this is a tax not set up specifically for the Port of Coos Bay. CBRL is one of the only non-private short line railroads in Oregon. Other short line railroads have a tax bill at the end of the year that they can apply that credit to. CBRL is allowed to take that credit amount they would have been allowed based on the 134-mile rail line and sell it to a third party.

6. CONCLUDING COMMENTS BY JOHN BURNS, CHIEF EXECUTIVE OFFICER

Mr. Burns thanked everyone for their time and input in the structuring of this budget. He said the 2023/24 budget year reflects a 13% decrease in forecasted revenues and a 1% increase in expenses of Materials and Services in comparison to the 2022/23 budget.

7. PUBLIC COMMENT

8. COMMITTEE COMMENT

9. PRESENT THE MOTIONS TO RECOMMEND THE BUDGET TO THE PORT COMMISSION FOR ADOPTION, OR SCHEDULE A FOLLOW UP MEETING

Upon a motion by Lou Leberti (second by George Wales) the Budget Committee voted to approve imposing the Port's maximum permanent tax rate of \$0.6119 per \$1,000 taxable assessed value for fiscal year 2023/24. Commissioners Farm, Stevens, and Edwards voted in favor of the motion. Commissioners Hanson and ViksneHill were not present for the vote. Budget Committee members Mosieur, Leberti, Wales, Hamner and McGowne voted in favor of the motion. **Motion Passed.**

Upon a motion by Maeora Mosieur (second by George Wales) the Budget Committee voted to approve the proposed budget for fiscal year 2023/24 and recommend to the Board of Commissioners for adoption. Commissioners Farm, and Stevens, voted in favor of the motion. Commissioner Edward opposed the motion. Commissioners Hanson and ViksneHill were not present for the vote. Budget Committee members Mosieur, Leberti, Wales, Hamner, and McGowne voted in favor of the motion. **Motion Passed.**

10. ADJOURN MEETING

Budget Committee Chair Elise Hamner adjourned the meeting at 1:55 p.m.