

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
BUDGET COMMITTEE MEETING
1:00 p.m., Wednesday, May 27, 2020
125 Central Avenue, Coos Bay, Oregon 97420
Zoom Webinar

ATTENDANCE

Commission:

David Kronsteiner, President; Eric Farm, Vice President; Brianna Hanson, Treasurer; Bob Garcia, Secretary; and James Martin, Commissioner.

Budget Committee:

Maeora Mosieur; Lou Leberti; Nick Edwards; Steve Scheer; and Richard Dybevik.

Staff:

John Burns, Chief Executive Officer; Lanelle Comstock, Chief Administrative Officer; Megan Richardson, Director of Finance and Accounting; Margaret Barber, Director of External Affairs; Mike Dunning, Director of Maritime Operations; Jake Jacobs, Director of Infrastructure Support Services; Brandon Collura; Charleston Harbormaster; Mary Green, Fiscal Support Technician; Krystal Moffett, Administrative Assistant; and Mike Stebbins, Port Legal Counsel.

Media & Guests:

Ed Fleming, Marina Customer.

1. CALL MEETING TO ORDER

President Kronsteiner called the meeting to order at 1:05 p.m.

2. INTRODUCTIONS

3. SELECTION OF BUDGET COMMITTEE CHAIR

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

4. RECEIVE FY 2020/21 BUDGET MESSAGE BY JOHN BURNS, CEO

John Burns began by thanking all for attending a virtual budget committee meeting. All committee members have received the budget document. Mr. Burns stated that staff, primarily the Finance team, have worked hard over the years to be responsive to budget committee members' requests. Staff intended fully to make further progress this year; unfortunately, circumstances prevented that. Mr. Burns apologized to budget committee members that staff were unable to accommodate last

year's request to go on a project site tour. A video was put together and distributed showing the projects included in the budget.

The budget is a monetary representation of the operating plan. The first step in the process begins with team leaders developing department operating plans, then receivables and payables are calculated for the planned activities. First and foremost, activities must be in line with the Port's mission and strategic initiatives. The Port is coming out of a budget year that was not as good as projected. There were significant revenue shortfalls in 2019/20, including the decline in railcar movements and the loss of management fees associated with the Channel Modification Project. There was also the unintended expense of legal fees associated with taking over railroad operations and the ensuing litigation with the former operator. This brings the Port into the next budget cycle where continued challenges will be faced. Railcar movements are down despite new customers on the line. There is uncertainty with the COVID-19 pandemic and how it will affect the budget. Adjustments have not been made at this time but will be as the situation progresses.

Staff have worked to reduce expenses as much as possible, primarily through personnel expenses. Staff have been reduced from 33 last year to 26 this year. Regrettably, there were 3 employees laid off last week due to budgetary constraints. It was a hard decision to make, but necessary in order to keep the Port as solvent as possible.

There are major projects in the coming year, including the tunnel project funded by the federal and state grants. It is a \$20 million project including work in all nine of the tunnels. The new bridge project will address replacement of the Vaughn Viaduct, work on all three of the swing span bridges, steel bridges, and replacement of the Coalbank Slough Bridge. \$20 million is funded through the federal BUILD grant and \$5 million is a State of Oregon grant. The Ice Plant Rebuild Project includes reconstruction of the dock, building, and equipment lost to fire in December 2019. This is an \$8.5 million project; partly funded by insurance proceeds while the balance will be debt service assumed through a loan with the State of Oregon. Mr. Burns stated Port staff will initiate exploration of recasting loans, particularly those in excess of 5%, to reduce debt service payments. Interest expenses could be reduced as much as 50% with more favorable rates.

Mr. Burns stated there are challenges ahead, but Port staff are well positioned and equipped to move forward and continue to build and rebuild infrastructure for the future. Mr. Burns welcomed the opportunity to discuss specifics of the budget and projects throughout the presentation.

Nick Edwards asked what the response has been to the COVID-19 testing the Port is hosting in Charleston today. Brandon Collura stated there has been some activity but specific numbers are not known at this time. Mr. Edwards stated people are aware and the information is out there that testing is available for the fishing community. Mr. Edwards thanked the Port for hosting.

5. REVIEW THE PROPOSED BUDGET BY MEGAN RICHARDSON, DIRECTOR OF FINANCE & ACCOUNTING

Megan Richardson reviewed the budget document beginning with the general fund. Total budgeted resources are \$6,994,463 of which property taxes are unallocated to departments. The Port is estimated to receive \$1,857,640 in property taxes this fiscal year. The budget also includes a transfer of \$846,575 from the reserve fund to cover debt in the general fund.

Total resources budgeted for the Administration department this year are \$143,523. These revenues come from the CCURA administration fee, building leases and note repayment. Charleston Operations shows total resources of \$2,237,025. These revenues come from building leases, moorage, ice sales, shipyard services, and small grants. Other grant revenue for Charleston has decreased this year from last and includes the standard MAP (Maintenance Assistance Plan from the state) and the picnic tables grant. Total resources for Port Operations are \$244,926. These revenues come from building leases and property agreements. Railroad Operations shows total resources of \$1,664,375. These revenues come from the operations revenue from CBRL, surcharges, property agreements and tax credits. Operations revenue has decreased this year due to lower anticipated car movement, from 7,000 last year to 5,000 this year. Surcharge revenue has also decreased due to lower anticipated car movements.

Total requirements for the general fund are \$6,994,463 with no unappropriated ending fund balance. Debt service totals \$1,513,808 which is the only non-departmental expense. This is an increase of approx. \$598K over last year. New debt service payments of approx. \$449K for Charleston include a small loan to upgrade the security camera system and the Ice Plant Rebuild Project. There is also an increase of \$149K for the purchase of five fleet vehicles.

Requirements for the Administration department total \$1,812,366. Personnel services increased from 7.0 FTE to 8.0 FTE. The increase of 2.0 FTE is a reallocation of the administrative staff from Charleston after a budgeted position last year went unfilled. Staff travel has been reduced due to budgetary constraints and the uncertainty of COVID-19. Temporary contract help includes the seasonal Charleston administrative temp as well as coverage for anticipated staff shortages in the Admin office. Recruiting services has been reduced due to less positions needing to be filled.

Charleston Operations has total requirements of \$2,100,034. Personnel services have decreased; last year 18.0 FTE were budgeted and this year there are 13.0 FTE. Three positions have been reallocated while two have been reduced. Expenses for operational supplies and repairs and maintenance have been increased to cover the estimated need. Additional expenses for Charleston Operations include dredging and capital outlay.

Total requirements budgeted for the Business Development and External Affairs department are \$278,938. Personnel services have been reduced from 3.0 FTE to 1.0 FTE. Staff travel has also been greatly reduced. The Port will not be participating in as many expos or conventions this year, so fewer marketing supplies are needed. Memberships and subscriptions have been reduced. Total requirements for Port Operations are \$191,109. Personnel services have been reduced from 2.0 FTE to 1.0 FTE. Consulting services includes an updated estimate based on anticipated need.

Total requirements for the Port Development department, which provides Infrastructure Support Services, are \$348,434. Personnel services have increased from 2.0 FTE to 3.0 FTE; this was a reallocation from Charleston that happened mid-year. Legal advertising has been reallocated to the Port Development department for project related legal advertising.

Railroad Operations has total requirements of \$749,775. Personnel services decreased from 1.0 FTE to 0.0 FTE. Professional services has increased to cover the fees associated with selling the federal tax credit. Expense for signage has increased per crossings agreements and safety needs. Repairs and maintenance of track and tunnel has also increased.

The dredge operations sheet within the general fund contains no budget data. Dredge operations has been moved to its own fund, but it is a requirement to show the budget sheets until the preceding years have dropped off.

Ms. Richardson concluded the general fund overview and asked for department managers to review their budgets beginning with the Administration department.

A. Administration – Lanelle Comstock, Chief Administrative Officer

The Administration department's mission is to provide quality support to all departments and employees through services such as accounting and finance, human resources, records management, and administrative support. Revenues include property taxes, interest earnings, CCURA administrative fee, SDIS longevity credit, building lease revenue and Southport note repayment. Personnel services this year include the Charleston administrative staff. Though these employees work in Charleston, their function of administrative support is a service provided to the Charleston Operations department. There are no plans to add staff to the administrative department this year. Primary expenses include the overhead cost of the administrative office and the cost necessary to support administrative functions. Due to budgetary restraints, expenses were significantly reduced for the upcoming year.

The strategic goals for the Administrative Department include:

1. Focus on the creation of processes and procedures for the Port and CBRL. This will create consistency throughout the organization and streamline efforts across all departments.
2. Focus on creating an internal workforce that is ready to meet the needs of tomorrow. This will focus on the development of employees. Though educational reimbursement and outside training expenses have been reduced, internal staff training and development will continue.
3. Implement and maintain a successful records management program. A new revised file structure was created. Plans for this fiscal year include completing the migration of files to the new structure.
4. Strengthen current NetSuite data collection and period-end closing processes, expand and individualize the conveyance of financial and operating information through producing periodic reports, user driven searches, customized reporting, and dashboards. Staff will work to better utilize the available software to ensure financial data being reported is available timely and accessible to the leadership team.
5. Continue to improve customer account management and reduce both the number of delinquent accounts and total amounts overdue. This will improve customer service, while reducing the amount of bad debt and the collection fees associated.

B. Charleston, Dredge Operations – Brandon Collura, Harbormaster

The Charleston strategic goals will focus primarily on:

1. Infrastructure Improvements and Repair.
2. Upgrade or Improve Equipment.
3. Re-Open the Ice Plant; planned for late July or early August this year.
4. Provide training for staff related to safety and certifications to operate equipment.
5. Further development of dredge operations and maintenance program.

Projected operating revenue for Charleston is about \$2.2 million, generated from moorage agreements, storage facilities, shipyard services, and commercial lease agreements, as well as RV Park stays and some grant funding. Personnel services are projected to cost just over \$1 million for 13.0 FTE, which includes 1 admin, 8 maintenance, and 4 security at this time. Some of the largest expenses are utilities such as electric, water, sewer, and waste management. Derelict boat disposal is another expense and an ongoing issue.

Net ordinary income for Charleston Operations is about \$206,000. After adding in debt service and capital projects, the net result is a loss of about \$473,000. Projects planned for this year include replacement of the last 22 wooden picnic tables in the RV Park. The old wooden tables, 55 of which were replaced last year, have a typical lifespan of 15-20 years while the poly material tables have an average lifespan of 30-40 years. The tables will be replaced with grant funding and a Port match from the general fund. Two additional capital projects include the replacement of the dock head building at the DWF dock and replacement of the shop roof. The dock head buildings protect electrical and other equipment. This building is in poor condition and one of the last to be replaced. The shop roof covers a fairly large footprint and protects equipment such as the state-owned dredge, and other tools and equipment. The roof needs major repairs; there are about 10-15 small holes ranging in size of a baseball and up. It is critical to replace the roof before another rainy season.

Expenses budgeted this year include \$90,000 for dredge work. There have been no requests from other Oregon ports to utilize the dredge, so at this time it is planned to dredge the Charleston Marina, specifically the outer basin as well as the Point Adams area, depending on the final prism approved. Approximately \$15,000 of the budget is for sedimentation work, leaving \$75,000 for operations. There will not be any large mobilization or demobilization effort and expense.

C. Business Development, External Affairs – Margaret Barber, Director of External Affairs

The primary strategic goals of the External Affairs and Business Development department will be to continue representing the Port's commercial interest in the marketplace by maintaining communications and fostering commercial activity with existing and potential customers and working with commercial inquiries to cultivate development across all lines of business. Staff conduct industry analyses and market research with an emphasis on markets served by the Port. Staff works to identify commodity segments for future development, such as timber industry and agricultural customers. Staff conducts market research to analyze the Port of Coos Bay advantage as compared to other west coast ports. Staff develop communication strategies, maintain a substantial social media presence, and create targeted communications to stakeholder groups.

Staff work to further relationships with federal and state legislatures in partnership with contracted lobbyists to ensure the Port's mission is promoted at the state and federal level. Staff maintains relationships with local government officials and hosts legislative tours to demonstrate the assets and potential of the area. Staff works to further the Port's mission as well as advocating for stakeholders. Staff works to identify relevant grant opportunities, seeking support from legislatures, then acting in a lead or supporting role to compile the application materials and grant proposal. Staff partners with community leaders on relevant initiatives and creates press releases or advertisements to keep the public informed.

Departmental expenses include salary and benefits for 1.0 FTE. Staff travel this year will primarily be to Salem for lobbying activities and any necessary travel for business development activities. Marketing supplies include printed materials such as brochures, handouts, and professional printing services for the annual report. Memberships and subscriptions include industry organizations relevant to Port and Rail activities and include local organizations.

D. Port Operations – Mike Dunning, Director of Maritime Operations

The mission of the Port Operations Department is to prepare for the future, while supporting today's operations; to maintain, manage and operate Port infrastructure and properties through effective communication and collaboration with stakeholders. The four security staff funded in the Charleston budget work for Port Operations.

Port Operations strategic goals include a focus on the Channel Modification Project, with a budget of approximately \$2.9 million this year. Project objectives include managing an effective and efficient budget, managing the project schedule, coordinating with state and federal agencies to obtain necessary permits and authorizations, managing the Project Delivery Team (PDT), and continued stakeholder outreach and coordination.

Strategic goals also include safety and security for the Port. Staff will work to develop Personal Qualification Standards (PQS) to include written standards and approval processes to operate equipment. Staff will work to manage accident investigations and root cause analysis, continue to participate in the Coos Bay Harbor Safety Committee, and identify and evaluate security needs Port wide. Staff will conduct evaluations of Port properties and navigational infrastructure, including docks, buildings and land, as well as coordinating with the Army Corps on the dredging and infrastructure of the Coos Bay Navigation Channel. Revenues for the department total about \$245,000, primarily from leases and property agreements.

Staff will continue to participate with committees and boards that support the Port's mission. These include the Coos Watershed Association (CoosWA), Oregon Freight Advisory Committee (OFAC), Southwest Area Commission on Transportation (SWACT), and the Partnership for Coastal Watersheds (PCW). Port Operations staff provide permitting support for all Port projects, which includes advising staff on current regulations and procedures, managing the Unified Dredging permit, reviewing permit applications, and representing the Port on issues related to regulatory and environmental requirements and regulations.

These strategic goals are important to the existing and future operations of the Port. Because the Port does not currently operate terminals, most of these action items address and support current maintenance needs and future operations. These efforts are essential to the growth, viability, and sustainability of the Port's operational and long-term success.

E. Port Development – Jake Jacobs, Director of Infrastructure Support Services

The Infrastructure Support Services team provides full spectrum acquisitions service and project management for the Port, its lines of business, and the governing Board of Commissioners. Staff strive to be flexible and ready to support agency needs or requirements of any type and to support the mission of the Port. The ISS department enhances the Port's ability to implement an effective,

auditable, budget conscious approach to project management and procurement through ethical standards of practice.

Strategic goals include conducting ongoing support for the Port by operating a vibrant, responsive, flexible acquisition and project management program. This includes establishment of a consistent communication process, leveraging local strategic supply and service contracts, soliciting competitive multi-year task order contracts for good and services, and implementing project management standards and oversight. The focus this year will be on continuing to implement and improve on industry standard processes and tools. Staff will participate in Oregon DAS Procurement Training and will utilize online assets as they become available. Staff will work to incorporate best practices which will result in better project management and reduce cost and risk to the Port. Staff will work to capture data and conduct meaningful analysis and reporting of trends. This will include reviewing acquisitions and projects both quarterly and annually. Staff will work to identify trends in spending related to commodity and service, and potential opportunities to leverage savings.

The ISS department does not generate revenue, rather it contributes value to the other departments. Knowledge of the market and methodology allows customers to stay focused on their tasks and spend their hours in their field of expertise. This gives back time that is critical to effective utilization of manhours. An example is the transition from declaring emergencies on the railroad for small projects less than \$150,000 to instead implementing a task order contract. This reduces the manhours needed and is a savings of more than 40 combined manhours per incident. In addition to the time savings, the team is able to negotiate for discounts and other savings to the Port. Recently, the team negotiated a service account with a local tire dealer, providing a 10% discount for tire replacement that is estimated to save the Port and CBRL \$1,300.

Expenses for the department are minimal and include payroll and equipment. Current fiscal year training will be online to reduce expenses to the Port. Staff strive to use best practices and lean methodology to provide return on investment for procurement and project management.

F. Railroad Operations – John Burns, Chief Executive Officer

As owner of the infrastructure and assets such as the rolling stock, the Port is responsible to ensure the line is maintained. CBRL is the operating company and a wholly owned subsidiary of the Port. This budget presentation is exclusively the Port's interaction with the rail line. The Port provides oversight of the rail line and CBRL, ensuring they are able to fulfill their obligation to operate the rail line. The Port maintains customer relationships and works to bring in new customers, while coordinating to ensure maintenance and capital projects are being executed.

The strategic goals of the railroad are to first and foremost provide safe, reliable rail service for all customers, employees, and the communities served. The Port strives to ensure operations are delivered on time and on budget. This is done by ensuring infrastructure resources are maintained and ready to accommodate the needs of operations. There are currently 32 slow orders on the line. Focus this fiscal year will be on removing these slow orders which would allow speeds to be brought back up to 20 mph. The Port works to enhance the value of the rail corridor and maintain the connection from Coquille to Eugene. The Coos Bay rail line directly supports more than 800 jobs and moves about \$220 million annually for the companies that utilize the rail line. The CBRL ties directly into Class I railroads in Eugene and operates through Coos, Douglas, and Lane Counties.

Revenue projections are based on 5,000 anticipated carloads. Revenues to the Port include \$278,775 in operating revenue and the capital projects surcharge of \$349,535. There is a scheduled increase of 5% to the capital projects surcharge. This has only been increased twice in the last five years, 5% in 2015 and 3% in 2017. Real estate lease agreements bring in approximately \$248,000. The 45G federal tax credit and state tax credit will realize about \$784,000 in revenue. Debt service of \$708,000 was primarily for the acquisition of the rail line. Expense also include contracted services of \$55,000 and infrastructure repairs of about \$225,000.

Lou Leberti asked how the Port is able to realize a tax credit when it does not pay taxes. Mr. Burns stated as a public entity, the Port is able to sell the credits to a third party who can then take advantage of the credits. 45G is part of the federal tax code, while this year is the first the State of Oregon has offered a similar tax credit for shortline railroads.

G. Committee Discussion of Department Budgets

Mr. Edwards stated dock infrastructure is being lost, both in the basin and at the shipyard. There was a 100' dock for transient moorage in the shipyard which has since been damaged. There is no room now and the dock has been gone for about a year. Mr. Edwards asked about plans to fix the dock, stating the fleet needs this dock space back. This is an essential piece of infrastructure for the shipyard. Mr. Edwards also spoke of not being able to utilize the launch ramp due to Marine Board regulations. This negatively impacts the commercial fleet. Mr. Edwards asked about the possibility of getting a waiver from the Marine Board. Mr. Edwards stated one more item of concern in the budget is the number of personnel in Charleston being reduced by 29% which will impact the summer operations and dredging. Mr. Edwards stated he would like to see more maintenance staff.

Mr. Collura stated he is currently in communications with the Marine Board about possibly utilizing a single lane for the commercial fleet with visual guidance from Port staff. Specifics are being worked out at this time. The launch ramp replacement project last year was funded by the Marine Board. Mr. Collura stated the revenue stream isn't there to support increased staff. These are challenging times for the organization and difficult cuts had to be made. The Port is well aware of the needs but for this fiscal year there is no plan to replace the damaged dock. Part of the reason is permitting and the other is a lack of available funding. Mr. Edwards stated it appears all departments in the general fund saw cuts of 20-25%, and although the cut to Charleston personnel is concerning, staff did a good job of reducing the numbers overall. This is similar to what many businesses are experiencing right now.

Mr. Leberti asked about plans for a rate increase in Charleston. Mr. Collura stated the proposed increase for all categories of moorage as well as shipyard services is 3%, slightly less than the cost of living adjustment for the upcoming year. Mr. Leberti stated this is a tough situation for commercial fishermen right now and the industry is seeing decreases in the market. Mr. Leberti stated personnel services are seeing an increase of 3.1%; perhaps that increase could be deferred to mitigate the rate increase. Mr. Burns stated alternatives were evaluated. The decision was made to reduce the number of staff positions rather than cutting some from everyone, which can make recruiting and retention difficult. This is never an easy decision to make. Mr. Leberti asked where the reduction was made. Mr. Burns stated one came from the Rail Operations staff, one from External Affairs, and one from Charleston.

Mr. Edwards stated this will likely be one of the worst fishing seasons in many years. The seafood industry around the world is in disarray due to the market disruptions of COVID-19. A rate increase at this time will set an example for other ports. Mr. Edwards stressed a rate increase will further strain every business in Charleston.

Commissioner Hanson stated the budget has seen a decrease in expenses, while at the same time some of the personnel cut from the budget were responsible for generating revenue. Three staff members who are not in this year's budget worked to further the business development of the Port and Rail. This can potentially save money in the short term, but efforts to increase revenue in the long term are still important. Mr. Burns stated he will pick up a more active role in recruitment and sales and marketing, as well as looking at other opportunities to generate revenue. It is a difficult balance to sustain and grow business while managing expenses.

6. CONCLUDING COMMENTS BY JOHN BURNS, CEO

Mr. Burns stated the budget process is never easy. Staff have worked hard to ensure that the needs of each line of business are addressed while sustaining the organization well into the future.

7. PUBLIC COMMENT

8. COMMITTEE COMMENT

Maeora Mosieur thanked Port staff for their knowledgeable presentation of the budget while navigating a new platform.

Mr. Edwards stated this is not the right time for a rate increase. The commercial fishing industry is being negatively impacted by many factors and Commissioners need to be aware. Commissioner Farm thanked budget committee members for sharing their concerns, stating the need to keep up with inflation and project costs. If anyone is having a hard time with their moorage, arrangements can be made with the Harbormaster.

Steve Scheer stated he is opposed to the rate increase at a time when the community is suffering. Mr. Scheer stated that although personnel have been laid off, more needs to be done. Perhaps it would have been more equitable to reduce the cost of living increase to nothing. All industries are hurting right now. Mr. Scheer expressed concern that staff is not being asked to sacrifice, other than those laid off, while the community of Charleston is.

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

Upon a motion by Lou Leberti (second by Nick Edwards), the Budget Committee voted to recommend the budget to the Port Commission for adoption, with consideration being given to alternatives to moorage rate increases. Steve Scheer opposed the motion. **Motion Passed.**

10. ADJOURN MEETING

President Kronsteiner adjourned the meeting at 2:43 p.m.