

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

Monday, May 20, 2024, 3:00 p.m. – 5:00 p.m.

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

ATTENDANCE

Commission:

Eric Farm, President; Brianna Hanson, Vice President; Kyle Stevens, Secretary; and Nick Edwards, Commissioner. Kyle ViksneHill, Treasurer was absent.

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; Matt Friesen, Director of External Affairs; Mike Dunning, Chief Port Operations Officer; Ray Dwire, Charleston Marina Manager; Brian Early, CBRL General Manager; Mary Green, Accounting Supervisor; Thomas Morton, Procurement Specialist; and Krystal Karcher, Human Resources Generalist.

Media & Guests:

None Present.

1. CALL MEETING TO ORDER

President Farm called the meeting to order at 12:00 p.m.

2. INTRODUCTIONS

3. SELECTION OF BUDGET COMMITTEE CHAIR

Upon a motion by Lou Leberti (second by George Wales), the Budget Committee voted to appoint Eric Farm as Budget Committee Chair. (Ayes: Farm, Hanson, Stevens, and Edwards. Mosieur, Leberti, Wales, Hamner, and McGowne. Nays: None. Absent: ViksneHill.) **Motion Passed Unanimously.**

4. RECEIVE FY 2024/25 BUDGET MESSAGE BY JOHN BURNS, CHIEF EXECUTIVE OFFICER

John Burns stated the budget for fiscal year 2024/25 comes after the current fiscal year where conditions were not as robust as anticipated. There are numerous reasons, including the reduced number of rail car movements which reduces the money transferred from the Railroad to the Port. In the current budget cycle, staff have looked for ways to do much more with much less. Revenue

projections are down this year compared to last year. Again, due largely to the over-enthusiasm of last year's budget, which has been tempered back this year. Personnel expenses are also much lower. There are five full-time positions that are not budgeted for this year. Those roles and responsibilities will be absorbed by existing staff members. Staff will work to continue improving the infrastructure. Plans are in place to get more work done in Charleston. The maintenance team has been working to update the maintenance and repair plan and to identify and prioritize the areas most in need.

5. REVIEW THE PROPOSED BUDGET DOCUMENT

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

Megan Richardson reviewed the proposed budget for the 2024/25 fiscal year, stating the document was revised after a budgeting error in CBRL's budget which led to adjustments in the Port's budget. The interest expense for the line of credit was reduced to account for the reduced revenue from CBRL.

The budget consists of four funds: the General Fund, the Special Projects Fund, the Reserve Fund, and the Dredge Fund. Oregon Budget Law requires that all proposed funds must balance revenues with expenditures. The General Fund is made up of five departments: Administration, Charleston Operations, External Affairs, Port Operations, and Railroad Operations. These funds will be discussed later in further detail by the department manager.

The proposed budget for the General Fund FY 2024/25 anticipates total income of \$8.1 million and gross expenses of \$8.1 million. Revenues in the General Fund are made up of fees for services (68%), property taxes (26%), and other (6%) which includes small grants and interest earned.

The Special Projects Fund includes capital and other major projects. Those are predominately funded by money from outside of the Port's General Fund revenues. In 2024/25, staff anticipates about \$75.9 million of major capital projects. These are funded by the federal BUILD grant, state grants from the Oregon Department of Transportation and Business Oregon, and other grants. This fund does not carry any fund balances.

The Reserve Fund includes money allocated for the Railroad Reserve, Asset Replacement Reserve, Dredge Reserve, Real Property Reserve, and a General Reserve. There is about \$1 million allocated to this Fund.

The Dredge Fund includes the revenue from the Oregon State Fuel Tax and dredging operations. The state fuel tax funds are used solely to support the maintenance, repair, operations, and future capital needs of the dredge. The budget includes expenses to dredge the Port of Garibaldi during the FY 2024/25 in-water-work window.

B. Administration – Lanelle Comstock, Chief Administrative Officer

Lanelle Comstock stated the Administration department oversees all of the administrative functions for the Port and the Railroad. Revenues for the Administration department include anticipated property tax revenues of \$2.1 million, interest earnings, and the CCURA administration fee. Other revenue is a pass-through of property taxes paid by Hub Building leaseholders. There is a \$50,000

grant budgeted from Business Oregon to complete the update to the Port's Strategic Business Plan. Lease revenue from the Hub Building is budgeted at full occupancy. Revenue projections also include the Southport principal note repayment.

Expenses include personnel services for 7.0 FTEs. The Administrative Assistant position is not included in the current budget and will not be filled. There are no new positions proposed for the Administration department. In previous years, Charleston administrative staff were included in this budget but have now been moved to Charleston to more accurately depict Charleston's expenses. The primary cost for materials and services include the overhead costs of maintaining the Port's administrative office, management of the Hub Building and the costs necessary to support the administrative functions. Many of the expenses decreased this year, due to redirecting funds to other departments such as Charleston office supplies and IT subscriptions. The large increase in consulting services is for a consultant for the update of the Strategic Business Plan. This large expense will be offset by the grant from Business Oregon. Capital outlay projects include maintenance to the Hub Building, including roof and window repairs, and replacement of aging HVAC systems.

Overall, the budget for the Administration department decreased from this current year's budget of \$2.1 million to FY 2024/25 at \$1.7 million.

Commissioner Hanson asked about Hub Building occupancy. Ms. Richardson stated the Port purchased the Hub Building to offset the expense of paying rent, as purchasing the building was less of a loss than renting. Commissioner Hanson asked if the other costs of ownership were factored in. Ms. Richardson confirmed. Lou Leberti asked about Hub Building prices compared to Charleston and to new construction buildings downtown. Mr. Burns stated the Port charges approximately \$1.00 per square foot while new construction prices are closer to \$3.00 per square foot. This price is consistent with other older buildings in downtown Coos Bay.

Maeora Mosieur asked what the current occupancy percentage is of the Hub Building. Ms. Comstock stated there are currently only two vacant spaces, both of which are being marketed. Mr. Burns estimated the occupancy at about 85%.

C. Business Development/External Affairs – Matt Friesen, Director of External Affairs

Matt Friesen stated the External Affairs department is responsible for developing, managing, and delivering the Port's communications and messaging. This includes all media relations and serving as the primary Port contact, as well as working with lobbyists and regulatory agencies to develop policies and track legislation.

The mission of the External Affairs department is to develop an enduring, trusted relationship with the community that builds awareness, support and advocacy for the Port's mission so the economy and families can prosper. Much of the work of the External Affairs department is connected to supporting the work of others throughout the Port. There has been a concerted effort by Port staff to be more proactive with communicating information. Staff are also working to emphasize internal communications. Staff have been prioritizing community outreach and stakeholder engagement. Staff will devote time to researching and analyzing new funding opportunities.

Adjustments made to this year's budget include an increase to staff travel, due to expected travel to Salem for the long legislative session. There has been a reduction in FTEs. Last year's budget

included a Content Creator position that is not budgeted for this year. Professional services was higher last year due to the website development. Legislative support is down this year, while the community affairs line item has been increased to allow for more sponsorships in the community.

Commissioner Stevens asked if there was room in the budget to increase the community affairs support. Mr. Burns stated there could be contingency in the budget that could be moved.

Commissioner Edwards asked whether the Port shares the cost for legislative support. Mr. Burns stated this is all funded by the Port, and that number has been reduced in this budget year.

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

Mike Dunning stated the mission and strategic emphasis of the Port Operations department remains unchanged with a focus on the Channel Modification Project and the Pacific Coast Intermodal Port Project. The Port Ops department provides project management for the Railroad and Charleston. This includes permitting for the Shipyard Improvement Project; although the grant has not been awarded, staff are working to move the permitting process forward. Staff continue work to develop future opportunities for Terminal One. Staff will continue to focus on safety and training programs.

The Port Ops department is budgeting revenues of about \$275,000 from property leases. Personnel services this year include 2 FTEs. This department previously included five Security personnel who have been moved to Charleston's budget. There were also two other positions in this department that have not been included in the budget.

Expenses include staff travel, operational and safety supplies, utilities and environmental mitigation, temporary contract help, legal advertising, contracting and consulting services, insurance, and repairs and maintenance to equipment, buildings, land and docks.

Interest costs are up slightly this year due to multiple projects occurring. Ms. Richardson stated the interest is budgeted as one line item on page 12 within the debt services section of the requirements. Debt service is managed internally by department but is budgeted at the fund level. The interest increased this year because more of the credit line was being used and the interest rates were higher.

E. Railroad Operations – Brian Early, General Manager, Coos Bay Rail Line Inc.

Brian Early stated the Coos Bay Rail Line, Inc. just completed their budget committee meeting immediately prior to this meeting. CBRL is budgeting for approximately 7,700 carloads this year. That is down considerably from the current year's budgeted number, which will not be realized. There are several factors that have contributed to this. There are not enough chip cars within the national system to accommodate the amount of wood chips available. One of CBRL's shippers only produces green lumber and the market for this is very volatile. Another factor is the continued geopolitical and economic conditions of the export market. Most all the logs and chips that CBRL transports are exported, and the market is constantly shifting. This year, staff have toned down the expectations to a more realistic attainable number.

The income from CBRL operations is about \$2.5 million, detailed on page 11 of the budget document. Expenses for the Railroad Operations department include an increase in insurance costs, and a decrease in professional services. Repairs and maintenance of bridges includes the on-call bridge

repair contracts that allows the Port to repair bridges immediately and reduce downtime of the railroad.

Mr. Leberti asked what the number of carloads translates to in dollars. Mr. Early stated the CBRL budget is approximately \$7 million, which means about \$2.5 million is transferred to the Port. The operations revenue of \$460,343 is the money realized from CBRL to the Port. This is a gross of about \$600 per carload depending on the distance traveled. Mr. Burns further clarified that the anticipated revenue from CBRL's estimated 7,700 carloads is about \$4.6 million. That number comes from the CBRL proposed budget, which is a separate document. President Farm stated the \$2.5 million in the Port's budget for Railroad Operations revenue is the net result revenue from CBRL to the Port. Mr. Early confirmed.

F. Charleston & Dredge Operations – Ray Dwire, Charleston Marina Manager

Ray Dwire stated the Charleston Marina supports both the commercial and recreational fleet. Operational goals include increased involvement with the local community, organizations and committees. The Port is striving to be a partner within the community. Staff will work to improve existing relationships with current tenants and encourage relationships with future tenants and businesses.

There are 16 FTEs in the Charleston Marina. Some of those staff were previously budgeted in other departments but work solely in the Marina so they are now budgeted within Charleston. There is one position that was budgeted previously but will not be filled in this current budget cycle. Those funds will be redirected to more maintenance and repairs. Staff includes three in the office, eight in maintenance, and five in security. This count of FTEs does not include the support that Charleston receives from the Admin office, including finance and executive.

Projected revenues for Charleston are detailed on page 10, which includes building leases, environmental surcharges, ice sales, propane sales, annual and monthly moorages, launch ramp fees, Shipyard work areas and boat washes, and RV Park space rents. The revenue for Charleston totals about \$2.8 million. This includes a 10% rate increase for most of the services in the Marina. This excludes the work docks, which are budgeted at a 2.5% increase, and the gravel short-term area of the Shipyard will not see an increase. The paved area of the short-term area will see the 10% increase. There is no increase in the long-term work area this budget year.

Commissioner Stevens asked what rate increases new tenants will see for a new property lease or for railroad customers. Mr. Burns stated the pricing for rail customers is set by Union Pacific. Interline customers will see an increase that matches the UP increase. For property leases, the rate increase is based on the cost of living adjustments.

Mr. Dwire stated there was a question received regarding the budget estimate for the annual moorages, and what looks like a large increase from the current fiscal year budget at \$540,000 to this year's budget at \$726,185. Currently the Port is at about a 25% increase in moorage year over year. Last year's budget number was down due to the number of derelict vessels. The increase in moorages, both annual and semi-annual, combined with the rate increase accounts for the large increase in these budget line items.

Ms. Mosieur asked about the bad debt expense and the ratio to the income, and whether that has been the same as in the past. Mr. Dwire stated the bad debt expense is expected to be less; FY 2022/23 and 2023/24 saw the impact of the insurance compliance requirements and the increased number of derelict boats abandoned. Ms. Mosieur asked whether there should be bad debt expense budgeted in other areas with tenant activity. Mr. Burns stated that historically there has not been bad debt incurred within other areas of the operation.

Ms. Mosieur asked for information behind the declining RV Park revenues and what the current park occupancy is at. Mr. Dwire stated the occupancy is low and staff have been looking to find a new niche for Charleston and what could draw people in. Ms. Mosieur asked if these efforts were built into the budget. Mr. Dwire stated staff have been looking primarily at maintenance needs including repairs to the yurts. Staff will conduct an RV Park analysis to determine where the park can improve to meet the needs of customers.

Commissioner Hanson asked if increased fees have been a factor in the declining revenue for the RV Park. Mr. Dwire stated there was a small rate increase in January. Compared to other similar marinas, Charleston is on the lower end of cost. Most places have an increased rate in the summer and many do not offer the monthly rates that Charleston does.

Elise Hamner asked about the marketing of the Marina. Mr. Dwire stated staff do work with the Coos Bay North Bend Visitors Center and staff have been doing social media posts to highlight the work being done. Ms. Hamner asked if these marketing efforts were included in the budget. Staff confirmed that is budgeted within the External Affairs department.

Commissioner Edwards asked about the budget for pilings within the marina, excluding the Shipyard. Mr. Dwire stated piling is budgeted at \$100,000 which will get approximately three or four piling after the cost of mob/demob. Staff will be looking at the condition of all piling and hope to do a larger piling replacement project in future budget years. Commissioner Edwards stated there needs to be a 30' dock at the Ice Plant Dock with three new pilings so the dock and Ice Plant are better protected. There are more pilings needed than are included in the budget.

Commissioner Edwards asked about plans to build larger storage facilities in Charleston. Mr. Burns stated the research has been done to look at the cost of construction and what needs to be done. Staff will look to move forward with this project in the next budget cycle after more planning has been completed.

Expenses for Charleston include salary and benefits for 16 FTEs. Another large expense is utilities, including electricity. Two years ago, the rate was approximately \$0.081 per kilowatt hour. Today the rate is now \$0.01158 per kilowatt hour. That's more than a 40% increase with another rate increase of approximately 17% expected in January 2025. Anticipated electric costs for next year in Charleston are \$283,000. The docks average \$12,000 to \$14,000 per month. The Ice Plant is more than \$2,000 per month. In March, there were 10 tons of ice sold for gross sales of \$1,000 and the electric bill was over \$3,000. It costs close to \$200 per ton to make ice. Summer months tend to see higher sales and staff have looked at options to shut down in the winter, but the electric costs would still remain high during that time, so the facility remains open. The increased costs have necessitated a 10% increase in the cost of ice. Commissioner Edwards stated the increase in cost will be devastating to fishermen. Mr. Dwire stated that he presented to the Charleston Advisory Committee

recently with the costs of doing business in Charleston. For FY 2022/23 expenses for the Ice Plant totaled \$353,219 with revenues only totaling \$206,000.

Additional expenses include vehicle and vessel maintenance, buildings and land maintenance, temporary contract help for landscaping, derelict vessel disposal, insurance, small equipment and tools, and clothing reimbursement. As reported previously, there is about ten years of work for repairs and maintenance of the docks. Staff continue efforts this year with \$132,900 budgeted. This includes electrical repairs, fingers, and repairs to the docks themselves. Repairs and maintenance to equipment is budgeted at \$59,000. The line item for marina dredging include \$110,000 for the Section 107 survey and feasibility study, and \$200,000 to dredge the shoaling area at Pt. Adams with a clamshell dredge. Mr. Dunning stated the Section 107 study is about a \$600,000 project, of which the Port is responsible for a cost share of about \$280,000. The alternative analysis has been approved by the Division. There will be a 10% construction cost share to the Port for the initial dredging if the Army Corps approves this.

Ms. Hamner encouraged staff to consider increasing the marketing budget. Attracting more visitors to the RV Park will benefit the community and local businesses.

Capital outlay expenses include \$150,000 to repair the Pt. Adams building, as well as a new roof for Building 30/31 and repairs to the former Sea Basket Restaurant. Capital outlay expenses for the docks include piling and the D-dock approach.

Charleston's total budgeted expenses are \$3.3 million, with approximately \$2.8 million in projected revenue.

President Farm asked if an adjustment could be made to the External Affairs or Charleston budget to accommodate the recommendation to increase advertising for the RV Park. Mr. Burns stated an adjustment can be made to the contingency line item, moving and additional \$5,000 to advertising and \$5,000 to community affairs, both within External Affairs.

6. CONCLUDING COMMENTS BY JOHN BURNS, CHIEF EXECUTIVE OFFICER

Mr. Burns stated it is unfortunate that rates need to be increased to continue providing services. Staff have tried to deliver the best possible services with limited resources. FTE counts have been reduced, expenses have been tightened in as many areas as possible, and staff continue to work diligently to establish new lines of revenue. Mr. Burns thanked the Budget Committee members and Commissioners for their time and attention.

7. PUBLIC/ COMMITTEE COMMENT

There were no members of the public present to offer comments or questions. President Farm asked if any committee members had additional comments.

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

Upon a motion by Elise Hamner (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 2024/25. (Ayes: Farm, Hanson, Stevens, and Edwards. Mosieur, Leberti, Wales, Hamner, and McGowne. Nays: None. Absent: ViksneHill.) **Motion Passed Unanimously.**

Upon a motion by George Wales (second by Maeora Mosieur) the Budget Committee voted to approve the proposed budget for fiscal year 2024/25, with the recommended changes to community affairs and marketing, and recommend to the Board of Commissioners for adoption. (Ayes: Farm, Hanson, Stevens, and Edwards. Mosieur, Leberti, Wales, Hamner, and McGowne. Nays: None. Absent: ViksneHill.) **Motion Passed Unanimously.**

9. ADJOURN MEETING

President Farm adjourned the meeting at 5:10 p.m.