



2012 ANNUAL REPORT OF HOOD RIVER

Table 1 - Net Assets as of June 30, 2012

	Governmental Activities		Business-Type Activities		Total All Funds	
	2012	2011	2012	2011	2012	2011
Current and Other Assets						
General Fund	\$ 20,867	\$ 20,798	\$ 3,896,758	\$ 5,393,582		\$ 6,580,333
Bridge Repair and Replacement Fund	1,014,567	1,165,953				
Capital Assets			26,539,724	25,122,351	35,526,377	33,420,387
General Fund	7,000	7,000				
Bridge Repair and Replacement Fund	8,979,653	8,291,036				
Total Assets	10,022,087	9,484,787	30,436,482	30,515,933	35,526,377	40,000,720
Long-Term Debt			2,443,911	2,493,951	6,673,911	7,243,951
Bridge Repair and Replacement Fund	4,230,000	4,750,000				
Other Liabilities			1,144,379	587,097	1,175,674	622,719
Bridge Repair and Replacement Fund	31,295	35,622				
Total Liabilities	4,261,295	4,785,622	3,588,290	3,081,048	7,849,585	7,866,670
<i>Net Assets</i>						
Invested in Capital Assets			24,095,813	22,628,400	28,852,466	26,176,436
General Fund	7,000	7,000				
Bridge Repair and Replacement Fund	4,749,653	3,541,036				
Restricted - Bridge and Replacement Fund	700,000	700,000			700,000	700,000
Unrestricted			2,847,348	4,806,485	3,151,487	5,257,614
General Fund	20,867	20,798				
Bridge Repair and Replacement Fund	283,272	430,331				
Total Net Assets	\$ 5,760,792	\$ 4,699,165	\$ 26,943,161	\$ 27,434,885	\$ 32,703,953	\$ 32,134,050

to the public; thus, they do not represent resources available for future spending. Restricted net assets total \$700,000 and represent cash and investments that are legally restricted for debt service. Finally, the remaining \$3,056,517 is unrestricted, meaning it is available for meeting the Port's ongoing obligations.

Statement of Activities

As with the statement of net assets, the Port reports governmental activities by the two distinct funds. As indicated in Table 2 below, total net assets of the Port increased by \$569,904, or 1.7% more than the prior year net asset balance. Descriptions of significant activities follows.

Governmental Activities – The net assets for governmental activities increased \$1,061,628 from the prior year. This increase arises from cash transfers from the Revenue fund to fund the capital improvements made to the toll bridge.

Financial highlights of governmental fund activities for the year include:

- Nearly \$1.3 million in toll bridge capital improvements including painting, structural engineering tests and review.
- Property taxes continue to increase based upon 3% cap.

Business-type Activities - Business type activities generated a \$859,678 increase to the Port's total net assets. This increase is evenly divided between an increase in the toll bridge fee (\$233,440), increases in tenants and leased properties (\$220,013), event fees and grants (\$138,101), and the sale of lots 2 and 7 (\$135,916).

Table 2 - Governmental and Business-type activities for the fiscal year ending June 30, 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
<i>Program revenues</i>						
Charges for services - Tolls			\$ 2,892,600	\$ 2,659,160	\$ 2,892,600	\$ 2,659,160
Leases, rents and fees			1,999,068	1,779,055	1,999,068	1,779,055
Operating grants			6,125	9,125	6,125	9,125
Capital grants			341,762	200,661	341,762	200,661
<i>General Government Revenues</i>						
Property taxes	\$ 54,917	\$ 56,236			54,917	56,236
Interest earnings	3,711	4,049	29,424	29,110	33,135	33,159
Other sources	2,702	2,703	221,413	(46,397)	224,115	(43,694)
Total Revenues	61,330	62,988	5,490,392	4,630,714	5,551,722	4,693,702
Expenses						
Governmental Activities						
General government	297,973	303,962			297,973	303,962
Bridge repair and replacement	632,866	677,004			632,866	677,004
Interest on long-term debt	187,063	206,081	120,422	119,111	307,485	325,192
Business-type Activities						
Toll bridge			1,071,252	1,013,456	1,071,252	1,013,456
Industrial			1,356,730	1,261,181	1,356,730	1,261,181
Commercial			178,520	149,313	178,520	149,313
Waterfront Industrial			158,469	135,805	158,469	135,805
Waterfront Recreation			419,023	409,169	419,023	409,169
Marina			159,411	140,631	159,411	140,631
Airport			279,274	314,174	279,274	314,174
Administration			49,976	141,500	49,976	141,500
Maintenance			70,839	72,081	70,839	72,081
Total Expenses	1,117,902	1,187,047	3,863,916	3,756,422	4,981,818	4,943,469
Transfers	2,118,200	451,391	(2,118,200)	(451,391)	-	-
Increase (decrease) in Net Assets	1,061,628	(672,668)	(491,724)	422,901	569,904	(249,767)
Beginning Net Assets	4,699,164	5,371,832	27,434,885	27,011,984	32,134,050	32,383,817
Ending Net Assets	\$ 5,760,792	\$ 4,699,164	\$ 26,943,161	\$ 27,434,885	\$ 32,703,953	\$ 32,134,050

Financial Analysis and Outlook

The Port is involved in a variety of activities that contribute to the economic health and vitality of our community. The major source of funds for Port operations continues to be the toll bridge, accounting for 53% of our revenues. Lease revenues have increased in amount, as well as our occupancy rate. The Port receives property taxes which only account for 1% of the total revenues. Capital grants continue to play a vital role in how the Port develops its properties, which includes extending the runway at the airport and providing industrial facilities and jobs to the local economy. This year the Port received an operating grant from the Oregon State Marine Board to assist in operations of the marina. In addition, the Port received two grants from the Federal Aviation Administration (FAA) to extend our current runway configuration as well as other land improvements which will amount to over \$1 million in funding.

The following categories should assist you in understanding how the Port looks at its business units:

Bridge – The bridge traffic continues to remain level compared to prior years. There has been considerable effort in the development of a long-term strategy for the maintenance and capital improvements to the Hood River-White Salmon Bridge. This long term strategy depicts that toll increases will need to occur over time incrementally to support the maintenance and longevity of the bridge. A toll increase was put in place January 2012 to support this strategy.

Leased Properties – This year there were tenant improvements of \$731,273 to leverage our marketability of our facilities. The capital improvements to the Halyard Building, Port office building, and our Marina Center were made to attract tenants that in turn provide jobs to our local economy.

Undeveloped Property – Two lots were sold during the year. The Port continues to upgrade Portway Avenue with funds from the Economic Development Agency (EDA).

Recreation – The Port manages waterfront areas and activities. Increasing recreational usage along the waterfront challenges the Port's ability to meet our public's expectations, with kiteboarding, windsurfing, paddle boarding, and other users competing for time and space.

Marina – The marina continues to have a waiting list of 44 boats owners and a history of 100% occupancy. The Port anticipates upgrading some docks and the entire electrical system in the near future and will have most of the cost borne by the marina tenants.

Airport – As noted above, the airport started a runway shift project during the year that will continue into FY 2012-13. The funding for this project is coming from the Federal Aviation Administration (FAA) and only requires a 10% match from the Port.

Economic Factors - The Port of Hood River has a stable set of resources for ongoing operations and maintenance such as tolls and lease revenues. Since property taxes are such a small percentage of our revenue mix, the recession does not have the direct impact to the Port's resources as with other agencies. Employment and job growth is a true concern for the area and the Port continues to focus its strategic decisions on how best to mitigate this issue.

Uncertainties about future economic changes and financial impacts are common throughout the region. To deal with the swings in the economy and to plan for future capital expansion, the Port has routinely set aside resources. It will need to do so in the near future as well.

Message from President Jon Davies

The progress that takes place at the Port of Hood River involves policy decisions by Commissioners, but often the real work comes when Port staff executes Port action.

This has been evident the last couple years with new construction at Waterfront Business Park. Construction continues at a brisk pace. Hood Tech and Key Development will finish two new buildings this spring, adding to the recently constructed Halyard and Turtle Island Foods buildings. Occupancy of new buildings means jobs and growth for local companies. Waterfront development has exceeded expectations with rapid growth, highlighting the need for the Port to plan development of Lot 1 and the Nichols Basin area.

Initial concepts for a basin walkway and green space have been delayed by pending legal battles surrounding the Naito hotel project at the South end of the basin. While it's unfortunate that these problems weren't resolved, I feel the Port should press forward the planning effort for Lot 1's upland Light Industrial space. The Port's Executive Director Michael McElwee and Development Manager Steve Burdick will continue to be instrumental in waterfront planning and development. The Port's guiding principle is to create industrial property that complements nearby recreation and creates jobs.

The Port anticipates 2013 will be especially active for recreation users at the Event Site. Waterfront Coordinator Liz Whitmore is finalizing a High Water Response Plan. In the interest of safety, she has worked diligently with Commissioner Rich McBride and representatives from the windsport communities to create a formula for enhanced launching access during the challenging high river water conditions. Every effort is being made to provide a clear and safe plan for the users of the Event Site.

In 2012, the Port formed a Marina Ad Hoc committee to help formulate and propose some big changes at the Marina. Early this year, the long-awaited electric upgrade will be installed, while a long list of deferred maintenance items at the Marina will also be remedied. If you consider the recent key card entry system, new gangway, and official status as an Oregon Clean Marina, then we can all appreciate the hard work in this area led by Marina Manager Mellissa Halseth.

Just east of the Marina at the Bridge, the biggest news is "nothing." Our bridge painting contractor did a superb job completing the lower chord painting ahead of schedule. While the project was underway, bridge engineers were able to closely inspect structural connections to more accurately project future maintenance needs. The Port takes stewardship of the bridge very seriously, as it is critical to the economic and social connections for this region. Commissioners and staff have taken steps to ensure the Port's ability to maintain the bridge in good repair until Federal and State agencies take the lead on construction of a new bridge.

At the Airport, construction of the runway shift will resume when warmer, drier weather arrives. Upgrades to the runway will enhance safety — bottom line is that planes do better when runways are not constricted by roads on either end. While we are saddened by the passing of the Airport's namesake, Ken Jernstedt, I imagine he would be happy to see safety is paramount at the Jernstedt Airfield.

Although there is plenty of activity around the Port, some of the most important work will likely go unnoticed by the casual observer. Our recently hired finance manager, Fred Kowell, will take on the daunting task of installing a new finance system, while also updating policies and procedures regarding accounting in all aspects of the Port.

At times, people complain that the pace of government is slow. This does not apply to the Port of Hood River, largely due to the steady guidance of our Executive Director, Michael McElwee. Michael is a careful, diligent planner who researches issues, and presents solutions. He has the difficult duty of carrying out Commission decisions, and we are lucky to have his professionalism. I think Michael would be the first person to tell you that Port accomplishments are accomplishments shared by the community as a whole. If it takes a "village to raise a child" then it probably takes a district to build a Port. It's your district, get involved and share in the success.

Sincerely,
Jon Davies, Port Commission President

Financial State of the Port

This discussion and analysis is a presentation on the financial performance and activities that occurred at the Port of Hood River Fiscal Year 2011-12.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Port as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Port's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid. The two government-wide statements report the Port's net assets and how they changed. Net assets – the difference between assets and liabilities – is one way to measure the Port's financial health or position.

The government-wide financial statements of the Port are divided into two categories: Governmental funds

The policy making and related planning services are included here such as board activities, general administration and a proportion of support services. The Port maintains two individual governmental funds as of June 30, 2012 and both are considered major funds and are reported separately in the statement of revenues, expenditures, and changes in fund balances. The Port adopts an annual budget for all its funds. Budgetary comparison schedules are provided to demonstrate compliance with applicable state budgetary rules.

Business-type funds – Business type activities are used to distinguish operating revenues and expenses from non-operating items. The Port maintains an enterprise fund called the Revenue Fund which charges fees to toll bridge users, leased properties to industrial, commercial and mix-use tenants, marina boat slips, airport uses and recreational events and programs. Notes to the financial statements provide additional information that is essential to fully understand the Port's financial statements and position.

Statement of Net Assets

Net assets serve as a useful indicator of a government's financial position especially when viewed over multiple periods of time. In the case of the Port, assets exceed liabilities by \$32,608,983 at the close of the most recent fiscal year. This represents a \$474,933 increase over the prior fiscal year.

Table 1 on page 4 depicts an increase in net assets which is attributable to the bridge painting project and a reduction in the Port's long term debt obligations. The increase is largely due to the Bridge Repair and Replacement fund, which provided \$1,061,627 of this increase whereby the Revenue fund depicted a reduction of (\$586,694).

The largest portion of the Port's net assets, at 88%, are invested in capital assets (e.g. bridge, land, buildings, and equipment) and reported net of related outstanding debt. The Port uses these capital assets to provide services

please see Financials on page 4



Fred Duckwall
Position #1
Commissioner since 2001



Jon Davies
Position #2
Commissioner since 2009



Rich McBride
Position #3
Commissioner since 2011



Brian Shortt
Position #4
Commissioner since 2011



Hoby Streich
Position #5
Commissioner since 2002

2012 Year in Review

JANUARY

■ The toll increased to \$1 on the Hood River Interstate Bridge, and the new toll for BreezeBy account holders was raised from 63¢ to 75¢.

■ Century West Engineering was hired to prepare

engineering, design and bidding services for the Orchard Road vacation and runway shift at the Ken Jernstedt Airfield.

FEBRUARY

■ Civil Construction Company was hired to install the Marina gangway and transition dock at an approximate cost of \$66,500.

■ Mild weather allowed bridge painting to continue through the winter. Excessive corrosion on the transverse beams and truss diagonals resulted in additional work and compensation for the project.

■ The Port hired Crestline Construction to perform rip rap repair on sections west of the toll bridge and at The Hook.

■ Contractor Colton Construction began tenant improvements at the Halyard Building for Cascadia Brewing, LLC, which later changed its name to Pfriem Brewing.

MARCH

■ In an effort to use best practices for the local spray plane operations at Ken Jernstedt Airfield, the Port funded a new concrete pad for the wash down area for Aero Spray, LLC.

■ The Port Commission held a work session on Lot 1 Planning to discuss visions, key issues affecting development, and possible development strategies.

APRIL

■ Portway Avenue Improvement Project was awarded to Crestline Construction Company, with a low combined bid of \$343,797. EDA grant funds covered over \$150,000 of the cost.

■ Renovations to the Marina Office Building were completed by Griffin Construction, and the Chamber office / Visitors Center reopened to begin its 10-year lease.

■ The Port held its Spring Planning Work Session on April 17. The agenda included a general overview, key issues for 2012/13, financial overview, discussion on Port facilities, a policy and strategy discussion, and key projects discussion.

MAY

■ A public meeting was held on May 16 regarding Lot 1 master planning, with discussions on access and parking, commercial and industrial land uses, shoreline treatments, and pedestrian access and connections. Group Mackenzie presented three rough concepts to stimulate discussion and feedback.

■ The Port Commission approved plans by Key Development for a 20,000 square foot commercial office building on Lot 3, north of the Expo Center parking lot, at Waterfront Business Park.

■ 170 discounted Event Site Season Passes were sold before the May 18 deadline.

■ The Oregon State Marine Board certified the Hood River Marina as a "Clean Marina," and the Port was recognized for its work implementing environmental and clean boating programs.



■ Two new employees joined the Port staff when Steve Burdick accepted the position of development manager, and

Liz Whitmore accepted the part-time position of waterfront coordinator.



JUNE

■ The Port Commission approved the FY 2012-13 Port budget totaling \$15,160,108 as presented

and approved by the Port's budget committee in May.

■ Port Executive Director Michael McElwee extended kiteboard launching and landing at the Event Site due to high water conditions.

JULY

■ A Marina ad hoc committee was formed to assist with policy decisions and facility upgrades. Members include a Port Commissioner, a powerboat tenant, a sailboat tenant, a boathouse tenant, a yacht club tenant, and the Port's marina manager.

■ The Port awarded Griffin Construction the contract for improvements to the east end of the Marina Office Building to prepare incubator space for Gorge Innoventure.

■ The Port initiated a public outreach process regarding the Naito Development's proposed cable park at Nichols Basin.

■ Pfriem Brewing moved into 5,700 square feet of space at the east end of the Port's Halyard Building. In addition to a tasting room/restaurant at the Halyard, Pfriem will manufacture and distribute craft beers throughout the Northwest.



AUGUST

■ Paving of Portway Avenue occurred as part of the improvement project that included new sidewalks, curbs, cul-de-sac, streetlights and landscaping.

■ K & E Excavating was awarded the contract for the Airport Runway Shift Project at the Ken Jernstedt Airfield. A matrix of funding was secured, including FAA grant funds and loans from other airports to be repaid from future FAA funding granted to the Port.

■ The Port was notified that its ODOT Transportation Enhancement grant application for a Nichols Basin trail segment advanced to stage two, which enabled the Port to refine its project plans and application for funding.

■ Two public meetings about the proposed Naito cable park land lease occurred, with stakeholder testimony in support, against, and neutral on the project. A September meeting was planned for public testimony.



SEPTEMBER

■ The annual Fly-In was held at the Ken Jernstedt Airfield on September 7, 8, and 9, with a record number of attendees.

■ New Finance Manager Fred Kowell joined the Port staff, from Portland Parks and Recreation.

■ A RFP process was initiated to select kiteboarding, windsurfing and SUP concessions at the waterfront for the 2013-15 term, with

a plan in place to lessen crowding at the popular multi-use Event Site.

■ Sixty-four lighting fixtures were replaced by Coburn Electric in the Maritime Building.



OCTOBER

■ The vacation of Orchard Road was underway as part of the Airport Runway Shift Project, both performed by K & E Excavating. The project would suspend for winter and resume in Spring, 2013.



■ HNTB Engineers gave a presentation to the Port Commission on its study evaluating the feasibility of adding a bicycle/pedestrian path to the Hood River Interstate Bridge. With limited weight capacity of the bridge's steel trusses, such an addition would impact weight load, and would likely cost about \$10 million.

NOVEMBER

■ After a four-month public process the Port Commission voted not to lease a significant portion of Nichols Basin to Naito Development for the purpose of constructing and operating a cable park.

■ A special review committee met to review eight proposals

received in response to the waterfront school concessions RFP, and make recommendations to the Port Commission.



■ Hale Construction completed demolition in the east end of the Maritime Building, and began construction of a common area corridor wall, while Kase Construction performed demolition and upgrades to the west end of the building.

■ Ernie Enos retired from the Port maintenance staff after 32 years of service.

DECEMBER

■ The bridge painting project was completed in early December, over six months ahead of schedule. The Port of Hood River recognized S & K Painting for its outstanding quality of work. S & K Painting also performed repairs to the lift span as part of a separate project.



■ The Port of Hood River Fall Planning Session occurred in early December, with a full agenda that included financial overview, technology upgrades, property development reviews, economic development efforts, recreation sites and plans, future capital investment for the bridge, and airport priorities and operations.



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