

Port of Hood River

FY 13/14 Spring Planning Session

April 23, 2013 12:00 p.m.

Agenda

- 1) Overview (Jon Davies, Commission President)** (5 Min.)
- 2) FY 2013/14 Key Issues (Michael McElwee, Executive Director)** (10 Min.)
Summary of administration, operations and facilities issues. (See attachment.)
- 3) Financial Overview (Fred Kowell, Finance Manager)** (30 min.)
Review current financial condition of the Port and performance measures.
- 4) 10-Year Financial Model (All)** (90 Min.)
Focused discussion of assumptions associated with current long-term financial model prepared by staff. (See attachment.)
 - **Summary**
 - **Base Assumptions**
 - **Overhead/Administration**
 - **Capital Projects**
 - **Debt Service**
 - **Property Acquisition/Sales**
 - **Capacity Utilization**
- 5) Policy/Strategy Areas (All)** (60 min.)
Discussion of policies bearing on budget or staff priorities
 - Waterfront 'Narratives' Assessment (Initial Draft)
 - Financial Policies
 - Federal/State Lobbying Efforts
 - Strategic Plan

Adjourn Work Session and Open Regular Session

Port of Hood River
FY 13/14 Spring Planning Session

Key Issues

The following are some of the key issues that the Commission should be aware of when considering the 2013/14 budget:

Administration

- Staffing has increased due to ETC administration, filing backlog and projects.
- Consultant services will increase for 2-3 years due to project workload.
- PERS and medical insurance rates will continue to increase.
- The Port's financial software platform needs a significant upgrade.

Operations

- The Port's Strategic Business Plan needs to be updated this year in order for the Port to be eligible for state funding in the future.
- Three significant capital projects remain to be completed—Airport Runway Shift, Marina Electrical and Boathouse dock replacement— that pose risk and uncertainty.
- A long list of planning, permitting and financing tasks need to be completed to prepare Lot #1 for development.
- Consider appropriate opportunities for light industrial property acquisition.

Facilities

Leased Properties

- Most buildings are nearly at 100% occupancy.
- Expo Bldg. will likely be empty in 2014 and needs to be positioned for re-development or re-leasing.
- The Facilities Assessment has identified a significant list capital and maintenance needs. A multi-year plan is needed to complete the backlog.

Bridge

- The long-term capital plan has been updated. No major capital projects expected for 2-3 years.
- Near-term emphasis on inspections, maintenance & bridge deck repairs.
- Roles and tasks regarding bridge replacement need further discussion.

Waterfront Recreation

- The 'Narratives' assessment can act as "roadmap" of site policies & upgrades.
- Ordinance 22 needs to be updated.
- Sewer outfall project is opportunity for Hook enhancements.
- Monitor parking policy and high water plan.

Marina Basin

- Prepare a long-term plan for the Visitor Dock.
- Boathouse leasing policies.

Airport

- No significant capital projects anticipated for 3-4 years.
- Near-term focus on maintenance projects to improve appearance & function.

Commission Memo

To: Commissioners
From: Fred Kowell
Date: April 23, 2013
Re: Financial Review for FY 2012-13

As we have discussed during the Fall Planning session, the Port has been planning making the capital improvements during this fiscal year that will dip into our reserves. In the attached financial overview, I have projected where we should land with respect to revenues, operating expenses, capital spending and other sources of funding and uses of resources. By the end of this year, the Port will most likely spend its reserves down by \$536,000, leaving a balance of around \$2.7 million. Included in the \$2.7 million reserve is \$700,000 that is required (per bond covenant) to be set aside for debt service, thus leaving us with \$2 million in unassigned reserves. I realize that a discussion has occurred with regard to keeping a \$2 million reserve but I wanted to clarify this policy as one that would add the annual debt service the Port would be required to set aside.

A few key decisions have affected the financial performance this year, as we did not move forward with the capital improvements at the Expo Center (ie \$3.5 million) or Marina Park (\$400,000), due to the circumstances surrounding the occupancy of the Expo Center. In addition, the receipt of a grant for Marina Park did not occur. Instead, the Port focused on the bridge painting project, the airport runway realignment, and the Halyard tenant(s) improvements. The desired outcomes of these decisions will be a bridge that is preserved for a longer useful life, a runway that is realigned with \$.90 of every dollar funded by the federal government and tenant improvements that will provide jobs and needed cashflow to the Port in the future. The Port has also negotiated with the URA to shorten the payback period on the loans provided to the URA by moving forward with \$225,000 capital improvements to the angled parking along Portway Avenue.

I have projected that the marina financing will be completed by June 30th and most of the electrical upgrade will be completed by that date as well.

I will be bringing forward a budget resolution transfer that realigns our budget with regard to its major cost objects (categories – Personnel Services, Materials & Services, Capital Outlay) by moving budget from one cost object to another.

I am available at your convenience to discuss this matter further or to clarify any points that you may want to do in the meeting or offline.

PORT OF HOOD RIVER
STATEMENT OF ESTIMATED OPERATING REVENUES, EXPENDITURES AND OTHER SOURCES AND USES OF FUNDS
FOR THE FISCAL YEAR 2012-13

	REVENUE FUND							GENERAL FUND	BRIDGE REPAIR & REPLACEMENT FUND	TOTAL	
	Bridge	Industrial Buildings	Commercial Buildings	Waterfront Land	Waterfront Recreation	Marina	Airport				Administration Maintenance
<u>OPERATING REVENUES</u>											
Tolls	\$ 3,452,698									\$ 3,452,698	
Leases		\$ 1,069,802	\$ 95,690	\$ 2,700	\$ 5,600	\$ 220,574	\$ 153,281			1,547,647	
Reimbursements		344,807	10,421	1,992	1,742	21,058	21,436			401,456	
Fees, Events, Passes and Concessions					92,020					92,020	
Property taxes								57,944		57,944	
<i>Total Operating Revenues</i>	<u>3,452,698</u>	<u>1,414,609</u>	<u>106,111</u>	<u>4,692</u>	<u>99,362</u>	<u>241,632</u>	<u>174,717</u>	<u>57,944</u>	<u>-</u>	<u>5,551,765</u>	
<u>Operating Expenses</u>											
Personnel Services	498,136	291,724	74,053	75,643	354,270	79,749	80,226	60	66,316	11,029	1,531,206
Materials & Services	366,563	674,198	51,542	159,286	84,229	55,457	88,389	138,562	182,470	393	1,801,088
<i>Total Operating Expenses</i>	<u>864,699</u>	<u>965,922</u>	<u>125,595</u>	<u>234,929</u>	<u>438,498</u>	<u>135,206</u>	<u>168,615</u>	<u>138,622</u>	<u>248,786</u>	<u>11,423</u>	<u>3,332,294</u>
<i>Operating income/(Loss)</i>	<u>2,587,999</u>	<u>448,687</u>	<u>(19,484)</u>	<u>(230,237)</u>	<u>(339,136)</u>	<u>106,426</u>	<u>6,102</u>	<u>(138,622)</u>	<u>(190,842)</u>	<u>(11,423)</u>	<u>2,219,471</u>
<u>Other Resources</u>											
Income from other sources	8,454	8,555		(400)	-	720,000	-	16,577	47	2,579	755,812
Grants	-	-		173,494	-	9,100	2,259,399	-	-	-	2,441,993
Sale of land	-	-		256,012	-	-	-	-	-	-	256,012
Note receivables	-	76,986		-	-	-	-	-	-	-	76,986
<i>Total Other Resources</i>	<u>8,454</u>	<u>85,541</u>	<u>-</u>	<u>429,106</u>	<u>-</u>	<u>729,100</u>	<u>2,259,399</u>	<u>16,577</u>	<u>47</u>	<u>2,579</u>	<u>3,530,803</u>
<u>Other (Uses)</u>											
Capital projects	(7,400)	(478,062)	(118,015)	(511,108)	(8,000)	(470,000)	(2,597,646)	(40,000)	-	(934,141)	(5,164,371)
Debt service	-	(144,942)	-	-	-	(24,573)	-	-	-	(703,238)	(872,753)
<i>Total Other (Uses)</i>	<u>(7,400)</u>	<u>(623,004)</u>	<u>(118,015)</u>	<u>(511,108)</u>	<u>(8,000)</u>	<u>(494,573)</u>	<u>(2,597,646)</u>	<u>(40,000)</u>	<u>-</u>	<u>(1,637,379)</u>	<u>(6,037,124)</u>
Transfers In/(Out)	(2,010,124)								276,124	1,734,000	-
Net Cashflow	<u>\$ 578,929</u>	<u>\$ (88,775)</u>	<u>\$ (137,498)</u>	<u>\$ (312,238)</u>	<u>\$ (347,136)</u>	<u>\$ 340,953</u>	<u>\$ (332,145)</u>	<u>\$ (162,045)</u>	<u>\$ 85,329</u>	<u>\$ 87,777</u>	<u>\$ (286,850)</u>

**Port of Hood River
Long Range Financial Model
Prepared: April 18, 2013**

Agency-Wide Statistic	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Operating Revenues	\$4,898,831	\$5,398,115	\$5,767,173	\$5,870,910	\$5,979,884	\$6,091,609	\$6,205,763	\$6,322,406	\$6,441,600	\$6,563,407	\$6,687,894	\$6,815,125
Total Direct Operating Expenses	\$1,344,729	\$1,450,998	\$1,521,756	\$1,512,587	\$1,542,663	\$1,511,763	\$1,564,675	\$1,619,438	\$1,676,119	\$1,734,783	\$1,795,500	\$1,858,343
Total Allocated Personnel	\$1,310,541	\$1,464,821	\$1,629,614	\$1,670,354	\$1,712,113	\$1,754,916	\$1,798,789	\$1,843,758	\$1,889,852	\$1,937,099	\$1,985,526	\$2,035,164
Net Operating Income before Debt Service and Capital Outlay	\$2,243,561	\$2,482,296	\$2,615,804	\$2,687,968	\$2,725,108	\$2,824,930	\$2,842,300	\$2,859,210	\$2,875,629	\$2,891,526	\$2,906,867	\$2,921,618
Cash on Cash Return before Debt Service and Capital Outlay	4.6%	4.8%	4.6%	4.5%	4.4%	4.5%	4.4%	4.2%	4.1%	3.9%	3.9%	3.8%
Net Operating Income after Debt Service and Net Capital Outlays (Excl. Grant Funded)	-\$718,130	-\$475,795	\$325,943	\$234,821	\$2,345,847	\$830,786	\$181,291	\$577,374	-\$367,582	\$985,526	\$1,574,172	\$1,619,414
Cash on Cash Return after Debt Service and Capital Outlays (Excl. Grant Funded)	-1.5%	-0.9%	0.6%	0.4%	3.8%	1.3%	0.3%	0.9%	-0.5%	1.3%	2.1%	2.1%
No. FTE in Port Buildings	299	280	322	322	322	322	322	322	322	322	322	322
Wages of Jobs in Port Buildings	\$11,894,061	\$11,126,969	\$13,125,310	\$13,453,442	\$13,789,778	\$14,134,523	\$14,487,886	\$14,850,083	\$15,221,335	\$15,601,869	\$15,991,915	\$16,391,713
End of Year Reserves	\$3,463,498	\$2,747,928	\$2,833,977	\$2,820,204	\$4,978,352	\$5,511,871	\$5,385,819	\$5,645,429	\$4,949,303	\$5,595,135	\$6,818,079	\$8,074,335

**PORT OF HOOD RIVER
LONG RANGE FINANCIAL MODEL
BASE ASSUMPTIONS**

Base Assumptions

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CPI	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
CPI Multiplier	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025
Cumulative CPI	1.025	1.051	1.077	1.104	1.131	1.160	1.189	1.218	1.249	1.280	1.312	1.345	1.379	1.413	1.448	1.485	1.522
Expense Differential	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Expense Multiplier	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%	103.5%
Annual Lease Revenue Growth	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Annual Lease Revenue Growth Multiplier	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025
Increase in Bridge Traffic	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013	1.013
Cumulative Increase in Bridge Traffic	101.3%	102.5%	103.8%	105.1%	106.4%	107.7%	109.1%	110.4%	111.8%	113.2%	114.6%	116.1%	117.5%	119.0%	120.5%	122.0%	123.5%
ETC Toll	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75
ETC Toll Rate Compared to 2014 Rate	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Growth in Average Payroll per FTE	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Growth in Payroll	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025
Cumulative Growth in Average Payroll per FTE	1.025	1.051	1.077	1.104	1.131	1.160	1.189	1.218	1.249	1.280	1.312	1.345	1.379	1.413	1.448	1.485	1.522
Growth in Allocated Administration Costs	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Admin Cost Multiplier	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025
Cumulative Growth in Allocated Admin Cost	1.025	1.051	1.077	1.104	1.131	1.160	1.189	1.218	1.249	1.280	1.312	1.345	1.379	1.413	1.448	1.485	1.522
Number of Marina Slips	165	165	165	165	165	165	165	165	165	165	165	165	165	165	165	165	165
Interest Rate on Reserve Funds	1.0%	1.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Cash Toll	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ticket/ETC	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%

**PORT OF HOOD RIVER
LONG RANGE FINANCIAL MODEL
GENERAL FUND, ADMINISTRATION AND MAINTENANCE**

GENERAL FUND, ADMINISTRATION AND MAINTENANCE

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EXPENSES													
Personnel	\$60,550	\$79,300	\$61,283	\$62,815	\$64,385	\$65,995	\$67,645	\$69,336	\$71,069	\$72,846	\$74,667	\$76,534	\$78,447
Professional Services	\$125,568	\$148,965	\$150,128	\$155,383	\$160,821	\$166,450	\$172,276	\$178,305	\$184,546	\$191,005	\$197,690	\$204,610	\$211,771
Other Materials and Services	\$111,854	\$33,505	\$34,678	\$35,891	\$37,148	\$38,448	\$39,793	\$41,186	\$42,628	\$44,120	\$45,664	\$47,262	\$48,916
Total	\$297,972	\$261,770	\$246,089	\$254,089	\$262,354	\$270,893	\$279,714	\$288,828	\$298,243	\$307,971	\$318,022	\$328,406	\$339,134
REVENUES			1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
Property Tax	\$54,916	\$58,836	\$60,601	\$62,419	\$64,292	\$66,220	\$68,207	\$70,253	\$72,361	\$74,532	\$76,768	\$79,071	\$81,443
NET GENERAL FUND PRIOR TO TRANSFERS	-\$243,056	-\$202,934	-\$185,488	-\$191,670	-\$198,063	-\$204,672	-\$211,507	-\$218,574	-\$225,882	-\$233,439	-\$241,254	-\$249,335	-\$257,692
Rev Fund Admin: Personnel Services	\$0	\$0	\$12,000	\$12,420	\$12,855	\$13,305	\$13,770	\$14,252	\$14,751	\$15,267	\$15,802	\$16,355	\$16,927
Rev Fund Admin: M&S	-\$46,271	\$69,097	\$71,515	\$74,018	\$76,609	\$79,290	\$82,066	\$84,938	\$87,911	\$90,988	\$94,172	\$97,468	\$100,880
Rev Fund Admin: Capital Outlay	-\$2,270	-\$5,000	-\$50,175	-\$6,931	-\$7,174	-\$7,425	-\$7,685	-\$7,954	-\$8,232	-\$8,520	-\$8,818	-\$9,127	-\$9,446
Total Rev Fund Admin	-\$48,541	\$64,097	\$33,340	\$79,507	\$82,290	\$85,170	\$88,151	\$91,236	\$94,430	\$97,735	\$101,156	\$104,696	\$108,360
Rev Fund Unallocated Maintenance: Personnel Services	\$0	\$0	\$5,000	\$5,175	\$5,356	\$5,544	\$5,738	\$5,938	\$6,146	\$6,361	\$6,584	\$6,814	\$7,053
Rev Fund Unallocated Maintenance: M&S	-\$60,139	\$69,465	\$71,896	\$74,413	\$77,017	\$79,713	\$82,503	\$85,390	\$88,379	\$91,472	\$94,674	\$97,987	\$101,417
Rev Fund Unallocated Maintenance: Capital Outlay	-\$4,400	-\$35,000	\$40,000	\$41,400	-\$5,554	-\$5,748	-\$5,950	-\$6,158	-\$6,373	-\$6,596	-\$6,827	-\$47,066	-\$48,714
Total Rev Fund Unallocated Maintenance	-\$64,539	\$34,465	\$116,896	\$120,988	\$76,819	\$79,508	\$82,291	\$85,171	\$88,152	\$91,237	\$94,430	\$57,735	\$59,756
Total NOI General Fund and Other Administration	-\$356,136	-\$133,837	-\$101,972	-\$105,232	-\$108,599	-\$112,077	-\$115,671	-\$119,384	-\$123,221	-\$127,184	-\$131,280	-\$135,512	-\$139,885
Professional Services:													
Governmental Affairs	\$ 58,814	\$ 60,101											
Legal	19,514	24,680											
Accounting and Audit	18,650	25,244											
Newletters and Publications	20,890	22,327											
IT Services	3,500	8,721											
Other	4,200	7,893											
	<u>\$ 125,568</u>	<u>\$ 148,965</u>											

Capital Projects

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Commercial/Industrial Properties	Big 7													
	Tenant Improvements			\$25,000										
	Building Upgrades/Roof		\$32,666	\$33,000		\$250,000								
	Big 7 Lower Driveway					\$61,000								
	HVAC/Site/Landscape/Parking													
	Total	\$0	\$32,666	\$58,000	\$0	\$311,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Maritime Building													
	Tenant Improvements	\$225	\$75,000								\$250,000			
	Building Upgrades/Roof			\$181,000							\$100,000			
	Site/Landscape/Parking			\$25,000		\$0					\$150,000			
	Total	\$225	\$75,000	\$206,000	\$0	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$0	
	Waterfront Infrastructure													
	Capital Outlay	\$174,897	\$30,000											
	Portway Ave. Angled Parking		\$225,000											
	Portway Avenue Road Project		\$286,112											
	Utilities General													
	1st Street Re-Alignment							\$50,000	\$500,000	\$100,000				
	E. Portway Ave. Upgrades							\$25,000	\$250,000	\$50,000				
	Anchor Way Intersection/Extension									\$50,000	\$500,000	\$75,000		
	Ped/Bike Path			\$50,000	\$150,000									
	Water Access Amenities									\$100,000	\$500,000			
	Paving Projects													
	Various Rehabilitation			\$115,153	\$1,649	\$46,349			\$21,500	\$16,560	\$10,000	\$10,000	\$30,000	\$100,000
	DMV S. Parking Lot			\$20,374										
	E. Port Marina Drive and Marina Way				\$298,500									
	Total	\$174,897	\$541,112	\$185,527	\$450,149	\$46,349	\$75,000	\$771,500	\$316,560	\$1,010,000	\$85,000	\$30,000	\$100,000	
	Halyard Building													
Pocket Fuel TI	\$275,389	\$200,000	\$50,000											
Pfriem TI			\$125,000	\$0	\$0	\$1,000	\$50,000	\$50,000	\$0	\$0	\$50,000	\$0		
Total	\$275,389	\$200,000	\$175,000	\$0	\$0	\$1,000	\$50,000	\$50,000	\$0	\$0	\$50,000	\$0		
Jensen Building														
Site/Landscape/Parking														
Building Upgrades			\$75,550	\$295,000	\$50,000	\$15,000	\$100,000	\$15,000	\$15,000	\$100,000	\$15,000	\$15,000		
Breeze-Way Upgrades			\$30,000	\$0	\$100,000	\$25,000								
Tenant Improvements	\$12,353	\$25,000				\$50,000		\$50,000		\$100,000				
Total	\$12,353	\$25,000	\$105,550	\$295,000	\$150,000	\$90,000	\$100,000	\$65,000	\$15,000	\$200,000	\$15,000	\$15,000		
State Office Building														
Building Upgrades/Tenant Improvem			\$14,000	\$15,000	\$15,000	\$5,000	\$5,000	\$25,000	\$10,000	\$10,000	\$25,000	\$10,000		
Total			\$14,000	\$15,000	\$15,000	\$5,000	\$5,000	\$25,000	\$10,000	\$10,000	\$25,000	\$10,000		
Marina Office Building														
Overall Building Upgrades	\$325,000	8,000	\$50,000	\$10,000	\$10,000	\$75,000	\$10,000	\$10,000	\$10,000	\$10,000	\$75,000	\$10,000		
Total	\$325,000	\$8,000	\$50,000	\$10,000	\$10,000	\$75,000	\$10,000	\$10,000	\$10,000	\$10,000	\$75,000	\$10,000		
Port Office Building														
Tenant Space	\$118,306	\$89,000												
Building Upgrades		\$25,000	\$5,000	\$5,000	\$15,000	\$5,000	\$5,000	\$50,000	\$5,000	\$5,000	\$50,000			
Total	\$118,306	\$114,000	\$5,000	\$5,000	\$15,000	\$5,000	\$5,000	\$50,000	\$5,000	\$5,000	\$50,000	\$0		
JWBP-Timber Building														
Tenant Improvements				\$0										
Building Upgrades			\$33,000		\$10,000	\$10,000	\$10,000	\$50,000				\$100,000		
Total	\$0	\$0	\$33,000	\$0	\$10,000	\$10,000	\$10,000	\$50,000	\$0	\$0	\$0	\$100,000		
South Marina Commercial/Retail Complex														
A/E														
Construction											\$50,000	\$50,000		
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,000	\$50,000		
Wasco St. Office Building														
Tenant Improvements		\$0	\$5,000	\$5,000	\$50,000	\$10,000	\$10,000	\$50,000	\$15,000	\$15,000	\$15,000	\$100,000		
Total	\$0	\$0	\$5,000	\$5,000	\$50,000	\$10,000	\$10,000	\$50,000	\$15,000	\$15,000	\$15,000	\$100,000		
Expo Center														
Redevelopment			\$50,000	\$1,000,000										
Total	\$0	\$0	\$50,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
New Industrial Building														
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Sub-Total Commercial/Industrial Properties	\$906,170	\$995,778	\$887,077	\$1,780,149	\$607,349	\$271,000	\$961,500	\$616,560	\$1,565,000	\$390,000	\$245,000	\$385,000		

Capital Projects

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Airport	Airport												
	Relocate Runways		\$2,597,646										
	South Taxiway					\$100,000	\$909,000						
	FBO Building										\$125,000	\$650,000	
	North Apron Expansion							\$167,000	\$167,000	\$944,444			
	Road Improvement Security			\$30,000									
	T-Hangars				\$25,000	\$50,000	\$350,000						
	Jet Fuel Tank				\$10,000	\$100,000							
	AWOS/Crack Seal, Slurry Seal	\$407,321								\$500,000			
	Sub-Total Airport	\$407,321	\$2,597,646	\$30,000	\$35,000	\$250,000	\$1,259,000	\$167,000	\$167,000	\$1,444,444	\$125,000	\$650,000	\$0
Bridge	Bridge												
	Paint/Clean	\$1,240,105	\$913,852										
	North Approach Rehabilitation			\$300,000									
	Approach Span Rehab.										\$500,000		
	Sub-structure Piers			\$20,000		\$50,000	\$400,000			\$650,000	\$650,000		
	Steel Truss Aux. Brace			\$50,000	\$350,000								
	Steel Truss Gussets			\$50,000					\$250,000	\$250,000			
	Pressure Wash/Painting					\$50,000		\$50,000		\$50,000		\$50,000	\$1,000,000
	Deck Systems			\$65,000	\$350,000			\$375,000	\$375,000				
	Bridge Railing							\$500,000					
	Lift Span E&M											\$375,000	
	Inspections/Repairs Ongoing Maintenance (See "Other Expenses" in Toll Bridge												
	Sub-Total Bridge	\$1,240,105	\$913,852	\$485,000	\$700,000	\$100,000	\$400,000	\$925,000	\$625,000	\$950,000	\$1,150,000	\$425,000	\$1,000,000
Marina	Marina												
	Capital Maintenance			\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	Visitor Dock Rehabilitation					\$10,000	\$35,000	\$650,000					
	Electrical Upgrade	\$138,687	\$370,000	\$215,000									
	Boathouse Dock Replacement		\$20,000	\$320,000									
	South Dock Upgrade			\$25,000	\$25,000		\$450,000						
	A/B Dock Expansion									\$50,000	\$100,000	\$1,500,000	
	Key System												
Total	\$138,687	\$390,000	\$570,000	\$35,000	\$20,000	\$495,000	\$660,000	\$15,000	\$15,000	\$65,000	\$115,000	\$1,515,000	
Recreation	Marina Park												
	Marina Green Path		\$8,000	\$400,000									
	Marina Green Upgrades	\$0				\$100,000							
	Marina Perimeter Path								\$200,000				
	Other Future												
	Total	\$0	\$8,000	\$400,000	\$0	\$100,000	\$0	\$0	\$200,000	\$0	\$0	\$0	\$0
	Event Site												
	Landscaping/Signage/Paving			\$25,000	\$5,000	\$25,000	\$5,000	\$25,000	\$5,000	\$50,000	\$5,000	\$50,000	
	Restroom Upgrade			\$100,000									
	Dredging											\$150,000	
Jetty Repair													
Total	\$0	\$0	\$125,000	\$5,000	\$25,000	\$5,000	\$25,000	\$5,000	\$50,000	\$5,000	\$200,000	\$0	
Hook and Spit													
Grading/Signage/Amenities			\$5,000	\$5,000	\$75,000	\$5,000	\$10,000	\$10,000	\$10,000	\$15,000	\$15,000	\$15,000	
Sewer Line Bike Path			\$75,000	\$25,000									
Launch Upgrades													
Total	\$0	\$0	\$80,000	\$30,000	\$75,000	\$5,000	\$10,000	\$10,000	\$10,000	\$15,000	\$15,000	\$15,000	
Sub-Total Recreation	\$0	\$8,000	\$605,000	\$35,000	\$200,000	\$10,000	\$35,000	\$215,000	\$60,000	\$20,000	\$215,000	\$15,000	
GRAND TOTAL	\$2,692,283	\$4,905,276	\$2,577,077	\$2,585,149	\$1,177,349	\$2,435,000	\$2,748,500	\$1,638,560	\$4,034,444	\$1,750,000	\$1,650,000	\$2,915,000	

GRANTS, LOAN REPAYMENTS, THIRD PARTY FUNDS

		Payment Type	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Commercial/Industrial Properties	Wasco St. Office Building														
	Tenant Improvements	Repayment	\$14,430	\$14,430	\$14,430	\$14,430	\$14,430	\$14,430	\$14,430	\$14,430	\$14,430	\$14,430	\$14,430	\$14,430	
	Expo Center														
	Planning and Design	Loan		\$0	\$40,000	\$800,000									
	Jensen Building Improvements														
	Remodel														
	Halyard Building														
	TI	Repayment		\$5,454	\$5,950	\$5,950	\$5,950	\$5,950	\$5,950	\$5,950	\$5,950	\$5,950	\$5,950	\$5,950	\$496
	Waterfront Industrial														
	Repayment of Sewer Plant Loan	Repayment			\$74,478	\$105,682	\$109,107	\$55,287	\$0	\$0	\$0	\$0	\$0	\$0	
	Repayment of Consolidated URA Loan	Repayment					\$114,572	\$232,156	\$239,241	\$15,533	\$0	\$0	\$0		
	Utilities General														
	1st Street Re-Alignment	Loan				\$45,000	\$450,000	\$90,000							
	E. Portway Ave. Upgrades	Loan				\$22,500	\$225,000	\$45,000							
	Anchor Way Intersection/Extension	Loan						\$45,000	\$450,000	\$67,500					
Ped/Bike Path	Grant				\$75,000										
Portway Avenue EDA Grant	Grant		\$173,494												
	Repayment	\$18,250													
	Repayment	\$91,622													
TOTAL		\$109,872	\$173,494	\$74,478	\$248,182	\$784,107	\$349,859	\$682,156	\$306,741	\$15,533	\$0	\$0	\$0		
New Commercial Building															
Sub-Total Commercial/ Industrial Properties		\$124,302	\$193,378	\$134,857	\$1,068,561	\$804,487	\$370,239	\$702,536	\$327,121	\$35,913	\$20,380	\$20,380	\$14,926		
Airport	Airport														
	Relocate Runways	Grant		\$2,337,881	\$0										
	South Taxiway	Grant					\$90,000	\$818,100							
	FBO Building	Grant							\$	\$	\$	\$ 112,500	\$ 585,000		
	North Apron Expansion	Grant							\$ 150,300	\$ 150,300	\$ 850,000	\$	\$		
	T-Hangars	Loan				\$40,000	\$280,000								
	Jet Fuel Tank	Loan				\$80,000									
AWOS/Crack Seal, Slurry Seal	Grant	\$341,762								\$450,000					
Sub-Total Airport		\$341,762	\$2,337,881	\$0	\$0	\$210,000	\$1,098,100	\$150,300	\$150,300	\$1,300,000	\$112,500	\$585,000	\$0		
Bridge	Bridge														
	Sub-Total Bridge		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Marina	Marina														
	Capital Maintenance														
	Visitor Dock Rehabilitation	Grant							\$325,000						
	Electrical Upgrade	Loan			\$468,000										
	Boathouse Dock Replacement	Loan			\$272,000										
	South Dock Upgrade	Loan					\$360,000								
A/B Dock Expansion															
Total		\$0	\$0	\$740,000	\$0	\$360,000	\$0	\$325,000	\$0	\$0	\$0	\$0	\$0		
Recreation	Park														
	Marina Green Path	Grant		\$0	\$320,000										
	Marina Green Upgrades					\$80,000									
	Marina Perimeter Path	Grant							\$120,000						
	Total		\$0	\$0	\$320,000	\$0	\$80,000	\$0	\$0	\$120,000	\$0	\$0	\$0		
	Event Site														
	Landscaping/Signage/Paving														
	Restroom Upgrade														
	Dredging														
	Jetty Repair														
Total		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Hook and Spit															
Grading/Signage/Amenities															
Sewer Line Bike Path															
Launch Upgrades															
Total		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Sub-Total Recreation		\$0	\$0	\$320,000	\$0	\$80,000	\$0	\$0	\$120,000	\$0	\$0	\$0	\$0		
GRAND TOTAL		\$0	\$466,064	\$2,531,259	\$1,194,857	\$1,068,561	\$1,454,487	\$1,468,339	\$1,177,836	\$597,421	\$1,335,913	\$132,880	\$605,380	\$14,926	

DEBT SERVICE SCHEDULE

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Commercial/Industrial Properties	Waterfront Industrial													
	<i>Debt Service Waterfront 2014+</i>	\$0	\$0	\$0	\$0	\$5,416	\$59,580	\$74,024	\$110,133	\$115,549	\$115,549	\$115,549	\$115,549	
	<i>Total</i>	\$0	\$0	\$0	\$0	\$5,416	\$59,580	\$74,024	\$110,133	\$115,549	\$115,549	\$115,549	\$115,549	
	Big 7													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	KWPB													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	State Office Building													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Marina Office Building													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Port Maintenance Building													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Port Office Building													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	JWBP-Timber Building													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Wasco St. Office Building													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Expo Center													
<i>Debt Service Expo 2014+</i>	\$0	\$0	\$0	\$3,210	\$67,404	\$67,404	\$67,404	\$67,404	\$67,404	\$67,404	\$67,404	\$67,404		
<i>Total</i>	\$0	\$0	\$0	\$3,210	\$67,404	\$67,404	\$67,404	\$67,404	\$67,404	\$67,404	\$67,404	\$67,404		
Jensen Bldg.														
<i>Phil Jensen Note Refinance of 2020 Ballon Payment</i>	\$144,942	\$144,942	\$144,942	\$144,942	\$144,942	\$144,942	\$144,942	\$144,942		\$375,595	\$120,555	\$120,555	\$120,555	
<i>Total</i>	\$144,942	\$144,942	\$144,942	\$144,942	\$144,942	\$144,942	\$144,942	\$144,942	\$144,942	\$375,595	\$120,555	\$120,555	\$120,555	
Halvard Bldg.														
<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Sub-Total Commercial/ Industrial Properties		\$144,942	\$144,942	\$144,942	\$148,152	\$217,762	\$271,926	\$286,369	\$322,479	\$558,548	\$303,508	\$303,508	\$303,508	
Airport	Airport													
	<i>Debt Service Airport 2014+</i>	\$0	\$0	\$0	\$0	\$0	\$7,806	\$26,021	\$26,021	\$26,021	\$26,021	\$26,021	\$26,021	
	Sub-Total Airport	\$0	\$0	\$0	\$0	\$0	\$7,806	\$26,021	\$26,021	\$26,021	\$26,021	\$26,021	\$26,021	
Bridge	Bridge													
	<i>Series 2003 Bonds</i>	\$708,688	\$703,238	\$701,438	\$703,738	\$699,638	\$698,356	\$700,338	\$695,300					
	Sub-Total Bridge	\$708,688	\$703,238	\$701,438	\$703,738	\$699,638	\$698,356	\$700,338	\$695,300	\$0	\$0	\$0	\$0	
Marina	Marina													
	<i>Marina Expansion C Dock (20) Debt Service Marina 2014+</i>	\$24,843	\$24,573	\$24,261	\$23,901	\$28,425	\$27,820	\$27,155	\$26,435	\$27,515	\$26,755	\$25,950	\$25,080	
	Sub-Total Marina	\$24,843	\$24,573	\$24,261	\$112,880	\$117,404	\$116,799	\$145,021	\$144,301	\$145,381	\$144,621	\$143,816	\$142,946	
Recreation	Park													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Event Site													
	<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Hook and Spit														
<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
	Sub-Total Recreation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	GRAND TOTAL	\$878,472	\$872,752	\$870,641	\$964,769	\$1,034,803	\$1,094,887	\$1,157,748	\$1,188,100	\$729,949	\$474,149	\$473,344	\$472,474	

Land Sales

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Commercial/Industrial Properties	Big 7													
	Maritime													
	Waterfront Industrial													
	<i>Parcel-2& 7</i>	\$143,000												
	<i>Parcel 3</i>		\$256,012											
	<i>Parcel 5</i>			\$150,000										
	<i>Parcel 6</i>													
	<i>East Of KWPB</i>													
	<i>East of Park</i>													
	<i>Intersection Parcel</i>													
	<i>Total</i>	\$143,000	\$256,012	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	State Office Building													
	Port Office Building													
	Port Maintenance Bldg.													
	Marina Center Bldg.													
	JWBP-Timber Building													
	Wasco St. Office Building													
Expo Center														
Jensen														
Halyard														
<i>Total</i>	\$0	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
New Commercial Building														
<i>Total</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Sub-Total Commercial/Industrial Properties	\$143,000	\$256,012	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Airport	Airport													
	Sub-Total Airport	\$0	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
GRAND TOTAL					\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

Port of Hood River
Long Range Financial Model

Rent Capacity Utilization

Category	Asset	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Waterfront												
35,289	Big 7	100%	100%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
36,586	Maritime	56%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%
0	UTS Portsite Bldg. (demo 2012)												
1,990	State Office Building	100%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
4,934	Port Office Building	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%
5,000	Marina Center Bldg.	81%	72%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
10,000	Timber Building	70%	35%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
12,236	Wasco St. Office Building	100%	100%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
24,803	Expo Center	100%	44%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
53,314	Jensen Building	100%	98%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
19,542	Halyard Building	56%	81%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
	New Commercial Building 1												
	New Commercial Building 2												
	New Commercial Building 3												
203,694	Weighted Utilization	85%	86%	91%	91%	91%	91%	91%	91%	91%	91%	91%	91%
Air	Airport	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Assessment of Recreational Sites on the Hood River Waterfront

April 23, 2013

The Port manages prominent recreation and river access sites on the Hood River Waterfront that provide river access year-around to local residents and visitors. The demand placed on these sites is growing and new sports are emerging. The Port Commission is interested in a thorough analysis of the existing uses and future potential of waterfront areas to inform policy, regulatory and capital investment decisions. Staff has prepared a more detailed analysis of each waterfront site. The following is a summary of a draft “narrative” for each site for discussion purposes at the Spring Planning meeting.

East Waterfront

Boat Launch

“Public Boating Launch & Facilities”

*The boat launch provides **free public access** to the river for day-use launching of small vessels and overnight use requiring a nominal fee. The Boat Launch consists of the boat ramp, transient tie-up, restrooms, and parking lot. The State Marine Board provides \$5,000 annually for upkeep. The boat launch is managed to provide **safe and functional** river access for small boaters. It is expected that the Port’s costs will exceed revenues in this area.*

Marina

“Center of Private Boating in the Gorge”

*The Marina serves as a focus of year-around activity on the waterfront. It is a **scenic amenity** for all waterfront users, meets the **recreational needs** of some residents and provides an **economic development advantage** for the Port. The Port will seek opportunities to expand the Marina when market demand warrants and to carry out enhancements if financially feasible. The Port manages the Marina to meet maintenance standards and slip rates that are equal to similar public marinas and to insure a positive cash flow to the Port.*

Marina Park

*The Marina Park encompasses the Marina Green, largest expanse of open green space on Port property; the picnic shelter; and open lawn areas. Restrooms and showers are open to the public seasonally. Marina Park provides a **scenic amenity** and **view corridor**, a **playing field** for youth sports and a **venue** for special events. Financial sustainability of the Marina Park is an area of concern. It is expected that the Port’s costs will exceed revenues in this area.*

Marina Beach/Breakwater

“Family Focused Multi-Purpose”

Marina Beach serves as a swim site for kids and families to access the river. Use has decreased with the development of the Waterfront Park. It is an alternative site for kite access to relieve crowding at the Event Site. Restrooms are open seasonally. The Breakwater is heavily used by fisherman, dog walkers and as a scenic resting spot. The Port’s focus is on safety, attractiveness in this area. It is expected that the Port’s costs will exceed revenues.

Pedestrian Bridge

“Scenic Landmark/Key Connection”

Pedestrian Bridge crossing the Hood River was built in 1985 by the Port of Hood River to link the Marina area with downtown. Pedestrian Bridge will serve to create a continuous pathway connecting the Marina Park to a future waterfront trail along the Nichols Basin.

The Hood River

“Public Access for Fishing & Boating”

The Hood River flows under the Pedestrian Bridge and is flanked by the Marina Park shore to the east and the Spit access road to the west. The Hood River north of the pedestrian bridge acts as a site for fishermen and take-out spot for kayaks running the river. While it is not an area used heavily, improving access paths could be taken under consideration.

West Waterfront

The Spit

“Limited Improvement Public Water Access”

The Spit was a federally authorized project and acts as a control groin for the Hood River. It is owned by the Port. The Spit primarily serves as an access point for kiteboarders and a dog walking locale. Its unimproved nature, advanced launch and long walk to the sandbar makes it a less desirable launch than the Event Site for kiteboarding.

Sandbar

“World Class Kiteboarding”

The sandbar is an outflow of rock and sand created by a 2006 winter storm. It has become a premier spot for general kiteboarding and kite instruction and serves as the preferred site for kite launching and landing. The Sandbar is primarily under the jurisdiction of DSL. The Port’s major concerns are safety and insuring general public use. The Port does not allow motorized access to the Sandbar without special permission. Use is governed by an MOU with DSL.

Nichols Basin

“Light Watercraft Center”

The Nichols Basin was constructed in the 1970s as a light industrial lagoon to accommodate ship building. As a result of the 2006 debris flow the Nichols Basin is increasingly used for non-motorized boating activity. The Port sees the Nichols Basin as a scenic amenity and will promote its use for public access and non-motorized boating.

Event Site

“Water Recreation & Event Hub”

The Event Site was constructed in 1992 to relieve the crowding at the Marina and provide a world-class watersport competition site. The Event Site is the epicenter for recreation along the waterfront for kiteboarding, windsurfing, SUP, sunbathers and spectators. The intensity of use during high season is reaching its maximum. With the increasing popularity of kiteboarding, safety concerns must continue as a priority at the Event Site.

Jensen to Maritime Waterfront Trail

“Ped/Bike Through-Way”

The waterfront north of the Jensen Building currently provides a recreational ped/bike trail that allows public access along the length of the waterfront. A small windsurfing launch site exists and the area provides parking for windsurfers accessing Waterfront Park. An improved access point may be initiated in this area to relieve crowding at the Event Site.

The Hook

“Primitive Multi-Use”

The Hook was constructed in the late 1970s as part of a future fill project. It is a teaching area for windsurfers, accommodates fishermen, dog walkers, bird watchers and joggers and serves as the culmination point of the Waterfront Trail. The Hook has 12 separate water access points including northwest of the Maritime Building which provides limited and difficult access to the river in an area known as Dirt Beach. The Hook is not a highly developed site although over time, with the right financial support, the Port may carry out improvement projects.

Commission Memo

To: Commissioners
From: Fred Kowell
Date: April 23, 2013
Re: Financial Policies

There are a few financial policies that deserve discussion. Three of the four below are common place and should be discussed at length. I have taken a stab at these but they should be vetted and discussed more at length.

- **Reserves** – We have made an informal policy with regard to keeping a \$2 million reserve, but I would like explain where I was coming from with regard to that number. I looked at our depreciable assets which amount to \$21million (at June 30, 2012) and used the 10% rule. There are many rules or other measures that relate to market or replacement value but the 10% rule on historical values has been around for some time and it's an easy rule of thumb to follow. Having a reserve based upon this 10% rule does **not** provide the level of funding that will be necessary to replace an asset like the bridge but it does provide enough liquidity in difficult times and flexibility for policymakers when an opportunity does present itself. It also provides for the replacement or betterment of some of our capital assets. I would like to add two specific points to this rule. One, add the annual debt service of the Port to the 10% of net depreciable assets. In most cases the bond market will require an entity that issues debt to hold in reserve an amount equal to the annual debt service. Two, the reserve can be used for extraordinary circumstances that will generate positive goodwill in the community, but must also provide cashflow back to the reserve account to the level before such a withdrawal was made. The Board should consider a three year payback time frame.
- **Depreciation** – Depreciation links directly with the reserves above as there is a direct correlation between capital assets and the use of those assets which relate directly to a cost. Although the Port uses a method called straight line depreciation when depreciating a capital asset, this method does not necessarily capture the actual cost of depletion or depreciation of an asset in a particular year. That said, it does provide an easy way to depict a cost that is being incurred. What is important is for

this cost to be set aside in a reserve such that future capital improvements can be made to the existing assets via replacement or betterment. There are very few organizations that have the financial independence to set aside their entire annual depreciation into a reserve for capital assets, however, keeping a level of reserves equal to about 10% of net depreciable assets does show bondholders, the financial community and the public that the Port is setting aside funding for some of its assets.

- **Debt Coverage Ratio** – A debt coverage ratio is the ratio of net operating cashflow divided by the amount of debt service an entity can incur or obtain. Maintaining a ratio of 2.0 allows an organization to go to the bond market and obtain financing and provides guidance to an organization in determining the level of debt service it should take on. This key financial policy also keeps an organization from growing beyond its means with respect to its cost structure (ie. Personnel, materials and services) and the revenues it can generate from its assets.
- **Return of Investment** – The Port uses a term called “Cash on Cash Return before Debt Service and Capital Outlay”. This ratio looks at revenues less operating costs (excludes depreciation) to come up with net operating income. Net operating income is then divided by the asset (investment) value. This ratio reflects the return on an asset or group of assets and provides a gauge for policymakers in moving forward with an acquisition or capital improvement. As you will see the Port is hovering around 4% to 4.5% on its Cash on Cash Return before Debt Service and Capital Outlay. To give you a flavor how a group of assets (investments) can be much more or less than this median that is presented in the Summary Long Range Financial Plan. Here are a few years of ratios by group of assets.

Cash on Cash Return <u>before</u> Debt Service and Capital Outlay	2012	2013	2014	2015	2016
Commercial-Industrial Properties	2.0%	1.1%	2.5%	2.7%	2.7%
Recreation Assets	-8.7%	-9.0%	-9.1%	-8.1%	-8.3%
Marina	5.1%	11.8%	3.7%	2.6%	2.6%
Airport	0.5%	0.1%	0.1%	0.1%	0.0%
Bridge	10.8%	12.0%	10.8%	10.7%	10.4%
Cash on Cash Return <u>before</u> DS and CO	4.6%	4.8%	4.6%	4.5%	4.4%

So in considering a policy it might be more important on setting a policy based upon asset group.

These are some key financial policies that should have some more discussion. There are other financial policies that will be brought forward but these are key to our business model.