



**To: Port of Hood River Budget Committee**

**From: Michael McElwee, Budget Officer**

**Date: May 5, 2015**

**Re: Budget Message for Fiscal Year 2015-16**

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*The annual budget for the Port of Hood River is prepared by staff for review and approval by the Budget Committee and subsequent adoption by the Port Commission. This memorandum provides an overview of the proposed FY 2015-16 budget and other information in accordance with O.R.S. 294.*

### **Overview**

The Port operates on a fiscal year that begins July 1 and ends June 30. The budget is a key document by which Port Commission policy and project direction is planned and implemented. Public input is sought and welcome at all stages of budget preparation.

Budget preparation follows these key steps as required by state statute:

- A **Proposed Budget** is prepared by the Port's designated Budget Officer based on discussions at the Commission's Spring Planning meeting and other factors. This year, the Spring Planning meeting was held on **April 9**.
- The Budget Committee discusses the Proposed Budget and may make changes as approved by vote. After approval, the Proposed Budget becomes the **Approved Budget**. Formal approval of the tax rate for the upcoming fiscal year is also required.
- The Approved Budget is the subject of a **hearing** when the Commission seeks public testimony. This year the public hearing is expected to occur on **May 19**.
- The Commission considers any changes and then approves an **Adopted Budget** which takes effect **July 1, 2015**.

### **Budget Preparation Overview**

The Port of Hood River is designated as a Special District within the State of Oregon and operates in accordance with ORS 777 and other statutes. All budget activities of the Port are categorized within the following three funds:

- **General Fund:** Includes activities related to general governmental activities. A portion of the revenue for the General Fund comes from property tax receipts. Since property

taxes are insufficient to pay all governmental related expenditures, there is a transfer from the Revenue Fund for the difference.

- **Revenue Fund:** Most of the Port's activities are business-type activities and are accounted for in the Revenue Fund. The primary revenues are from bridge tolls and tenant leases. The revenues and expenditures are identified then allocated according to Asset Centers, specific areas of the Port's operations.
- **Bridge Repair and Replacement Fund:** This fund segregates revenues and expenditures related to capital improvements associated with the Hood River Toll Bridge. Sources of revenues are grant monies, bond receipts, and a portion of toll revenue from both the 1994 and 2012 toll increases. These monies are transferred from the Revenue Fund. Expenditures for this fund are associated with bridge maintenance and capital improvements that extend its useful life. This fund also reflects the debt service payments from the debt financings related to the bridge improvements and holds the required debt service reserve.

### **Port of Hood River Financial Policies**

The Port's annual budget is prepared in conformance with adopted financial policies. On January 14, 2014 the Port Commission adopted a new policy entitled "Financial Administrative Policies and Procedures." Two key financial policies govern the long-range financial plans and annual budget of the Port.

- Strive to achieve reserves that will equate to 10% of the net appreciable assets held by the Port, and
- Strive to achieve an overall debt service coverage of 2.0.

### **Budget Highlights**

The following sections are highlights of the FY 2015-16 Proposed Budget organized by major areas of the Port's operations.

#### **ASSET AREAS**

##### **Industrial/Commercial Properties**

- Overall occupancy rates remain high in all Port buildings with the exception of a 14,000 s.f. vacancy in the Big 7 Building. The Port will carry a larger vacancy loss for this building in the future and overall reduction in lease revenue is assumed.
- Rigorous steps continue to be taken to monitor the condition of various Port facilities and keep them in good repair. The FY 2015-16 budget shows continued high level of investment in the maintenance of Port facilities.

- The Expo Building and surrounding property were not sold as expected in FY 2014-15. They are now expected to sell in two phases in FY 2015-16. Proceeds from the sale are expected to be used for acquisition of the Hanel Mill site.
- The budget will again propose a significant allocation for professional services for planning and pre-development work on Lot #1 on the Waterfront. These services continue the subdivision process and address zoning, parking, infrastructure and storm water issues among others.

### **Bridge/Transportation**

- The highest priority for the Bridge is installation of a new, modernized tolling system, including equipment and software. The Proposed Budget includes a significant line item for this purpose as well as appropriations for the continued IT support for these systems. This project will be implemented in two phases over two years. The software phase is budgeted in FY 2015-16, while the hardware phase will be the following year.
- Annually, the Port's engineer updates the Long Term Capital Plan (LTCP) for the Bridge and prepares a recommended near-term (2-year) work plan. The current updated work plan is used in the Proposed Budget. In FY 2014-15, resurfacing of the Bridge approach ramps was completed and the Port spent considerable time and budget to evaluate and then repair various components of the Lift Span. In FY 2015-16 we anticipate carrying out the next major capital project -- engineering and construction work necessary to repair the auxiliary trusses on either side of the lift span.
- The Port Commission is placing greater emphasis on understanding the seismic condition of the Bridge. The Proposed Budget assumes an engineering evaluation of both the pier concrete and the seismic condition in anticipation of taking future steps to address the highest impact/lowest cost areas.
- Staff has been carrying out welding repairs for the past two years. The Proposed Budget assumes this will be an ongoing repair expense that should continue for the foreseeable future.
- The Proposed Budget does not include any changes to the Toll fees or discounts provided to our customers, however, the new system upgrade will not have any ticket functionality such that tickets will need no longer be used towards the end of this fiscal year. This new toll system upgrade will have a web portal for customers to use which should reduce front counter traffic. Staff recommends that tickets cease to be "sold" by March 1, 2016. The Port will continue to honor tickets as they are redeemed.
- The budget maintains a higher level of expenditures for maintenance, repairs and inspections that was initiated in FY 2013-14.

## **Recreation/Marina**

- A new paved pedestrian/bicycle path along the Hook to be constructed and financed by the City in association with their sewer outfall project is the primary opportunity for recreational enhancements in FY 2015-16. The Proposed budget assumes a modest amount of funds for a new sail rigging area and trail enhancements to increase the benefits of this City project. Grant funding is being sought for a portion of the overall cost.
- The budget assumes some additional expenses, primarily maintenance and repairs, for the new trail and water access being constructed on the West Edge of the Nichols Basin. This will continue into the foreseeable future.
- An additional expense line has been added to pay for an emergency response partnership with Sheriff's Office (Marine Deputy).
- In FY 2015-16 the Port expects to carefully monitor parking demand and the impacts from the loss of parking at Slackwater Beach. A specific parking plan is expected to be in place for summer 2016 and additional expenses and revenues are contemplated with this effort.
- The Proposed Budget reflects our continued effort in maintaining pavement infrastructure throughout the Port's facilities.
- The Marina Electrical Upgrade and Boathouse Dock projects are complete. Revenue for debt service payments comes from a special assessment on Marina tenants. This will continue for the next six years. Other than signage and some work on the cruise ship dock, no major capital investments in the Marina are anticipated in FY 2015-16. However, the Proposed Budget does have funds for conceptual engineering plans for a new Transient Boat Dock, necessary to begin the long permit process and prepare an application for OSMB grant funding in the future.

## **Airport**

- Preparation of a new Airport Master Plan is well underway and will set the stage for possible future capital projects when the Port's FAA entitlement funds accumulate or State of Oregon discretionary funds are available. No significant capital projects are planned for the Airport other than the replacement of a hangar door and the painting of the FBO. We do plan to allocate staff time to prepare an Airport Business Plan and carry out a basic feasibility study for a new T-Hangar block.

## **Administration & Management**

- For FY 2015-16 the budget depicts a reduction of Healthcare premiums for the year, with the continuation of the same benefits and deductibles currently in place. PERS costs however are being adjusted due to the latest actuarial assessments that relate

to the changes that were made during the previous legislature. The increase in PERS wipes out the reduction in Healthcare for this year.

- Total personnel and benefit costs are budgeted to increase by 6.2%. This includes the aforementioned changes in healthcare, PERS, plus a 2.26% COLA and possible merit increases.
- Staffing changes have brought excellent new skill sets in many technical and professional areas such that the hope for future years will allow for fewer consultant and technical services. No change in staffing levels is anticipated.
- The current financial system the Port uses has received a de-support notice. This budget reflects an upgrade to the current system to be in compliance. Also, the Port will implement an archiving system that will remove the backlog of hard copy documents being stored on site. In addition, our website, portofhoodriver.com, will see significant improvements which are included in the budget.
- Regional collaboration and government affairs advocacy is currently a high priority and expenses were increased in the Proposed Budget. Some of this increase would only be incurred only if financial support is obtained from other regional partners.
- A new budget item totally \$25,000 has been added to increase our collaboration with the local school district. The various potential actions in this category have not been fully discussed with legal counsel or the Port Commission.

### **Maintenance**

The Port will continue to replace those vehicles in our fleet that are at the end of their useful life. The Proposed Budget anticipates the replacement of the Nissan Murano; acquisition of a used flat-bed truck; tools and equipment; and the replacement of the fence around the Shop.

### **SUMMARY**

The FY 2015-16 Proposed Budget reflects project priorities, staffing levels and capital and administration expenditures that staff believes are consistent with the Port's mission, Strategic Plan and direction from the Port Commission. The Budget Committee's review, modification and approval of a Proposed Budget followed by Commission adoption will be necessary before the budget can take effect July 1, 2015.