

PORT OF HOOD RIVER COMMISSION
Tuesday, January 6, 2015
Marina Center Boardroom
5:00 p.m.

Regular Session Agenda

1. Call to Order
 - a. Modifications, Additions to Agenda
 - b. Introduction of Genevieve Scholl, Communications and Special Projects Manager
 2. Public Comment (5 minutes per person per subject; 30 minute limit)
 3. Consent Agenda
 - Approve Lease Amendment No. 7 with pFriem Brewing at Halyard Building
 - Approve Lease Amendment No. 2 with Rajotte, Bottomley and Murphy at Ken Jernstedt Airfield
 - Approve Agreement for Legal Services with Jaques Sharp Attorneys at Law
 4. Reports, Presentations and Discussion Items
 - 2013-14 Audit - Tara Kamp, Pauly Rogers
 - Ken Jernstedt Fixed Base Operations – Scott Gifford, Classic Wings Aero Services
 - Electronic Tolling Upgrade
 - South Basin Dock Seasonal Lottery
 5. Director’s Report
 6. Commissioner, Committee Reports
 7. Action Items
 - a. Approve Minutes of December 16, 2014 Regular Session
 - b. Approve Appointment to the Urban Renewal Agency Board for a Two Year Term Expiring December 31, 2016
 - c. Approve Property and Liability Insurance Policy with SDIS in the Amount of \$69,263
 - d. Approve Agreement with Classic Wings Aero Services as FBO for Ken Jernstedt Airfield
 - e. Approve Land Lease with Classic Wings Aero Services for Residential Trailer Area
 - f. Approve Hangar Lease with Nostalgaire, Inc.
 - g. Authorize IGA with City of Hood River Regarding Professional Services Associated with the Waterfront Refinement Plan
 8. Commission Call
-
9. Executive Session under ORS 192.660(2)(e) Real Estate Negotiations
 10. Possible Action
 11. Adjourn

If you have a disability that requires any special materials, services, or assistance, please contact us at 541-386-1645 so we may arrange for appropriate accommodations.

*The Chair reserves the opportunity to change the order of the items if unforeseen circumstances arise. The Commission welcomes public comment on issues not on the agenda during the public comment period. With the exception of factual questions, the Commission does not immediately discuss issues raised during public comment. The Commission will either refer concerns raised during public comment to the Executive Director for a response or will request that the issue be placed on a future meeting agenda. People distributing copies of materials as part of their testimony should bring **10 copies**. Written comment on issues of concern may be submitted to the Port Office at any time.*

Commission Memo

To: Commissioners
From: Anne Medenbach
Date: January 6, 2015
Re: pFriem - Lease Addendum #7

pFriem Brewing Co. has been a tenant in the Halyard building since 2012. They have since grown quickly and have already gone through one expansion. pFriem is maximizing their space in the Halyard building, Suites 101 and 102.

They are in the midst of a construction project that would:

- add a grain silo
- install two new fermentation pads with ability to increase brewing capacity
- installing a new power service to serve the new equipment and boiler room.

These improvements affect the building systems (roof penetrations, sewer line penetrations and capping, parking space reduction). Staff has reviewed the plans and would like to conditionally approve the work (see attached Addendum #7).

RECOMMENDATION: Approve Addendum #7 with pFriem Brewing Co. located at the Halyard Building, 707 Portway Ave., Hood River, OR.

SEVENTH ADDENDUM TO LEASE

Whereas: On December 5, 2011, Port of Hood River, an Oregon municipal corporation, as Lessor (or "Port"), and Cascadia Brewing Company, LLC, an Oregon limited liability company, as Lessee (or "tenant"), entered a Lease for premises known as Tenant Space 101 in the Halyard Building located 707 Portway Avenue, Hood River, Oregon.

Whereas: On January 25, 2012, Lessee restated its Articles of Organization to change its name to Pfriem Brewing Company, LLC.

Whereas: On February 9, 2012, Lessor and Lessee executed a First Addendum. On September 3, 2012, Lessor and Lessee executed Addendum No. 2. On April 15, 2013 Lessor and Lessee executed Addendum No. 3. On June 5, 2013 Lessor and Lessee executed Addendum No. 4. On November 7, 2013, Lessor and Lessee executed Addendum No. 5. On August 7, 2014, Lessor and Lessee executed Addendum No. 6 (December 5, 2011 lease and Addendums, "Lease").

Whereas: Lessee would like to alter certain systems in the leased premises and modify portions of the leased premises including structural components at the sole expense of Lessee. These alterations and modifications ("Work") are limited to the following project components:

Suite 101	Project Component
	1 Remove original concrete slab, install trench drain and new concrete slab floor with a curb and 2% slope
	2 Build a code compliant electrical room in the SW corner of Suite 101
	3 Install a new code compliant 400-600 Amp service panel in Halyard Building main electrical room
	4 Install new code compliant 400-600 amp feeder circuit amp service panel in new electrical room, Suite 101
Suite 102	
	1 Remove original concrete slab, install trench drain and new concrete slab floor with a curb and a 2% slope.
	2 Cap off existing floor drains (2)
	3 Build boiler room with finished ceiling
	4 Penetrate ceiling above boiler room for air supply
	5 Build a storage mezzanine on the south wall adjacent to the roll up door
Exterior	
	1 Install new concrete pad of the same dimensions and components as the current pad for the grain silo
	2 Install new grain silo

Therefore: Lessee agrees to comply with the following conditions before the Work commences, during Work and after the Work is completed.

Conditions	
1	Concrete mix design shall be submitted to Port for review and approval prior to a pour. Load slips from each of the trucks delivering concrete shall be promptly delivered to the Port showing the load has not been over spun in transit and the load meets Port approved specs. Three cylinders from each truck load shall be tested by a qualified independent concrete inspection agency hired by Lessee, and all inspection results promptly delivered to Port by Lessee. Concrete pours shall occur at intervals of at least the following time periods: a 48 hr break, one 12 day break and one 20 day break.
2	All sewer, new sewer, drain and capped off connections shall be inspected and approved by the Port before they are buried
3	All damaged concrete from previous work located in the new slab installation area shall be removed and replaced with concrete approved by the Port prior to a pour. The work shall be inspected and must be approved by the Port after completion. Any deficiencies identified by the Port shall be corrected.
4	Accurate reference drawings for the entire project shall be provided to the Port by Lessee prior to the Work, and during and after the Work if drawings are updated or changed, at no charge to the Port
5	Copies of all city approvals and permits shall be provided to the Port promptly after issuance
6	Copies of warranties for all work shall be provided to the Port. If Lessee exercises warranty rights Lessee shall notify Port. Any warranty work, repairs or changes to project work, must be approved by the Port prior to being undertaken and after the work is completed.
7	A list of names and contact information for the project general contractor, all sub-contractors and any subsequent contractor who does Work shall be provided to the Port
8	The Port has the right to inspect the Work and any project changes at any time during and after construction.
9	A construction schedule shall be provided to the Port prior to Work commencing and when modified
10	Any roof penetration and repair associated with the Work shall be done by Arrow Roofing, Inc. at Lessee's expense, in compliance with the terms of the Firestone roof warranty
11	The new pad for the exterior silo shall be removed upon termination of the Lease and replaced by Lessee by asphalt or concrete approved by the Port

Any changes to Work plans that have been submitted to the Port or to the City for approval must be approved by the Port, in the Port's discretion, before work commences. The Port shall have up to 2 weeks for plan review prior to Port rejection or approval or longer if Port deems it necessary. Lessee shall be solely responsible and pay for all Work costs of any kind, project management and project deficiencies related to the Work. Should the Work cause damage to the leased premises, Halyard Building inside or outside areas or building systems, or cause additional maintenance costs to Lessor, Lessee shall be responsible for and promptly pay all such all costs.. Lessor shall in no way be responsible for the Work or any costs associated with the Work. All required Port approvals must be in writing. The terms of this Seventh Addendum to Lease are conditions of the Lease. Except as supplemented by the terms of this agreement, all terms of the Lease shall remain unchanged and in full force and effect.

Lessee, Pfriem Brewing Company, LLC Lessor, Port of Hood River

By: _____
Kenneth Stephen Whiteman
General Manager
Date _____

By: _____
Michael S. McElwee
Executive Director
Date _____

Personal Guarantors

Rudolph Kellner
Date _____

Kenneth Stephen Whiteman
Date _____

Joshua Alden Pfriem
Date _____

Commission Memo

To: Commissioners
From: Anne Medenbach
Date: January 6, 2015
Re: Lease Addendum No. 2 – Bottomley, Murphy and Rajotte

Bill Bottomley, Ken Murphy and Jacques Rajotte lease land from the Port on which they have built an aircraft hangar. They have a lease that goes through 2030.

Currently, their lease rate is renegotiated every five years using a very complex set of calculations. This takes a significant amount of staff time and is cumbersome. All parties agreed that a traditional annual CPI adjustment would be clearer.

Addendum No. 2 strikes the section of the lease that referred to the cumbersome rent increase process and replaces it with a standard annual CPI calculation.

RECOMMENDATION: Approve Lease Amendment No. 2 with Bottomley, Murphy and Rajotte at Ken Jernstedt Airfield.

ADDENDUM NO. 2 TO LEASE

WHEREAS, Dick Parsons and Jacques Rajotte, (" Original Lessee") leased Port of Hood River ("Port" or "Lessor") property at the Port's airport area ("Previous Lease Site") by lease dated December 12, 1995, ("Previous Lease") and,

WHEREAS, at the request of Original Lessee the Previous Lease was terminated by a Termination of Lease agreement dated December 10, 2000, and

WHEREAS, Dick Parsons and Jacques Rajotte then leased a smaller Port of Hood River property site at the Port's airport area ("Present Lease Site") by a new Lease Agreement dated December 10, 2000, ("Lease") and,

WHEREAS, Dick Parsons interest in the lease was terminated and Bill Bottomley, Ken Murphy and Jacques Rajotte now share each 1/3rd interest in the Lease, and

WHEREAS, the Port of Hood River Board of Commissioners at its December 16, 2014 meeting agreed to the adjustment to the rental rate,

Therefore, the parties agree as follows:

1. Commencing January 1, 2014, Section 4. Rental, starting with line 5, shall be struck and replaced with the following:

The parties agree that commencing January 1, 2015, and occurring annually thereafter, including any extensions of this lease, monthly rent will be adjusted by adding to the monthly rental amount payable during the previous 12-month period a percentage increase equal to the percentage change in the Consumer Price Index (CPI) for the most recent 12-month period for which a published CPI is available. The CPI figure will be taken from the index entitled U.S. City Average – all items and major group figures for all urban consumers, or, if such index is unavailable, will be taken from a similar index published by the United States Bureau of Labor Statistics. However, in no event will the annual increase be less than 1 percent or more than 5 percent.

2. This Addendum No. 2 will be effective immediately upon execution and delivery by the parties. This Addendum No. 2 may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute but one and the same instrument. This Addendum No. 2 shall be governed by the law of the State of Oregon, without reference to its choice of law rules. This Addendum No. 2 supersedes any prior agreements, negotiations and communications, oral or written, with respect to the subject matter of this Addendum No. 2 and contains the entire agreement between, and the final expression of, Lessor and Lessee with respect to the subject matter of this Addendum No. 2. No subsequent agreement, representation, or promise made by either party hereto, or by or to an employee, officer, agent or representative of either party hereto shall be of any effect unless it is in writing and executed by the party to be bound thereby.
3. Except as modified by this Lease Addendum No. 2, all terms and conditions of the Lease shall remain in full force and effect. On and after the date of this Addendum No. 2, all references in the Lease to "this Lease" "this Agreement" "hereof" "herein" and the like shall be deemed references to the Lease as amended by this Addendum No. 2.
4. FAA Requirements
 - A. Tenant for Tenant, Tenant's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree that in the event facilities are constructed, maintained, or otherwise operated on or at the premises for a purpose for which a United States Department of Transportation program or activity is extended or for another

purpose involving the provision of similar services or benefits ("facilities"), Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

- B. Tenant for Tenant, Tenant's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under the premises and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Tenant shall use the premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

DATED THIS _____ DAY OF _____ 20_____ .

PORT OF HOOD RIVER
An Oregon Municipal Corporation

By: _____
Michael S. McElwee, Port of Hood River Executive Director Date Signed _____

By: _____
Bill Bottomley Date Signed _____

By: _____
Jacques Rajotte Date Signed _____

By: _____
Ken Murphy Date Signed _____

Commission Memo

To: Commissioners
From: Laurie Borton
Date: January 6, 2015
Re: Legal Services Agreement

At the July 15, 2014 meeting the Commission approved the reappointment of Legal Counsel for the Port of Hood River. Special Districts Association of Oregon recommends that services be formalized with a written agreement. The attached Legal Services Agreement responds to this recommendation. The terms are consistent with the current arrangement between the Port and Jaques Sharp Attorneys at Law.

RECOMMENDATION: Approve Legal Services Agreement with Jaques Sharp Attorneys at Law.

JAQUES SHARP
— ATTORNEYS AT LAW —

RECEIVED
DEC 23 2014

B. GIL SHARP, PC
JERRY J. JAQUES, PC
JAY F. SHERRERD, PC °
MICHAEL B. FITZSIMONS, PC °
LESLEY APPLE HASKELL, PC °

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December 22, 2014

Michael McElwee, Executive Director
Port of Hood River
1000 E. Port Marina Drive
Hood River, OR 97031

Re: Legal Services Agreement

Dear Michael:

In response to SDAO's recommendation that special districts have a written agreement with their general legal counsel, enclosed is a Legal Services Agreement. Agreement terms are consistent with our current legal services arrangement with the Port.

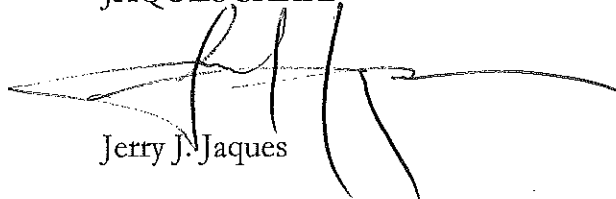
For the past 34 years I have handled thousands of routine, and many unusual, Port legal matters. I have attended hundreds of Port Commission meetings, and represented the Port in negotiations, at public hearings and in court. I provided legal support in the mid 1980s when the Port acquired twelve downtown blocks from Diamond Fruit, and redeveloped the 800,000 square feet of deteriorating building space there. Tax increment funds generated by improvement of those properties have been used to renovate downtown Hood River. More recently, I have helped with various Port waterfront and airport matters and development opportunities.

I have been impressed over the years with the hard work, dedication and foresight of community-focused Port Commissioners. I have enjoyed working with Port staff. In my opinion, the current Commission and staff are the best the Port has ever had. It is a privilege to be part of this Port team working hard to make our community better.

I am proud to have been involved with the Port's successes over the years, and look forward to providing legal assistance going forward to help achieve Port goals.

Very truly yours,

JAQUES SHARP



Jerry J. Jaques

JJJ/ms
Enclosure

LEGAL SERVICES AGREEMENT

1. Professional Services. Jaques Sharp, Attorneys at Law, 205 Third Street, Hood River, Oregon, ("Attorneys") agree to provide legal services for the Port of Hood River ("Port") as Port general legal counsel. Duties of Attorneys shall include: (1) attendance at regular monthly Port Commission meetings; (2) attendance at Port Commission special meetings; (3) meetings with Port staff, Commissioners or committees when appropriate or requested by the Port; (4) providing written and oral legal opinions and advice ; (5) reviewing and preparing contracts, leases, deeds and other legal documents; (6) representing the Port in contract, real estate, labor and other negotiations when requested to do so; (7) representing the Port in litigation and appeals, or supervising or associating with other legal counsel representing the Port; (8) other routine duties expected of Port general counsel and those requested by the Port Executive Director , Port Commission President or Port Commission.

Jerry J. Jaques, who has been the Port's general legal counsel since 1980, will have primary responsibility for legal work undertaken for the Port. Other attorneys and paralegals in Attorneys' office may handle Port legal matters as determined by Attorneys. Attorneys will assist the Port in a professional manner, to the best of our abilities.

2. Fees. Except for our fee covering attendance at regular monthly Commission meetings, we will charge the Port an hourly rate for lawyers, paralegals and legal assistance work. The current hourly rate for legal assistance work is \$60 and for paralegal work is \$120. The current hourly rate for lawyers who will represent the Port is \$190. Attorneys will charge the Port a flat fee of \$350 as monthly retainer that covers the cost of a lawyer attending regular monthly Port Commission meetings, regardless of the duration of the meetings. The lawyers' hourly rate and flat fee for unlimited time at regular Port Commission meetings are discounted charges to the Port as a municipal client. These hourly rates and the monthly flat fee will not be changed without providing the Port at least thirty days prior notice and acceptance by the Port.

3. Out-of-Pocket Expenses. In addition to legal fees, our bills may include out-of-pocket expenses that we have incurred or advanced on behalf of the Port. These expenses generally will include such items as travel, postage, filing, recording, certification, and registration fees charged by governmental bodies. Expenses may also include costs of courier services, charges for terminal time for computer research and complex document production, charges for photocopying materials, and costs of recorded information or documents we receive.

During the course of our representation we may hire third parties to provide services on behalf of the Port. These services may include such things as consulting or testifying experts, investigators, providers of computerized litigation support, and court reporters. Because of the legal "work product" protection afforded to services that an attorney requests from third parties, in certain situations our firm may assume responsibility for retaining appropriate service providers. For some Port matters we may consult or associate with other lawyers outside our office to provide assistance.

The Port will be responsible for paying all fees and expenses directly to the service providers or reimbursing us for these expenses.

4. **Alternative Fees.** In some circumstances, with prior Port approval Attorneys may charge the Port different rates, such as for litigation or appeals.

5. **Billings.** We will bill the Port monthly. Bills are payable within 30 days of receipt. Bills will contain a concise summary of each matter for which legal services are rendered, the fee that is charged, and list costs.

6. **Questions About Our Bills.** We invite the Port to discuss with us any questions concerning a fee charged for any matter, or questions about billed costs. We want the Port to be satisfied with both the quality of our services and the reasonableness of the fees we charge for those services. We will attempt to provide as much billing information as the Port desires, and will discuss any billing issue with Port at any time.

7. **Files.** The Port has the right to receive contents of its files at any time. The Port consents to and agrees that we may destroy documents in any Port legal file at our office if ten or more years have passed since our office closed the file. We may decide to retain some Port legal files for a longer period.

8. **Relationships with Other Clients.** Because we are a full-service law firm with many clients, we may be asked to represent a client with respect to interests that are adverse to those of another client who is represented by our firm in connection with another matter. Our firm is not prevented from representing other persons who may disagree with the Port, or who may have business interests potentially affected by the Port, provided the matter we are handling for another client is not directly related to a matter we are handling for the Port. If we determine there is a potential conflict with our representation of the Port and another client we may provide written notice of the potential conflict to the Port and to our other client, and seek the consent of both parties to our representation of the Port.

9. **Insurance.** Our firm will maintain professional malpractice insurance during our representation of the Port with coverage equal to or exceeding Oregon State Bar requirements.

10. **Termination.** Attorneys' representation of the Port will continue until Attorneys or the Port terminate the attorney/client relationship by providing written notice of termination to the other party.

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The Port's agreement to this engagement constitutes its acceptance of the foregoing terms. If any of these terms is unacceptable to the Port, now or in the future, please advise us so we can resolve any differences and proceed with a clear, complete and consistent understanding of our relationship.

JAQUES SHARP

PORT OF HOOD RIVER

Jerry J. Jaques, Partner

Michael McElwee, Executive Director

Date: _____

Date: _____

Commission Memo

To: Commissioners
From: Fred Kowell
Date: January 6, 2015
Re: Audit for Year Ending June 30, 2014

Attached is a copy of the audited financial report that has been prepared by Pauly, Rogers and Co., P.C. for the year ending June 30, 2014. In addition, you will also find a copy of the Communications to the Governing Body (SAS 114 Letter.)

Tara Kamp, CPA with Pauly, Rogers and Co., P.C. will be at the January 6 meeting to discuss the audit and answer your questions. In the meantime, I am also happy to answer any questions or provide clarification for you. My direct number is (541) 386-6651.

RECOMMENDATION: For discussion.

**PORT OF HOOD RIVER
HOOD RIVER COUNTY, OREGON**

COMMUNICATION TO THE GOVERNING BODY

FOR THE YEAR ENDED JUNE 30, 2014



12700 SW 72nd Ave.
Tigard, OR 97223



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

December 16, 2014

To the Board of Commissioners
Port of Hood River
Hood River County, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Port of Hood River for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Purpose of the Audit

Our audit was conducted using sampling, inquiries and analytical work to opine on the fair presentation of the financial statements and compliance with:

- generally accepted accounting principles and auditing standards
- the Oregon Municipal Audit Law and the related administrative rules

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas to be tested.

Our audit included obtaining an understanding of the Port and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Port or to acts by management or employees acting on behalf of the Port. We also communicated any internal control related matters that are required to be communicated under professional standards.

Results of Audit

1. Audit opinion letter - an unmodified opinion on the financial statements has been issued. This means we have given a "clean" opinion with no reservations.
2. State minimum standards – We found no exceptions or issues requiring comment.
3. Management letter – no management letter was issued.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014, except for the implementation of GASB 65 – *Items Previously Reported as Assets and Liabilities*. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were Management's estimate of Accounts Receivable and Capital Asset Depreciation, which is based on estimated collectability of receivables and useful lives of assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, taken as a whole. There were immaterial uncorrected misstatements noted during the audit which were discussed with management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to our retention as the auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information

With respect to the other information accompanying the financial statements, we read the information to identify if any material inconsistencies or misstatement of facts existed with the audited financial statements. Our results noted no material inconsistencies or misstatement of facts.

Other Matters – Future Accounting and Auditing Issues

In order to keep you aware of new auditing standards issued by the American Institute of Certified Public Accounts and accounting statements issued by the Governmental Accounting Standards Board (GASB), we have prepared the following summary of the more significant upcoming issues:

GASB 68

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*, addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics. This statement will impact the government-wide financial statements for most entities with net position being reduced by an actuarially determined amount. The implementation date for this statement is fiscal periods beginning after June 15, 2014.

GASB 69

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The implementation date for this statement is fiscal periods beginning after December 15, 2013 and earlier implementation is encouraged.

GASB 71

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, addresses the reporting requirements related to amounts associated with contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68, which is required to be implemented in fiscal periods beginning after June 15, 2014.

Best Practices – Not Significant Deficiencies

1. Board of Commissioners Monitoring

An integral part of internal controls is the monitoring of financial activities by those charged with the governance (elected officials). This can be accomplished by asking specifically designed questions to senior staff, by reviewing financial statements and projections and by comparing financial results to pre-established benchmarks. While elected officials participate in the budget adoption process and receive staff prepared financial statements, these only partially fulfill the monitoring function.

We recommend that the Board of Commissioners articulate their monitoring practices and record in the minutes when those activities occur.

Since monitoring activities, including benchmarking, are unique to each entity we are available to assist the Board of Commissioners in establishing checklists, questions and benchmarks that are customized for your use.

2. Fidelity Insurance Coverage

In reviewing fidelity insurance coverage we noticed that the Port often carries cash and investment balances in excess of the insurance coverage amount. We recommend that the Board of Commissioners examine this exposure risk and make a determination as to the amount of insurance coverage they feel is prudent in regard to their oversight.

3. Segregation of Duties

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. We recommend that the Board of Commissioners continually monitor the financial activities to mitigate this risk and consider obtaining additional fidelity insurance coverage to compensate for this risk.

This information is intended solely for the use of the Board of Commissioners and management and is not intended to be and should not be used by anyone other than these specified parties.


Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

PORT OF HOOD RIVER
HOOD RIVER COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



12700 SW 72nd Ave.
Tigard, OR 97223

PORT OF HOOD RIVER

Financial Statements

June 30, 2014

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PORT OF HOOD RIVER

June 30, 2014

BOARD OF COMMISSIONERS

NAME	TERM EXPIRES
Richard McBride, President	June 30, 2017
Brian Shortt, Vice President	June 30, 2015
Jon Davies, Treasurer	June 30, 2017
Hoby Streich, Secretary	June 30, 2015
Fred Duckwall	June 30, 2017

All commissioners receive mail at the address listed below.

ADMINISTRATION

Michael McElwee, Executive Director
Fred Kowell, Chief Financial Officer
1000 E. Port Marina Dr.
Hood River, Oregon 97031

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PORT OF HOOD RIVER
HOOD RIVER COUNTY, OREGON
TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	7
Reconciliation of Balance Sheet of Governmental Funds to	
Statement of Net Position	8
Statement of Revenue, Expenditures and Changes in	
Fund Balance – Governmental Funds	9
Reconciliation of Statement of Revenues, Expenditures and Changes in	
Fund Balance – Governmental Funds – To Statement of Activities	10
Statement of Net Position – Proprietary Fund	11
Statement of Revenue, Expenditures and Changes in	
Fund Balance – Proprietary Fund	12
Statement of Cash Flows – Proprietary Fund	13
Notes to Basic Financial Statements	14

PORT OF HOOD RIVER
HOOD RIVER COUNTY, OREGON
TABLE OF CONTENTS (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION	PAGE
Schedule of Revenue, Expenditures and Changes in Fund Balance – Actual & Budget – General Fund	35
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget – Bridge Repair and Replacement Fund	36
Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget – Revenue Fund	37
Schedule of Property Tax Transactions and Balances Uncollected	38
INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS	
	39



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December 16, 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Port of Hood River
Hood River County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Port of Hood River, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Port of Hood River, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Port adopted the provision of GASB 65 – *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 16, 2014 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Tara M. Kamp, CPA

Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

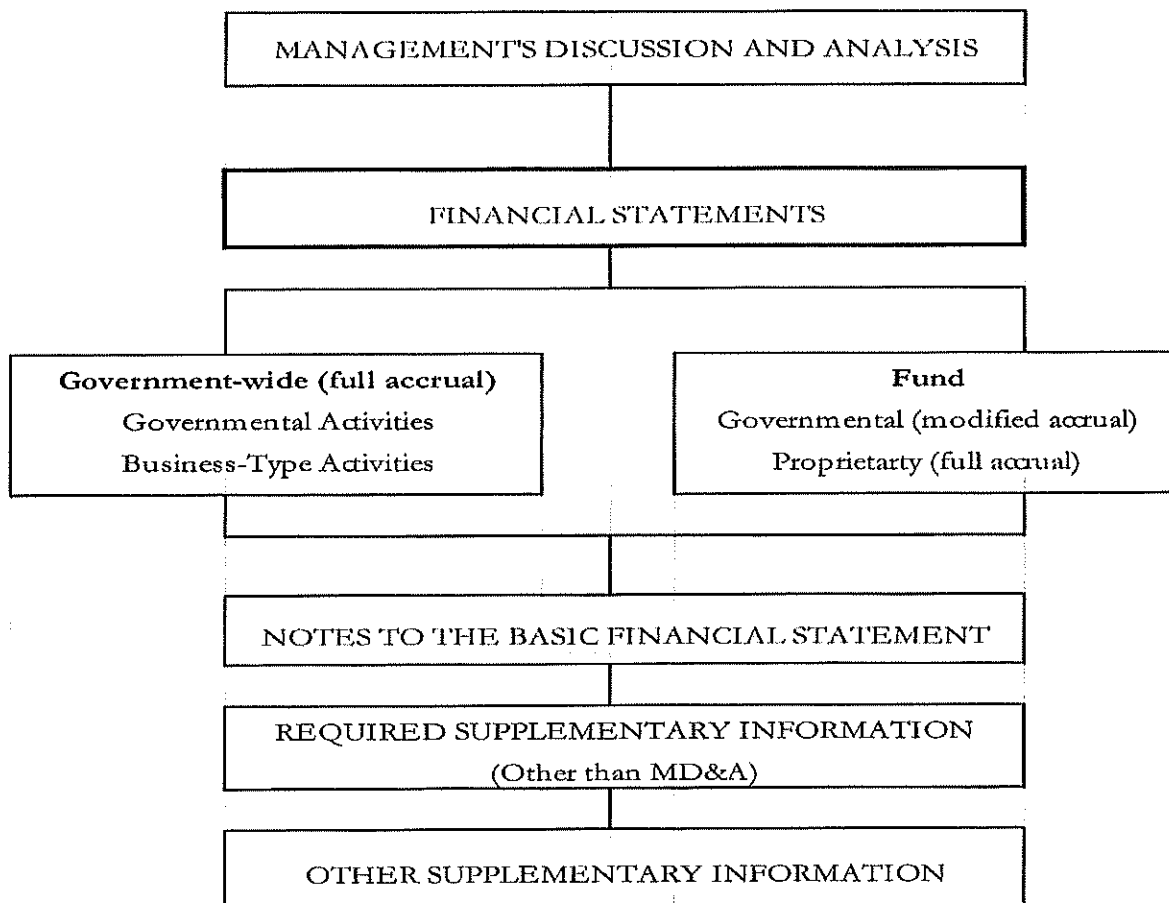
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PORT OF HOOD RIVER, OREGON
Management Discussion and Analysis
For the Year Ended June 30, 2014

INTRODUCTION

The Annual Financial Report consists of Management Discussion and Analysis which provides an overview of the financial performance and activities of the Port for the fiscal year ended June 30, 2014. The diagram below depicts the different components of the Annual Financial Report and their respective descriptions from the basic financial statements to those presented at the fund level which depict how the Port's financial performance compared to what was budgeted.

Financial Section Components



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report financial information about the Port taken as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position 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 Position and how they changed. Net Position – 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 Port maintains two individual governmental funds as of June 30, 2014 and both are considered major funds and are reported separately in the statement of revenues, expenditures, and changes in fund balances. They are the General Fund and the Bridge Repair and Replacement fund. The General Fund records the transactions related to policy making and related planning related to the Port's mission and strategic plan. The General Fund will also include general administration as well as a portion of support services. The Bridge Repair and Replacement fund is a Special Revenue Fund that is used to record repair and replacement activity associated with the bridge and any debt related activities. The Port adopts an annual budget for all its funds. Budgetary comparison schedules are provided to demonstrate compliance with applicable state budgetary rules. These schedules can be found in the Required Supplementary Information section of this report.

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 the following fees:

1. Fees - toll bridge users
2. Lease revenues - industrial, commercial and mix-use tenants
3. Rent for marina boat slips and airport hangers
4. Fees for 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 Position

Net Position 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 \$37,001,668 at the close of this fiscal year. This represents a \$620,221 increase over the prior fiscal year.

Table 1 below depicts a increase in Net Position which is primarily attributable to depreciation of \$658,207 related to the bridge and \$1,112,661 of other Port infrastructure (ie Buildings and Land

Improvements). The other portion relates to the decrease in liabilities related to the airport runway shift project which was funded 90% by a Federal Aviation Administration grant. That said, the 10% match is depicted as a reduction in current assets.

The largest portion of the Port's Net Position, at 88%, are invested in capital assets (e.g. bridge, land, buildings, and equipment) and reported net of accumulated depreciation. The Port uses these capital assets to provide services to the public; thus, they do not represent resources available for future spending. Restricted Net Position total \$715,000 represents cash and investments that are legally restricted for debt service related to the 2013 general revenue (bridge) bonds. Finally, the remaining \$3,756,358 is unrestricted meaning it is available for meeting the Port's ongoing obligations.

**PORT OF HOOD RIVER, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS**

TABLE 1 - NET POSITION

AS OF JUNE 30,

	Governmental Activities		Business-Type Activities		Total All Funds	
			Revenue Fund			
	2014	2013	2014	2013	2014	2013
Unrestricted - Current and Other Assets			\$ 3,812,304	\$ 4,573,213	\$ 3,812,304	\$ 4,573,213
General Fund	\$ 61,472	\$ 58,316			61,472	58,316
Bridge Repair and Replacement Fund	342,798	448,022			342,798	448,022
Restricted - Current and Other Assets						
Bridge Repair and Replacement Fund	715,000	715,000			715,000	715,000
Capital Assets			29,936,551	30,013,837	29,936,551	30,013,837
General Fund	7,000	7,000			7,000	7,000
Bridge Repair and Replacement Fund	8,720,122	9,215,928			8,720,122	9,215,928
Total Assets	<u>9,846,392</u>	<u>10,444,266</u>	<u>33,748,855</u>	<u>34,587,050</u>	<u>43,595,248</u>	<u>45,031,316</u>
Deferred Charge on Refunding	35,000	-	-	-	35,000	-
Total Deferred Outflows of Resources	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Long-Term Debt			3,053,363	3,162,080	6,133,363	6,857,080
Bridge Repair and Replacement Fund	3,080,000	3,695,000				
Other Liabilities			489,005	1,765,981	495,216	1,792,789
Bridge Repair and Replacement Fund	6,211	26,808				
Total Liabilities	<u>3,086,211</u>	<u>3,721,808</u>	<u>3,542,368</u>	<u>4,928,061</u>	<u>6,628,579</u>	<u>8,649,869</u>
<i>Net Position</i>						
Net Investment in Capital Assets			26,883,188	26,817,544	32,530,310	32,345,469
General Fund	7,000	7,000				
Bridge Repair and Replacement Fund	5,640,122	5,520,925				
Restricted - Bridge and Replacement Fund	715,000	715,000			715,000	715,000
Unrestricted			3,323,299	2,841,445	3,756,358	3,320,978
General Fund	61,472	58,316				
Bridge Repair and Replacement Fund	<u>371,587</u>	<u>421,217</u>				
Total Net Position	<u>\$ 6,795,181</u>	<u>\$ 6,722,458</u>	<u>\$ 30,206,487</u>	<u>\$ 29,658,989</u>	<u>\$ 37,001,668</u>	<u>\$ 36,381,447</u>

Statement of Activities

As with the statement of Net Position, the Port reports governmental activities by the two distinct funds the General Fund and the Bridge Repair and Replacement Fund. As indicated in Table 2 below, total Net Position of the Port increased by \$582,436 or 2% as compared against the prior year net asset balance. During the winter the Bridge encountered lower volumes of traffic due to winter ice storms and a rockslide that closed the adjacent I-84 highway. This is depicted in a leveling off of bridge toll revenues. Also, capital grants have decreased significantly due to the Airport runway shift project being completed which was funded by the Federal Aviation Administration 90% grant. The overall increase is mostly due to higher occupancy rates in our industrial facilities. In the following table are the significant governmental and business-type activities for the year.

PORT OF HOOD RIVER, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
TABLE 2 - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEARS ENDING JUNE 30TH

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<i>Revenues</i>						
<i>Program revenues</i>						
Charges for services - Tolls			\$ 3,407,828	\$ 3,450,147	\$ 3,407,828	\$ 3,450,147
Leases, rents and fees			2,428,839	2,151,070	2,428,839	2,151,070
Operating grants			9,100	9,100	9,100	9,100
Capital grants			372,089	3,022,024	372,089	3,022,024
<i>General Government Revenues</i>						
Property taxes	\$ 59,598	\$ 55,278			59,598	55,278
Interest earnings	5,115	7,435	21,826	19,853	26,941	27,288
Other sources	-	-	10,880	189,549	10,880	189,549
Gain on sale of capital assets	-	-	29,312	-	29,312	-
Transfers	1,195,473	2,000,321	(1,195,473)	(2,000,321)	-	-
Total Revenues	1,260,186	2,063,034	5,084,401	6,841,422	6,344,587	8,904,456
<i>Expenses</i>						
<i>Governmental Activities</i>						
General government	345,534	333,838			345,534	333,838
Bridge repair and replacement	731,073	598,470			731,073	598,470
Interest on long-term debt	110,856	176,060	176,714	120,256	287,570	296,316
<i>Business-type Activities</i>						
Toll bridge			1,297,034	1,081,843	1,297,034	1,081,843
Industrial			1,464,853	1,467,420	1,464,853	1,467,420
Commercial			168,891	181,293	168,891	181,293
Waterfront Industrial			181,846	200,581	181,846	200,581
Waterfront Recreation			482,688	461,319	482,688	461,319
Marina			231,468	191,500	231,468	191,500
Airport			357,944	301,582	357,944	301,582
Administration			80,497	57,813	80,497	57,813
Maintenance			94,967	70,410	94,967	70,410
Total Expenses	1,187,463	1,108,368	4,536,902	4,134,017	5,724,365	5,242,385
Increase (decrease) in Net Position	72,723	954,666	547,499	2,707,405	620,222	3,662,071
Beginning Net Position	6,722,458	5,767,792	29,658,988	26,951,583	36,381,446	32,719,375
Ending Net Position	\$ 6,795,181	\$ 6,722,458	\$ 30,206,487	\$ 29,658,988	\$ 37,001,668	\$ 36,381,446

Governmental Activities – The Net Position for governmental activities increased \$72,723 or less than 1% from the prior year. This small increase is due to an aggregate mix of transactions related to the financial highlights presented below.

Financial highlights of governmental fund activities for the year include:

- Nearly \$162,400 in Toll bridge capital improvements were incurred for the year. This included the paving of the north approach to the bridge, deck welding and engineering tests to the lift span. This was offset by depreciation of over \$658,000.
- Property taxes continue to increase in line with projections or close to 3%.
- Debt service decreased as the 2003 General Revenue bonds were refunded created a saving of over \$137,000 over the life of the new 2013 General Revenue Refunded bonds. Interest expense includes over \$28,000 in issuance costs related to this financing transaction.
- Depreciation increased by \$71,000 as significant capital improvements were placed into service in the prior year which are now being depreciated.

Business-type Activities - Business type activities generated a \$547,498 or 1.8% increase on the Port's total Net Position. The financial results for this year include a flattening of toll revenues due to winter storms and the closure of the adjoining I-84 highway. This year capital improvements amounted to over \$1 million, with over \$5 million being placed into service. This included \$3.9 million from airport runway shift project which was being funded from the Federal Aviation Administration (FAA) grant which matches 90% of the engineering and construction costs.

The overall net increase was offset by Port expenditures which increased by \$402,887 or 10% from the prior year. Included in this increase is \$72,000 of Personnel Services which was due to increased seasonal work, cost of living, and merit increases. The most significant increase occurred in maintenance which incurred \$249,000 which was \$132,000 more than the prior year. This included more HVAC and roof repairs. Utilities increased over the prior year by \$20,000 due to usage and rate increases, while insurance increased \$33,000 from the prior year due to premium escalation.

Financial Analysis and Outlook:

The Port is involved in a variety of activities that all 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 58% of our operating revenues. Lease revenues continue to rise in lock step with our occupancy rate. The Port had a 97% occupancy rate as the year ended and is looking at closing this gap further. The Port receives property taxes but this only accounts for 1% of 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 as well as improving our infrastructure along the waterfront and the light industrial properties. The Port continues to receive an operating grant from the Oregon Marine Board to assist in the operations of the marina. The Federal Aviation Administration (FAA) grant that extended our current runway configuration was significant in that it only required a 10%

Port match on the project cost. With the Airport runway shift project completed there is a significant reduction in grants. The Port continues to develop the light industrial properties with respect to bringing in new tenants and jobs to the community. The Port realizes that the undeveloped parcels at the waterfront are prime industrial properties which will need more discussion and planning to determine the ultimate configuration and development plans, as well as who will ultimately own and operate the developed properties.

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

Bridge – The bridge traffic continues to rise marginally at 1.02% as compared against the previous year. There has been considerable effort in the development of a long-range strategy for the maintenance and capital improvements to the Hood River-White Salmon Bridge. This long range strategy depicts that toll increases will need to occur incrementally over time to support the maintenance and longevity of the bridge. A toll increase was put in place January 2012 to support this strategy. In addition, for January 2015, the Port will reduce the discount provided to our electronic tolling and ticket customers. Our electronic tolling customers will have their discounts reduced from a 33% to 25%, while our ticket customers will have their 25% discount removed entirely due to the operating costs.

Leased Properties – This year there were \$385,000 of tenant improvements completed to leverage our marketability of our facilities. The capital improvements to the Jensen, Maritime, Halyard Building, and our Marina Office Building were made to attract tenants that in turn provided jobs to our local economy.

Undeveloped Property – Two small lots were sold during the year and the Port concluded its upgrade and final grant approval from the Economic Development Agency (EDA). There have been various discussions on the remaining undeveloped lots at the waterfront this year. The Port's Board of Commissioners are developing a more comprehensive plan regarding the remaining parcels and their impact to the local economy.

Recreation – The Port continues to program and manage waterfront activities, which during peak periods of the summer has considerable traffic and use. The recreational usage along the waterfront continues to challenge the Port's ability to meet our public's expectations. The growth in kiteboarding, windsurfing and the addition of paddle boarding has our waterfront users competing against each other for time and space.

Marina – The marina continues to have a waiting list of 48 boats owners looking for slips out of a total of 165 slips. The Port has a history of 100% occupancy and continues to do so. The Port has upgraded its electrical infrastructure on the docks and has significantly upgraded several docks adjoining the boathouse portion of the marina. Both projects are due to be completed at the end of summer 2014. The Port is sharing the cost of these capital improvements (ie. electrical and docks) with the marina tenants. The marina tenants are being assessed 80% of the costs related to these projects.

Airport – As noted above, the airport runway shift project was completed by the end of this year. The funding for this project was provided by the Federal Aviation Administration (FAA) and required a 10% match from the Port. Airport hangar rates continue to escalate based upon the local area CPI.

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 the revenue mix, a recession does not have the same impact to the Port's resources as it would otherwise have with other tax dependent agencies. In addition, the Hood River area continues to see a high demand for housing but continues to have a limited supply of developable properties, thereby keeping the recessionary impact to property values from occurring at significant levels. Employment and job growth is showing positive signs of recovery and the Port continues to focus its strategic decisions on how best to stimulate job growth in the community and surrounding area.

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. The Port has completed its Strategic Business Plan and has integrated it with its key financial policies with regard to reserves, debt coverage and revenue diversification.

Request for Information – The Port's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Port's finances and to demonstrate the Port's accountability. If you have questions about this report or need additional information, please contact the Port's Chief Financial Officer at 1000 E. Port Marina Drive, Hood River, OR 97031, or via email to fkowell@portofhoodriver.com.

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PORT OF HOOD RIVER
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 401,026	\$ 2,231,416	\$ 2,632,442
Cash and Investments (Restricted)	715,000	-	715,000
Receivables (Net)	3,244	101,271	104,515
Prepaid Expenses	-	176,679	176,679
Supply Inventory	-	19,255	19,255
Note Receivable	-	1,180,483	1,180,483
Deposit	-	103,200	103,200
Capital Assets:			
Capital Assets, Non-Depreciable	60,080	9,363,716	9,423,796
Capital Assets, Net of Depreciation	8,667,042	20,572,835	29,239,877
Total Assets	9,846,392	33,748,855	43,595,247
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	35,000	-	35,000
Total Deferred Outflows of Resources	35,000	-	35,000
LIABILITIES			
Accounts Payable	-	168,010	168,010
Unearned Revenue	-	3,884	3,884
Interest Payable	6,211	-	6,211
Accrued Vacation	-	50,673	50,673
Toll Tickets Outstanding	-	109,804	109,804
Breezeby Outstanding	-	156,634	156,634
Noncurrent Liabilities			
Due Within One Year	650,000	95,697	745,697
Due in More Than One Year	2,430,000	2,957,666	5,387,666
Total Liabilities	3,086,211	3,542,368	6,628,579
NET POSITION			
Net Investment in Capital Assets	5,647,122	26,883,188	32,530,310
Restricted for:			
Debt Services	715,000	-	715,000
Unrestricted	433,059	3,323,299	3,756,358
Total Net Position	\$ 6,795,181	\$ 30,206,487	\$ 37,001,668

See accompanying notes to the basic financial statements

PORT OF HOOD RIVER

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 345,533	\$ -	\$ -	\$ -
Bridge Repair and Replacement	731,073	-	-	-
Interest on Long Term Debt	110,857	-	-	-
Total Governmental Activities	1,187,463	-	-	-
Business Type Activities:				
Revenue Fund	4,536,903	5,836,667	9,100	372,089
Total Primary Government	\$ 5,724,366	\$ 5,836,667	\$ 9,100	\$ 372,089

General Revenues:
 Property taxes
 Earnings on investments
 Miscellaneous
 Gain on sale of capital asset
 Transfers

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

See accompanying notes to the basic financial statements

Net Revenue (Expenses) and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (345,533)	\$ -	\$ (345,533)
(731,073)	-	(731,073)
<u>(110,857)</u>	-	<u>(110,857)</u>
<u>(1,187,463)</u>	-	<u>(1,187,463)</u>
-	1,680,953	1,680,953
<u>(1,187,463)</u>	<u>1,680,953</u>	<u>493,490</u>
59,598	-	59,598
5,115	21,826	26,941
-	10,880	10,880
-	29,312	29,312
<u>1,195,473</u>	<u>(1,195,473)</u>	<u>-</u>
<u>1,260,186</u>	<u>(1,133,455)</u>	<u>126,731</u>
72,723	547,498	620,221
<u>6,722,458</u>	<u>29,658,989</u>	<u>36,381,447</u>
<u>\$ 6,795,181</u>	<u>\$ 30,206,487</u>	<u>\$ 37,001,668</u>

See accompanying notes to the basic financial statements

PORT OF HOOD RIVER
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

<u>ASSETS</u>	<u>General</u>	<u>Bridge Repair & Replacement</u>	<u>Total Governmental Funds</u>
<i>Current Assets</i>			
Cash and Investments	\$ 57,766	\$ 1,057,798	\$ 1,115,564
Cash with Fiscal Agent	462	-	462
Taxes Receivable	3,244	-	3,244
<i>Total Assets</i>	<u>\$ 61,472</u>	<u>\$ 1,057,798</u>	<u>\$ 1,119,270</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	\$ 2,781	\$ -	\$ 2,781
<i>Total Deferred Inflows of Resources</i>	<u>2,781</u>	<u>-</u>	<u>2,781</u>
<u>FUND BALANCES</u>			
Restricted for Debt Service	-	715,000	715,000
Committed for Bridge Repair & Replacement	-	342,798	342,798
Unassigned	58,691	-	58,691
<i>Total Fund Balances</i>	<u>58,691</u>	<u>1,057,798</u>	<u>1,116,489</u>
 <i>Total Deferred Inflows of Resources and Fund Balances</i>	 <u>\$ 61,472</u>	 <u>\$ 1,057,798</u>	 <u>\$ 1,119,270</u>

See accompanying notes to the basic financial statements

PORT OF HOOD RIVER

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION

June 30, 2014

Total Fund Balances - Governmental Funds	\$ 1,116,489
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Long-term liabilities, including bonds payables, are not due and payable in the current period and therefore are not reported in the funds.	(3,080,000)
Deferred Outflows of Resources - Deferred Charge on Refunding	35,000
Accrued Interest	(6,211)
Revenues are unavailable in the Governmental Funds if received after 60 days, but accrued in the Statement of Activities as earned.	2,781
Capital assets, net used in Governmental Activities are not financial resources and therefore are not reported in the funds.	<u>8,727,122</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 6,795,181</u></u>

See accompanying notes to the basic financial statements

PORT OF HOOD RIVER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Funds		Total Governmental Funds
	General	Bridge Repair & Replacement	
REVENUES			
Property taxes	\$ 59,664	\$ -	\$ 59,664
Interest	558	4,557	5,115
<i>Total Revenues</i>	<u>60,222</u>	<u>4,557</u>	<u>64,779</u>
EXPENDITURES			
<i>Current</i>			
General government	345,534	-	345,534
Bridge repair and replacement	-	10,550	10,550
<i>Capital Outlay</i>			
Bridge repair and replacement	-	162,400	162,400
<i>Debt Service</i>			
Interest	-	137,459	137,459
Principal payment	-	650,000	650,000
<i>Total Expenditures</i>	<u>345,534</u>	<u>960,409</u>	<u>1,305,943</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	(285,312)	(955,852)	(1,241,164)
OTHER FINANCING SOURCES (USES)			
2003 General Revenue Bonds - Refunded	-	(3,695,000)	(3,695,000)
2013 General Revenue Refunding Bonds	-	3,730,000	3,730,000
Cost of Issuance	-	(28,995)	(28,995)
Operating transfers in	288,534	906,939	1,195,473
<i>Total Other Financing Sources (Uses)</i>	<u>288,534</u>	<u>912,944</u>	<u>1,201,478</u>
Net change in Fund Balances	3,222	(42,908)	(39,686)
FUND BALANCE - Beginning	<u>55,469</u>	<u>1,100,706</u>	<u>1,156,175</u>
FUND BALANCE - Ending	<u>\$ 58,691</u>	<u>\$ 1,057,798</u>	<u>\$ 1,116,489</u>

See accompanying notes to the basic financial statements

PORT OF HOOD RIVER

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Net Change in Fund Balances - Total Government Funds \$ (39,686)

Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:

Government Funds report Capital Outlays as Expenditures while Governmental
Activities report Depreciation Expense to allocate those Expenditures over the life
of the assets. This is the amount by which Depreciation exceeded Capital Outlays in
the current period.

Expenditures for Capital Assets	\$ 162,400	
Less: Current Year Depreciation	(658,207)	(495,807)

Under the modified accrual basis of accounting used in the governmental funds,
expenditures are not recognized for transactions that are not normally paid
with expendable available financial resources. In the statement of activities,
however, which is presented on the accrual basis of accounting, expenses and
liabilities are reported regardless of when financial resources are available. This
adjustment combines the net changes in liability balances.

New Debt Issued	(3,730,000)	
Long Term Debt Principal Paid	4,345,000	
Deferred Bond Issue Costs	(62,315)	
Accrued Interest Expense	6,917	
Bond Premium Amortization	13,680	573,282

Deferred Outflows of Resources - Deferred Charge on Refunding		35,000
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Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds.

Property Taxes		(66)
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Change in Net Position of Governmental Activities		\$ 72,723
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PORT OF HOOD RIVER
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

ASSETS	REVENUE FUND
<i><u>Current Assets</u></i>	
Cash and investments	\$ 2,231,416
Accounts receivable (net of allowance for uncollectible)	101,271
Prepaid expenses	176,679
Notes receivable - due in one year	171,982
Inventory	19,255
<i><u>Non-Current Assets</u></i>	
Deposits	103,200
Notes receivable - due in more than one year	1,008,501
<i><u>Capital assets (net of accumulated depreciation)</u></i>	
Land	8,257,618
Land improvements	5,272,485
Buildings & improvements	12,217,486
Bridge	3,008,753
Equipment and vehicles	74,111
Construction in progress	1,106,098
TOTAL ASSETS	\$ 33,748,855
 LIABILITIES	
<i><u>Current Liabilities</u></i>	
Accounts payable and other current liabilities	\$ 168,010
Unearned revenue	3,884
Accrued compensated absences	50,673
Toll tickets outstanding	109,804
Breczeby outstanding	156,634
FlexLease payable - due within one year	55,000
Note payable - due within one year	40,697
<i><u>Non-Current Liabilities</u></i>	
FlexLease payable - due in more than one year	895,000
Note payable - due in more than one year	2,062,666
TOTAL LIABILITIES	3,542,368
 NET POSITION	
Net investment in capital assets	26,883,188
Unrestricted	3,323,299
TOTAL NET POSITION	\$ 30,206,487

See accompanying notes to the basic financial statements

PORT OF HOOD RIVER

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUND**

For the Year Ended June 30, 2014

	<u>REVENUE FUND</u>
OPERATING REVENUES	
Bridge Tolls	\$ 3,407,828
Leases, rents and fees	<u>2,428,839</u>
Total Operating Revenues	<u>5,836,667</u>
OPERATING EXPENSES	
Salaries and wages	1,113,510
Payroll taxes and benefits	386,231
Utilities including communication costs	471,610
Professional services including legal	248,026
Insurance	309,827
Property taxes	179,946
Maintenance and supplies	249,774
Other operating expenses	288,604
Depreciation expense	<u>1,112,661</u>
Total Operating Expenses	<u>4,360,189</u>
Operating Income	<u>1,476,478</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	21,826
Income from other sources and grants	19,980
Interest expense	(176,714)
Gain (Loss) sale of fixed assets	<u>29,312</u>
Total Non-operating Revenues (Expenses)	<u>(105,596)</u>
Income before Capital Contributions and Operating Transfers	1,370,882
CAPITAL GRANTS AND TRANSFERS	
Capital grants and contributions	372,089
Operating transfers out	<u>(1,195,473)</u>
Total Capital Contributions and Transfers	<u>(823,384)</u>
Change in net position	547,498
Total Net Position - Beginning	<u>29,658,989</u>
Total Net Position - Ending	<u><u>\$ 30,206,487</u></u>

See accompanying notes to the basic financial statements

PORT OF HOOD RIVER

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended June 30, 2014

	<u>REVENUE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 6,891,529
Cash paid to suppliers	(3,043,990)
Cash paid to employees and benefits	<u>(1,493,207)</u>
Net Cash Provided (Used) by Operating Activities	2,354,332
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Income from other sources and grants	19,980
Transfers to other funds	<u>(1,195,473)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	(1,175,493)
CASH FLOWS FROM CAPITAL FINANCIAL ACTIVITIES	
Principal received on notes	(64,979)
Capital grant and contribution monies received	372,089
Proceeds from sale of assets	29,312
Interest paid on capital debt	(142,501)
Principal payment on capital debt	(108,717)
Acquisition and construction of capital assets	<u>(1,069,588)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	(984,384)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>21,826</u>
Net Cash Provided (Used) for Investing Activities	21,826
Net Increase (Decrease) in Cash	216,281
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>2,015,135</u>
CASH AND EQUIVALENTS - END OF YEAR	<u><u>\$ 2,231,416</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED	
(USED BY OPERATIONS)	
Operating Income	\$ 1,476,478
Adjustments to reconcile operating income to net cash:	
Depreciation	1,112,661
(Increase) Decrease in:	
Accounts Receivable	1,063,666
Prepaid Expenses	(14,986)
Inventory	(6,511)
Decrease (Increase) in:	
Accounts Payable	(1,289,692)
Accrued Liabilities	6,534
Unearned Revenues	<u>6,182</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 2,354,332</u></u>

See accompanying notes to the basic financial statements

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Port of Hood River, Oregon, have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

Port of Hood River (Port) is a municipal corporation governed by an elected board of commissioners consisting of a president, vice-president, secretary, treasurer, and a fifth commissioner. As required by generally accepted accounting principles in the United States of America, all activities of the Port have been included in these financial statements.

Component units, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, 39 and 61, are separate organizations that are included in the reporting entity because of the significance of their operational or financial relationships with the Port. There are no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on bridge toll revenues and lease income.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Port considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Property taxes associated with the current fiscal period are recognized as revenues in the current fiscal period if collected within sixty days after year end.

D. Budgetary Basis of Accounting

While the financial position, results of operations, and changes in fund balance/net position is reported on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of required supplementary information and supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary differences between the budgetary basis and GAAP basis are that capital outlay is expensed when purchased, depreciation and amortization expenses are not reported, property taxes are recognized as revenue when received instead of when levied, inventory is expensed as purchased, and proceeds of long-term borrowing are recognized as an "other financing source" and principal paid is considered an expenditure when paid. Bond issue costs are recognized as expenditures when bonds are issued (rather than amortizing over the life of the bonds).

The Port reports the following major governmental funds:

The *General Fund* is the Port's primary administration fund. Financial transactions not specifically related to the Port's other funds are accounted for therein. The major revenue sources are property taxes, interest income and revenues transferred from the Port's enterprise fund.

The *Bridge Repair and Replacement Fund* is the Port's capital projects fund. This fund accounts for the revenues and expenditures related to the bridge capital improvements that are made to maintain and extend its structures, surfaces, and integrity of its components into the future. It is financed by transfers received from a portion of the bridge toll revenues and by interest income earned from within the fund.

The Port reports the following major enterprise fund:

The *Revenue Fund* is the Port's enterprise fund. This fund was established to account for the revenues and expenses of the Port's operating activities. The primary sources of revenue are the bridge tolls, lease rentals and fees, grant proceeds, and proceeds from the sale of any assets.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. The Port does not apply FASB pronouncements or APB opinions issued after November 30, 1989, unless there is no further guidance to provide for the proper accounting treatment of a transaction.

Proprietary funds distinguish operating revenues and expenses from non-operating items. The principal operating revenues of the enterprise fund are bridge tolls, lease rentals and fees, and operating grants. Operating expenses for the enterprise fund include administrative expenses, insurance, and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first then unrestricted resources as they are needed. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets

A budget is prepared for all funds, in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The budget process begins in each fiscal year with the establishment of the Budget Committee. Recommendations are developed through late winter with the Budget Committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Commissioners may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund:

LEVEL OF CONTROL

Personal Services	Interfund Transfers
Materials and Services	Debt Service
Capital Outlay	Operating Contingency

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Commissioner approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Commissioners approve them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in supplementary information reflect the original and final budget amounts.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2014.

G. Assets, deferred outflows, liabilities, deferred inflows and net position or equity

1. Deposits and investments – restricted and unrestricted

The Port's cash and cash equivalents are considered to be cash on hand, demands deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at cost, which approximates market. Assets whose use is restricted to specific purposes by state law or bond indenture are segregated on statement of net position.

2. Receivables and payables

Property tax receivables are deemed to be substantially collectable or recoverable through foreclosure. Accordingly, no allowance for doubtful accounts is deemed necessary. All other receivables are shown net of an allowance for uncollectable.

Property taxes are levied and become a lien as of July 1. Property taxes are assessed in October and tax payments are due November 15th. Under the partial payment schedule, the first one-third of taxes are due November 15th, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15th, and a two percent discount is allowed if two-thirds payment is made by November 15th. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent per month. Property foreclosure proceedings are initiated four years after the tax due date.

3. Inventories

The Port's inventory at year end is stated at cost, using the first in first out method.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

4. *Prepaid expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. *Capital assets*

In accordance with GASB Statement No. 34, the Port has reported all capital assets, which include property, equipment and infrastructure assets (e.g., roads, bridges), in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Port as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The useful lives generally range from 5 to 40 years for land and building improvements, 20 to 64 years for bridge and improvements, and 5 to 15 years for equipment. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for land, buildings, and improvements are capitalized as projects when purchased or constructed. Property, plant and equipment of the Port are depreciated using the straight-line method over the estimated useful life of the asset.

6. *Compensated Absences*

It is the Port's policy to permit employees to accumulate earned but unused vacation leave, which will be paid to employees upon separation from service. All vacation pay is accrued when incurred in the government-wide financial statements and in the proprietary fund financial statements. The Port allows for a maximum of 240 hours of vacation to be carried forward to be used.

7. *Non-current liabilities*

In the government-wide financial statements long-term debt, bond premium, and notes payable are reported as long-term liabilities in the Port's statement of net assets.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the bond issue period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

8. *Net position & fund balance*

The government-wide statement of net position reports \$715,000 of restricted net position which is restricted for the Port's future bond debt service. In the fund financial statements, fund balance is reported in a classification that is comprised of a hierarchy based on the extent to which the Port is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The classifications of fund balances are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable and Restricted fund balances represent the restricted classifications and Committed, Assigned, and Unassigned represent the unrestricted classifications.

Nonspendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact.

Restricted fund balance has externally enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.

Committed fund balance is self-imposed limitations at the highest level of decision making authority (Board of Commissioners). The Board of Commissioners approval is required to commit resources or to rescind the commitment. This is done by vote and/or passing a resolution. Assigned fund balance represents limitations imposed by management and/or Board of Commissioners that do not meet the criteria to be classified as restricted or committed.

Assigned fund balance requests are submitted to the Executive Director and/or the Board of Commissioners for approval/nonapproval.

Unassigned fund balance represents the residual net resources in excess of the other classifications. The general fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

It is the policy of the Port that resources are to be expended in the following order: Restricted, Committed, Assigned, and Unassigned.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

9. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is a deferred charge on refunding reporting in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Cash and investments

Deposits with financial institutions

The Port's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The bank balance as of June 30, 2014 maintained by the Port was \$309,635. At various times during the fiscal year, bank balances exceeded the FDIC limit but the excess funds were covered by collateral pledged by qualified depositories. These depositories are qualified by the Oregon State Treasurer's office.

Investments

Oregon state statutes authorize the Port to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State Treasurer's investment pool. The Local Government Investment Pool (LGIP) is an unrated external investment pool. The LGIP is an open-ended, no-load diversified portfolio, administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. These funds must be invested and managed as a prudent person would, exercising reasonable care, skill and caution. At June 30, 2014 the Port held only investments in the LGIP having a carrying amount of \$3,037,346 which approximates fair value. The fair value of the Port's position in the pool is the same as the value of the pool shares.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

At June 30, 2014, the Port's cash and investments are comprised of the following:

	General Fund	Special Revenue Fund	Enterprise Fund	Weighted Avg to Maturity Less than 3 Months Fair Value/ Carrying Cost
Cash on Hand	\$ -	\$ -	\$ 500	\$ 500
Checking Deposits	-	-	309,135	309,135
Cash with Fiscal Agents	461	-	-	461
Local Government Investment Pool	57,767	1,057,798	1,921,781	3,037,346
Total Cash & Investments	\$ 58,228	\$ 1,057,798	\$ 2,231,416	\$ 3,347,442
Cash & Investments	58,228	342,798	2,231,416	2,632,442
Cash & Investments - restricted	-	715,000	-	715,000
Total Cash & Investments	\$ 58,228	\$ 1,057,798	\$ 2,231,416	\$ 3,347,442

Fair value of financial assets and liabilities:

The Port estimates the fair value of its monetary assets and liabilities based upon the existing interest rates related to such assets and liabilities compared to the current market rates of interest for instruments of a similar nature and degree of risk. The Port estimates that all of its monetary assets and liabilities approximate fair value as of June 30, 2014.

Custodial credit risk

Custodial credit risk is the risk that in the event of failure of the bank and/or counterparty, the Port will not be able to recover the value of its deposit and investments or collateral securities in possession of an outside party.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The State Treasurer's investment pool account is unrated as to credit risk.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Concentration of credit risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The Port has a formal policy that places a limit on the amount that they may invest in any one issuer. The LGIP investment represents 100% of the Port's total investments.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

B. Receivables

Accounts receivables consist of amounts due for grants, leases, rents, taxes and other fees. The balances for governmental and business-type activities on June 30, 2014 are as follows:

	Type of Activities		
	Governmental	Business	Total
Accounts Receivables - Trade	\$ -	\$ 136,224	\$ 136,224
Taxes Receivable	3,243	-	3,243
Less: Allowance for doubtful accounts	-	(34,953)	(34,953)
 Net Accounts Receivable	 \$ 3,243	 \$ 101,271	 \$ 104,514

Notes receivable due to the Port at June 30, 2014 are summarized below:

Mid-Columbia Council of Governments (MCCOG)

The original note of \$182,201 was issued for MCCOG's cost share of building improvements made during the 2007-08 fiscal year. Monthly payments of \$1,202 are due until December, 2027. Interest is stated at 5.0%. If MCCOG maintains their lease with the Port through November, 2017, the Port will forgive the remaining principal balance of \$114,095. The balance on this note receivable at June 30, 2014 is \$141,445.

Urban Renewal Agency of the City of Hood River

This note is the result of several intergovernmental agreements entered into with the Urban Renewal Agency (URA) to fund various projects with the agreement that the URA would pay back the Port. The Port loaned the URA \$350,000 with annual interest stated at 1.4%. The Port also incurred costs of \$365,070 with the agreement that the URA would pay this amount back with annual interest stated at 2.0%. No payments are required and interest does not accrue until the URA receives tax incremental revenues that exceed its operating budget plus ten percent.

On February 11, 2013, a revision to the intergovernmental agreement was made with the stated interest rate changing from 1.4% to 2% and the payback period being changed from twenty years to having the available funds pay down the debt sooner with the exception of maintaining a 10% fund balance of operating requirements. With this revision the Port loaned the Agency \$225,000 for construction of off-street parking. Payments are to be made first to the City of Hood River for the balance of Sewer Plant Design costs, then one half to the Port's Sewer Plan Loan principal with accrued interest, then to the Port's Consolidated Loan with accrued interest. The balance on this note receivable at June 30, 2014 is \$894,760.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Pfriem Brewery – The mission of the Port of Hood River is many, but primarily to stimulate job growth in the community. As an industrial property landlord, the Port markets itself to tenants such as Pfiem Brewing Company, a startup facility brewing premium beers, this in turn provides many jobs in the community. The original note receivable provided to Pfiem Brewing Company was \$50,976 but was adjusted downward to \$47,765. This was due to the delay in construction being completed for occupancy. The note receivable is at a 4% rate of interest with a monthly payment of \$496 for a 10 year period. The balance on this note receivable at June 30, 2014 is \$144,281.

Notes Receivable					
	Beginning Balance	Issued	Matured and Redeemed	Outstanding Balance	Due in One Year
Mid-Columbia Council of Governments - Wasco Building	\$ 148,604	\$ -	\$ 7,162	\$ 141,442	\$ 7,528
Urban Renewal Agency Note - Waterfront	921,821		27,061	894,760	151,469
Pfriem Brewery - Halyard Building	45,079	106,855	7,653	144,281	12,985
	<u>\$ 1,115,504</u>	<u>\$ 106,855</u>	<u>\$ 41,876</u>	<u>\$ 1,180,483</u>	<u>\$ 171,982</u>

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ -	\$ 162,401	\$ 102,321	\$ 60,080
<i>Total capital assets, not being depreciated</i>	<u>-</u>	<u>162,401</u>	<u>102,321</u>	<u>60,080</u>
<i>Capital assets being depreciated:</i>				
Bridge & improvements	13,509,560	102,321	-	13,611,881
Electronic toll equipment	173,937	-	-	173,937
Machinery & equipment	7,000	-	-	7,000
<i>Total capital assets being depreciated</i>	<u>13,690,497</u>	<u>102,321</u>	<u>-</u>	<u>13,792,818</u>
<i>Less: Accumulated depreciation for:</i>				
Bridge & improvements	(4,370,304)	(640,963)	-	(5,011,267)
Electronic toll equipment	(97,265)	(17,244)	-	(114,509)
<i>Total accumulated depreciation</i>	<u>(4,467,569)</u>	<u>(658,207)</u>	<u>-</u>	<u>(5,125,776)</u>
<i>Total capital assets being depreciated, net</i>	<u>9,222,928</u>	<u>(555,886)</u>	<u>-</u>	<u>8,667,042</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 9,222,928</u>	<u>\$ (393,485)</u>	<u>\$ 102,321</u>	<u>\$ 8,727,122</u>

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,257,619	\$ -	\$ 1	\$ 8,257,618
Construction in progress	5,076,899	1,025,503	4,996,304	1,106,097
<i>Total capital assets, not being depreciated</i>	<u>13,334,518</u>	<u>1,025,503</u>	<u>4,996,305</u>	<u>9,363,715</u>
<i>Capital assets being depreciated:</i>				
Land improvements	2,438,881	4,618,420	-	7,057,301
Buildings & improvements	20,215,574	377,884	-	20,593,458
Bridge & improvements	8,711,251	-	-	8,711,251
Equipment - office	74,060	12,620	28,103	58,577
Equipment - operations	376,544	-	40,401	336,143
Vehicles	160,499	31,467	33,181	158,785
<i>Total capital assets being depreciated</i>	<u>31,976,809</u>	<u>5,040,391</u>	<u>101,685</u>	<u>36,915,515</u>
<i>Less: Accumulated depreciation for:</i>				
Land improvements	(1,667,194)	(117,622)	-	(1,784,816)
Buildings & improvements	(7,699,075)	(676,897)	-	(8,375,972)
Bridge & improvements	(5,417,093)	(285,405)	-	(5,702,498)
Equipment - office	(67,297)	(3,429)	28,103	(42,623)
Equipment - operations	(348,139)	(19,752)	40,401	(327,490)
Vehicles	(132,905)	(9,556)	33,181	(109,280)
<i>Total accumulated depreciation</i>	<u>(15,331,703)</u>	<u>(1,112,661)</u>	<u>101,685</u>	<u>(16,342,679)</u>
<i>Total capital assets being depreciated, net</i>	<u>16,645,106</u>	<u>3,927,730</u>	<u>-</u>	<u>20,572,836</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 29,979,624</u>	<u>\$ 4,953,233</u>	<u>\$ 4,996,306</u>	<u>\$ 29,936,551</u>

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Depreciation using the straight-line method was charged to functions/programs of the primary government as follows:

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
Bridge Repair and Replacement Fund	\$ 658,207	\$ -
Revenue Fund	-	1,112,661
Total Depreciation Expense	\$ 658,207	\$ 1,112,661

The Port has various property leases, all accounted for as operating leases. Costs of leased properties (also included in the above capital asset detail) are as follows:

Properties	Land	Land Improvements	Buildings	Total
Industrial Buildings	\$ 1,988,815	\$ 482,496	\$ 15,428,723	\$ 17,900,034
Commercial Buildings	196,337	57,077	1,997,338	2,250,752
Airport	1,362,814	5,638,786	1,340,218	8,341,818
Waterfront	2,391,910	806,790	884,540	4,083,240
Matina	35,400	72,152	942,638	1,050,190
Vacant	2,282,342	-	-	2,282,342
Total Cost	8,257,618	7,057,301	20,593,457	35,908,376
Accumulated Depreciation	-	(1,784,816)	(8,375,971)	(10,160,787)
Total Cost, net	\$ 8,257,618	\$ 5,272,485	\$ 12,217,486	\$ 25,747,589

Minimum future rentals receivable on noncancelable operating leases for the five succeeding fiscal years and thereafter are as follows:

Year Ended June 30,	Minimum Future Rentals
2015	\$ 1,291,026
2016	716,523
2017	600,101
2018	285,979
2019	213,320
Total	\$ 3,106,949

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

D. Interfund receivables, payables, and transfers

The composition of interfund transfers to the General and Bridge Repair and Replacement funds to cover their fund expenses at June 30, 2014, are as follows:

	Transfers	
	In	Out
General fund	\$ 288,534	\$ -
Bridge repair and replacement fund	906,939	-
Revenue fund	-	1,195,473
	\$ 1,195,473	\$ 1,195,473
Total	\$ 1,195,473	\$ 1,195,473

E. Long-term debt

In the following table, long-term debt information is presented with respect to governmental and business-type activities. The table below presents current year changes in those obligations and the current portions due for each issue. Each debt issue is defined below as well as their annual debt service requirements to maturity. The long-term debt activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Revenue Bonds	\$ 3,695,000	\$ 3,730,000	\$ 4,345,000	\$ 3,080,000	\$ 650,000
Premium	13,680	-	13,680	-	-
<i>Total Governmental Activities</i>	3,708,680	3,730,000	4,358,680	3,080,000	650,000
<i>Business-Type Activities</i>					
Note Payable- LJS Manufacturing	2,142,080	-	38,717	2,103,363	40,697
Flexlease - Series 2010E	250,000	-	15,000	235,000	15,000
Flexlease - Series 2013B	770,000	-	55,000	715,000	40,000
<i>Total Business-Type Activities</i>	3,162,080	-	108,717	3,053,363	95,697
Total	\$ 6,870,760	\$ 3,730,000	\$ 4,467,397	\$ 6,133,363	\$ 745,697

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

General Revenue Bonds – Governmental Activities

The Port has issued general revenue bonds to provide funds for improvements to the Port's toll bridge, which included the bridge redecking, upgrading the Bridge's toll plaza and other improvements. The original amount of the general revenue bonds issued in August, 2003 was \$8,000,000. In addition to the bond proceeds, the Port has contributed existing funds from reserves for capital improvements to the bridge. In October, the Port issued a General Revenue Refunding Bond, Series 2013 in the amount of \$3,730,000 which refunded the 2003 General Revenue bonds. The net present value savings regarding this bond refunding was \$137,360. The Port's toll revenues are expected to provide sufficient funds to pay the debt service on the 2013 General Revenue Refunding bonds.

General revenue bonds are direct obligations and pledge the gross revenues from Port facilities, including earnings on amounts on gross revenues, less any grants, sale of assets, and ad valorem taxes of the Port. The refunding bonds were issued over the remaining 5 years of the original 15-year serial bond life. The interest rates on the bonds are fixed at 2.38%.

Annual debt service requirements to maturity for general revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Total</u> <u>Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 650,000	\$ 74,322	\$ 724,322
2016	650,000	58,798	708,798
2017	650,000	42,952	692,952
2018	650,000	27,267	677,267
2019	480,000	5,807	485,807
Total	<u>\$ 3,080,000</u>	<u>\$ 209,148</u>	<u>\$ 3,289,148</u>

The interest expense on the statement of activities for both the 2003 and 2013 general revenue bonds for the fiscal year ended June 30, 2014 is \$110,857.

Flexlease Payable – Business-Type Activity

The Port has entered into two financing agreements with the Special Districts Association of Oregon Flexlease Program to finance the expansion of the Port's marina and to upgrade its electrical infrastructure with associated dock improvements. The Flexlease program issued Certificates of Participation Series 2010E and 2013B, totaling \$290,000 and \$770,000, respectively. The interest rates for the 2010E and 2013B series are fixed for each series and range from 1.5% to 4.4% and 2.0% to 3.90%, respectively. Revenues from the expanded and improved marina are expected to fund the debt service for each series.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Annual debt service requirements to maturity of the 2010E Flexlease payable is as follows:

Year Ending June 30,	Flexlease Series 2010E - Business-Type Activities		
	Principal	Interest	Total Debt Service
2015	\$ 15,000	\$ 9,092	\$ 24,092
2016	20,000	8,710	28,710
2017	20,000	8,140	28,140
2018	20,000	7,500	27,500
2019	20,000	6,810	26,810
2020-2024	115,000	21,240	136,240
2025-2029	25,000	1,100	26,100
Total	<u>\$ 235,000</u>	<u>\$ 62,592</u>	<u>\$ 297,592</u>

Interest expense during the current fiscal year on the 2010E Flexlease payable was \$9,261.

Annual debt service requirements for the 2013B Flexlease loan is as follows:

Year Ending June 30,	Flexlease Series 2013B - Business-Type Activities		
	Principal	Interest	Total Debt Service
2015	\$ 40,000	\$ 25,995	\$ 65,995
2016	45,000	25,111	70,111
2017	45,000	24,076	69,076
2018	45,000	22,918	67,918
2019	45,000	21,624	66,624
2020-2024	250,000	82,406	332,406
2025-2028	245,000	22,837	267,837
	<u>\$ 715,000</u>	<u>\$ 224,968</u>	<u>\$ 939,968</u>

Interest expense during the current fiscal year on the 2013B Flexlease payable was \$27,014.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Note Payable – Business-Type Activity

The Port has an installment note payable with LJS Manufacturing, Inc. for the purchase of a commercial building at the Port’s waterfront industrial park. The note is secured by the commercial building. The original amount of the note was \$2,250,000 and interest is fixed at 5%. Monthly payments of \$12,079 are due until May 21, 2020, when the entire unpaid balance is due. The annual debt service requirement through to maturity with regard to the note payable is as follows:

The annual debt service requirement through to maturity with regard to the note payable is as follows:

<u>Business-Type Activities</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Note Payable	\$ 2,142,079	\$ -	\$ 38,717	\$ 2,103,362	\$ 40,697

Interest expense during the current fiscal year on the LJS note payable was \$106,225.

<u>Year Ending June 30,</u>	<u>Note Payable - Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 40,697	\$ 104,244	\$ 144,941
2016	42,780	102,162	144,942
2017	44,968	99,974	144,942
2018	47,269	97,673	144,942
2019	49,687	95,255	144,942
2020-2024	1,877,961	85,087	1,963,048
Total	\$ 2,103,362	\$ 584,395	\$ 2,687,757

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

NOTE 3 – OTHER INFORMATION

A. Employee retirement system and post-employment benefits

Plan Description

The Port of Hood River contributes to the Oregon Public Employees Retirement Fund (OPERF), an agent multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS) and also to the Oregon Public Service Retirement Plan (OPSRP) established in 2003 for employees hired on or after August 29, 2003. PERS provides retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238. ORS Chapter 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. PERS issues a comprehensive annual financial report which may be obtained by writing to PERS, PO Box 23700, Tigard, OR 97281-3700, by calling 503-598-7377, or by accessing the PERS website at <http://www.oregon.gov/pers/>.

Summary of significant accounting policies – basis of accounting and valuation of investments

The financial statements of PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. The Port's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair market value.

Funding Policy

In 2003, PERS created the OPSRP for employees hired on or after August 29, 2003. Employees hired prior to August 29, 2003 continue to participate in the OPERF plan. For the fiscal year 2013-14, the Port was required to contribute 9.45% of covered employee salaries to the existing PERS plan and 5.39% of covered general service salaries to the new OPSRP. Members of PERS are required to contribute 6.00% of their salary covered under the plan. The contribution requirements for plan members and the Port are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Annual Pension Cost

For the year ended June 30, 2014, the Port's annual pension cost for PERS was equal to the Port's required annual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return, (b) future general wage inflation of 3.75% per year, (c) interest crediting on member contributions of 8.00% on regular member accounts and 8.25% on variable member accounts, (d) consumer price inflation of 2.75% per year, and (e) 6.9% healthcare cost inflation, grading down to 4.5% in 2029. The actuarial value of PERS assets, are valued on the fair market value of assets method, excluding Contingency, Capital Preservation and Rate Guarantee Reserves. The Port's unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over a closed 20 year period.

Schedule of Funding Progress for the Port of Hood River is as follows:

Valuation Date	Actuarial			Funded Percent	Covered Payroll	UAL/ Payroll
	Value of Assets	Accrued Liability	Unfunded Liability			
12/31/2008	\$ 1,428,983	\$ 1,568,804	\$ 139,821	91%	\$ 787,078	18%
12/31/2009	1,642,037	1,682,449	40,412	98%	825,736	5%
12/31/2010	1,847,219	1,892,645	45,426	98%	874,376	5%
12/31/2011	1,776,221	1,927,241	151,020	92%	898,223	17%
12/31/2012	2,009,040	2,223,288	214,248	90%	1,003,206	21%
12/31/2013	2,341,088	2,399,064	57,976	98%	1,035,612	6%

Five-year trend information for the Port is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage of Annual Required Contributed	Net Pension Obligation
6/30/2010	\$ 48,493	100%	\$ -
6/30/2011	46,361	100%	-
6/30/2012	77,178	100%	-
6/30/2013	82,979	100%	-
6/30/2014	85,873	100%	-

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

Retirement Health Insurance Account (RHIA)

As a member of Oregon Public Employees Retirement System (OPERS), the Port contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer, defined benefit other postemployment benefit plan administered by OPERS. Eligible PERS retirees who receive benefits and are enrolled in certain PERS administered health insurance programs may receive a subsidy towards the payment of health insurance premiums. This report can be obtained within the same PERS report as stated in the PERS note. The authority to establish and amend the benefit provision of RHIA resides with the Oregon Legislature. Participating governments are contractually required to contribute to the RHIA at a rate assessed each year by OPERS, currently .59% for Tier 1/Tier 2 and .50% for OPSRP annual covered payroll. The OPERS Board sets the employer contribution rates based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Port's allocated RHIA unfunded actuarial liability at December 31, 2013, 2012, 2011, 2010 and 2009 is \$14,334, \$21,048, \$23,269, \$31,459, and \$28,816 respectively. The Port's contributions to RHIA for the years ended June 30, 2014, 2013, and 2012 are approximately \$5,948, \$5,608, and \$5,390, respectively, which equaled the required contributions each year.

B. Risk Management

The Port is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial insurance. There have been no settlements in the past four fiscal years that exceeded insurance coverage.

C. Contingent Liability

On November 17, 2006, the Port received a letter from the Oregon Department of Environmental Quality requiring the Port to assess possible significant sources of contamination at the Ken Jernstedt Airfield. Although the outcome of is currently being negotiated with DEQ, it is becoming clearer that the estimated cost will be closer to \$54,000 and of this amount a smaller percentage will be covered by insurance.

PORT OF HOOD RIVER
Notes to Financial Statements
June 30, 2014

D. Subsequent Events and Commitments

The Port Commission approved the reduction of the discount provided to toll bridge users who either use the electronic tolling system called Breezeby or purchase ticket books. This occurred on June 3, 2014, when the FY 2014-15 Adopted Budget was approved. This action will take effect on January 1, 2015. Currently, electronic toll users receive a \$6.67 bonus and ticket book purchasers receive 25 tickets when a \$20 or more purchase is made. Starting January 1, 2015, ticket book purchasers will receive 20 tickets per book on a \$20 purchase, while electronic toll users will receive \$5 bonus for a \$20 purchase, down from \$6.67.

E. Property Tax Limitations

The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10 to each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation debt.

An additional limit reduces the amount of operating property tax revenues available. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

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PORT OF HOOD RIVER
HOOD RIVER COUNTY, OREGON
REQUIRED SUPPLEMENTARY INFORMATION

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PORT OF HOOD RIVER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ 56,517	\$ 59,664	\$ 3,147
Investment Earnings	100	100	558	458
Total Revenues	100	56,617	60,222	3,605
EXPENDITURES				
<i>Current Operating:</i>				
Personal Services	61,283	61,283 (1)	58,549	2,734
Materials & Services	274,398	304,398 (1)	286,985	17,413
Total Expenditures	335,681	365,681	345,534	20,147
Excess (Deficiency) of Revenues Over (Under) Expenditures	(335,581)	(309,064)	(285,312)	23,752
OTHER FINANCING SOURCES (USES)				
Transfers in	335,581	365,581	288,534	(77,047)
Total Other Financing Sources (Uses)	335,581	365,581	288,534	(77,047)
Net Change in Fund Balance	-	56,517	3,222	(53,295)
Fund Balance - Beginning	17,000	17,000	55,469	38,469
Fund Balance - Ending	\$ 17,000	\$ 73,517	\$ 58,691	\$ (14,826)

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PORT OF HOOD RIVER
HOOD RIVER COUNTY, OREGON
SUPPLEMENTARY INFORMATION

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PORT OF HOOD RIVER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

BRIDGE REPAIR AND REPLACEMENT FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Investment Earnings	\$ 4,000	\$ 4,000	\$ 4,557	\$ 557
Total Revenues	4,000	4,000	4,557	557
EXPENDITURES				
<i>Current Operating:</i>				
Personal Services	12,250	12,250 (1)	10,198	2,052
Materials & Services	19,661	19,661 (1)	352	19,309
Capital Outlay	195,000	195,000 (1)	162,400	32,600
Debt Service	704,000	789,000 (1)	787,459	1,541
Contingency	500,000	500,000 (1)	-	500,000
Total Expenditures	1,430,911	1,515,911	960,409	555,502
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,426,911)	(1,511,911)	(955,852)	556,059
OTHER FINANCING SOURCES (USES)				
2003 General Revenue Bonds - Refunded	-	-	(3,695,000)	(3,695,000)
2013 General Revenue Refunding Bonds	-	-	3,730,000	3,730,000
Cost of Issuance	-	-	(28,995)	(28,995)
Transfers in	1,371,557	1,456,557	906,939	(549,618)
Total Other Financing Sources (Uses)	1,371,557	1,456,557	912,944	(543,613)
Net Change in Fund Balance	(55,354)	(55,354)	(42,908)	12,446
Fund Balance - Beginning	939,941	939,941	1,100,706	160,765
Fund Balance - Ending	\$ 884,587	\$ 884,587	\$ 1,057,798	\$ 173,211

PORT OF HOOD RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

REVENUE FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	
REVENUES				
Toll Bridge	\$ 3,365,757	\$ 3,365,757	\$ 3,407,828	\$ 42,071
Industrial Buildings	1,487,733	1,487,733	1,668,452	180,719
Commercial Buildings	107,496	107,496	157,317	49,821
Waterfront Industrial Land	1,200	1,200	16,840	15,640
Waterfront Recreation	116,143	116,143	137,167	21,024
Marina	248,549	248,549	268,038	19,489
Airport	177,642	177,642	188,233	10,591
Investment Earnings	24,000	24,000	10,616	(13,384)
Income from Grants and Other Sources	1,926,835	1,926,835	331,091	(1,595,744)
Total Revenues	<u>7,455,355</u>	<u>7,455,355</u>	<u>6,185,582</u>	<u>(1,269,773)</u>
EXPENDITURES				
Personal Services	1,646,053	1,628,053 (1)	1,499,742	128,311
Materials & Services	1,758,567	1,915,567 (1)	1,742,331	173,236
Capital Outlay	3,408,202	3,224,252 (1)	1,069,889	2,154,363
Debt Service	329,979	259,979 (1)	251,218	8,761
Contingency	500,000	500,000 (1)	-	500,000
Total Expenditures	<u>7,642,801</u>	<u>7,527,851</u>	<u>4,563,180</u>	<u>2,964,671</u>
Revenues Over (Under) Expenditures	(187,446)	(72,496)	1,622,402	1,694,898
OTHER FINANCING SOURCES (USES)				
Property sales	150,000	150,000	29,313	(120,687)
Flexlease proceeds	740,000	740,000	-	(740,000)
Operating Transfers Out	(1,707,138)	(1,822,138) (1)	(1,195,474)	626,664
Total Other Financing Sources (Uses)	<u>(817,138)</u>	<u>(932,138)</u>	<u>(1,166,161)</u>	<u>(234,023)</u>
Net Change in Fund Balance	(1,004,584)	(1,004,634)	456,241	1,460,875
Fund Balance - Beginning	<u>1,417,645</u>	<u>1,417,645</u>	<u>1,737,248</u>	<u>319,603</u>
Fund Balance - Ending	<u>\$ 413,061</u>	<u>\$ 413,011</u>	<u>2,193,489</u>	<u>\$ 1,780,478</u>
Reconciliation to Net Position				
Capital Assets, Net			29,936,551	
Notes Receivable			1,180,483	
Long Term Debt			(3,053,363)	
Accrued Compensated Absences			(50,673)	
Net Position			<u>\$ 30,206,487</u>	

PORT OF HOOD RIVER
SCHEDULE OF PROPERTY TAX TRANSACTIONS
AND BALANCES UNCOLLECTED
For the Year Ended June 30, 2014

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/13	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/14
Current:						
2013-14	\$ 60,933	\$ 1,543	\$ (134)	\$ 33	\$ 57,827	\$ 1,462
Prior Years:						
2012-13	1,492	-	(105)	53	619	821
2011-12	883	-	(130)	52	237	568
2010-11	329	-	65	79	232	241
2009-10	252	-	(95)	47	118	86
2008-09 & Prior	240	-	(167)	10	17	66
Total Prior	3,196	-	(432)	241	1,223	1,782
Total	\$ 64,129	\$ 1,543	\$ (566)	\$ 274	\$ 59,050	\$ 3,244

RECONCILIATION TO REVENUE:

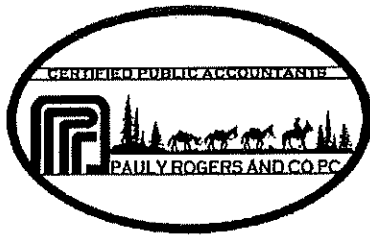
	GENERAL FUND
Cash Collections by County Treasurers Above	\$ 59,050
Accrual of Receivables:	
June 30, 2013	(347)
June 30, 2014	518
Taxes, (Adjustments) in Lieu	443
Total Revenue	\$ 59,664

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PORT OF HOOD RIVER
HOOD RIVER COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS

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December 16, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Port of Hood River as of and for the year ended June 30, 2014, and have issued our report thereon dated December 16, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, but were not limited to the following:

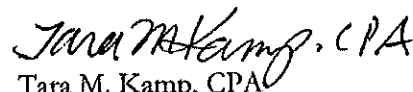
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

In connection with our testing nothing came to our attention that caused us to believe the Port of Hood River was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

This report is intended solely for the information and use of the Board and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.


Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

Commission Memo

To: Commissioners
From: Anne Medenbach
Date: January 6, 2015
Re: Fixed Base Operations Update at Ken Jernstedt Airfield

Scott Gifford of Classic Wings Aero Services has served as the Fixed Base Operator (FBO) at the Ken Jernstedt Airfield since 2009. Classic Wings would like to renew the operator agreement with the Port for another 5 year period.

Gifford will provide the Commission with an update on the airport and FBO operations at the January 6 meeting.

RECOMMENDATION: For discussion.

Commission Memo

To: Commissioners
From: Fred Kowell
Date: January 6, 2015
Re: Toll Equipment Update

The toll equipment upgrade has taken awhile to get resolved with respect to hiring a consultant to assist staff in the direction to proceed.

This was primarily due to consultant turnover with HDR. The Port is now working on a draft contract with HDR and they do have a consultant onboard to assist Port staff.

Over the past several months, Jack Lerner and myself have pulled together the current requirements that exist for our current tolling system. We have worked with several consulting firms to determine what can be accomplished within our current budget. That said, we have received preliminary estimates from several consulting firms relating to upgrading our current tolling system that significantly exceed our \$200,000 budget. The cost estimates from these tolling consultants (ie. 3M, TRMI, Kapsch, ETransit, and Transcore) have been around \$900,000 to \$1.2 million.

Due to these preliminary numbers, staff has determined that we should engage a consultant from HDR to assist us in the various paths that are available to us and which ones we should move forward on this year.

Paths to be considered:

- Acquire a replacement for services being provided by Jerry Hautamaki for our bridge operating system.
- Acquire a replacement for services being provided by John Love for our Breezeby application (ie customer service application).
- Acquire web development services to enhance our current web portal to allow payment data to flow to payment card provider and gateway and to our Breezeby system. Please note that the web payment portal will still be a batch process.

- Replace current transponder readers and antennas with current technology that allows reading of existing transponders but reduces cost of future transponders.
- Test new transponder technology with our lane controllers to see if existing lane controllers can still be used. This will be a cost savings for at least a few years.
- Staff will acquire and test Windows XP PC's as storage units that over the next few years will be used as replacements until the operating system can be configured to a new platform. Staff will acquire and test a Windows XP server as well for the same reason.
- Consider discussions with WADOT on their current tolling system by allowing us access to their system. This technically can be accomplished as a separate company on their current system. The Port would only be replacing the Breezeby application and not the operating system. I am sure a fee would have to be negotiated.

So the above options or paths, is what we will be discussing shortly with the HDR consultant. They are aware of the current budget limits that we would need to work under.

RECOMMENDATION: For discussion.

Commission Memo

To: Commissioners
From: Laurie Borton
Date: January 6, 2015
Re: 2015 Seasonal Moorage Lottery

For the past two summers a lottery has provided seasonal moorage at the South Basin Dock for watercraft 23 feet or less in length. Due to the success of the lottery, the Marina Ad-hoc Committee supports the proposal to offer seasonal moorage again in 2015. New this year will be two lottery draws—one for the months of May, June, and July; and a second lottery for the 3-month period of August through October.

In 2015 seven slips will be available. The monthly lease rate will remain the same as the past two years -- \$150, plus a \$50 refundable key deposit. The potential income would be \$6,300 if all slips are fully leased for the two lottery periods.

The Lottery rules and application for 2015 are attached for reference. The lottery will be advertised in January and the drawings will be mid-March. Commissioner Davies, Ad-hoc Committee member, will be available to help answer questions.

RECOMMENDATION: For discussion.



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South Basin Dock Seasonal Lottery

In the spring of 2013 the Port Commission made a decision to repurpose the Float Plane dock in the Marina Basin now known as the South Basin Dock. The Commission made this decision in order to allow various users in the community, such as summer boaters and fisherman, to have the opportunity to temporarily lease a slip. There were seven (7) additional slips created for boats 23 feet or less.

To provide a fair opportunity for all who are interested, the Port has created a lottery. In 2015, there will be two (2) lotteries; each Lottery Session will cost \$450.

- Lottery Session #1 will include May, June, July.
- Lottery Session #2 will include August, September, October.

Applications will be accepted through **4:00 pm on Thursday, March 12, 2015.**

The drawing will be held at **1:00 pm on Tuesday, March 17, 2015** at the Port of Hood River Boardroom located at 1000 E. Port Marina Drive, Hood River, OR 97031.

Applicants need not be present at the time of the drawing. All applicants whose names were drawn for a slip will have 10 business days (by March 31, 2015) to accept or decline the slip. Those applicants who do not respond will be added to the Seasonal Waitlist.

Rules:

1. Information about the 2015 Seasonal Lottery will be published on the Port of Hood River website in January. Public notices will also be advertised in the Hood River News.
2. Only one (1) entry per household or partnership (co-titled and co-insured), per Lottery Session.
3. All successful applicants will abide by the Rules and Regulations of the Port of Hood River Marina, including but not limited to: proof of watercraft ownership, registration and insurance requirements.
4. Only applications received prior to the deadline are eligible to participate in the lottery.
5. If the number of applicants is less than the number of slips anticipated to be available, no public lottery will be conducted for that year's drawing.
6. The drawing will be a blind drawing. Individual names will be drawn from a container in sequence until all names in the container have been exhausted.
7. The first seven (7) names drawn for each Session will be eligible for the slips.
8. The remaining names will be added to the Seasonal Waitlist in the order of their Lottery Number.
9. Once all numbers are recorded, lottery results will be published on the Port website.
10. All applicants offered a seasonal slip will be required to respond to an offer for acceptance within the designated 10 days. A completed agreement and seasonal fees of \$450 per Session must be paid in advance, if offer accepted. Those applicants who do not respond (excludes declines) will be placed on the Seasonal Waitlist with an application date equal to the date the initial offer expired.
11. Each Lottery winner will be issued 1 key to the South Basin Dock gate. The refundable key deposit is \$50, paid in advance when the lease payment is made.
12. Slip assignment will be made by Port staff when lease begins.



Port of Hood River

DRAFT

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2015 MARINA SOUTH BASIN DOCK LOTTERY

Return this completed form by 4:00 p.m. on Thursday, March 12, 2015 and submit to:

Port of Hood River, 1000 E. Port Marina Drive, Hood River OR 97031

or scan & email to marina@portofhoodriver.com

Boat Length Must Not Exceed 23 feet

Only one (1) entry per household/partnership. ~~Submit separate entry per Lottery period.~~

PLEASE PRINT:

Dates Preferred (maximum of 3 months): May-June-July [] August-September-October []

Name _____

Email _____

Address _____

Cell Phone _____ Home Phone _____

Power _____ Sail _____ Fuel Capacity _____ Length (Mfr) _____ Length (Overall) _____ Beam _____

Type/Make _____ Boat Name _____

State Marine Board Registration Number _____

Is this vessel co-owned? Yes [] No []

Is this vessel co-insured? Yes [] No []

Registered Co-owner's Name _____

Email _____

Address _____

Cell Phone _____ Home Phone _____

I understand that if my name is drawn at the March 17, 2015 Lottery drawing that I am required to respond to an offer for acceptance within ten (10) calendar days or I will be placed on the Seasonal Wait List. business

Signature _____ Date _____

For Office Use Only:

[] Registration Verified Date Application Received _____ Lottery # _____

Executive Director's Report

January 6, 2015

Staff & Administrative

- The Port of Cascade Locks Commission and their Executive Director is scheduled to attend the January 20 regular meeting for a work session. Unfortunately, I will need to attend a memorial service in Portland late afternoon on that day. I am discussing alternatives with Paul Koch.
- Genevieve Scholl will start her job as Communications and Special Projects Manager on January 12.
- The Oregon Business Summit is scheduled for January 6 at the Oregon Convention Center in Portland. Anne Medenbach will attend.
- Attached is the annual memo I send to staff at the Port expressing thanks for their hard work throughout the year. We do have terrific people here and, especially in the last year, have seen some exceptional work in the three main operational areas of the Port—Toll Booth/Bridge, Facilities and Office.
- I have updated my annual work plan at this six month mark. There are some key changes, especially with the Hanel property, Lot #1 and Waterfront Parking. I will review my annotated work plan and seek feedback from the Commission at the meeting.
- Attached is a current copy of the list that we use to track maintenance requests and completion schedules. All of us, including Commissioners, observe maintenance needs at some point. Any time a Commissioner sees an item that needs to be cleaned, repaired or fixed, please call the office and it will be logged in to the tracking list.
- A letter that has been sent to Oregon and Washington legislators from the OneGorge Group is attached. If any Commissioner is willing to lend their business logo and be listed as a member please let me know. The current membership list is also attached.
- I will meet with Senator Chuck Thomsen on January 5 to review our work and various projects and issues.

Recreation

- The GFI upgrade at the Marina is nearly complete. On December 18 Eaton successfully installed GFI protection (shunt trips) on each of five circuits. The new apparatus will allow us to monitor power leaks on each circuit as well as tripping the circuits at a defined threshold. The Eaton installation report is attached. As the weather improves this spring, staff will work to move the trip threshold on each circuit down to 110 milli-amps from the current 7 amps. Currently, it appears each circuit is operating at this threshold except the Boathouse circuit. Staff will also install new "no swimming" signage in the Marina warning of electricity hazards before May.

- I will attend an ODOT Connect V Evaluation Committee meeting on January 7 when the committee will consider projects eligible for un-allocated funds. This may be an opportunity to discuss the NBWE project and seek additional funds for the seawall repair—I am asking for \$57,000. The geotechnical engineer's recommendations for reinforcement of the seawall have been received and the construction details are nearly complete. One addendum will be issued to potential contractors. The bid opening for the NBWE project is scheduled for January 13.
- Crestline Construction will begin work on the Hook Launch project in early January.
- ODOT will be advertising the Pedestrian Bridge Trail Project ("Frontage Road") bid on January 29, 2015. The target completion date for construction is June 15.
- Bike racks have been ordered for the Event Site and Marina Ramp area.

Development

- The Waterfront Refinement Plan (WRP) Overlay Zone was approved by City Council on December 22.
- Cloud Cap has renewed their lease in the Wasco Building for two more years.
- The power at the Jensen Breezeway building will be disconnected as of January 2, 2015. All tenants have been notified. Two tenants will be vacating the building and two will remain at a reduced rate with no power.
- Key Development has applied to the City for a pre-application conference regarding the new Turtle Island facility on a portion of the Expo property. The meeting date has not yet been determined.
- A draft Disposition and Development Agreement has been forwarded to Sheppard's for their review.
- Additional leaks have been observed at the Maritime Building. The roofing contractor for the project will be in on-site in early January to assess the situation with staff.

Bridge/Transportation

- HDR is approximately 50% complete on the lift span evaluation. The following is a summary of work to date:
 - Task 1: Lift Span Inspection Response Plan & Root Cause Analysis (complete)
 - Task 2: Lift Span Targeted Field Measurements (complete)
 - Task 3: Lift Span Maintenance Recommendations (work in progress – due 12/19)
 - Task 4: Lift Span Long-Term Preservation Plan (on-going)

Staff will meet with HDR in mid-January to review the final recommendations. A briefing with the Commission will be scheduled in February.

- The HVAC system was upgraded in the Toll Booth on December 23. The project was completed more quickly than scheduled and the toll plaza was fully open by 6:00 a.m.



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December 22, 2014

To: Port Staff
Fr: Michael McElwee
Re: Holiday Thanks

Every year about this time I think how FAST the year has gone by. For some reason, this year has felt SLOW. Maybe it's because of the long summer weather that lasted into late fall. Or maybe it's because I've had the pleasure of going through another loong "Waterfront Planning" process (being drawn and quartered would be more enjoyable). Whatever the reason, this is my opportunity to thank all of you for your many contributions to the Port throughout this past year. What a great group.

For everyone in the Toll Booth, here's wishing you a better ventilation system, fewer run-throughs, no rockslides and starlings that learn some manners. (Shhhh... Top Secret "Operation Starling" will be initiated in early 2015. Our plan is to play Barry Manilow songs at high volumes for six weeks so they all migrate to Arizona out of boredom.) There is a reason why I have never actually sat in your seat and tried to learn the job—I couldn't do it! You are the face of the Port for thousands of people every day. Thanks for making it such a good one.

For everyone in the Facilities Department, thank you for dealing with the constant flow of needs, issues, requests, complaints, and emergencies that come your way every day. The buildings and grounds have never looked better. The "To Do" list has never been shorter. And thanks for taking on all the new and unique projects. (You guys have skills no-one knew about-- now don't start looking for another job!) Your next challenge? Keep that Seawall at the Nichols Basin from collapsing. Piece of Cake. Oh, and you've trained that new guy (is it John?) well.

For everyone in the office, thank you for your constant efficiency, flexibility and good humor. How do you do it, juggling all those front desk customer requests, interruptions from me along with a normally high work load? Professionalism. Dedication. Doughnuts. Special thanks to Janet Lerner for stepping in as Marina Manager and to Laurie for seemingly being in every place at once. We will welcome Genevieve Scholl in January and she has already offered to bring in her spiffy (slightly uses) cage for small, furry animals. Come to think of it, maybe a hamster would be an appropriate mascot for the Port. We certainly know a lot about being in a cage and running constantly!

May 2015 bring happiness and prosperity to you and your loved ones.

**EXECUTIVE DIRECTOR
WORK PLAN
FY 14/15**

PROGRESS UPDATE: January 6, 2015

I. FINANCIAL MANAGEMENT

Goal: Ensure that financial resources continue to be deployed effectively, with a high degree of foresight and in anticipation of future Port needs.

Action:	Expected Completion	Complete
1. Install new tolling software and hardware. Project delayed due to array of technical options that require assessment.	12/30/14 06/30/15	
2. Recommend new financial software.	03/01/15	

II. REAL ESTATE DEVELOPMENT & PLANNING

Goal: Create significant, positive momentum toward development of the Port's Waterfront properties consistent with community objectives.

1. Evaluate impact of waterfront commercial development on downtown and make recommendations. Task accomplished through Waterfront Refinement Plan	12/15/14	12/22/14
2. Implement & monitor Prepare Amendment to DDA with Key Development re. Schedule and Program.	03/01/15	
3. Complete Lot #1 planning tasks: <ul style="list-style-type: none"> • Prepare options for funding infrastructure • Draft Policies • Prepare subdivision Plan Application assuming current concept plan Need additional direction from Commission.	04/01/15 04/15/15 05/15/15	
4. Update assessment of Port facilities & buildings.	04/01/15	11/15/14
5. Prepare final MOU & DDA for Riverside Lot. MOU complete. DDA in negotiation.	02/21/15	
6. Hanel Mill property: <ul style="list-style-type: none"> • Complete site characterization • Purchase recommendation • Leasing & disposition strategy • Infrastructure financing alternatives • Subdivision Application 	09/15/14 10/01/14 HOLD HOLD HOLD	10/15/14 11/10/14

Tasks completion is uncertain and dependent upon re-start of negotiations.

III. WATERFRONT RECREATION

Goal: Maintain and enhance the waterfront as a prime recreation area to support economic development objectives and Strategic Plan goals.

1. Complete bidding for NBWE Project. **12/15/15**
Bids are due January 13, 2015.
2. Complete Pedestrian Bridge Path Project. **06/30/15**
Project construction will likely extend into mid-summer or later.
3. Complete Hook Access Project. **04/01/15**
Contractor has been selected and will begin work in early January.
4. Resolve Marina Electrical GFCI—complete project. **09/15/14 12/19/14**
Shunt trips on each circuit were installed 12/19.
5. Prepare Marina Master Plan for Commission review. **06/15/15**
Project will begin in January—completion date is extended.
6. Prepare plans and permit application for new Transient Boat Dock. **06/15/15 Postpone**
Plans preparation will now follow Marina Master Plan. Now expect FY 16 finish.
7. Prepare fee-based parking & enforcement plan for Port waterfront properties. **03/15/15**
Commission direction is to prepare list of ideas/approaches and wait for City to participate in a full planning effort.

IV. TRANSPORTATION/AIRPORT

Goal: Complete significant transportation improvements to enhance development objectives.

1. Complete paving of OR & WA approach ramps. **08/30/14 08/10/14**
Completed in August prior to Harvest.
2. Complete engineering for repairs to Lift Span. **05/01/15**
Lift span analysis will be completed by February. Engineering to follow.
3. Complete paving of Marina Way. **05/15/15 05/15/14**
4. Draft Airport Master Plan. **06/30/15**
Project will take longer due to FAA review. Likely final completion in late '15.

V. ECONOMIC DEVELOPMENT

Goal: Ensure that the Port's role in regional economic development activities is clearly defined. Confirm that the objectives are identified and adequate resources are in place to be successful.

1. Determine viability of Columbia Gorge Economic Development Coalition. **10/31/14 11/23/14**
Commission expressed support at Fall Planning. Implementation of "OneGorge" now underway.
2. Assess the Port's regional economic development efforts and prepare a work plan and budget. **03/15/15**
OneGorge Group has absorbed a significant amount of time but should provide a foundation for regional efforts and basis for multi-year work plan.

VI. COMMUNICATIONS & COMMUNITY RELATIONS

Goal: Increase the understanding and awareness of the Port's activities; identify opportunities for successful partnerships with key public agencies and private business; and participate in the life of the Hood River area community.

1. Upgrade the Port's web site. **06/15/15**
2. Prepare a summary of recent waterfront development for marketing Port properties. **01/30/15 02/28/15**

VII. GOVERNANCE & BOARD COMMUNICATIONS

Goal: Evaluate the Board's governance and communications policies and provide recommendations for improvements.

<u>Action Description:</u>	<u>Expected Completion</u>	<u>Date Complete</u>
1. Update board & staff training policy.	04/15/15	
2. Update LCRB rules & Port contracting practices.	03/01/15	

VII. PERSONNEL MANAGEMENT

Goal: Ensure that appropriate personnel policies are in place.

1. Update staff job descriptions. **09/30/14 10/15/15**
Complete.
2. Complete hiring process for Marina Manager. **11/15/14 11/30/15**
Complete.
3. Recommend updated Exec. Dir. Evaluation Process. **04/30/15**

VII. MAJOR NEW OR UNPLANNED INITIATIVES

The following section allows for projects that are not planned but may be added to the Work Plan based on Commission direction.

Action Description:

**Expected
Completion**

Date Complete

- 1. Complete Waterfront Refinement Plan.**
Extensive effort to revise zoning on much of the waterfront and implement design guidelines. The project was not anticipated when preparing the original work plan.

12/18/14

maintenance requests



ID	Priority	Status	Date assigned	Building	Location	Job Type	Task	Assigned To	Date
1	964	In Progress	12/02/14	Big 7	stk 400	Contractor	Schedule A & E to install thermostat in George Net Space	Anne Mosenbach	01/05/15
2	965	In Progress	12/02/14	All Buildings	Directory signs	Contractor	working with Dayna need to replace interior directory signage and Suite IDs	Anne Mosenbach	12/08/14
3	971	Not Started	05/30/14	DMU	Exterior	Involved repair	Place stop sign at corner of Marina Way and Chamber entrance	John Mann	02/17/15
4	972	Not Started	05/29/14	Port office	Interior	Paint-Interior	Patch and paint in main office	John Mann	02/18/15
5	975	Not Started	08/14/14	Marina	Parking lot	Paint-Exterior	finish striping lot	John Mann	
6	943	Not Started	11/17/14	Timber incubator	Exterior	Concrete/Asphalt	Seal concrete on N side next to building and ramp	John Mann	04/01/15
7	945	Not Started	11/17/14	Timber incubator	Exterior	Roof	Cooping seams need to be re-sealed	John Mann	04/01/15
8	954	Not Started	11/17/14	Hollyard	Poolside/et	Easy Repair-Interior	Front double doors have gap, need adjustment		12/18/14
9	955	Not Started	11/17/14	Hollyard	Poolside/et	Easy Repair-Interior	Main door needs a door sweep		12/18/14
10	955	Not Started	11/17/14	Hollyard	Exterior	Easy Repair-Exterior	RE-finish wood exterior entrance areas		03/01/15
11	960	Not Started	11/17/14	Big 7	4th floor common	Paint-Interior	Repair 4th floor common areas and bathrooms		03/02/15
12	968	Not Started	11/17/14	Big 7	Exterior	Paint-Exterior	Repaint N E side graffiti	Rob	05/01/15
13	977	Not Started	10/27/14	Marina Park 1	Parking lot	Paint-Exterior	stripes chamber hi-call Arnie day before to notify tenants		04/05/15
14	978	Not Started	05/24/14	Marina	access gate	Paint-Exterior	Touch up "no trespass" sign at entrance to moorage		
15	976	Not Started	03/24/14	Swim beach	swim beach	Paint-Exterior	Install directional arrows on pavement		02/19/15
16	979	Not Started	11/24/14	Jensen	Exit entrance	Irrigation	Add drip line to get plants by main east entrance to the offices	Dalencio	03/02/15
17	984	Not Started	DMU	DMU	Exterior	Roof	Flashing on top turret needs to be replaced	Jay	03/23/15
18	957	Not Started	11/17/14	Hollyard	All	Roof	Check skylight seals annually	Beck	03/23/15
19	844	Not Started	11/17/14	Timber incubator	Exterior	Paint	Repaint ramp and walkway railing		04/01/15
20	981	Not Started	05/26/14	Airport	Runway	Lighting	Reduce the light height of the attached lights on the grass runway		03/03/15
21	982	Not Started	12/05/14	Spit	look	Easy Repair-Exterior	Remove the look.		01/22/15
22	1001	Not Started	12/13/14	Airport	Orchard road	Involved repair	Please bring gravel load up to the north gate as access road-see attachment		12/23/14
23	1000	Not Started	12/12/14	Airport	Orchard road	Involved repair	Install long stock gate on east side of gate-see attachment, stop drive arounds		01/05/15
24	1007	Not Started	12/12/14	Event Site	Exit	Concrete/Asphalt	Install new speed bump in location shown on attachment		05/04/15
25	1008	Not Started	12/12/14	Event Site	Parking lot	Paint-Exterior	Reshape ALL parking spaces		05/01/15
26	1009	Not Started	12/15/14	Port office	Money room	Easy Repair-Interior	Install sheet in money room		
27	1010	Not Started		Port office	By postal meter	Easy Repair-Interior	Drill hole by postal meter to allow for all wires to go through		



Email One Gorge at onecolumbiagorge@gmail.com
Or call the Mt. Adams Chamber of Commerce at (509) 493-3630

December 2014

Dear Oregon and Washington legislators:

We are pleased to present the initial work of an emerging partnership in the Columbia River Gorge National Scenic Area and surrounding communities. 'One Gorge' is made up of private sector and public sector leaders working together to understand and advocate for the unique needs of our individual communities and the regional community as a whole. We are collaborating to speak strongly, with one voice, for the investments and support that our regional community needs to build and sustain a thriving economy in this unique and beautiful region shared by Washington and Oregon.

To help you understand our bi-state region and invest in its world-class opportunities we have prepared the enclosed Fact Sheets and a mission statement. We are all committed to advocate for the investments and coordination that our community needs to secure its economic future and host a remarkable National Scenic Area. Join us in this promising effort – your leadership is a key to our future.

Please take a look at the enclosed Fact Sheets and let us know what you think. Feel free to contact any of us if you have questions or just want to learn more about the powerful partnerships that are helping us to secure the future of one the best places on earth and build vibrant, world-class Northwest communities.

We look forward to seeing you in Salem and Olympia – *and* here in the Gorge!



*One Gorge Mission Statement: We represent the public, private and non-profit sectors in a collaborative effort to advocate for regional needs and a strong and sustainable Gorge economy...
one community, one economy, one future.

OneGorge Participation List

Updated:
December 29, 2014

Classification	Type of Organization	NAME	Contact Name	Title	Email	Phone
1 MEMBER	Business	Bear Mountain Forest Products	Bob Sourek	VP Operations	MikeF@innce.com	509-493-4484
1 MEMBER	Business	Innovative Composite Engineering (ICE)	Mike Foley	Facilities Director	Jenny.Taylor@insitu.com	
1 MEMBER	Business	Insitu	Jenny Taylor	Comm. Director	Jill.Vacek@insitu.com	509-493-6439
1 MEMBER	Business	Columbia Market	Jill Vacek	Owner	albertschoi@hotmail.com	
3 MEMBER	Business	Custom Interface	Albert Choi	CEO	NancyW@custominterface.net	509-493-8756
1 MEMBER	Business	Green Living Journal	Nancy White	Owner	gary@greenlivingjournal.com	
1 MEMBER	Business	Wet Planet Rafting	Gary Muckhoff	Owner	jaco@wetplanetwhitewater.com	509-493-8989
1 MEMBER	Business	Light Wave Video	Jaco Klinkenberg	Owner	lightwavevideo@gmail.com	
1 MEMBER	Chamber	Greater Goldendale Chamber of Commerce	John Hardham	Executive Director	execdir@goldendalechamber.org	509-773-3400
1 MEMBER	Chamber	Mt. Adams Chamber of Commerce	Earlene Sullivan	President	cherylee54@msn.com	509-493-3630
1 MEMBER	City	City of Cascade Locks	Cheryl Park	Executive Director	info@mtadamschamber.com	509-493-3630
1 MEMBER	City	City of White Salmon	TBD	Former Executive Director		
1 MEMBER	Economic Development	MCEDD	Tamara Kaufman	Director	tamarakaufman@gmail.com	509-637-3340
1 MEMBER	PA Advocate	Ball Janik	Gordon Zimmerman	Administrator	gzimmerman@cascade-locks.or.us	541-374-8484
1 MEMBER	Port	Port of Cascade Locks	David Poucher	Mayor	mayor@ci.white-salmon.wa.us	509-493-1231
1 MEMBER	PA Advocate	Ball Janik	Amanda Hoey	Executive Director	Amanda@mcedd.org	541-296-2266
1 MEMBER	PA Advocate	Ball Janik	Ken Bailey	Board Member	Ken.bailey@orchardviewfarms.com	
1 MEMBER	PA Advocate	Ball Janik	Hal Hiemstra	Director, Government Affairs	hhiemstra@balljanik.com	202-638-3307
1 MEMBER	Port	Port of Cascade Locks	Michelle Giguere	Director, Government Affairs	mgiguere@balljanik.com	509-228-2525
1 MEMBER	Port	Port of Cascade Locks	Paul Koch	Executive Director	pkoch@portofcascadelocks.org	541-374-8619
1 MEMBER	Port	Port of Cascade Locks	Jess Groves	President	igroves@portofcascadelocks.org	541-374-8619

OneGorge Participation List

Updated:

December 29, 2014

1 MEMBER	Port	Port of Hood River	Michael McElwee	Executive Director Commission	mrmcelwee@portofhoodriver.com rmcbride@portofhoodriver.com	541-386-1645
1 MEMBER	Port	Port of Skamania	Rich McBride	President	john@portofskamania.org	541-386-1645
1 MEMBER	Port	Port of The Dalles	John McSherry	Executive Director	john@portofskamania.org	541-490-5237
			Bob McFadden	President	bob@thegoldenkey.com	541-298-4148
			Andrea Klaas	Executive Director	Andrea@PortOfTheDalles.com	541-298-4148 ext 201
1 MEMBER	Agency	Columbia River Gorge Commission	Darren Nichols	Executive Director Chief Institutional Advancement	darren.nichols@gorgecommission.org	509-493-3323
1 Interested	School	CGCC	Dan Spatz	Officer	DSpatz@cgcc.edu	541-340-9883
2 Supporter	Business	Everybody's Brewing	Christine Ellenberger	Owner	Christine@everybodysbrewing.com	503.381.4308
3 Interested	Business	North Shore Medical Group	Cindy Robertson	Administrator	robertsonc@northshore-medical.com	509-493-2133
3 Interested	Agency	Columbia Gorge Housing Authority	Joel Madsen	Executive Director	joelm@columbiacascadehousingcorp.org	541-296-5462
3 Interested	Business	Custom Interface	Tammara Toppel	Director of Human Resources	TammaraT@custominterface.net	509-281-3337
3 Interested	Business	SDS Lumber	Jason Spadaro	President	jasons@sds lumber.com	509-493-2155
		Sustainable Travel				
3 Interested	Business	Internationals	Brian Mullis	Owner	brianm@sustainabletravel.org	720-273-2975
3 Interested	Business	Zepher, Inc.	Andy Mack	Owner	Andy.mack@zepherinc.com	509-637-2520
3 Interested	Business	Zepher, Inc.	Kirsten Dennis	Office Mangaer	Kirsten.Dennis@zepherinc.com	509-637-2520
3 Interested	Chamber	Skamania County Chamber of Commerce	Casey Roeder	Executive Director	casey@skamania.org	509-427-8911
3 Interested	City	City of Bingen	Betty Barnes	Mayor	mayor@bingenwashington.org	509-493-2122
3 Interested	County	Klickitat County	Jan Brending	Administrator	administrator@bingenwashington.org	509-493-2122
			Rex Johnston	Commissioner	RexJ@co.klickitatcounty.org	509-773-4612
			Dave Sauter	Commissioner	DaveS@co.klickitatcounty.org	509-773-4612
			Jim Sizemore	Commissioner	JimS@co.klickitatcounty.org	509-773-4612
			Cris McEwen	Clerk of Board/E.S.	CrisM@co.klickitatcounty.org	509-773-4612

OneGorge Participation List

Updated:

December 29, 2014

Interested	Transportation	SW Washington RTC	Matt Ransom	Executive Director	Matt.Ransom@rtc.wa.gov	
	Economic		Dale Robbins	Executive Director	Dale.Robbins@rtc.wa.gov	
3 Interested	Development	Skamania County	Robert Waymire	Executive Director	rwaymire@skamania-edc.org	509-427-5110
3 Interested	News Outlet	The Enterprise	Amber Marra	Reporter	amarra@whitesalmonenterprise.com	509-493-2112
3 Interested	Port	Port of Klickitat	Marc Thorsbury	Executive Director	mthorsbury@portofklickitat.com	509-493-1655
			Jim Herman	Commissioner	jimwherman@embarqmail.com	509-493-1655
			Bill Schmidt	Commissioner	Kcfd13@hotmail.com	509-493-1655
4 Potential	Agency	Tribal Nations	Dave Windsor	Plant manager		
4 Potential	Agency	CRITFC				
4 Potential	Agency	PNWA				
4 Potential	Business	Cardinal Glass				
4 Potential	Business	Columbia River Insurance	Jon Davies	Owner	jon@columbiariverins.com	541-386-2444
4 Potential	Business	Diamond Fruit	David Garcia	CEO		
4 Potential	Business	Duckwall Fruit	Fred Duckwall	DEO		
4 Potential	Business	Full Sail	Irene Firmat	Chief Executive		541-386-2281
4 Potential	Business	Google				
4 Potential	Business	Hood River Distillers	Lynda Webber	CEO		
4 Potential	Business	Hood River Juice Co.	David Ryan	CEO		541-386-3003
4 Potential	Business	Mt. Hood Meadows	Dave Tragethon	Executive Director of Marketing		503-337-2222
4 Potential	Business	Nestle	Dave Palais	GM		
4 Potential	Business	Solstice	Aaron Baumhackle	Owner	aaron@solsticewoodfirecafe.com	541-436-0800
4 Potential	Business	Stevenson Ranch	Chuck Hinman	GM		
4 Potential	Business	Turtle Island Foods	Seth Tibbotts	President		800-508-8100
4 Potential	Business	Underwood Fruit				
4 Potential	Business	Columbia Gorge Fruit				
4 Potential	Business	Growers	Jean Godfrey	Exec. Director		
4 Potential	Business	Providence Memorial Hospital				
4 Potential	Business	Skyline Hospital	Robb Kimmes	CEO	RobbKimmes@skylinehospital.org	509-637-2919

OneGorge Participation List

Updated:

December 29, 2014

4 Potential	West Columbia Gorge	Chamber of Commerce	Claude Cruz	Executive Director	info@westcolumbiagorgechamber.com	503-669-7473
4 Potential	City of The Dalles	City of The Dalles	Steve Wheeler	Manager		
4 Potential	City of Hood River	City of Hood River	Kathy Fitzpatrick	City Manager	mosiercityhall@mosierwinet.com	541-478-3505
4 Potential	City of Mosier	City of Mosier	Don Stevens	Mayor	don@northbonneville.net	509-427-8182
4 Potential	City of North Bonneville	City of North Bonneville	David Meriwether	Administrator	David.Meriwether@co.hood-river.or.us	541-387-6827
4 Potential	Hood River County	Hood River County				
4 Potential	Multnomah County	Multnomah County				
4 Potential	Skamania County	Skamania County		Commissioner		
	Elected Official	OR State Senator	Chuck Thomsen			
	Elected Official	OR State Representative	Mark Johnson			
	Elected Official	Mut. Co. Commission Chair	Deborah Kafoury			
	Elected Official	WA Representative	Jamie H. Butler			
	Elected Official	WA Senator	Maria Cantwell			
	Elected Official	WA State Senator	Curtis King			
	Elected Official		Norm Johnson			
	Elected Official		Gina McCabe			
4 Potential	Organization	Gorge Technology Alliance	Jessica Metta	Executive Director	jessica@crgta.org	541-296-2266
4 Potential	Organization	Oregon Wine Board				
4 Potential	Organization	Washington Wine Board				



Powering Business Worldwide

Electrical Services & Systems

Hood River Marina Selective GF Relay

Field Service Report

Prepared For:

Hood River Marina

ESE0010541

Install Selective Ground Fault Relay and Shunt Trips for 5 Feeder Breakers

Prepared By: Roy S. Braatz

Date of Report: December 30, 2014

Date of Service: December 18, 2014

EESS Job Number: ESE0010541

PURPOSE:

Eaton Electrical Services was chosen to provide selective Ground Fault protection on five feeder breakers to prevent complete service interruption during ground fault events on selected feeders.

PERSON(S) CONTACTED:

John Mann
Anne Medenbach

COMMENTS PERTAINING TO EQUIPMENT TESTED:

This switchboard was supplied without a special GF relay that needs to be used in marina applications according to the 2011 NEC. In June 2014, Eaton added a 100mA GFI protection relay to the 800Amp main breaker using a D64 relay, Zero Sequence CT, and a shunt trip. Since this time, the Port of Hood River has experienced numerous nuisance trips of the Main Breaker due to GF Relay operation and has enlisted the assistance of Eaton to remove the 100mA GF protection on the main circuit breaker and install a multi-channel GF relay with selective trip for individually monitored feeder circuit breakers.

WORK PERFORMED:

Eaton's Application Engineer recommended the Bender RCMS490-D-2 GF Protection Relay to provide individual feeder monitoring and selective trip outputs for up to 10 devices. Eaton performed an inspection of the de-energized switchboard in order to determine available mounting locations, distance measurements, feeder breaker types, and cable sizes for zero sequence CT's. The parts were ordered and received by Eaton. Eaton prepared a mounting back-pan for installation of the components and pre-wired the circuits as much as possible prior to installation date. Following assembly of the components, the circuit was tested to ensure all components powered up correctly. The relay was programmed for operation of 5 input channels at a zero-sequence current value of 100mA. Each of the CT's were connected to the relay and current increased in value until pick-up of the relay was verified by output contact closure which corresponded to CT input designated channel. With the setting value programmed at 100mA, correct relay operation was confirmed on each CT and input channel at approximately 90-91mA of actual current passed through the CT.

On 18 December 2014, the Port of Hood River coordinated a utility power outage with PacifiCorp to allow Eaton to install the selective ground fault protection assembly. The existing GF Protection System installed on the main circuit breaker was removed. The back-pan with relay assembly, zero-sequence CT was removed, and the neutral conductors were removed. In addition, the installed shunt trip coil was also removed from the main breaker. These components were returned to Port of Hood River Facilities Department. A new Eaton Neutral Sensor was installed to return the switchboard to original "as-shipped" condition.

The main circuit breaker was primary current injection tested to verify neutral sensor polarity after installation. Testing revealed the circuit breaker would not trip on a ground fault condition. The circuit breaker would trip on short circuit pick-up but not on a ground fault event. This discrepancy has been elevated to Eaton Management in Portland for potential warranty support/replacement.

Installation of the prepared Bender RCMS490-D-2 GF relay and back-pan assembly followed the changes made to the main circuit breaker. In preparation of the installation, all of the neutral load conductors were isolated and insulation tested at 1000VDC to ground. Each of the isolated neutral conductors were found to have zero ohms of resistance, indicating the neutral load conductors are bonded to ground incorrectly and may still cause nuisance tripping of selective feeders if not properly

located and isolated from ground. This issue was discussed with Port of Hood River staff and they have plans to identify and isolate these discrepancies in wiring.

The five circuits to be protected were identified. Load cables were removed in order to install individual zero-sequence CT's around the load and neutral cables of each circuit breaker. Individual shunt trip coils were installed on each of the five circuit breakers and wired to the terminal block on the back-pan assembly corresponding with the output relay contacts. Temporary control power was applied to the circuit to verify proper wiring and relay operation of the output contacts. During relay test operation, each individual output was verified to trip the designated circuit breaker. Utility power was then restored and the relay displayed zero-sequence current of greater than 1.25A on one of the protected circuits. At the instruction of the Port of Hood River, the protection settings were set to the maximum pickup of 9A to facilitate wiring troubleshooting and setting adjustment to a more sensitive setting after wiring corrections are made. This will reduce the frequency of nuisance trip events in the interim. Eaton also provided instruction of current metering functions and setting changes in the relay. All Bender RCMS490-D-2 relay instruction literature was given to Port of Hood River prior to departure.

REPORT PREPARED BY:

Roy S Braatz

Commission Calendar January 2015

December '14
S M T W T F S
1 2 3 4 5 6 7
8 9 10 11 12 13
14 15 16 17 18 19 20
21 22 23 24 25 26 27
28 29 30 31

February '15
S M T W T F S
1 2 3 4 5 6 7
8 9 10 11 12 13 14
15 16 17 18 19 20 21
22 23 24 25 26 27 28

March '15
S M T W T F S
1 2 3 4 5 6 7
8 9 10 11 12 13 14
15 16 17 18 19 20 21
22 23 24 25 26 27 28
29 30 31

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
28	29	30	31	1 New Year's Day Office Closed	2	3
4	5 Sen. Chuck Thomsen visit 10 a.m.	6 Commission Mtg, 5pm OBP Leadership Summit (Medenbach)	7 Connect V (McElwee)	8	9 Hook Launch pre-constr. meeting	10
11	12 Urban Renewal, 6 p.m. Streich, Shortt	13 Marina Ad-hoc, 8 a.m. Davies NBWE Trail Bid opening, 2pm	14	15	16	17
18	19 ML King Day (Office Open; bank closed no mail service) KJHR Radio, 8am	20 Commission Mtg, 5pm Joint meeting w/ Port of Cascade Locks	21	22	23	24
25	26	27	28	29	30	31
1	2 Groundhog Day	Notes				

DRAFT

Port of Hood River Commission
Regular Session Meeting Minutes of December 16, 2014
Marina Center Boardroom

THESE MINUTES ARE NOT OFFICIAL until approved by the Port Commission at the next regular meeting.

Present: Commissioners Jon Davies, Fred Duckwall, Rich McBride, Brian Shortt and Hoby Streich; Port Counsel Jerry Jaques; from staff, Michael McElwee, Fred Kowell, Anne Medenbach, John Mann, and Laurie Borton

Absent: None

Media: None

1. Call to Order: President McBride called the meeting to order at 5:00 p.m.

a. Modifications, Additions to Agenda: At staff request, the Walden lease was moved to an Action Item from Consent; the Ken Jernstedt FBO report was deferred to the January 6, 2015 meeting; and the three airport-related Action Items were also deferred to the January 6 meeting. Staff also had a walk-on Action Item related to the Nichols Basin Seawall discussion.

2. Public Comment: Kate McBride, a Hood River City Council member, commented that waterfront parking was not a high priority outcome from the City's recent Strategic Planning session. McBride said she will continue to discuss parking with Council and is hopeful some level of partnership can be achieved. In the meantime she encouraged the Commission to consider angled parking on N. 1st Street and Portway Avenue; use of Lot 1 for parking; develop a parking pass system; and defer a parking study until angled parking is installed to see if this helps.

3. Consent Agenda: *(The Walden District Office lease was moved to an Action Item.)*

- o Approve Minutes of November 20, 2014 Fall Planning Work Session
- o Approve Minutes of November 20, 2014 Regular Session
- o Approve Lease Addendum No. 1 with Northwave for Jensen Building
- o Approve Accounts Payable to Jaques Sharp Attorneys at Law in the amount of \$5,840

Motion: Move to Approve Consent Agenda as Amended

Move: Duckwall

Second: Streich

Discussion: Davies cited a client relationship conflict of interest regarding the Accounts Payable item.

Vote: **Aye:** Davies, Duckwall, McBride, Shortt, and Streich

MOTION CARRIED

4. Reports, Presentations and Discussion Items:

- Warming Shelter Site Request: Rev. Anna Carmichael spoke to the Commission regarding the Hood River Warming Shelter, which provides a safe, warm place to sleep from mid-November through mid-March. (Additional information on the program can be found at www.hoodrivercares.org.) The program currently rotates among five churches but they are hoping to locate a single, permanent location that is convenient to downtown, has restroom facilities, space for cots, and locking doors. The program, which is funded by grants and donations, costs approximately \$25,000 to run for four months. The Expo Building has been suggested as a possible single location for the remainder of this season only.

Executive Director Michael McElwee informed the Commission that due diligence needed to be carried out and a decision was not expected to be made tonight.

- Ken Jernstedt Fixed Base Operations – Scott Gifford, Classic Wings Aero Services: This presentation was deferred to the January 6, 2015 meeting.

- Nichols Basin Seawall: Conditions of the seawall were illustrated in a PowerPoint photo presentation and discussed by McElwee and Facilities Manager, John Mann. Approaches recommended for repairing the seawall to extend its longevity and protect from a failure risk include relocation of the safety railing foundation approximately three feet behind the seawall with the concrete then becoming a structural cap which attaches to the seawall itself; pour a series of concrete dead men and connect them to the new structural cap creating a new tieback system that will add to the strength of the system currently in place; and weld plates to provide cover holds in the lagging where fill material is washing through the wall in places. Facilities staff can perform much of the work and Mann stated ongoing monitoring of the seawall will take place.

- Waterfront Parking: McElwee reviewed a proposal from Rick Williams Consulting to explore strategies for managing parking on the Waterfront development area. This discussion was brought forward from Fall Planning. Questions for discussion-- is the right time to engage in a parking study, and because the City has indicated through their Strategic Planning process that parking isn't a high priority for them at this time, to what extent does the Port engage the City? There was no consensus to move this item forward to an Action Item to enter into a contract with Rick Williams Consulting; however, staff will continue discussions with Williams and invite City Manager Steve Wheeler to participate in those discussions and also consider attending a Council meeting to request they reconsider parking as a higher priority.

5. Director's Report/Informational Items: Michael McElwee, Executive Director, informed the Commission the office would be open on December 26 and January 2 and that holiday schedules will not affect the January meeting dates, which will be the 6th and 20th. The Port of Cascade Locks has requested a joint meeting to discuss items in common (bridge, tolling, 1Gorge Coalition regional advocacy) and there was consensus that meeting would occur on January 20. McElwee reported that Genevieve Scholl has accepted the Communications and Special Projects Manager position and will be formally introduced at the January 6 meeting. Scholl will join the Port team as a full-time employee on January 12. Commissioners McBride and Davies were thanked by McElwee for providing public testimony at the December 15 City Council meeting regarding the Waterfront Refinement Plan. (The first reading of City Ordinance 2015 was approved at this meeting and the second reading will occur on December 22.) McElwee reported on a meeting held earlier in the day regarding a draft proposal to form a Region 1 Area Commission on Transportation (ACT) with boundaries that would mirror the Oregon Department of Transportation's (ODOT) Region 1. The purpose of the ACT is to set priorities that will facilitate dialogue between jurisdictions and stakeholders. The Port will be a stakeholder and the Commission was requested to contact staff if they had concerns. Moving forward, it is expected that a Memorandum of Understanding will be entered into.

6. Commissioner, Committee Reports:

- **Waterfront Refinement Plan:** Commissioner McBride reviewed the Plan components and in response to Commissioner Shortt's question if there was anything to be concerned with at the second reading, his response was 'no.'

- **Urban Renewal Agency:** Commissioner Streich reported on the December 8 meeting. The State Street project should meet the December 24 completion deadline; the restroom project, however, has been extended for 60 days. Shortt stated that his term on the URA expires December 31. Action will be taken at the January 6 meeting.

7. Action Items:

a. **Authorize Issuance of Notice of Intent to Award, Notice of Award, and Contract with Crestline Construction for the Hook Launch Project in the Amount of \$95,085 Subject to Legal Counsel Review and Contingent Upon No Bid Protests:** Due to time constraints to complete work within the "fish window" (through mid-March) staff recommends an accelerated approval process. Bids have been reviewed for the project that will construct a concrete walkway and landscaping for improved water access. Alternates for an enhanced beach (rock work and beach) resulted in a budget overrun and staff will pursue other options with the contractor for a scaled-down site improvement that will be brought back to the Commission at a later date.

Motion: Move to Authorize Issuance of Notice of Intent to Award, Notice of Award, and Contract with Crestline Construction for the Hook Launch Project in the Amount of \$95,085 Subject to Legal Counsel Review and Contingent Upon No Bid Protests

Move: Shortt

Second: Duckwall

Discussion: Davies was concerned that Crestline's bid was so low and he was concerned the contractor was overextended because he did not think they performed well on the State Street urban renewal project at his office location. There were also suggestions regarding beach options, such as partnering with CGWA or organizing a work party. McElwee commented that staff would follow-up and the construction timeline would be discussed at a construction meeting. Liquidated damages for delays beyond the completion date are included in the contract.

Vote: **Aye:** Duckwall, McBride, Shortt, and Streich

Nay: Davies

MOTION CARRIED

b. **Approve Resolution 2014-15-1 Regarding Hood River-White Salmon Interstate Bridge Toll Rates Effective January 1, 2015:** Fred Kowell, Finance Manager, reviewed the changes in pricing. Electronic toll users ("BreezeBy" customers) will continue to receive a bonus added to their account by the Port; however, it will be a reduction resulting in an 80 cent crossing. The discount on tickets will be eliminated and the crossing will be \$1.00 (ticket books will cost \$20 for 20 tickets).

Motion: Move to Approve Resolution 2014-15-1 Regarding Hood River-White Salmon Interstate Bridge Toll Rates Effective January 1, 2015

Move: Duckwall

Second: Davies

Vote: **Aye:** Davies, Duckwall, McBride, Shortt, and Streich

MOTION CARRIED

c. **Approve Amendment to DDA with Key Development for Expo Property:** The DDA terminates at the end of the calendar year. The Amendment will extend the closing date by 60 days and McElwee commented a second Amendment will be brought to the Commission in early 2015 that will recognize the zone change related to the just-approved Waterfront Refinement Plan. Legal Counsel Jerry Jaques stated he would like to review the Amendment's Exhibit A1 exceptions.

Motion: Move to Approve Amendment to DDA with Key Development for Expo Property, Subject to Legal Counsel Review and Approval

Move: Shortt

Second: Davies

Vote: **Aye:** Davies, Duckwall, McBride, Shortt, and Streich

MOTION CARRIED

d. **Approve Agreement with Classic Wings Aero Services as FBO for Ken Jernstedt Airfield:** This item was deferred to the January 6, 2015 meeting.

e. **Approve Land Lease with Classic Wings Aero Services for Residential Trailer Area:** This item was deferred to the January 6, 2015 meeting.

f. **Approve Hangar Lease with Nostalgaire, Inc.:** This item was deferred to the January 6, 2015 meeting.

g. **Approve Lease with Walden District Office in Marina Park DMV Building, Suite C:** This item was pulled from the Consent Agenda to clarify this is a lease extension.

Motion: Move to Approve Lease Amendment No. 1 with Walden District Office in Marina Park DMV Building, Suite C Subject to Legal Counsel Review

Move: Davies

Second: Duckwall

Vote: **Aye:** Davies, Duckwall, McBride, Shortt, and Streich

MOTION CARRIED

h. **Authorize Walker|Macy Contract Amendment (walk-on item):** Staff requested a fee proposal from the consultant for additional services associated with the strengthening issues of the Nichols Basin seawall. This item was discussed in detail under "Reports, Presentations and Discussion Items."

Motion: Move to Authorize Contract Amendment with Walker|Macy for Additional Services Associated with Repair of the Nichols Basin Seawall Not to Exceed \$17,500 Plus Reasonable Reimbursable Expenses

Move: Duckwall

Second: Short

Vote: **Aye:** Davies, Duckwall, McBride, Shortt, and Streich

MOTION CARRIED

8. Commission Call: Davies commented that he had been receiving a lot of Marina feedback. To be more helpful to Commissioners and the audience, Shortt requested that staff provide photos or visuals to project onto the overhead screen at Commission meetings. Streich inquired if a labor cost comparison with other Ports was available yet? McBride commented that he would like to see an update on software upgrades.

9. Executive Session: Regular Session was recessed at 7:30 p.m. and the Commission was called into Executive Session under ORS 192.660(2)(e) Real Estate Negotiations and ORS 192.660(2)(f) Exempt Public Records.

10. Possible Action: The Commission was called back into Regular Session at 8:45 p.m. No action was taken as a result of Executive Session.

11. Adjourn: President McBride adjourned the meeting at 8:45 p.m.

Respectfully submitted,

Laurie Borton

ATTEST:

Rich McBride, President, Port Commission

Hoby Streich, Secretary, Port Commission

Commission Memo

To: Commissioners
From: Laurie Borton
Date: January 6, 2015
Re: Appointment to Urban Renewal Agency Board

The appointment of Brian Shortt to represent the Port of Hood River on the Urban Renewal Agency Board expired December 31, 2014. Formal action is required to either reaffirm his appointment or appoint another Commissioner for a two-year term ending December 31, 2016.

Commissioner Hoby Streich also represents the Port on the URA Board. His term expires December 31, 2015.

The Port's appointment will need to be approved by the Hood River City Council at their January 12, 2015 meeting.

RECOMMENDATION: Approve appointment to the Urban Renewal Agency Board for a two-year term ending December 31, 2016.

URBAN RENEWAL AGENCY BOARD

(2 year terms, beginning January 1)
Meetings are held the 2nd Monday as necessary

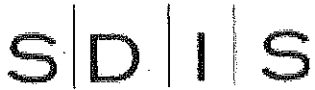
<u>Name</u>			<u>Term Expires</u>
CHAIR			
Hoby Streich (Appointed 2004 to fill Port term) (Will finish appointed term, then move to a 2 year term).	PO Box 306	541-806-4629 hoby4629@aol.com	12/31/2015
VICE CHAIR			
Laurent Picard	701 Hazel	503-708-5925 laurent.picard@cityofhoodriver.com	12/31/2016
Kate McBride	813 Marion St	541-490-4813 kate.mcbride@cityofhoodriver.com	12/31/2016
Mark Zanmiller	1421 Sherman	541-387-4287 mark.vanmiller@cityofhoodriver.com	12/31/2016
Paul Blackburn	401 Montello	541-387-4011 paul.blackburn@cityofhoodriver.com	12/31/2016
Susan Johnson	811 Katie's Lane	541-387-3498 541-490-1415 susan.johnson@cityofhoodriver.com	12/31/2018
Peter Cornelisan	1003 5 th Street	541-386-4996 541-490-8473 peter.cornelisan@cityofhoodriver.com	12/31/2018
Becky Brun	1215 Nix Drive	541-399-6813 becky.brun@cityofhoodriver.com	12/31/2018
Brian Shortt (Appointed 8/2011 to Fill Port term) (Will finish Appointed term, then move To 2 year term)	2791 Prospect	541-400-0123/541-386-5474 brian@shorttsupply.com	12/31/2014

Commission Memo

To: Commissioners
From: Fred Kowell
Date: January 6, 2015
Re: SDIS Property and Liability Insurance Renewal

The Port uses Special District's insurance services (SDIS) for its property and liability insurance. The 2015 insurance premium is \$69,263, or a 10% decrease over 2014. The Port is part of the SDIS longevity property/casualty program which provides its members with a credit or dividend for exhibiting good risk management in its operations and administration. Staff believes that we will continue to benefit from our current safety and risk management practices.

RECOMMENDATION: Approve annual SDIS property and liability insurance policy and authorize insurance premium payment of \$69,263.



SPECIAL DISTRICTS
INSURANCE SERVICES

RECEIVED
DEC 29 2014

INVOICE

Date: 02-Dec-14

Named Port of Hood River
Participant: 1000 E Port Marina Dr
Hood River, OR 97031

Agent: Columbia River Insurance
P.O. Box 500
Hood River, OR 97031-0059

Invoice #	Entity ID	Effective Date	Expiration Date	Invoice Date
30P16164-182	16164	01-Jan-15	31-Dec-15	02-Dec-14

2015 Longevity
Credit Amount

\$6,957

Coverage	Contribution
General Liability	
General Liability Contribution	\$22,554
Less Best Practices Credit	(\$2,374)
Adjusted Contribution	\$20,180
Auto Liability	
Auto Liability Contribution	\$1,929
Less Best Practices Credit	(\$193)
Adjusted Contribution	\$1,736
Non-owned and Hired Auto Liability	\$150
Auto Physical Damage	\$1,212
Hired Auto Physical Damage	\$0
Excess Liability	\$5,976
Property	
Property Contribution	\$38,909
Less Best Practices Credit	(\$3,891)
Adjusted Contribution	\$35,018
Earthquake	\$4,690
Flood	\$0
Equipment Breakdown / Boiler and Machinery	\$0
Crime	\$301
Total:	\$69,263

Coverage is provided for only those coverages indicated above for which a contribution is shown or that are indicated as "included." Your payment evidences "acceptance" of this renewal. Please use the payment coupon on the following page to help us apply your payment correctly.

Payment instructions are on the following page.

Commission Memo

To: Commissioners
From: Anne Medenbach
Date: January 6, 2015
Re: FBO Concession Agreement-Ken Jernstedt Airfield

Classic Wings Aero Services, Inc., has been the Fixed Based Operator (FBO) at the Ken Jernstedt Airfield since 2009. The FBO is tasked with many of the airport operations including: fuel systems management and sales, security, NOTAMs, staffing the FBO building, tie down management, basic maintenance of some airport assets, reporting and overseeing of the airports daily management.

The FBO is a vital part of the airport and can additionally supply: scenic and instruction flights, aircraft maintenance services, on demand air transportation, aircraft rental and avionics maintenances services.

The FBO has also historically been provided an onsite residential trailer that can be utilized for security.

	FBO Obligations	Port Obligations
Admin Building		
Utilities		x
Maintenance		
Rent amnt	\$ -	\$ 1,500
Residence		
Utilities	x	
Maintenance		
Rent amnt	\$ -	

Additional Obligations	FBO	Port
	NOTAM	AWOS
	Admin open & Staffed 5 days per week	
	Monthly reports	
	UNICOM operation	
Tie downs	Tie down mngmnt	Tie D Maintenance
Fuel	Fuel tank and equipment maintenance, sales, service and safety	Fuel tank, hose, nozzle, filter, pump, real and provision 10,000 gallons
	SOPs for fuel	
Runway, taxiway	Security and light bulb changing	Maintenance of runway, taxiway, grounds, roads

The Port would like to renew the concession agreement for another 5 years. The changes to the original agreement include:

Rate: The Port will pay a rate increase equal to an annual increase of 3% for the last 5 years. The rate that the Port paid Classic Wings for FBO services was \$1,500 per month. The new rate is \$1,740 per month with an annual CPI adjustment.

White Hanger: The White Hanger will be excluded from the FBO agreement as the maintenance operations are under a different business name (Nostalgaire, Inc).

Residential Trailer: The Residential trailer has been replaced with a trailer owned by Classic Wings, therefore, the Port is providing only the land to the FBO, not the trailer itself. A new land lease has been written and is tied to the FBO agreement.

RECOMMENDATION: Approve lease with Classic Wings Aero Services, Inc. as FBO located for Ken Jernstedt Airfield, subject to legal counsel review.

**KEN JERNSTEDT AIRFIELD
FIXED BASE OPERATOR AGREEMENT**

THIS AGREEMENT is by and between the **PORT OF HOOD RIVER**, (“Port”), and **CLASSIC WINGS AERO SERVICES, INC.**, an Oregon domestic business corporation (“Classic Wings”), for providing the services of a Fixed Base Operator (FBO), at Ken Jernstedt Airfield (“Airport”) and in consideration of the mutual terms, covenants and conditions described as follows:

1. **FBO CONCESSION:** The Port hereby grants the FBO Concession at the Airport to Classic Wings. Classic Wings shall have the right to collect and retain revenues from fuel sales, temporary airplane Tie-downs, flight instruction, aircraft maintenance services, and chartering or lessons undertaken as the FBO. The Port agrees to provide:
 - a) Fuel facility, including tanks, pumps, and hoses.
 - b) Administration office building, shown on the map labeled “Exhibit A” (“Administration Building”).
 - c) The land supporting the residence located on the western side of the Administration building. See Exhibit B, (“Land Lease”).
 - d) Airport Tie-downs installed by Port, shown on “Exhibit A” (“Tie-downs”).
2. **TERM:** The term of this Agreement shall be for a period of sixty (60) months commencing January 1, 2015, through and including December 31, 2019. Extensions to this initial term may be negotiated between the Port and Classic Wings.

PORT PAYMENT: In consideration of Classic Wings' services and agreements as herein described, the Port agrees to pay Classic Wings \$1,740 per month following submittal of all required monthly reports in accordance with paragraph 9. Starting on January 1, 2016, and occurring annually for the duration of this lease, monthly rent will be adjusted by adding to the monthly payment amount payable during the previous 12-month period a percentage increase equal to the percentage change in the Consumer Price Index (CPI) for the most recent 12-month period for which a published CPI is available. The CPI figure will be taken from the index entitled U.S. City Average – all items and major group figures for all urban consumers, or, if such index is unavailable, will be taken from a similar index published by the United States Bureau of Labor Statistics. However, in no event will the annual increase be less than 1 percent or more than 5 percent.

3. **EFFECTIVE DATE:** Classic Wings will commence its services to the airport as of January 1, 2015, and will begin performing FBO duties on that date.
4. **SERVICES:** Classic Wings shall have on duty at the Airport during all required hours of

operation a minimum of one (1) employee and such additional personnel as needed to adequately meet the operating minimum standards for each service offered by the FBO.

Required hours and services by Classic Wings are as follows:

- a) Classic Wings shall provide aviation fuel to the public at a fair, reasonable, and nondiscriminatory price. If Classic Wings operates a self-service fuel card lock system (“Card Lock System”), it shall be operated and maintained by Classic Wings and shall be open 24 hours each day.
- b) If a Card Lock System is not installed, or is inoperable, fueling shall be provided from 8:00 AM to 5:00 PM October through April, and from 8:00 AM to at least 6:00 PM May through September. In addition, Classic Wings shall be on call 24 hours each day to provide after-hours fuel service within two (2) hours of a customer request.
- c) Port shall provide and Classic Wings shall be responsible to maintain the fueling service equipment including hoses, filters, nozzles and pumps. The Port shall provide a minimum 10,000-gallon fuel tank for fueling services provided by Classic Wings.
- d) Classic Wings shall provide and maintain fire extinguishers at the fuel facility.
- e) Classic Wings shall maintain public access to the Administration Building during the hours of 8:00 AM to 5:00 PM from October through April and 8:00 AM to 6:00 PM from May to September, a minimum of five (5) days a week, including all Saturdays and Sundays (except Thanksgiving Day, Christmas Day and New Years Day). Classic Wings will provide to Port current schedules of days and hours of operations.
- f) If Classic Wings locks the Administration Building at any time during hours when the building is required to be open to the public, Classic Wings will be required to post notice with immediate contact information and must notify the Port.
- g) Classic Wings’ duties include operation of the UNICOM (Universal Integrated Communications System) radio during the business hours and issuing public information, including NOTAMs (Notice to Airmen) involving the Airport operation and status. Classic Wings will report any NOTAMs to designated Port staff, with the Port marketing manager identified as the primary designated staff and the Port maintenance supervisor as the secondary designated staff.
- h) The Tie-downs shall be installed and maintained by the Port, at its discretion. Classic Wings shall notify the Port of any maintenance required for Tie-downs.
- i) Classic Wings shall be responsible for the management of all Tie-downs. Classic Wings shall monitor the Tie-down surface and apron areas to ensure they are free of debris and obstructions, obtain Tie-down Agreements from all aircraft operators, and collect all transient Tie-down fees, as determined by the Port. The Port grants Classic Wings the right to collect and retain reasonable fees from Tie-downs.

- j) Classic Wings shall provide reasonable surveillance over the entire Airport during regular business hours. Classic Wings will promptly notify Port personnel regarding any significant violations or emergencies at the Airport. Classic Wings shall notify the Port in writing of any observed irregularities regarding flight safety, security or violations of the Port of Hood River standards, rules or regulations, or other laws and shall be noted in the weekly inspection log.
- k) Classic Wings shall immediately notify the Port of any fuel spillage or the malfunction, breakage, potential for damage to, or any deviation from normal operation of any Airport fueling equipment.

Services that are not required but allowed by the Port:

- a) A certified flight instructor and airplane for flight training.
- b) Aircraft maintenance services.
- c) On-demand air transportation services.
- d) Aircraft rental services.
- e) Avionics maintenance services.

5. PORT'S OBLIGATIONS: The following shall be the responsibility of the Port:

a) Administration Building:

- (1) All monthly or other reasonable charges for power, water, gas and any other public utilities which shall be used in or charged against the occupied premises. Repairs and maintenance, including painting of exterior walls, roof, and exterior water, sewer, gas, and electrical service up to the point of entry to the occupied premises, in the Port's sole discretion.
- (2) Repair of interior walls, ceilings, doors, windows, floors and floor coverings when such repairs are necessary because of faulty construction or failure of Port to keep the structure in proper repair, in the Port's sole discretion.
- (3) Repair and routine maintenance of heating and air conditioning system.
- (4) All repairs or restoration made necessary by fire or other peril covered by a standard insurance policy with extended coverage endorsement, in the Port's sole discretion.

b) Airport Area:

- (1) Repair of Airport sidewalks, driveways, service areas, curbs, parking areas, and areas used in common by Classic Wings and Port or tenants, in the Port's sole

discretion.

- (2) Maintenance of runways, taxiways, and aircraft parking areas, at the Port's sole discretion.
- (3) Necessary mowing and snow removal from runways, taxiways, roadways and access routes and service areas that are to be accessed by the general public, in the Port's sole discretion.
- (4) Power, lines and wiring necessary to keep the runway and taxiway lights and light bulbs, if any, in operation, in the Port's sole discretion.
- (5) Maintenance of AWOS (Automated Weather Observation System), in the Port's sole discretion.

6. CLASSIC WINGS' OBLIGATIONS: The following shall be the responsibility of Classic Wings:

a) Administration Building

- (1) Scott Gifford shall personally engage in or directly supervise and be responsible for all activities required to be performed by Classic Wings as FBO.
- (2) Pay regular charges for telephone and internet service.
- (3) All other minor repairs including maintenance of the door opening and closing mechanisms, doors and windows. Classic Wings also shall replace window glass, light bulbs and tubes, and other consumable items as necessary.
- (4) Any repairs to Airport facilities necessitated by the negligence of Classic Wings, its agents, employees, invitees.
- (5) Any interior decorating inside Administration Building.

b) Airport Area:

- (1) Classic Wings at its own expense shall correct any failure of compliance with laws or regulations created through Classic Wings' fault or by reason of Classic Wings' use. Classic Wings shall not be otherwise required to make expenditures to comply with any laws or regulations, and in no event shall Classic Wings be required to make any structural changes to effect such compliance.
- (2) Install bulbs on Airport runway and taxiway lights, which are provided by the Port, so all light locations are illuminated.
- (3) If directed by the Port, inspect T-Hangars with a Port representative on Airport grounds for compliance with use restrictions and activities per hangar rental

agreements.

- (4) Classic Wings shall meet all Federal Aviation Regulations (FAR) for each Category of the Minimum Standards under which the FBO operates. Classic Wings shall possess and maintain all certifications, licenses, permits, inspection certificates and documentation required by federal, state, and county rules and regulations pertaining to FBO operations and activities.
 - (5) Secure the AWOS area and FAA logbook associated with its use. Classic Wings understands that the AWOS should operate continuously and shall notify Port if it becomes inoperable.
 - (6) Require all personnel working around aircraft or performing duties on the Airfield to act in accordance with standard OSHA requirements.
 - (7) Pay any real property or other taxes or assessments which may be lawfully levied against the occupied Administration Building as a result of Classic Wings' occupancy, or rights granted by this Agreement.
 - (8) Make best efforts to keep record or log of people who utilize the Administration Building.
- 7. FUELS:** Classic Wings agrees to obtain and retain while this Agreement is in effect any licenses necessary to sell fuels, including a retailer's license from the Oregon Motor Vehicles Division.
- a) Fuel Dispensing Facility. Classic Wings shall operate the fuel dispensing system on a regular basis in accordance with performance standards set by FAA Publication AC No. 150/5230-4 dated August 1982, entitled "Aircraft Fuel Storage, Handling, and Dispensing on Airports" (including Change 1 issued February 1986) and any subsequent amendments. Classic Wings acknowledges that regular and systematic use of the pumps, filters and seals is essential to the proper functioning of this fuel facility and for the quality of fuel pumped. A regular record should be kept of the actions taken and the routine followed. In addition, Classic Wings is solely responsible for the testing and for the quality of the fuel sold. Other than a Card Lock System owned by Classic Wings, if any, the fuel dispensing equipment is the property of the Port. Classic Wings shall not alter, make changes to the equipment or attach signs or decals to the facility without the prior written consent of the Port.
 - b) Standard Operating Procedures. Classic Wings shall develop and maintain Standard Operating Procedures (SOPs) for refueling and ground handling operations that comply with all Uniform Fire Code and FAA standards and requirements. Port may impose conditions to protect Port property.
- 8. RECORDS:** Classic Wings shall submit the following to the Port, monthly records by the 15th of each month following the end of the previous month:

- Fuel records itemizing gallonage and retail price charged of all fuel sold, used, provided or handled by Classic Wings or any agent of Classic Wings including copies of bills of lading from the fuel supplier showing the gallonage provided and prices charged.
- Tie-down Agreements and fees collected.
- Rental income from Administration Building or FBO Hangar activities, if any.
- Weekly inspection and monthly safety inspection logs, preferably on FAA-recommended forms, or as directed by the Port, for this purpose. Include any observations or incidents regarding flight safety or ground activities that appear to be inconsistent with FAA standards or approved concession agreements.

Classic Wings shall keep all records and correspondence for review involving licenses, permits, and safety and environmental conditions pertaining to the fueling service. All records which Classic Wings is required to keep by this Agreement shall be available for the Port to inspect within 24 hours of request.

- 9. UNICOM RADIO:** The Port shall furnish a UNICOM radio for Classic Wings' use at said Airport for the duration of this Agreement. Classic Wings shall not operate the radio in any manner that would place the Port in violation of any applicable FAA, FCC, and OAD requirements.
- 10. AIRPORT SAFETY:** Classic Wings shall review and maintain on a quarterly basis FAA Advisory Circulars involving Airport safety. Recommendations to the Port based upon preparation of safety logs and review of advisory logs shall be made on at least a quarterly basis or when conditions require immediate response. Classic Wings shall also provide Port a copy of all NOTAMs issued on a quarterly basis. Classic Wings shall also review FAA standards involving aviation access to Airport during snow and ice conditions in order to issue NOTAMs to minimize liability to the Port and the Airport during these conditions.
- 11. HAZARDOUS SUBSTANCES:** Classic Wings shall not store or allow any hazardous substances as defined in OAR 738-005-0010 (67) or petroleum products to be released on Airport property other than that necessary for the conduct of Classic Wings' business. In addition, Classic Wings shall recycle petroleum products and dispose of hazardous substances in accordance with the Oregon Department of Environmental Quality's (DEQ) rules and regulations which are available to Classic Wings by contacting DEQ. Classic Wings shall label all secondary containers used for disposal of materials with an accurate description of the contents of the container. All costs associated with the use of hazardous substances or petroleum products, including, but not limited to costs of cleanup, removal, remediation, and compliance with federal, state, and local environmental requirements, shall be the sole responsibility of Classic Wings and Classic Wings shall indemnify and hold Port harmless from any costs, fees, penalties, or other expense incurred by Classic Wings in connection with hazardous substances on Airport property. All hazardous substances and petroleum products shall be used, handled, cleaned up, removed and remediated in accordance with federal, state and local requirements.

12. CONSTRUCTION: No signs, building or other structures shall be constructed at the Airport facilities without Classic Wings first having obtained the written permission of the Port, which the Port may grant or deny in the Port's discretion.

13. OBSERVANCE OF LAWS: Classic Wings will obey all laws and regulations concerning the Airport and FBO operations at the Airport, including the Administration Building. Classic Wings agrees that any commercial aviation operation shall be conducted in a proper, efficient and courteous manner. Classic Wings further agrees that all services shall be furnished on a fair, equal and non-discriminatory basis to all users, and that only fair, reasonable and non-discriminatory prices for each unit of sales or service will be charged, provided that Classic Wings may make reasonable, non-discriminatory discounts or rebates to volume purchasers.

14. FAA Requirements

- A. Tenant for Tenant, Tenant's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree that in the event facilities are constructed, maintained, or otherwise operated on or at the premises for a purpose for which a United States Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits ("facilities"), Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.
- B. Tenant for Tenant, Tenant's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under the premises and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Tenant shall use the premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

15. GENERAL LIABILITY INSURANCE: Classic Wings shall maintain in force during the term of this Agreement Airport General Liability Insurance covering the premises and operations of Classic Wings, including the operation of mobile equipment, in the amount of \$1,000,000. Classic Wings shall maintain in force during the term of this Agreement Pollution Liability insurance covering its liability for bodily injury, property damage and environmental damage resulting from sudden and accidental releases of pollution and related cleanup costs arising out of the occupancy and use of the Airport facilities. Combined Single Limit bodily injury, property damage and environmental liability shall not be less than \$500,000 in the annual aggregate. As evidence of the insurance a certificate of liability insurance naming the Port as additional insured shall be furnished to the Port by the effective date of this

Agreement.

- 16. CLASSIC WINGS INSURANCE:** Any fire and extended coverage insurance carried by the Port shall be specifically for the benefit of the Port and shall not relieve Classic Wings of the duty of acquiring adequate insurance for its own protection. In no event shall Port be required to repair or replace Classic Wings' property including Classic Wings' fixtures, furniture, floor coverings, equipment, or property under its care and control. Each party shall provide insurance at its own expense, and each party shall look to its respective insurance carrier for reimbursement of loss, which may be insured against by a standard form of fire insurance with extended coverage. There shall be no subrogated claim by one party's insurance carrier against the other party arising out of any such loss. Classic Wings agrees to be responsible for insuring its own equipment, records, furniture, or any other real and personal property it maintains in and on the occupied premises. Classic Wings agrees not to make any claims against Port for damage, theft, or any other cause of loss to its property for any cause arising from its occupancy of the Administration Building, or related to its activities at the Airport.
- 17. WORKERS' COMPENSATION:** Classic Wings shall comply with ORS 656.017 for all employees who work in the state of Oregon. If Classic Wings hires employees, they shall provide the Port with certification of Workers' Compensation Insurance, with employer's liability minimum of \$100,000.
- 18. INDEMNITY:** Classic Wings shall indemnify, defend and hold harmless the Port, its agents, Port Commissioners, officers and employees from any and all claims, judgments, damages, penalties, fines, costs, liabilities, suits or actions whatsoever resulting from or because of, any damage to property, injury or death to any person arising out of Classic Wings' negligent construction, maintenance, repair, alteration, operation, control or use of the Administration Building, or any Airport area or facilities.
- 19. ASSIGNMENT:** Classic Wings shall not directly or indirectly sublet, assign or transfer this Agreement or any interest in this Agreement, the Administration without the written consent of the Port, which the Port may grant or deny in the Port's discretion. Any transfer, sublease or assignment not so permitted shall be void and the Port shall have the right to terminate this Agreement in such event.
- 20. DEFAULT:** In the event of default of either of the parties hereto during the term of this Agreement the other party shall have the right to give notice to the party in default. Said notice shall be in writing and shall state the nature of the default and shall further state that if such default is not cured thirty (30) days of the date of notice, that the party sending the notice shall have the option of declaring the Agreement in default and terminating the same. If two breaches of this Agreement occur within the same calendar year, it shall not be necessary for the party giving notice of default to allow 30 days to cure the second or any subsequent default, but a cure period may be allowed, at the option of the party sending the notice. Notice of default shall be served either by delivery in person or by depositing the same in the United States Mail, certified mail, to the party in default at the address set forth below.
- 21. TERMINATION OF AGREEMENT FOR DEFAULT:** If the party notified as hereinabove

provided shall fail to cure any default within thirty (30) days of the deposit of the notice, or if the party has been notified of a default two or more times during a calendar year, the party who has provided notice of default may terminate this Agreement.

Upon termination or expiration of this Agreement, all rights of Classic Wings hereunder shall cease and Classic Wings shall immediately vacate the premises. The leasehold property shall be delivered in substantially the same condition as it was at the time of entering into this Agreement.

22. COMPLETE AGREEMENT: This Agreement constitutes the entire agreement between the Port and Classic Wings and supersedes any previous understanding, agreement, or representations between the parties. There are no promises, agreements, conditions or understandings, either oral or written, between the parties other than those listed herein. Any amendments to this Agreement must be in writing and signed by both parties.

23. ATTORNEY FEES: In the event of suit or action as a result of default, the prevailing party shall be entitled to collect from the other party reasonable attorney fees and costs at trial or on appeal.

DATED this ____ day of _____, 2015.

CLASSIC WINGS AERO SERVICES, INC.
3608 Airport Road
Hood River, OR 97031

PORT OF HOOD RIVER
1000 E. Port Marina Drive
Hood River, OR 97031

BY: _____
SCOTT GIFFORD
Its: President

BY: _____
MICHAEL S. McELWEE
Its: Executive Director

Exhibit A



Commission Memo

To: Commissioners
From: Anne Medenbach
Date: January 6, 2015
Re: Land Lease with Classic Wings Aero Services Inc. for Residential Trailer Area

Scott Gifford, the FBO (Classic Wings) at Ken Jernstedt Airfield, owns a residential trailer that sits between the FBO building and the White Hangar. The original agreement with Classic Wings included the use of a Port-owned trailer which was on site at the time. That trailer was not habitable. Classic Wings disposed of the trailer, purchased their own and placed it on site.

The original agreement needs to be update to a land lease rather than a lease of a trailer.

The new Residential area land lease is summarized as follows:

Term: 5 years (correlates with the FBO lease term)
Rate: Included as part of the Classic Wings FBO agreement.
Details: Classic Wings pays all associated utilities, interior and exterior maintenance and any personal property taxes.

RECOMMENDATION: Approve land lease with Classic Wings Aero Services for residential trailer area at Ken Jernstedt Airfield, subject to legal counsel review.

LAND LEASE

THIS LEASE is entered into at Hood River, Oregon by and between **PORT OF HOOD RIVER**, an Oregon municipal corporation, hereinafter referred to as "Lessor," and Classic Wings Aero Services, Inc., hereinafter referred to as "Lessee".

1. **Description.** In consideration of the covenants of the parties, Lessor leases to Lessee approximately 3,000 square feet of land, known as the Fixed Based Operator ("FBO") residence area, for placement of a residential trailer ("Trailer"), located at the Ken Jernstedt Airfield, to the west of the FBO Administration building and to the East of the "White Hanger", in its entirety, located in Hood River County, Oregon ("Leased Premises"). The Leased Premises are identified in the attached "Exhibit A."
2. **Term.** The lease term shall be in effect for the duration of the FBO agreement dated January 1, 2015, unless the Port requires the relocation of the Trailer to another Airport location or its removal under terms of this agreement. If the Port requires the Trailer to be moved, this agreement will be considered void.
3. **Rental.** Monthly Rent for the Leased Premises will be the following Monthly Base Rate
:

<u>Space</u>	<u>Square Footage</u>	<u>Rate per s.f. per month</u>	<u>Monthly Base Rate</u>
FBO residence area	Approx. 3,000		Included as part of the FBO agreement

4. **Use.** Lessee shall use the Leased Premises for the location of a residential trailer ("Trailer") owned by the Lessee. The Port grants the right for the Lessee and Lessee employees to use the Trailer in order to perform FBO duties, enhance Airport security and as a residence provided the employee uses the Trailer in association with FBO activities. Employee may share the Trailer as a residence, provided, that using the trailer as a residence is not a representation that residential use is or will hereafter be allowed by applicable laws. Lessee and employee shall be subject to and comply with all laws applicative to use of the Trailer while located the Airport. Gatherings of more than four persons who are not employee family members at the Trailer are not allowed without the Port's prior written consent.

In the event that the employee is terminated with the Lessee, employee and all other residents of the Trailer must promptly vacate the Trailer. Lessee shall be responsible for promptly evicting the employee and other occupants of the Trailer in accordance with applicable laws.

The Leased Premises shall not be used for any other purposes without the written consent of Lessor.

5. **Public Property.** Lessee and its employees recognized the Leased Premises is on a publicly owned and operated airport. The Trailer or use of it may not impeded public access to or use of the Airport, cause Lessor to be in violation of any covenants the Lessor has made to the FAA Federal Aviation Administration (FAA) or others, interfere with future FAA funding or other FAA requirements, or legal requirements. If the Trailer or its use is in violation of any of the preceding requirements, the Lessor may require Lessee to promptly remove the Trailer from the Airport prior to expiration of the term of the FBGO agreement, at Lessor sole expense. No political, religious or commercial displays shall be placed on or be visible from outside the Trailer.
6. **Taxes.** Lessee shall pay all taxes on its personal property located on the Leased Premises.
7. **Utilities.** Lessee shall pay all monthly or regular charges for power, water, gas and any other public utilities that shall be used in or charged against Trailer, except for wastewater collection charges that are a shared expense of the Trailer and the Administration building, which will be paid by the Port. Wastewater charges billed solely to the Trailer will be the responsibility of the Lessee.
8. **Liability Insurance and Hold Harmless Agreement.** Lessee agrees to indemnify and save Lessor, Lessor's Port Commissioners, officers, employees and agents harmless from any claims by any persons, firms, or corporations arising from business conducted on the Leased Premises or from anything done by Lessee at the Leased Premises, and will further indemnify and save Lessor harmless from all claims arising as a result of any breach or default on the part of Lessee under the terms of this lease, or arising from any willful or negligent act or omission of Lessee's agents, contractors, employees, or licensees in or about the Leased Premises, and from all costs, counsel fees, and liabilities incurred in any action or proceeding brought thereon; and in case any action or proceeding is brought against Lessor by reason of any such claim, Lessee, upon notice from Lessor, covenants to resist and defend such action or proceeding by counsel.

Lessee agrees during the term hereof to keep a policy of general commercial liability insurance in effect with respect to the Leased Premises with minimum coverage of one million dollars (\$1 million) combined single limits. If Lessee renews this lease, at the outset of the renewal term Lessor may, with written notice, raise the minimum insurance requirement to an amount of insurance that is reasonably commercially available. The policy shall name Lessor as additional insured, and expressly include Lessor's Port Commissioners, officers, employees, and agents as additional named insured, and shall contain a clause that the insurer will not cancel or change the insurance without first giving Lessor at least fourteen days prior written notice. The insurance shall be provided by an insurance company registered to do business in the State of Oregon, or by a company approved by Lessor. A copy of the policy or certificate of insurance shall be delivered to Lessor no later than three days after Lessee occupies the Leased Premises.

9. **Lessee/Lessor Covenants.** Lessee shall not do anything which may damage the Leased Premises. Lessee will not create or use hazardous substances, or dispose of hazardous waste of any kind, unless in strict compliance with environmental laws and regulations.

Lessee, at Lessee's expense, shall be responsible to provide improvements and equipment, and to obtain any required permits or approvals necessary for Lessee to engage in activities at the Leased Premises. Lessee promises to comply with all laws, ordinances, and government regulations applicable to the Leased Premises and to Lessee's activities at the Leased Premises, and to comply with reasonable rules adopted by Lessor which apply to the property.

Lessee shall not attach any fixtures or make any improvements or alterations to the Leased Premises without describing them in writing and receiving Lessor's prior written consent. Lessee shall not suffer or give cause for the filing of any lien against the Leased Premises.

Lessee shall provide ice and snow removal on Leased Premises.

10. FAA Requirements

- A. Tenant for Tenant, Tenant's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree that in the event facilities are constructed, maintained, or otherwise operated on or at the premises for a purpose for which a United States Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits ("facilities"), Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.
- B. Tenant for Tenant, Tenant's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under the premises and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Tenant shall use the premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

11. **Quiet Enjoyment.** From the date the lease commences Lessee will have the right to use the Leased Premises consistent with this lease without hindrance or interruption by Lessor or any other persons claiming by, through or under Lessor, subject, however, to the terms and conditions of this lease.

12. **Care of Leased Premises.** Lessee shall at all times keep the Leased Premises in as good condition as they are in at the outset of this lease.

13. **Fixtures and Personal Property.** At the expiration or earlier termination of the lease term Lessee shall remove Trailer, all furnishings, furniture, equipment, goods of any kind and trade fixtures from the Leased Premises in a way that does not cause damage to the Leased Premises. If Lessee fails to remove any this shall be an abandonment of such property, and Lessor may retain Lessee's abandoned property and all rights of Lessee with respect to it shall cease; provided however, that Lessor may give Lessee written notice within 30 days after the lease expiration or termination date electing to hold Lessee to its obligation of removal. If Lessor elects to require Lessee to remove personal property and Lessee fails to promptly do so, Lessor may effect a removal and place the property in storage for Lessee's account. Lessee shall be liable to Lessor for the cost of removal, transportation to storage, storage, disposal, and other costs incurred by Lessor with regard to such personal property.
14. **Signs.** Lessee shall not erect or install any signs, flags, lights or advertising media or placards on the Leased Premises without describing them in writing and receiving Lessor's prior written consent.
15. **Lessor's Access to Premises.** Lessor shall have the right to enter upon the Leased Premises at all reasonable hours after 24 hours oral notice (without notice to protect public health and safety in an emergency) for the purpose of inspecting it, or to make repairs, additions or alterations to the premises or any property owned or controlled by Lessor. E-mail from Lessor to Lessee (or Lessee's on site manager) may serve as notice of inspection of the Leased Premises. If Lessor deems any repairs reasonably required to be made by Lessee to be necessary, Lessor may give notice that Lessee shall make the same within 30 days (immediately in an emergency involving public health and safety), and if Lessee refuses or neglects to commence such repairs and complete the same in a timely manner, Lessor may make or cause such repairs to be made. If Lessor makes or causes such repairs to be made Lessee agrees that it will, within 30 days, pay to Lessor the cost thereof.
16. **Waiver.** One or more waivers of any covenants or conditions by either party shall not be construed as a waiver of a subsequent breach of the same covenant or condition, and the consent or approval by Lessor to any act by Lessee requiring Lessor's consent or approval shall not be construed as consent or approval to any subsequent similar act by Lessee.
17. **Assignment.** Lessee agrees not to assign or in any manner transfer this lease or any estate or interest therein without the previous written consent of Lessor, and not to sublet the premises or part or parts thereof without like consent. Lessor will not unreasonably withhold its consent. This Lease will not be assigned, subleased, or otherwise transferred except with the consent of Lessor, which consent may be granted or denied in Lessor's sole discretion. Any transfer of an ownership interest in Lessee of fifty percent (50%) or more will be deemed an assignment.
18. **Default.** Time is of the essence of performance of all the requirements of this lease. If any rental or other sums payable by Lessee to Lessor shall be and remain unpaid for more

than ten (10) days after the same are due and payable, or if Lessee shall fail to comply with any term or condition or fulfill any obligation of the lease (other than the payment of rent or other charges) within fourteen (14) days after written notice to Lessee specifying the nature of the default with reasonable particularity, or if Lessee shall declare bankruptcy or be insolvent according to law or if an assignment of Lessee's property shall be made for the benefit of creditors or if Lessee shall abandon the premises, then in any of said events Lessee shall be deemed in default hereunder. In the event of a default the lease may be terminated at the option of Lessor. If the lease is terminated, Lessee's liability to Lessor for rents and damages shall survive such termination and Lessor may re-enter, take possession of the premises, and remove any persons or property by legal action or by self help with the use of reasonable force and without liability for damages. The foregoing remedies shall be in addition to and shall not exclude any other remedy available to Lessor under applicable law.

19. **Notices.** Whenever under this lease a provision is made for notice of any kind, it shall be deemed sufficient if such notice to Lessee is in writing delivered personally to Lessee's registered agent or to either person signing the lease for Lessee, or sent by certified mail with postage prepaid to the address indicated on the signature page of this lease; and if such notice is to Lessor, delivered personally to the Executive Director, 1000 E. Port Marina Drive, Hood River, OR 97031 or sent by certified mail with postage prepaid to the address indicated on the signature page of this lease. Notice shall be deemed given on the date of personal delivery or if mailed, two business days after the date of mailing.

20. **Dispute Resolution.** Any dispute involving this lease may be resolved by mediation. If the parties agree to use a mediator they will each pay one half the costs of mediation. If mediation does not occur or does not result in a solution satisfactory to both parties, the dispute shall be resolved by arbitration. Any arbitration shall be in accordance with the rules of the Arbitration Service of Portland then in effect. The parties shall use a single arbitrator mutually agreeable to them. If they are unable to agree on an arbitrator, or a process to select one, either party may apply to the Hood River County Circuit Court to appoint an arbitrator. The award rendered by an arbitrator shall be binding on the parties and may be entered in the Hood River County Circuit Court. The prevailing party in an arbitration proceeding, including any appeal therefrom or enforcement action, shall be entitled to recover their reasonable attorney's fees and costs and disbursements incident thereto.

21. **Authority to Execute.** The persons executing this Lease on behalf of Lessee and Lessor warrant that they have the authority to do so.

DATED this _____ day of _____, 2015.

Lessee:

Classic Wings Aero Services, Inc.
3608 Airport Road
1682 4th St.
Hood River, OR 97031

Lessor:

PORT OF HOOD RIVER
1000 E. Port Marina Drive
Hood River OR 97031
(541) 386-1645

(541) 386-1133
flythegorge@gorge.net

porthr@gorge.net

BY:

BY:

Scott Gifford
Its; President

Michael S. McElwee
Its: Executive Director

Commission Memo

To: Commissioners
From: Anne Medenbach
Date: January 6, 2015
Re: Lease with Nostalgaire, Inc. - White Hangar

Scott Gifford, the FBO (Classic Wings) at Ken Jernstedt Airfield, operates an aviation maintenance business out of the White Hangar. That business is operated under Nostalgaire, Inc.

Previously, the maintenance business was tied to the FBO through the agreement with the Port. However, since the FBO (Classic Wings), does not operate the maintenance business, a separate lease is necessary.

The white hanger lease is summarized as follows:

Term: 5 years (correlates with the FBO lease term)
Rate: Year 1: \$250/mo
Year 2: \$500/mo
Year 3-5: Annual CPI increase
Details: Nostalgaire, Inc. pays all associated utilities, taxes and interior maintenance.

RECOMMENDATION: Approve hangar lease with Nostalgaire, Inc. at the Ken Jernstedt Airfield, subject to legal counsel review.

LEASE

THIS LEASE is entered into at Hood River, Oregon by and between PORT OF HOOD RIVER, an Oregon municipal corporation, hereinafter referred to as "Lessor", and NOSTALGAIRE, INC. an Oregon corporation, hereinafter referred to as "Lessee".

WITNESSETH:

- 1. **Description.** In consideration of the covenants of the parties herein contained, Lessor leases to Lessee approximately 4,000 square feet of space commonly known as White Hangar, parking area and apron ("leased premises") located at Ken Jernstedt Airfield, 3624 Airport Drive, Hood River, Oregon. Leased premises are identified in "Exhibit A."
- 2. **Term.** This lease shall be in effect for the duration of the Fixed Based Operator ("FBO") agreement dated January 1, 2015 and extending to December 31, 2019, "Exhibit B".
- 3. **Rent.** Lessee shall lease said premises at the following monthly rental schedule as described below.

Date	Monthly Total
January 1, 2015-December 31, 2015	\$250
January 1, 2016- December 31 2019	\$500

All rental amounts are payable in advance on the first day of each month.

On January 1, 2017, the lease rate will be adjusted by adding to the monthly rental amount payable during the previous 12-month period a percentage increase equal to the percentage change in the Consumer Price Index (CPI) for the most recent 12-month period for which a published CPI is available. The CPI figure will be taken from the index entitled U.S. City Average – all items and major group figures for all urban consumers, or, if such index is unavailable, will be taken from a similar index published by the United States Bureau of Labor Statistics. In no event shall the CPI increase be less than 1 percent or more than 5 percent.

- 4. **Use.** Lessee shall use the leased premises for aviation maintenance and activity reasonably related thereto. The leased premises shall not be used for any other purposes without the written consent of Lessor.
- 5. **Public Property.** Lessee and its employees recognized the Leased Premises is on a publicly owned and operated airport. The premises or use of it may not impeded public access to or use of the Airport, cause Lessor to be in violation of any covenants the Lessor has made to the FAA Federal Aviation Administration (FAA) or others, interfere with future FAA funding or other FAA requirements, or legal requirements. No political, religious or commercial displays shall be placed on or be visible from outside the Trailer.

6. **Taxes.** Lessee shall pay all taxes on its personal property located on the leased premises. Lessee shall pay all real property taxes of governmental units assessed against the leased premises. Lessee shall also pay all such taxes which arise during a tax year as a result of Lessee's occupancy, even if the lease term has ended, or if Lessee has vacated the leased premises. However, if another tenant occupies the leased premises and agrees to pay any portion of the real property taxes otherwise payable by Lessee, Lessee shall not be required to pay those taxes which the new tenant pays. [Note: Under current law, Port real property is exempt from property taxation during an upcoming fiscal tax year (July 1 through June 30) unless a private party occupies such Port property on June 30. If a private party is in possession of Port property on June 30, that Port property is taxed for the entire subsequent fiscal tax year "as a result of Lessee's occupancy".] Although Lessee is responsible to pay real property taxes, Lessor will pay the real property taxes to the taxing authority when due and send a bill to Lessee for the amount of taxes Lessor has paid, which will be payable by Lessee to Lessor within ten days after the date of Lessor's bill.
7. **Utilities.** Lessee shall be solely responsible for gas, telephone, electricity used or consumed by Lessee on the leased premises. Lessor shall provide and pay for sewer, water and garbage service serving the leased premises.

8. **Liability Insurance and Hold Harmless Agreement.** Lessee agrees to indemnify and save Lessor, Lessor's Port Commissioners, officers, employees or agents harmless from any claims by any persons, firms, or corporations arising from business conducted on the leased premises or from anything done by Lessee at the leased premises, and will further indemnify and save Lessor harmless from all claims arising as a result of any breach or default on the part of Lessee under the terms of this lease, or arising from any act of Lessee's agents, contractors, employees, or licensees in or about the leased premises, and from all costs, counsel fees, and liabilities incurred in any action or proceeding brought thereon; and in case any action or proceeding is brought against Lessor by reason of any such claim, Lessee, upon notice from Lessor, covenants to resist and defend such action or proceeding by counsel.

Lessee agrees during the term hereof to keep a policy of public liability insurance in effect with respect to the leased premises with minimum coverage of one million dollars (\$1 million) combined single limits. The policy shall name Lessor as additional insured, and expressly include Lessor's Port Commissioners, officers, employees, or agents as additional named insured, and shall contain a clause that the insurer will not cancel or change the insurance without first giving Lessor at least ten days prior written notice. The insurance shall be provided by an insurance company registered to do business in the State of Oregon, or by a company approved by Lessor, which approval shall not be unreasonably withheld. A copy of the policy or certificate of insurance shall be delivered to Lessor within ten days after Lessee occupies the leased premises.

9. **Fire Insurance and Waiver of Subrogation.** In case the leased premises shall be partially or totally destroyed by fire or other casualty it shall be repaired and restored by Lessor to as good a condition as existed immediately prior to such damage and a proportionate part of the rental payable shall be abated until so repaired, unless it is determined that the damage is more than fifty percent of the building or leased premises and within thirty days after the date of the damage Lessor gives Lessee written notice of Lessor's election not to repair, whereupon this lease shall terminate. In no event shall Lessor be required to repair or replace Lessee's property including Lessee's fixtures, furniture, floor coverings, or

equipment. If Lessor elects to repair the damaged premises it shall proceed promptly, in a manner which is reasonable under the circumstances. In no event shall Lessee be entitled to recover damages from Lessor related to partial or total destruction of the premises or to repair of the premises by Lessor.

Each party shall provide its own insurance protection at its own expense, and each party shall look to its respective insurance carrier for reimbursement of loss which may be insured against by a standard form of fire insurance with extended coverage. There shall be no subrogated claim by one party's insurance carrier against the other party arising out of any such loss.

10. Lessee's/Lessor's Covenants. Lessee shall not do anything that may damage the leased premises or other areas surrounding the leased premises. Lessee shall not be a nuisance or a menace to others. Lessee will not create or use hazardous substances, or dispose of hazardous waste of any kind, unless in strict compliance with environmental laws and regulations. Lessee, at Lessee's expense, shall be responsible to provide improvements and equipment, and to obtain any required permits or approvals necessary for Lessee to engage in activities at the leased premises. Lessee promises to comply with all laws, ordinances, and government regulations applicable to the leased premises and to Lessee's activities at the leased premises. Lessee shall not suffer or give cause for the filing of any lien against the leased premises.

11. Quiet Enjoyment. From the date the lease commences Lessee will have the right to use the leased premises consistent with paragraph 4 without hindrance or interruption by Lessor or any other persons claiming by, through or under Lessor, subject, however, to the terms and conditions of this lease. The foregoing notwithstanding, Lessee agrees that Lessor may make improvements to the hangar and adjacent areas that may cause noise or otherwise temporarily disrupt Lessee's quiet enjoyment of the leased premises.

12. Care of Premises. Lessee shall at all times keep the leased premises in as good condition as they are in at the outset of this lease, or if improvements are made thereafter in at least as good condition as after such improvements, and shall surrender the leased premises to Lessor in such good condition, reasonable wear and tear, or loss by fire or other casualty covered by insurance excepted.

13. Fixtures and Personal Property. Unless otherwise agreed in writing, all permanent improvements now located or hereafter placed on the leased premises during the term of the lease, other than Lessee's trade fixtures, equipment, and items related to Lessee's equipment, shall be the property of Lessor, and shall remain on the leased premises at the expiration or termination of the lease, provided that Lessor reserves the right within 30 days after the lease term ends to require Lessee to promptly remove any improvements which Lessee has placed on the leased premises at Lessee's expense, in a way which does not cause damage to the leased premises.

At the expiration or earlier termination of the lease term Lessee shall remove all furnishings, furniture, equipment, goods of any kind and trade fixtures from the leased premises. If Lessee fails to do so this shall be an abandonment of such property, and Lessor may retain Lessee's abandoned property and all rights of Lessee with respect to it shall cease; provided however, that Lessor may give Lessee written notice within 30 days after the lease expiration or termination date electing to hold Lessee to its obligation of removal. If Lessor

elects to require Lessee to remove personal property and Lessee fails to promptly do so, Lessor may effect a removal and place the property in storage for Lessee's account. Lessee shall be liable to Lessor for the cost of removal, transportation to storage, storage, disposal, and other costs incurred by Lessor with regard to such personal property.

14. Signs. Lessee shall not erect or install any signs, flags, lights or advertising media nor window or door lettering or placards visible from outside the leased premises or visible from building common areas without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Lessee agrees to maintain in good condition any signs or displays which are allowed.

15. Lessor's Access to Premises. Lessor shall have the right to enter upon the leased premises at all reasonable hours after 24 hours oral notice (without notice to protect public health and safety in an emergency) for the purpose of inspecting it, or to make repairs, additions or alterations to the premises or any property owned or controlled by Lessor. If Lessor deems any repairs reasonably required to be made by Lessee to be necessary, it may give notice that Lessee make the same within 30 days (immediately in an emergency involving public health and safety), and if Lessee refuses or neglects to commence such repairs and complete the same in a timely manner, Lessor may make or cause such repairs to be made, and if Lessor makes or causes such repairs to be made, Lessee agrees that it will, within 30 days, pay to Lessor the cost thereof.

16. Waiver. One or more waivers of any covenants or conditions by either party shall not be construed as a waiver of a subsequent breach of the same covenant or condition, and the consent or approval by Lessor to any act by Lessee requiring Lessor's consent or approval shall not be construed as consent or approval to any subsequent similar act by Lessee.

17. Assignment. Lessee agrees not to assign or in any manner transfer this lease or any estate or interest therein without the previous written consent of Lessor, and not to sublet the premises or part or parts thereof without like consent. Lessor will not unreasonably withhold its consent.

18. Default. Time is of the essence of performance of all requirements of this lease. If any rental or other sums payable by Lessee to Lessor shall be and remain unpaid for more than ten (10) days after the same are due and payable, or if Lessee shall fail to comply with any term or condition or fulfill any obligation of the lease (other than the payment of rent or other charges) within fourteen (14) days after written notice to Lessee specifying the nature of the default with reasonable particularity, or if Lessee shall declare bankruptcy or be insolvent according to law or if an assignment of Lessee's property shall be made for the benefit of creditors or if Lessee shall abandon the premises, then in any of said events Lessee shall be deemed in default hereunder. In the event of a default the lease may be terminated at the option of Lessor. If the lease is terminated, Lessee's liability to Lessor for rents and damages, and Lessee's indemnity obligations, shall survive such termination and Lessor may re-enter, take possession of the premises, and remove any persons or property by legal action or by self help with the use of reasonable force and without liability for damages.

The foregoing remedies shall be in addition to and shall not exclude any other remedy available to Lessor under applicable law.

19. Holdover.

If Lessee does not vacate the Leased Premises when the lease term expires, Lessor shall have the option to treat Lessee as a tenant from month to month, subject to all of the provisions of this lease except the provisions for term and renewal, and at a rental rate equal to the rent last payable by Lessee during the lease term. Failure by Lessee to remove fixtures, furnishings, trade fixtures, or other personal property which Lessee is required to remove under this lease shall constitute a failure to vacate to which this paragraph shall apply. If a month-to-month tenancy results from holdover by Lessee under this paragraph, the tenancy shall be terminable at the end of any monthly rental period on written notice from Lessor given to Lessee not less than 10 days prior to the termination date specified in Lessor's notice. Lessee waives any notice which would otherwise be required by this lease or by law with respect to month-to-month tenancy.

20. FAA Requirements

- A. Tenant for Tenant, Tenant's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree that in the event facilities are constructed, maintained, or otherwise operated on or at the premises for a purpose for which a United States Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits ("facilities"), Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.
- B. Tenant for Tenant, Tenant's heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under the premises and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Tenant shall use the premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

21. Notices. Whenever under this lease a provision is made for notice of any kind, it shall be deemed sufficient if such notice to Lessee is in writing delivered personally to the registered agent or a corporate officer of Lessee, or if addressed to Lessee, sent by certified mail with postage prepaid to the address indicated on the signature page of this lease; and if such notice is to Lessor, delivered personally to the Executive Director of Lessor or addressed to Port of Hood River, 1000 Port Marina Drive, Hood River, OR 97031, sent by certified mail with postage prepaid. Notice shall be deemed given on the date of personal delivery or if mailed, one day after the date of mailing.

22. Attorney Fees. In the event of litigation by either party to enforce its rights hereunder, the prevailing party shall be entitled to recover its reasonable attorney's fees thereon and upon any appeal, in addition to its cost and disbursements.

23. **Authority to Execute.** The person executing this lease on behalf of Lessee warrants that they have the right to do so.

DATED this _____ day of _____, 2015.

Lessee:

NOSTALGAIRE, INC.
3608 Airport Drive
Hood River, OR 97031
(541) 308-0331

Lessor:

PORT OF HOOD RIVER
1000 Port Marina Drive
Hood River, OR 97031

(541) 386-1645

BY:

Scott Gifford
Its President

BY:

Michael S. McElwee
Its Executive Director

Commission Memo

To: Commissioners
From: Michael McElwee
Date: January 6, 2015
Re: City/Port Waterfront Plan IGA

In May 2014, the Port agreed to participate in preparation of a Waterfront refinement Plan to modify the zoning for a large portion of the Hood River waterfront. The Commission was briefed on this effort in March, August, September and November. Staff and Commissioners participated in the final Project Advisory Committee that prepared initial recommendations on the plan.

The Port's participation also included a financial commitment for 50% of the consultant costs to prepare the plan because it was expected to resolve zoning issues both at the west edge of the Nichols Boat Basin and Expo property. Angelo Planning Group was hired by the City to facilitate the work at a fixed fee of \$50,000. Thus, the cost to the Port is \$25,000.

The attached Intergovernmental Agreement provides the necessary formal acknowledgement of our financial commitment in order to process the invoice.

RECOMMENDATION: Authorize Commission President to execute an IGA with the City of Hood River for planning services associated with the Waterfront Refinement Plan not to exceed \$25,000.

the Planning Advisory Committee and three separate meetings of the Hood River Planning Commission including a work session and two public hearings; and

Whereas on December 22, 2014 the City Council approved Ordinance Number 2015 adopting a Waterfront Refinement Plan including amending the Hood River Zoning Ordinance to include a new Waterfront Overlay Zone, amending the Hood River Zoning and Comprehensive Plan Map to rezone specified properties from General Commercial (C-2) to Light Industrial (LI) and amending Ordinance 1762 to remove restrictive language; and

Whereas it is now time to memorialize the prior understanding that the \$50,000 in consultant costs will be shared equally by the City and Port.

Now Therefore based on the preceding recitals it is agreed the City and Port confirm their prior intention to equally share the \$50,000 in consulting costs related to the development of the Waterfront Refinement Plan.

IT IS SO AGREED

For the City of Hood River

For the Port of Hood River

Hood River Mayor

Port President

Date _____

Date _____

Approval as to Form

Approval as to Form

City Attorney

Port Attorney