



To: Port of Hood River Budget Committee
From: Michael McElwee, Budget Officer
Date: April 22, 2014
Re: Budget Message for Fiscal Year 2014-15

The annual budget for the Port of Hood River is prepared by staff for review and approval by the Budget Committee and subsequent adoption by the Port Commission. This memorandum provides an overview of the proposed FY 2014-15 budget and other information in accordance with O.R.S. 294.

Overview

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

Budget preparation follows the following key steps as required by state statute:

- A Proposed Budget is prepared by the Port's designated Budget Officer based on discussions at the Commission's Spring Planning meeting and other factors.
- The Budget Committee discusses the Proposed Budget and may make changes as approved by vote. After approval, the Proposed Budget becomes the Approved Budget. Included in this process is the approval of the tax rate for the subsequent year.
- The Approved Budget is the subject of a hearing when the Commission obtains testimony from the public. This year the public hearing is expected to occur on May 6th.
- The Commission considers any changes and then approves an Adopted Budget which takes effect July 1, 2014.

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

- **General Fund:** Includes activities related to general governmental activities. The revenue comes from property tax receipts. Since property taxes are insufficient to pay all governmental related expenditures, there is a transfer from the Revenue Fund for the difference.

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

Financial Policies

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

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

Budget Highlights

The following sections are highlights of the FY 2014-15 Proposed Budget organized by major areas of the Port's operations.

ASSET AREAS

Industrial/Commercial Properties

- Overall occupancy rates remain high in Port buildings. However, in fall 2014 vacancies will occur in the Big 7 and Wasco Business buildings and with the sale of the Expo Center. The Port will need to fill these vacancies. A reduction in lease revenue is assumed.
- The Port continues to take stronger steps to monitor the condition of its various facilities and keep them in good repair. The budget shows continued investment in maintenance and capital maintenance to insure Port facilities remain in good condition.
- The Expo Building and surrounding property are expected to be sold for a significant re-development project. This property would have required a large Port investment to repurpose it for leasing. The sale means a significant capital investment will not be needed but it will also remove an important income stream from lease revenue. The proceeds from the

property sale are expected to be used for property acquisition or construction of infrastructure.

- The Port continues to pursue the acquisition of additional industrial lands to partially offset the diminution of light industrial property on the waterfront. As has been the case for the past several years, appropriate properties for acquisition are few.
- The budget continues to make a significant financial commitment to professional services for planning and pre-development work associated with Lot #1. As development has increased along the waterfront, more focused attention will be needed to properly prepare Lot #1 for development and address zoning, parking, infrastructure and storm water issues among others.

Bridge/Transportation

- The budget follows the Long Term Capital Plan (LTCP) for the Bridge which identifies a progression of capital projects to keep it safe and functional. This plan is re-evaluated every year. In January, the Port's engineer conducted an inspection which found that structural repair is needed on the lift span, a project that had not been previously known. The Proposed Budget includes the engineering necessary to fully evaluate the lift span issue and prepare for repairs in FY 2015-16. This project will delay other bridge capital projects. The FY 2014-15 Proposed Budget includes reconstruction of the north and south approach ramps and structural evaluation of the auxiliary truss.
- After an engineer's assessment of the unexpected deterioration of the metal bridge deck, staff has been carrying out welding repairs for the past several months. We believe the problem is now fully characterized and known repairs will be complete in May. However, the Proposed Budget includes an ongoing repair expense for welding that should continue in future years.
- The Proposed Budget includes a reduction in the discount for BreezeBy and ticket customers beginning January 1, 2015. This is the first toll change since 2012 and tracks the increase in CPI. Toll revenue from this change is to be about \$80,000 for the remainder of the fiscal year. The budget also includes funds to start the upgrade of the electronic tolling software including opening a website portal for BreezeBy customers that will reduce administrative tasks at the front counter.
- The budget maintains a higher level of expenditures for maintenance, repairs and inspections that was initiated in FY 2013-14.

Recreation/Marina

- The Marina Electrical Upgrade, a significant construction project that commenced in FY 2012-13 will be substantially complete by July 2014. The project utilized debt of approximately \$770,000. Debt service payments stem primarily from a special assessment on Marina tenants. The project is

on budget. No significant additional capital investments in the Marina are anticipated in FY 2014-15. The Proposed Budget does include funds for preparation of a Marina master plan that would guide future projects.

Airport

- Over the last two years, the runway shift project was carried out and is now complete. The Port will be required to prepare a new Airport Master Plan and this will be the primary task in FY 2014-15. The cost is significant, approximately \$200,000, however, 90% will be paid by the FAA. A new Airport Master Plan will set the stage for possible future capital projects when the Port's FAA entitlement funds accumulate or State of Oregon discretionary funds are available.

Administration

- The FY 2014-15 budget will include the implementation of the Affordable Care Act (ACA). To insure we are non-discriminatory, family health insurance coverage for **all** full time staff is assumed. Health insurance premiums will increase substantially, approximately 18%. Some of this increase is associated with the preventive healthcare coverage all insurers must adhere to under the ACA, as well as vision, but some of this increase is attributable to the shift of SDAO becoming a self-insured employee benefits program and the new reserve requirements. The increase in health insurance will be partially offset by having all employees increase their direct contribution for premiums to 10% and by decreasing the threshold for Port deductible reimbursement to \$500.
- Overall personnel costs are budgeted to increase by 7.1%. This includes the aforementioned increases in medical insurance costs but is partially offset by a decrease in PERS expenses.
- No change in staffing levels is anticipated.

Maintenance

- The Port will continue to replace our vehicles which are at the end of their useful life. We will replace the Dodge pickup used primarily for sanding the bridge and our Ford Ranger which is used for daily maintenance.

SUMMARY

The FY 2014-15 Proposed Budget reflects project priorities, staffing levels and capital and administration expenditures that staff believes are consistent with the Port's mission, Strategic Plan and direction from the Port Commission. The Budget Committee's review, modification and approval of a Proposed Budget followed by Commission adoption will be necessary before the budget can take effect July 1, 2014.