

Financial State of the Port

The Port of Hood River's current financial condition is summarized in this overview based on the detailed Audit Report for the Fiscal Year ending June 30, 2015. Two key government-wide statements account the Port's Net Position and changes. Net Position – the difference between assets and liabilities – is one way to measure the Port's financial health. Government-wide financial statements of the Port are divided into two categories:

Governmental funds – Two governmental funds are maintained by the Port: the General Fund and the Bridge Repair and Replacement Fund. The General Fund records transactions related to policy-making and planning with regard to the Port's mission and strategic plan, general administration, and a portion of support services. The Bridge Repair and Replacement fund is a Special Revenue Fund used to record repair and replacement activity associated with the Bridge and any debt-related activities.

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 records the following fees: Fees - toll bridge users; Lease revenues - industrial, commercial and mix-use tenants; Rent for marina boat slips and airport hangars; Fees for recreational events and programs.

TABLE 1 - Net Position as of June 30, 2015

	Governmental Activities		Business-Type Activities		Total All Funds	
	2015	2014	2015	2014	2015	2014
Unrestricted - Current and Other Assets						
General Fund	\$ 70,175	\$ 61,472	\$ 4,268,801	\$ 3,812,304	\$ 4,288,976	\$ 3,873,776
Bridge Repair and Replacement Fund	342,742	342,798			342,742	342,798
Restricted - Current and Other Assets						
Bridge Repair and Replacement Fund	718,650	715,000			718,650	715,000
Net Pension Asset	10,577	-	191,220	-	201,797	-
Capital Assets			30,104,046	29,936,551	30,104,046	29,936,551
General Fund	7,000	7,000			7,000	7,000
Bridge Repair and Replacement Fund	8,377,734	8,720,122			8,377,734	8,720,122
Total Assets	9,526,878	9,846,392	34,564,067	33,748,855	44,090,945	43,595,248
Deferred Charges	28,000	35,000	-	-	28,000	35,000
Total Deferred Outflows of Resources	28,000	35,000	-	-	28,000	35,000
Long-Term Debt			2,957,665	3,053,363	5,387,665	6,133,363
Bridge Repair and Replacement Fund	2,430,000	3,080,000			2,430,000	3,080,000
Other Liabilities			694,035	489,005	694,035	489,005
General Fund						
Bridge Repair and Replacement Fund	4,900	6,211			4,900	6,211
Total Liabilities	2,434,900	3,086,211	3,651,700	3,542,368	6,086,600	6,628,579
Net Deferred Pension Asset	15,722	-	284,246	-	299,968	-
Total Deferred Inflows of Resources	15,722	-	284,246	-	299,968	-
Net Position						
Net Investment in Capital Assets			27,146,381	26,883,188	33,101,115	32,530,310
General Fund	7,000	7,000			7,000	7,000
Bridge Repair and Replacement Fund	5,947,734	5,640,122			5,947,734	5,640,122
Restricted - Bridge and Replacement Fund	718,650	715,000			718,650	715,000
Unrestricted	70,175	61,472	3,481,740	3,323,299	3,912,612	3,756,358
General Fund	70,175	61,472			70,175	61,472
Bridge Repair and Replacement Fund	360,897	371,587			360,897	371,587
Total Net Position	\$ 7,104,256	\$ 6,795,181	\$ 30,628,121	\$ 30,206,487	\$ 37,732,377	\$ 37,001,668

TABLE 2 - Governmental and Business-type activities for the fiscal year ending June 30, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services - Tolls			\$ 3,616,889	\$ 3,407,828	\$ 3,616,889	\$ 3,407,828
Leases, rents and fees			2,315,901	2,428,839	2,315,901	2,428,839
Operating grants			7,144	9,100	7,144	9,100
Capital grants			689,782	372,089	689,782	372,089
General Government Revenues						
Property taxes	\$ 63,088	\$ 59,598			63,088	59,598
Interest earnings	3,906	5,115	35,639	21,826	39,546	26,941
Other sources	-	-	42,097	10,880	42,097	10,880
Gain on sale of capital assets	-	-	-	29,312	-	29,312
Transfers	1,393,471	1,195,473	(1,393,471)	(1,195,473)	-	-
Total Revenues	1,460,465	1,260,186	5,313,981	5,084,401	6,774,447	6,344,587
Expenses						
Governmental Activities						
General government	314,220	345,534			314,220	345,534
Bridge repair and replacement	737,848	731,073			737,848	731,073
Interest on long-term debt	80,011	110,856	139,140	176,714	219,151	287,570
Business-type Activities						
Toll bridge			1,376,465	1,297,034	1,376,465	1,297,034
Industrial			1,318,992	1,464,853	1,318,992	1,464,853
Commercial			196,608	168,891	196,608	168,891
Waterfront Industrial			120,418	120,418	120,418	120,418
Waterfront Recreation			450,328	482,688	450,328	482,688
Marina			272,980	231,468	272,980	231,468
Airport			487,772	357,944	487,772	357,944
Administration			76,440	80,497	76,440	80,497
Maintenance			14,074	94,967	14,074	94,967
Total Expenses	1,132,079	1,187,463	4,453,217	4,536,902	5,585,296	5,724,365
Increase (decrease) in Net Assets	328,386	72,723	860,764	547,499	1,189,151	620,222
Beginning Net Position - Restated	6,775,870	6,722,458	29,857,357	29,658,988	36,633,227	36,381,446
Ending Net Position	\$ 7,104,256	\$ 6,795,181	\$ 30,718,121	\$ 30,206,487	\$ 37,822,377	\$ 37,001,668

Statement of Net Position

Net Position serves as a useful indicator of a government's financial position especially when viewed over multiple time periods. Port assets exceeded liabilities by \$37,732,377 at the fiscal year close, representing a \$730,709 increase over the prior year.

Table 1 depicts an increase in total assets of \$495,697, which is primarily attributable to a \$276,329 increase in cash and investments with a significant portion coming from tolls. The remaining difference is attributable to the recording of a net pension asset and infrastructure constructed.

The largest portion of the Port's Net Position, at 87%, are net investment in capital assets (e.g. bridge, land, buildings, and equipment) and reported net of accumulated depreciation less any outstanding related debt. 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 of \$718,650 represents cash and investments that are legally restricted for debt service related from the 2013 general revenue (Bridge) bonds. Finally, the remaining \$3,907,712 is unrestricted meaning it is available to meet the Port's ongoing obligations.

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, total Net Position of the Port increased by \$730,709 or 2% compared to the prior year.

Governmental Activities

The Net Position for governmental activities increased \$304,175 or less than 4.5% from the prior year. This increase is primarily due to higher interfund transfers from the enterprise fund to the governmental funds for capital improvements.

Financial highlights of governmental fund activities for the year include:

- Nearly \$328,499 in bridge capital improvements.
- Property taxes continue to increase close to 3% as projected.
- Debt service decreased in the first full year paying on the 2013 General Revenue Refunded bonds as the previous year payment was on both the 2003 and 2013 bonds.
- Depreciation increased by \$12,680 as capital improvements are placed into service in the current year and depreciation is recorded.

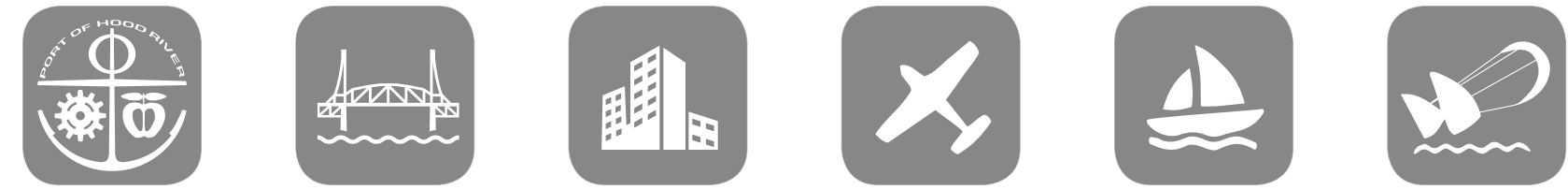
Business-type Activities - Business type activities generated a \$421,634 (1.4%) increase in the Port's total Net Position. The financial results for this year include a \$209,061 increase in toll revenues or 6.1%, of which bridge traffic accounts for 4.8% of the revenue increase. The remaining 1.3% relates to the reduction of discounts provided to customers for tickets and electronic tolling. This was offset by a reduction in lease revenues of \$112,938 brought on by the vacancy of the Expo Center and a tenant leaving the Big 7 facility. Capital grants were significant for the Port. A \$505,015 grant contributed to the \$819,230 Nichols Basin West Edge trail project, while a \$119,517 FAA grant was received for the airport master planning process. The overall net increase in revenues amounted to \$229,580. This was offset by increases in expenses of \$6,315 or 1.4% from the prior year.

Financial Analysis and Outlook:

The Port is involved in a variety of activities that contribute to the economic health and vitality of the community. The major source of funds for Port operations continues to be the Toll Bridge, accounting for 61% of operating revenues. Lease revenues should incur slight increases. The Port had a 95% occupancy rate as the year ended. Expansion of light industrial properties could provide additional financial resources. The Port receives property taxes that account for 1% of total revenues. Capital grants continue to play a vital role in how the Port develops its properties, which includes airport improvements, infrastructure along the waterfront, and light industrial properties. The Port receives an operating grant from the Oregon Marine Board to assist in the operations of the Marina. The Port continues to develop light industrial properties which may result in new tenants, jobs, and financial resources.

The Port looks at its business units in the following categories: Bridge, Leased Properties, Undeveloped Property, Recreation, Marina, Airport and Economic Factors.

Request for Information – A full Financial State of the Port with more detail can be found online at portofhoodriver.com. If you have questions about this report or would like additional information, please contact the Port's Chief Financial Officer Fred Kowell at fkowell@portofhoodriver.com.



PORT OF HOOD RIVER 2015 ANNUAL REPORT

Message from President Brian Shortt

Sitting at the table with my fellow Commissioners, it sometimes feels as though we are focused on short-term projects and gains. The reality is my colleagues and I are often thinking far into the future, knowing that careful planning and short-term steps help pave the way for long-term goals.

The early 2000s will go down in local history as a significant period of development on Hood River's waterfront. Within a relatively short time, the construction of the Halyard Building, development of Waterfront Park, and the Port's Waterfront Development Strategy spurred private development of several more new or refurbished light industrial and commercial buildings on the waterfront. Significant revitalization is occurring.

The Port of Hood River's role in the next decade will be equally—possibly more—transformative as the agency sets its sights on Lot 1 development and possible bridge replacement. As an economic development agency, it's important for Port Commissioners to plan for the future. To do so, we must understand where our community is now, where we are heading, and where our potential opportunities lie. Long-range planning requires examining community strengths, identifying resources and partners, and having ongoing dialog to strategize collaboratively about overcoming challenges. What do we want our community to be? How can the Port of Hood River help facilitate the vision, and who would be the proper partners to achieve success?

Take, for instance, the strength of youth robotics and local STEM (science, technology, engineering, math) programs in our community. How could our youth be better equipped to creatively solve future technological needs of local industries, like agriculture? Who would the appropriate partners be for that discussion—our local school district, community college, OSU Extension Center, local industry leaders and associations, other government agencies?

Hood River will continue to be a desirable place to live, work and visit. However, local

challenges with affordable housing mean our kids must be educated for careers and trades that match our environment in hopes they may eventually build their homes here. With foresight and coordination among agencies and private businesses, the Port can partner to unravel some community problems, strengthen our programs, and outline a vision for Hood River County's future economy.

Coalition building is about identifying partners and fostering collaborative actions to achieve success. The OneGorge Advocacy Group is an example of a grass-roots coalition that, in a relatively short time, has already delivered real results in actions addressing regional issues.

OneGorge supported the Port's efforts to strategize about long-term replacement of the Hood River White Salmon Interstate Bridge. The bridges of the Gorge are critical infrastructure for our regional economy. With short-term steps, our community may soon be in a coveted position: eligible for federal funding for bridge replacement. Covering the cost of assessments and planning efforts to continue momentum toward a new bridge are parts of the Commission's more immediate discussions towards this end.

Where are we now? Where do we want to be? How can we get there? These are questions Port Commissioners frequently consider in the pursuit of progress. Often responses to challenges include strategic collaboration and multiple short-term activities with intention toward

accomplishments for long-term solutions.

Sincerely,
Brian Shortt, Port Commission President

2015 Year in Review



Joint meeting, Ports of Hood River and Cascade Locks

JANUARY

- Classic Wings Aero Services, the Fixed Base Operator (FBO) at Ken Jernstedt Airfield since 2009, extended their operator agreement for five more years.
- The Ports of Hood River and Cascade Locks held a joint meeting, discussing their respective bridges, capital plans, tolling technology, and advocacy efforts for regional issues.
- An Inter-Governmental Agreement (IGA) with the City of Hood River was approved for planning services associated with the Waterfront Refinement Plan.
- The Pedestrian Bridge, on a 5-year inspection cycle, was examined by Extreme Access Inc.
- The Nichols Basin Trail bid opening resulted in an apparent low bidder, Crestline Construction.
- David McCurry of HDR Engineering presented project goals and objectives for a Lift Span Inspection and Rehabilitation Planning Project.
- The Hook Launch Project was awarded to Crestline with work to begin late January.
- Sheppards signed a Disposition and Development Agreement (DDA) with the Port for purchase of 1.93 acres of waterfront property located at Riverside Drive and N. 2nd Street.

please see Year in Review on page 2

2015 Year in Review continued

FEBRUARY



Hook Launch

The Port Commission approved a combined lease to pFriem Brewing Co., LLC for Suites 101, 102 and 103 of the Halyard Building. With the patio area, the company's lease totaled 14,766 feet.

A contract with A&E Heating and Air, Inc. for HVAC unit replacement in the Jensen Building was approved by the Port Commission, at a cost of \$24,830.

Perimeter stones were installed at the Hook Launch ramp in preparation of a concrete pour.

MARCH

A structural analysis of the upper and lower Event Site docks was completed by KPFF Consulting Engineers, finding good overall condition of structural elements, and a limited number of recommended repairs.



Event Site Docks

Sheppard's representatives presented a conceptual design for a new 20,000 s.f. light industrial building for Sheppard's Farm Equipment Supply facility.

Gorge Electric was hired by the Port to complete a Lighting Upgrade in the Big 7 Building at a cost of \$9,890.

The Port entered into a contract with WalkerMacy for conceptual planning for Lot 1, with the intent of eventually preparing a subdivision plan with development objectives and strategy for Lot 1 for planning services at a cost up to \$65,000.

A contract was awarded to Blackline, Inc. for Slurry and Crack Seal at various Port properties totaling 24,067 square yards of asphalt at Event Site and Boat Launch, not to exceed \$67,803.

A contract with Eastside Paving, Inc. in the amount of \$168,279 was approved for 9,377 square yards of asphalt overlays at various Port locations.



Pedestrian Bridge Trail

APRIL

The Port Commission held its Spring Planning Work Session on April 9, covering overviews of current building assets analysis, future building development priorities, bridge tolling technology, actions for future bridge replacement, regional advocacy and lobbying, waterfront recreation.

The Port Commission approved an increase in Event Site parking fees for the summer of 2015 to help offset waterfront recreation services and maintenance costs. Daily passes for standard vehicles rose from \$5 to \$6, and oversized vehicles from \$10 to \$15.

The Port Commission approved a contract with Gorge Electric for on-call services on the Hood River bridge.

MAY

The Port of Hood River began its annual series of Budget meetings on May 5. The Port's budget is a key document by which Port Commission policy and project direction is planned and implemented.

Marina Moorage Rules and Regulations were updated, and key changes included requirement of 60-day termination notices, and utility fees modifications.

Completion of the Pedestrian Bridge Trail project resulted in improved connections between the Pedestrian Bridge and Button Bridge Road.

Halgren & Associates completed an assessment of Hood River Marina which Larry Halgren presented to the Port Commission, with recommendations and priorities to inform operational decisions and improvements.

Construction of Nichols Basin Trail continued, including the concrete trail, seat walls, and landscaping installation of the irrigation system.

A ribbon cutting for the new Hook Launch was held with representatives from Columbia Gorge Windsurfing Association, the Hood River County Chamber of Commerce, Hood River Valley Parks and Recreation District, and the Port of Hood River.



Nichols Basin Trail



Art of Community

JUNE

Jeff Pickhardt of Key Development updated the Port on planning, permitting and architectural design progress on three buildings proposed for the Expo property as part of the company's DDA with the Port. Design approval was also granted for the new Turtle Island Building.

A License Agreement was approved with Gorge Networks for the installation of conduit and fiber optic line on Port waterfront properties.

JULY

P-Square Solutions was awarded the contract for a Tolling System Upgrade for the Hood River bridge.

A sponsor agreement with Art of Community was approved by the Port Commission that included the use of six art installations on Port property.

The Port of Hood River closed on property at the Lower Hanel Mill site in anticipation of site development. The Port also approved contracts with Vista GeoEnvironmental Services for civil engineering.

AUGUST

The Port approved committee assignments for internal committees that include Airport, Budget, Finance, Personnel, Waterfront Recreation and Marina Ad-Hoc.

Rick Williams Consulting presented an evaluation of parking issues to the Port Commission, plus possible response strategies for the Hood River Waterfront.



BreezeBy account holders totaled 8,000.

The Port of Hood River adopted a resolution regulating tobacco and inhalant use at all Port facilities and grounds.

Mike Zilis of WalkerMacy presented revised conceptual plans for Lot 1 based on Commission and staff feedback, seeking input on various issues.

WEBLINK



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Marina Receives 100% Clean Score

Facilities Manager John Mann reported on the recently completed Fracture Critical Inspection of the bridge by David Evans & Associates, which noted priorities for repairs and maintenance.

OneGorge coalition advocacy awareness and participation grows, with over 100 members.

SEPTEMBER

The Port received word that Oregon Parks and Recreation Department ranked the Hook Waterfront Trail project #1 out of 34 projects for their Local Government Grant program, carrying a \$25,895 award.

A public Open House on Lot 1 was held on September 15 to share design concepts and receive public comment on development for this site, and its role as a visible waterfront property. WalkerMacy's next steps are to prepare infrastructure cost estimates and a draft subdivision plan for Commission discussion.

The Port of Hood River approved a contract with Gorge Web Design for a Port website upgrade.

Port staff worked on the bidding process for the Lower Mill Site, focusing on two projects: excavation and stockpile of material, and grade and fill.

Anne Medenbach, Port Development and Property Manager, led a tour of the waterfront for the County Planners of Oregon.

The Hood River Marina was recertified as a State of Oregon Clean Marina, receiving a 100% score from the Oregon State Marine Board.

OCTOBER

Seal coating of the Marina and Event Site parking lots was completed.

Pacific Northwest National Labs installed a weather station on Lot 1 which gauges temperature, wind direction and speed, solar radiation, and humidity, with a live feed to portofhoodriver.com.

The City of Hood River completed its Site Plan Review application for the Expo Light Industrial buildings.



Airport Master Plan Nears Completion

The Port applied for a grade and fill permit and minor partition application with Hood River County to complete necessary permitting for the Lower Mill site.

CenturyWest prepared the final draft of the Airport Layout Plan, and reported the Airport Master Plan was 85% complete.

Maintenance welding of the bridge deck was completed, and rumble strips were installed near the Toll Booth.

The Port Commission voted to discontinue the sale of bridge tickets on January 1, 2016 as it migrates to a new tolling system without ticket purchase/sell capabilities.



Lower Mill Excavation

Westech Construction was hired by the Port for the Lower Mill site excavation, sort and stockpile project at a cost of \$78,000 which began October 12, resulting in removal of 29,000 cubic yards of volume.

Agreements were approved for eight kiteboard, windsurf and SUP instruction and rentals concessions for the 2016-2020 seasons on Port of Hood River waterfront properties.

NOVEMBER

Various tasks related to a recent vessel strike on the Hood River Interstate bridge were underway, including engineering evaluations, a USCG investigation, insurance coordination, and media relations.



Event Site Concessions



Lift Span Damage

The Port Commission held its Fall Planning work session to discuss financials, long-term bridge replacement planning, real estate development strategies for the Lower Mill site and Lot 1, Marina, Airport, and its Strategic Business Plan project updates.

A lift span inspection carried out on November 20 resulted in damage to the bridge deck and span guides, requiring repairs before the lift span can be raised safely.

Oregon Business Magazine published an article in its November/December issue about the Port of Hood River titled "A Waterfront Awakens."



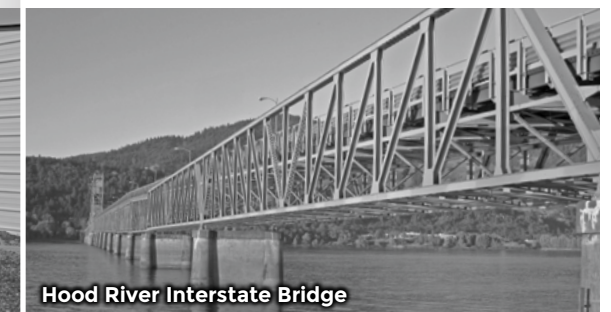
DECEMBER

The Port Commission approved a purchase agreement for neighboring property at the Lower Mill site in Odell.

A draft Final Development Plan for Lot 1 on the Hood River waterfront was presented to the Port Commission by WalkerMacy.

The Port received news that language on National Scenic Areas was included in the final transportation legislation, Fixing America's Surface Transportation (FAST) Act.

The Hook closed in order for the City to complete its new sewer outfall project, with plans to construct a trail to the new Hook Launch as the final element of the project.



Hood River Interstate Bridge