



# 2011 ANNUAL REPORT OF HOOD RIVER

## Message from President Jon Davies

The Port of Hood River is already working hard in 2012. That simple statement yields insight into the makeup and fabric of the current Port staff, commissioners, committees and stakeholders.

Hard work has resulted in numerous, well-documented Port successes this past year. However, the real test of our success is yet to come. New construction makes for great headlines, but the value to our community comes when buildings are occupied by businesses paying fair wages. Hence a large part of the Port's focus this year will be the execution of recently started projects. I'm a believer that good things happen as a result of hard work and solid planning. We are fortunate to have a staff, led by Executive Director Michael McElwee, who understands this concept. Staff members should be proud of their work, even as they strive to improve. The Commission's hope and responsibility is that staff will manage construction projects, manage recreation and marina facilities, offer good customer service at the Bridge, and manage the airport and real estate property at a very high level. I'm confident that we have the people in place to ensure the Port's level of operations is optimum.

The Commission is working hard as well. In my estimation the current board has broad and diverse influences, yet discussions are thoughtful, respectful and challenging. Our newest member, Brian Shortt brings a wealth of experience and new ideas. Rich McBride truly studies the issues at hand. Long-time Commissioners Hoby Streich and Fred Duckwall speak with the authority that comes with 11 years of experience. It's interesting to note that three of our five Commissioners, including myself, have less than three years experience. While new Commissioners offer fresh ideas and enthusiasm, it's important to strike a balance with historical perspective. If it weren't for the dedication of past Commissioners and staff, we wouldn't have the broad understanding and vision to guide our work today.

The Port encompasses a large number of varied operations and mandates. As we look forward to 2012, exciting things will be happening on all fronts. Bridge painting, Airport runway shift, new tenants in the Halyard building, new buildings from Key Development, improvements at the Marina, and a sorely needed remodel for the Chamber of Commerce building, just to name a few. At the same time, the Commission will begin to tackle important long-term planning issues. We anticipate planning work regarding the Nichols Boat Basin and proposed cable park, along with the last undeveloped parcel of waterfront land known as Lot 1. These are key areas for the Port and the community. It's important to approach both with open minds and a long-range outlook.

The Commission and staff work to further the interest of the Port and community as a whole. Input is always welcome. I encourage all community members to offer input on issues related to the Port. It's easy to do and I can assure you that every letter, e-mail or message is read and valued. Meetings are open and you are always welcome to come and see what your Port is up to in 2012.

Sincerely,  
Jon Davies, Port Commission President

## Port Commissioners

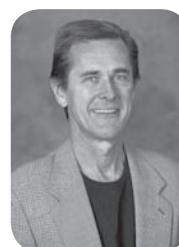
The five Commission board members of the Port of Hood River are called Commissioners and are elected to five designated positions by the voters of the Port of Hood River District. Each Commissioner serves a four-year term of office which begins July 1 of the year elected.



**Fred Duckwall**  
Position #1  
Commissioner since 2001



**Jon Davies**  
Position #2  
Commissioner since 2009



**Rich McBride**  
Position #3  
Commissioner since 2011



**Brian Shortt**  
Position #4  
Commissioner since 2011



**Hoby Streich**  
Position #5  
Commissioner since 2002

## 2011 Year in Review

### JANUARY

- Rich McBride was appointed to Port Commission Position #3 in a special meeting to replace the seat vacated by Kathy Watson's resignation.
- Tenant improvements began in the Jensen Building to prepare space for ServPro. Hale Construction performed the work. ServPro vacated space in the UTS Building, which was purchased by Key Development for Hood Technology in late 2010.
- The Port received \$28,750 from the Energy Trust of Oregon for the Halyard Building's solar system.
- Engineer Stu Cato updated the utility diagram for the Waterfront to provide information for upcoming construction projects.



### FEBRUARY

- Jeff Pickhardt of Key Development provided development updates to the Port Commission on Lots #2, #7, and #8 at Waterfront Business Park.
  - The Port Commission approved Gorge Networks' lease amendment request, which brought the tenant's leased space in the Big 7 Building, to 4,031 feet.
- The Port also approved leases with Nancy Tamura and Insitu.



*please see 2011 on page 2*

continued from 2011 on page 1

■ Port Executive Director Michael McElwee was the guest speaker at Hood River Rotary Club meeting, in which he presented the status of Port activities and projects.

■ Construction of the Halyard Building's monument sign was completed by Mike Byrne Masonry.

■ The Port received a "clean" audit report for FY 2009-10 from Onstott, Broehl & Cypers, PC. An audit report relays an opinion whether the Port's accounting reports accurately reflect the agency's financial position.

■ The Port approved a contract with Richard Brown Architects for tenant improvements for a potential tenant for the Halyard Building.

■ Concept drawings for a new Frontage Rd. Multi-Use Pathway were created by landscape architects simpl. The project would connect the pedestrian bridge to the new exit 64 interchange area.

■ Group Mackenzie submitted a Lot #1 Traffic Analysis to the Port of Hood River. The study evaluated the potential traffic impact of a campus-scale development at the site to be incorporated in ODOT's Interstate Access Management Plan.

● Crestline Construction completed the Event Site beach and jetty repair projects during the Corps of Engineers in-water work window.

## MARCH

■ A lease addendum for an additional 4,000 square feet was approved for High Seas III, more commonly known as Maritime Services Corp., at the former Western Power building. The addition brings the total space leased to 28,270.



New parking plan approved for Event Site area

■ Port Executive Director Michael McElwee attended the Pacific Northwest Waterways Association meeting at Port of Vancouver.

■ HNTB Engineer David McCurry presented a Long Term Operations Model for the bridge to the Port Commission. The scope of work included estimating the useful life, capital repair and replacement costs, and maintenance assumptions under three different deterioration scenarios.

## APRIL

■ The Port's Spring Planning Work Session covered overviews of Port finances, property and facilities—including the bridge, Waterfront Business Park, waterfront recreation sites, marina basin, airport—plus policy, and strategy.

● The Port Commission weighed multiple parking changes in the Event Site area, and agreed on a new parking plan. The Commission also decided to offer annual Event Site parking passes at discounted rates through May 31.

■ A second Turtle Island Foods lease for space in the Jensen Building was approved by the Port Commission, including tenant improvements, resulting in a fully leased building.

■ The Port budget committee held its annual meeting and approved the Fiscal Year 2011-12 budget, which anticipated a bridge toll increase to cover expected capital improvements.

## MAY

■ New signage at the Event Site, Nichols Basin and Marina Beach was installed, and temporary policies regarding kiteboard launching and landing to address high water conditions were approved.

■ Jeff Pickhardt of Key Development reported to the Port Commission that Lot #8, the former UTS Building, would be completed this summer and would seek LEED Gold certification. Pickhardt also asked the Commission to consider selling Lot #3 to his company for development of an office/commercial building.

## JUNE

■ A new electronic key card system was installed at the Port of Hood River Marina.

● Summer Event Site hosts John and Sharon Chow began weekly reports to the Port.

■ The Port Commission voted

to have temporary kite use at the Marina Beach expire on June 30, and to extend temporary use at the Event Site through July 31.

■ Port Commissioner Sherry Bohn was recognized for 10 years of service to the Port of Hood River at her final Port Commission meeting.

## JULY

● Real Carbon became the first Halyard Building tenant, following tenant improvements to the west end of the building.

■ Commissioners Brian Shortt, Rich McBride and Hoby Streich took the Port Commission Oath of Office at the first meeting for the Commissioners' new terms.

■ Bids for the Hood River Interstate Bridge Lower Chord painting project were opened.

## AUGUST

● The Hood River Interstate Bridge painting project begins on the northern end at an estimated cost of \$250,000 per span.

■ The Port of Hood River Commission evaluated options for the Marina Office Building and decided to make necessary improvements to extend the useful life of the building another 10-15 years.



Michael McElwee (2nd from left) looks on as Joe Smith (left) of KGW Channel 8 News interviews Seth Tibboitt (right) of Turtle Island Foods. Jeff Pickhardt of Key Development also looks on.

■ Renovations to the former UTS Building on Lot #8 were completed for Hood Technology.

● Port Executive Director Michael McElwee was on Channel 8 News discussing the Turtle Island Foods development at Waterfront Business Park, as well as other waterfront development projects.

● The Port of Hood River weighed in on ODOT's Interchange Access Management Plan and recommended changes for the Exit 63 area based on waterfront development plans, prior to the City of Hood River's approval of the draft plan.

## SEPTEMBER

■ The Port Commission authorized the purchase of bicycle racks for Mt. Adams Transportation's fixed route shuttles across the Hood River Interstate Bridge.

## OCTOBER

● The Port Commission supported a Memorandum of Understanding to recognize regional efforts for the SR-35

■ A Disposition and Development Agreement (DDA) was approved for the sale of Lot #3 at Waterfront Business Park to Key Development for the construction of a commercial building.

■ The Port Commission approved a community outreach program for the potential bridge toll increase

that included local media, the Port's web site, the BreezeBy program electronic notification system, and the Port's newsletter.

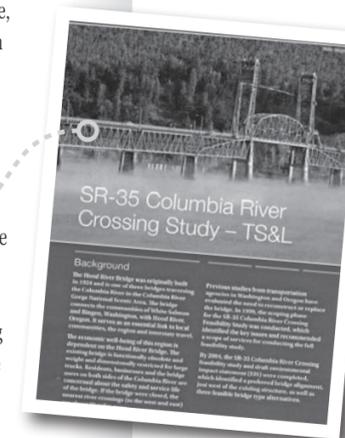
Columbia River Crossing Study, and the possibility of cooperation work for the future replacement of the Hood River/White Salmon bridge.

■ On October 18 the Port of Hood River Commission authorized a bridge toll increase, raising the toll from 75¢ to \$1 for standard vehicles, effective January 1.

## NOVEMBER

■ The Port's Fall Strategic Planning Work Session agenda included the Port's Strategic Plan, Administration, Development, Recreation, Bridge, Transportation, and the Airport. Important discussions included Lot #1 Planning at Waterfront Business Park, Marina Commercial Area Planning, and the 2012 Waterfront Access Plan.

■ The Port approved a design plan submitted by Dean Cameron for a new building at Wasco Business Park.



## DECEMBER

■ Oregon State Representative Mark Johnson invited Gov. John Kitzhaber to Hood River to review economic development projects and participate in a roundtable discussion at the Port of Hood River conference room.

■ A second amendment was approved for the DDA of

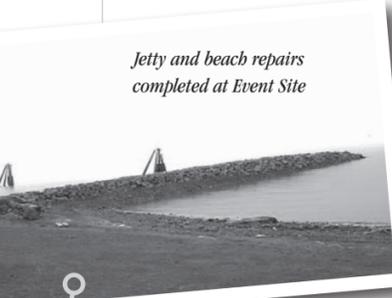
Lot #2 at Waterfront Business Park, which allowed for a winter-time project shut down.

● Free toll bridge crossing was permitted from 8 p.m. Christmas Eve to 4 a.m. Dec. 26.

■ The Port exercised its right to purchase a parcel of land at No. 2nd Street and Riverside Drive from Hood River County for the appraised value of \$270,000, plus closing costs.

● The Port approved a Memorandum of Agreement with Hood River County for the Orchard Road

Vacation and Form of Farm Access Agreement.



Jetty and beach repairs completed at Event Site



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# Financial State of the Port *This discussion and analysis of the Port of Hood River's financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2011.*

## The Port of Hood River categorizes all of its activities within three funds.

- **General Fund** accounts for all of the activities that are related to governmental activities. The revenues are from property tax receipts and the expenditures are related to governmental activities. Property tax receipts are insufficient to pay all of the governmental related expenditures, so there is a transfer from the Revenue Fund for the difference.
- **Bridge Repair and Replacement Fund** is designated as a capital projects fund to segregate the revenues and expenditures related to Toll Bridge Capital Improvements. The sources of revenues for this account are grant monies, bond receipts, and dedicated revenue from the 1994 toll increase. This dedicated revenue is a transfer from the Revenue Fund. The expenditures for the fund are those charges that are identified with Capital Improvement Projects that extend the useful life of the toll bridge.
- **Revenue Fund** accounts for most of the Port's activities as they are business-type activities. The major revenues are from bridge tolls and leases and rents from tenants. The revenues and expenditures are identified and allocated to asset centers grouped by activity.

## Highlights of the year ended June 30, 2011.

- The Port has made a significant investment in capital projects in the last two years. This year saw the completion of both the Halyard Building and Anchor Way on the waterfront.
- The Port is ahead of schedule on sale of properties in the Waterfront Business Park. The sale of the UTS Building occurred in December and two of the vacant lots were expected to close in June but will actually close in July 2011.
- Overall occupancy rates in Port buildings are high. There is limited space availability for new tenants.
- Planning and a significant proposal have been made to re-purpose the Expo Building for Dakine through Burleigh Point Limited. This project is dependent upon the company's approval and successful negotiations in the next fiscal year.
- Final engineering and preparations were completed for the first phase of the Bridge Painting Project. This project was advertised in June of this year and the contractor will begin painting in August of 2011. This is a significant project for the bridge.
- Realizing that the Port must anticipate significant capital expenditures to preserve the long-term viability of the Hood River Bridge, a Long-term Planning effort was undertaken. Through this modeling, it was determined that a toll increase would be necessary to assure adequate funds for future projects.

## Asset Areas

The chart below illustrates the sources of revenues for Port operations.

**Bridge:** Although the bridge operations continue to be the main source of revenue, toll revenue decreased by 2% over last year and operations increased by 3%. Part of the reduction in toll revenue is an increase in discounts as more patrons switch to the discounted electronic tolls. The 3% increase in expenditures is the result of professional services for engineering of the bridge painting project and a long-term (30-year) operations plan for the Hood River Interstate Bridge. That plan was based

on the premise that the Port should take all reasonable means to keep the bridge operating for as long as possible. It identified a specific list of capital improvements that the Port must anticipate well into the future. Because of these long-term capital needs, and the need for additional attention to regular maintenance, repairs and inspections, the budget for FY 11/12 assumes implementing a toll increase in January.

**Leased Properties:** Lease revenue increased about 18% over last year as a result of increased occupancy in all of the buildings. The occupancy rate is for all Port leaseable properties is 95% excluding the new Halyard building. To facilitate some of the new leases tenant improvement projects were completed in the Big 7 Building, the Jensen Building and the Halyard Building. The first lease in the Halyard building will commence on July 1, 2011. Utilities and maintenance also increased as a function of the increased occupancy. Most of the utilities expenses are pass through to the tenants and included in the lease revenues.

**Undeveloped Property:** Two lots of the new subdivision have sold and will close in July 2011. The potential sale of an additional lot in 2011 will require the completion of Portway Avenue improvements per conditions of the subdivision approval. Planning will begin on the last remaining undeveloped parcel, known as Lot 1, east of Second Street.

**Recreation Property:** The waterfront recreation sites continue to receive heavy use from a variety of activities June through August. There was little change in operating revenues and expenses with the exception of the reconstruction of the jetties at the Event Site.

**Marina:** Marina revenues increased by 23% as a result of the CPI adjustment in moorage rates and the full year of lease revenue from the C-dock expansion completed last year. Although we continue to have a waiting list there are currently no plans for more slips.

**Airport:** Work started on the vacation of Orchard Road which is necessary to shift the main runway to meet FAA standards. This project is funded with a 95% grant from FAA. All hangars at the airport are occupied, with little change in day-to-day operations.

**General Fund:** The general fund remains constant, accounting for activities related to being a public agency. Property taxes are accounted for in this fund and continue to account for about 1% of the Port's operating revenues.

## Financial Health of the Port of Hood River

In the basic financial statements, the assets of the Port exceeded its liabilities for governmental and business-type activities at June 30, 2010 by \$4,699,165 and \$27,434,885, respectively. The Port's net assets decreased \$672,667 in the governmental activities mainly because of depreciation expense and debt service expenditures in the current period. In the revenue fund, operating revenues of \$4,438,215 (an increase of 6% from the prior year) exceeded operating expenses of \$3,637,311 (an increase of 14.7% from the prior year) by \$800,904 (operating income). With total net non-operating expenses of \$127,273 and net capital grants and transfers of \$250,730 subtracted from operating income of \$800,904, the increase in net assets was \$422,901. These net non-operating expenses and net capital grants and transfers are significantly different than the prior year because of increased interest expense from new long-term debt and also grant income that varies from year to year. Overall the net assets of the Port decreased \$249,766 during the current fiscal year.

The Port's investment in capital assets includes land, land improvements, buildings and improvements, bridge and improvements, construction in progress, and equipment. As of June 30, 2011 the Port had invested \$26,176,435 in capital assets, net of depreciation and related debt. Of this amount, the governmental balance was \$3,548,035 and the business-type activities balance was \$22,628,400. The Port had \$16,265 of new capital assets in the Port's governmental activities during the year. Also the Port's general fund transferred its capital assets to the Port's revenue fund during the current fiscal year. Cost of the Port's business-type capital asset activity increased \$2,650,594. This includes land transferred from the general fund of \$851,795, land improvement additions of \$346,566, building and improvement costs of \$1,204,917, equipment additions of \$4,830, and construction in progress costs of \$242,486.

	2011		2010		2009		2008		2007	
		Income								
Interest	1%	33,159	1%	52,770	4%	164,338	8%	343,760	12%	506,135
Tolls	58%	2,668,498	61%	2,695,552	59%	2,564,321	57%	2,529,863	61%	2,504,336
Leases	29%	1,348,600	26%	1,147,464	24%	1,058,768	20%	890,311	16%	667,377
Airport	4%	174,978	3%	148,395	3%	120,497	3%	110,205	2%	102,006
Moorage	4%	163,963	3%	133,640	3%	127,183	2%	109,926	3%	112,387
Taxes	1%	56,236	1%	51,318	1%	49,970	1%	47,842	1%	45,570
Other Income	1%	42,587	0%	11,560	1%	25,801	1%	57,409	1%	25,371
Recreation	2%	84,983	2%	83,751	2%	81,361	3%	111,440	3%	139,798
Operating Grants	0%	6,125	2%	66,758	4%	168,578	5%	203,786	0%	5,950
<b>Total Income</b>		<b>\$4,579,129</b>		<b>\$4,391,208</b>		<b>\$4,360,817</b>		<b>\$4,404,542</b>		<b>\$4,108,930</b>
<b>Expenses</b>										
Personnel	40%	1,319,860	44%	1,291,973	36%	1,214,454	37%	1,189,920	41%	1,102,810
Utilities	12%	396,029	10%	286,831	9%	293,881	8%	261,911	10%	266,251
Maintenance & Materials	17%	555,861	15%	449,373	16%	531,974	18%	559,998	11%	302,214
Professional Services	8%	275,447	7%	213,623	18%	615,103	14%	449,650	10%	278,739
Interest Expense	10%	324,840	8%	230,653	7%	239,102	8%	259,450	10%	261,400
Insurance	7%	233,330	8%	229,122	6%	214,384	6%	205,886	9%	238,197
General Fund	7%	223,175	7%	216,929	7%	228,996	8%	263,558	8%	227,281
<b>Total Expenses</b>		<b>\$3,328,542</b>		<b>\$2,918,504</b>		<b>\$3,337,894</b>		<b>\$3,190,373</b>		<b>\$2,676,892</b>
<b>Net Operating Income</b>		<b>\$1,250,587</b>		<b>\$1,472,704</b>		<b>\$1,022,923</b>		<b>\$1,214,169</b>		<b>\$1,432,038</b>

TABLE 1 - NET ASSETS

	General Fund		Bridge Fund		Revenue Fund		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Current and Other Assets	20,798	17,797	1,165,953	854,444	5,393,582	5,605,788	6,580,333	6,478,029
Capital Assets	7,000	927,651	8,291,036	8,861,723	25,122,351	24,566,547	33,420,387	34,355,921
Total Assets	27,798	945,448	9,456,989	9,716,167	30,515,933	30,172,335	40,000,720	40,833,950
Long-Term Debt	-	-	4,750,000	5,250,000	2,493,951	2,247,297	7,243,951	7,497,297
Other Liabilities	-	-	35,622	39,783	587,097	913,055	622,719	952,838
Total Liabilities	-	-	4,785,622	5,289,783	3,081,048	3,160,352	7,866,670	8,450,135
<b>Net Assets:</b>								
Invested in Capital Assets	7,000	927,651	3,541,036	3,611,723	22,628,400	22,319,251	26,176,436	26,858,625
Restricted	-	-	700,000	710,000	-	-	700,000	710,000
Unrestricted	20,798	17,797	420,331	104,661	4,806,485	4,692,732	5,247,614	4,815,190
<b>Total Net Assets</b>	<b>27,798</b>	<b>945,448</b>	<b>4,661,367</b>	<b>4,426,384</b>	<b>27,434,885</b>	<b>27,011,983</b>	<b>32,124,050</b>	<b>32,383,815</b>

At the end of the current year, the Port had total long-term debt in the governmental activities of \$4,750,000, consisting of revenue bonds payable. During the current fiscal year, the Port's long-term debt in their governmental activities decreased \$500,000. The Port also had a note payable in the business-type activities for the purchase of a building. The note payable at the end of the year is \$2,213,951. During the current fiscal year the Port entered into a lease agreement with the Special Districts Association of Oregon Flexlease program. The Flexlease payable at the end of the year is \$280,000. During the current fiscal year, the Port's long-term debt in their business-type activities decreased \$43,346.