

MINUTES
PORT OF ASTORIA
REGULAR COMMISSION MEETING
AUGUST 19, 2008

Chairman Larry Pfund called the Regular Meeting to order and took roll call.

Commissioners present: Larry Pfund, Bill Hunsinger, Kathy Sanders and Floyd Holcom.
Dan Hess is excused.

Staff present: Jack Crider, Ron Larsen, Rita Fahrney, Colleen Browne.

Others present: See sign-in sheet.

MINUTES: Special Meeting, July 8, 2008; Regular Meeting, July 15, 2008 and Special Meeting, July 22, 2008. Chairman Pfund reported two corrections have been made on the minutes of the 7/22/08 minutes, which have been distributed for review. The minutes of the 7/15/08 Regular Meeting are before the Board tonight for consideration or they can be deferred to the next meeting for approval. It was decided to review and act on all minutes at this time. Following review, Commissioner Sanders moved to approve the aforementioned meeting minutes with corrections noted. Commissioner Hunsinger seconded the motion. The motion carried unanimously. Commissioner Holcom inquired how questions from the public are answered when they are brought up during Public Comment. Jack Crider explained staff and board members attempt to answer questions when they are received and commission members can also direct staff to follow up on public comment questions.

VOUCHERS/FINANCIALS FOR THE MONTH OF JULY 2008. Finance Manager, Colleen Browne, reported the Board will be making a motion on the "Transaction list by vendor" Journal that shows checks written. Aging of Accounts is included in their packets, along with notations from staff. A profit/loss sheet by department is included. Browne reported there is no Balance Sheet until she completes conversion of software, which is going smoothly. Chairman Pfund thanked Colleen for taking a complex situation and making it understandable to the board. Commissioner Holcom moved to approve the vouchers and financial reports for the month of July. Commissioner Sanders seconded the motion. The motion carried unanimously.

PUBLIC COMMENT. Chairman Pfund called for public comment. Lori Durham asked if any calls had been received about the air carrier service proposals controversy. Jack Crider stated he had received one call. A dozen people or so were on hand when SeaPort Air brought an aircraft in for presentation. Some discussion followed on pressurization and flying at low altitudes, which does not require pressurization. Durham also inquired about the FAA hearing on the height on LNG's in the airspace and if the Port Board can challenge any decision. Ron Larsen explained the FAA would make available a public comment period to allow for community input prior to any decision being made.

AUDIT FOR FISCAL YEAR 2006/2007. John Carlson, Port Auditor, reported he has completed a one-year audit for the Port of Astoria for fiscal year 2006-2007. Beginning balances for the audit appeared to be incorrect and after review he has re-established beginning balances. The process has been a culmination of work with Colleen Browne, and more recently, with Jack Crider. Carlson reported issues relating to the delay of the audit included turnover of staff and commission members and shortage of staff to conduct daily business all contributed. He encouraged the board members to read the Auditor's Comments and Disclosures, as required by Oregon State Regulations contained in the back of the audit.

Carlson called attention to page 9 of the audit – the Balance Sheet, showing restricted assets at \$903,000. There remains a two-year debt service on the bonds. The bonds will be paid off in five years. On page 21 \$14,283,485 has been deleted in property and equipment. Net of depreciation is \$40,586,591. The Port completed and capitalized three large construction projects (Lektro, West Basin and Bornstein Seafoods).

Carlson briefly reviewed the Schedule of Bonds, Long-Term Debt and Interest Transactions on pages 36-38 of \$14,200 net difference – adjustments were to correct beginning note balances to actual. The Schedule of Future Requirements for retirement of bonded and other Long-Term debt shows a total remaining principal of \$20,000,000 and interest of \$7,783,000. Total Port obligation is \$27,786,412.

Budgetary issues on page 28 show a deficit (over-expenditures) of \$456,655 in the General Fund. The Bond Interest and Redemption Fund is positive \$361,681. The Special Revenue Fund is positive \$325,821 resulting in a "Budgetary" basis position of \$672,630 with a fund Balance of all funds combined ending at \$1,654,689.

Discussion followed on supplemental budget requirements and procedures. No supplemental budget was approved for fiscal year 2005-2006. John Carlson ended his report summarizing his management comments on pages 39 and 40, highlighting issues that need to be addressed. He reported he found a significant deficiency related to the reporting of financial data. The Executive Director at the time, before he was relieved of his duties in February 2007, had assumed many duties. He was executive director, chief accountant, preparer of interim and year-end financial statements, budget officer, and also managed three large capital construction projects. Considering the size of the organization, he was doing the work normally expected of three or more full time employees. It appeared inadequate time was spent in education and training to understand generally accepted accounting principles, and Oregon budget laws. Two months after the departure of the director, the bookkeeper also ceased employment at the Port. The Port has now hired a new accountant who has a good knowledge of generally accepted accounting principles but lacks education and experience with governmental accounting and reporting standards. He recommends the Port consider hiring a new "Chief Financial Officer" in addition to the new director. Another option would be to hire an outside service. Their cost is high, but the Port may get "more bang for their buck".

Carlson went on to state he found the Port over-expended two appropriated line items in the General fund – Personal services was over-expended by \$178,051 and Materials

and Services was over-expended by \$309,475. There is no accounting of an actual supplemental budget being approved. Commissioner Holcom inquired about grant breakdowns. Carlson stated no new grants were received in that year's fiscal budget. Holcom also asked about how the bad debt decisions are made. Jack Crider stated practice is that if they are deemed to be uncollectable they are written off otherwise the entity is carrying an asset that will not be received, reflecting inaccurately on overall budget numbers. More discussion followed.

Commissioner Holcom moved to approve the audit of the Port of Astoria for fiscal year 2006-2007. Commissioner Hunsinger seconded the motion. The motion carried unanimously.

RESOLUTION 2008-19 OREGON CONNECT II GRANT. The Port applied for and received a \$673,920 Grant and \$300,000 loan from the State through the Connect Oregon II process. The Port's project is to upgrade and expand the Face of Pier Two. The Port will also be responsible for 2% of the 20% match for the project plus a 2% fee for the grant and loan amounts. The amounts are included in this year's budget. Commissioner Sanders moved to approve Resolution 2008-18 accepting the Connect Oregon II Grant Agreement #24919 for Pier Two Face Upgrade. Commissioner Holcom seconded the motion. The motion carried unanimously.

RESOLUTION 2008-20 AIRPORT MASTER PLAN. Jack Crider reported Ron Larsen presented the Airport Master Plan at last week's special meeting. It is a standard, good plan that is ready for Board action. Commissioner Holcom asked about the military numbers that were needed for the plan. Larsen stated they are being assembled. Commissioner Holcom moved to approve Resolution 2008-20 Approval of Airport Master Plan subject to pending numbers. Commissioner Hunsinger seconded the motion. The motion carried unanimously.

PASSENGER AIR SERVICE SELECTION

Port Director, Jack Crider, reported the City of Newport's six council members did not make a decision at their recent meeting to reject air service proposals and start over, or to select a proposal. Their board decided to again discuss the options at their meeting to be held September 4, 2008. He suggested it is time for the Port Commission to come up with a decision on air carrier service options. Three options:

- 1) Reject all proposals, start over;
- 2) Accept proposals and select company;
- 3) Have a joint meeting in the future for a mutual decision.

Crider stated page 2 of the Request for Proposals (RFP) allows that at any time proposals can be rejected when it is in the best interest of the Port to do so. Issues remain over procedures and standards. He would like to see the commission make a decision.

Commissioner Holcom advised he participated on the committee to make a selection from the RFP. He received information today that makes him wonder if his decision was based on inaccurate information provided. He questioned why no Oregon companies submitted RFP's and was answered that RFP's were submitted to "everyone". He has received conflicting information that at least one company interested in the RFP did not

receive the RFP. Given that, he recommends rejecting all proposals. The process was not as clean as it should have been. Jack Crider responded an unusual situation with the RFP regarding then current staff, challenged with excess work to oversee, caused the inadequate monitoring of Newport's process. The Port is paying the price now. All commissioners have now reviewed info sent out. He concurred a better job could have been done.

Commissioner Holcom stated SeaPort was not located on the list of recipients of information. He realized the company was coming to the Astoria Airport and toured the aircraft today. Lektro hires SeaPort for their business trips. There was an information disconnect. He learned today what he should have learned during the process for selection. Commissioner Hunsinger stated he agrees with the concerns voiced by Commissioner Holcom. He has talked with people from Seaport and looked at their aircraft. It would be in the best interest of the Port of Astoria to reject proposals and start over to give everyone a fair chance. The Commission did not get all the needed information.

Commissioner Sanders voiced her agreement with the previous commission member statements. She didn't realize the final deadline for RFP's was June 16th, yet the decision was made to grant funds on June 19-20 during the Oregon Transportation Commission meeting. Money is in hand and there was a lot of publicity when it was known that the funds were awarded and funds were available. There may be other carriers out there who now would be interested in submitting proposals. Commissioner Hunsinger stated with interest increasing the commission needs to send Jack Crider back to Newport to discuss the outcome of this meeting, relaying the Port's opinion of what should be done.

Commissioner Holcom noted he participated in the Oregon Connect project and worked with people who prepared it. They would like to see dollars spent with State funds. Oregon funds are being extended for the project and no Oregon company submitted. Oregon companies should be encouraged to apply. He reiterated he is upset information was not presented more timely when an Oregon company expressed interest last year.

Chairman Pfund introduced Michelle Longo. Ms. Longo thanked the commission for an opportunity to speak. She stated she represents SeaPort Airlines. They have 25 years experience in commercial aviation and are based out of Portland. She passed on a message from Kent Crayford who offered his thanks for coming to view the aircraft. Due to family obligations he was unable to attend tonight's meeting. She has been following the process in Newport on behalf of SeaPort Airlines and was present when the joint committee met to consider RFPs for Cape Air and Air Azul. She also attended Newport's council session. Longo added it is more effective to see the process for options presented to the Port commission to consider. She added the most significant comment in Newport's meeting was from Dennis Reno, operations manager at Coastal Oregon Air Service. Asked for comment from Council he looked at council not having a good competitive alternative to compare with Cape Air and they should re-open the process. That re-iterates his lack of comfort about the transparency of the process. Commissioner Holcom stated in reality this is a compliance issue, many individuals were aware SeaPort Airlines wanted to be involved in process. Michelle Longo explained how

SeaPort Airlines operates in the area. As a spokesperson, she wants to ask the Port to make recommendation to have to reject the proposals to open up process again. She explained there are according to the US DOT, 50 air carriers nationwide qualified. They could have been sent to all fifty carriers at a minimal cost. There was no actual record of what airlines were mailed the request.

Chairman Pfund advised he can see the direction the board is leaning. When an article came out in paper he was insulted and felt blind-sighted by the paper. The Port of Astoria is a fair-minded board and will do the right thing. The Port was notified October and February, including other dates, of SeaPort Air's interest in providing air service. Unfortunately the information was not made public until the article by The Daily Astorian. The Board received the information today. He noted the importance for a public entity to get all information to decision seekers in order to make qualified decisions. Ms. Longo replied the Port is not the first group to state this concern. She acknowledged she sent a fax to Jack Crider August 9th regarding their concern about the process, prior to anything coming in the newspaper, commenting perhaps Mr. Crider didn't have time to read it prior to release by the newspaper. Hunsinger stated, as a Commissioner, he apologized that there was not time to see information until today. He enjoyed her presentation noting many fishermen are looking for a way to get from Astoria to Portland/Seattle instead of by car. Longo stated on a personal note, her husband retired from a fishing vessel from the coastal area and she is well aware of that need.

Chairman Pfund called for a motion. Commissioner Holcom moved to recommend the board reject the proposals and start over, recommending the same to the City of Newport Board. Commissioner Hunsinger seconded the motion. The motion carried unanimously.

CONSIDER MOSS-ADAMS AUDIT CONTRACT. Jack Crider presented an audit contract between the Port of Astoria and Moss-Adams. Approval of the contract will allow for Moss-Adams to perform certain accounting services in preparation for the audit for fiscal year 2007-2008. A Request for Proposals for Auditing Services is underway. With assistance to Finance Manager, Colleen Browne, the pre-audit work should enable the chosen auditor to complete the audit in a timely manner. Commissioner Holcom moved to authorize Executive Director, Jack Crider, to execute the Professional Services Agreement with Moss-Adams, Inc. Commissioner Hunsinger provided the second. The motion carried unanimously.

RATE INCREASES. Jack Crider reported as discussed during last week's Special Meeting staff would like to proceed on rate increases, including non-profits, to work towards increasing the values to market rates. The rates will slowly increase, and in the case of the T-Hangar increases, the rate increase will allow for the Port to take better care of tenant concerns with the older hangars and generate additional revenue. Commissioner Holcom asked whether the Port might barter services-for-services as in the instance of the County Sheriff's moorage in exchange for labor. Crider voiced he prefers to exchange checks, noting that Bergerson and the Port also currently do some bartering and will work towards charging for services from the Port and from Bergerson to the Port. Commissioner Sanders noted land is at a premium and there is a need for more

professionalism in respect to use and charges for land. Some discussion followed. Commissioner Holcom moved to authorize the Executive Director to increase rates as presented. Commissioner Hunsinger seconded the motion. The motion carried unanimously.

SURPLUS EQUIPMENT. Jack Crider reported he is researching whether there are any holds on the surplus propeller the Port acquired. Additionally, he has met with maintenance staff to determine the value of surplus boats. There are two surplus boats, the crew boat purchased through surplus from the Corps of Engineers and the fireboat. The fireboat has gone five years without dry-docking, causing damage to the hull. The jet pumps are worn out and operators state it was difficult to control because of the jet propulsion. It has been used mostly for festivals, ship calls – with colored water. He briefly reviewed costs for repairs, and recommends, instead, to haul the boat out, sell the engines and scrap the remainder. This could net the port upwards of \$30,000. The funds could be earmarked for a new fireboat. Commissioner Holcom stated the City of Astoria is working with East End of Astoria tenants to secure a fireboat and this would be a good opportunity for the Port to work with the City towards a joint effort. After some discussion, Commissioner Holcom moved to declare as surplus two boats and the propeller and to direct staff to prepare to dispose of the items, with funds to be used towards purchase of a fireboat. Commissioner Sanders seconded the motion. The motion carried unanimously.

CALENDAR. Chairman Pfund called for any additions or changes to the Calendar. An Executive Session will likely be held on August 26, 2008.

REPORTS. Commissioner Holcom reported on favorable comments he heard from people voicing appreciation of the Port's recent changes. The Bumble-Bee reunion attracted about 450 people, many of whom voiced approval of the "good direction" the Port is heading. He would like to meet with other ports to gain further port experience. There is a Port's Association meeting September 4th. Jack Crider added Denny Houle, the regional director at OECDD, has advised of changes at OECDD pertaining to Ports.

Commissioner Hunsinger agreed with Commissioner Holcom's comments, adding he has had favorable response to the Port's decision to repair and maintain the Chinook Room and positive feedback on Jack Crider as the new Port Manager.

Commissioner Sanders attended the Navy ship reception along with Chairman Pfund during Regatta and accepted the plaque on behalf of the Port and City. She also attended the Regatta reception at Eric Paulson's home. She was at the Airport to observe the SeaPort aircraft visit. She has been on vacation.

Chairman Pfund stated although the City and the Port combine plaques to be presented to ship captains on behalf of both entities, he requests additional books "*Columbia River – Gateway to the West*" which has been popular in the past. Chairman Pfund also filled in for Commissioner Sanders at the ColPac meeting. Different sources of available funding were discussed. Don McDaniel further commented on the increased ability of ColPac to make loans.

Staff reports

Ron Larsen reported September 20th is the Coast Guard and POA Airport open house, with a dance held the night before in the Hangar at the Airport.

Colleen Browne stated new signature cards need to be signed at the Bank of Astoria.

Jack Crider noted activity is on-going to spruce up the Port facilities to reflect positively for visibility purposes. Employees are cleaning up and weed-eating around the port facilities.

There being no further business, the meeting was adjourned.