

MAKERS

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Market Research & Strategic Planning

Strategic Business Plan

Port of Astoria



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- A. Legal Opinion re Port of Astoria Authority to Regulate Astoria Harbor
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Port History and Mission

The Port of Astoria was established in 1910 as a governmental Special District organized under ORS 777, operating as a competitive business enterprise as well as a public service agency. An elected Board of Commissioners sets policy for management by the Executive Director.

The Port is located in Clatsop County in the extreme northwest corner of Oregon, where the Columbia River meets the Pacific Ocean. Approximately 90 miles from Portland, highway access is via Oregon Highways 26 and 30 and across the Astoria-Megler Bridge via Washington Highways 101 and 8. Rail access is available to Tongue Point via the Astoria Branch of the Portland & Western Railroad.

The Port of Astoria manages a combination of marine, marina, industrial, and aviation facilities. These facilities are primarily located in the City of Astoria (Port waterfront properties and infrastructure) and the City of Warrenton (airport and industrial properties).

The Port offers services to commercial and recreational boaters at its two marinas and boatyard, to commercial and cargo vessels, fish processing, cruise ships, and research vessels at its deep-draft marine terminals, and operates the Astoria/Warrenton Regional Airport. The Port has industrial and commercial leasing opportunities on its properties at the Airport, Skipanon Peninsula, Tongue Point, and waterfront locations.

Mission Statement

The Port of Astoria seeks to generate economic growth and prosperity in a safe and environmentally responsible manner for its citizens through creation of family wage jobs and prudent management of its assets.

Strategic Vision

The Port of Astoria Commission's long-term vision is to be a significant contributor to the community's and state's economic development and a catalyst for job and business creation. The Port's Strategic Investment Plan addresses this vision by:

- Maintaining and improving its existing infrastructure to better support existing business lines and tenants.
- Supporting new businesses through maintaining deep-draft terminal capabilities, leveraging assets to support commercial fishing and tourism, and marketing a variety of industrial properties.
- Developing Tongue Point into a self-supporting marine industrial facility.
- Developing a strategic vision with the flexibility to respond to new and emerging market or business opportunities.

East Mooring Basin



Marine Terminals



Tongue Point



Airport



West Mooring Basin

Figure 1. Port of Astoria Properties

Port Goals / Strategic Objectives

The Port of Astoria’s primary goal is to promote economic development within the Port District. This goal includes:

- The creation of needed new family-wage jobs as well as additional employment opportunities within Clatsop County.
- Maximization of the use and income from its existing resources and facilities to support job and economic development opportunities.

The Port’s goals and strategic objectives specific to each of its properties include:

- **Deep Draft Piers:** Maintaining and enhancing the deep-draft terminals’ ability to support cargo shipping, topside repair, commercial berthing, boat repair, and fish processing.
- **Marinas:** Providing high-quality facilities and amenities to best support and grow Astoria and support Clatsop County’s fishing industry, recreational boaters, and tourism.
- **Tongue Point:** Developing Tongue Point as a self-supporting marine/industrial facility that provides family-wage jobs and economic development opportunities for Clatsop County.
- **Astoria/Warrenton Regional Airport:** Improving the airport as a regional transportation asset, supporting USCG Group Astoria, and marketing industrial properties.
- **Skipanon Peninsula:**
 - Reserving the 200-acre parcel, which includes significant wetlands, for new business opportunities or to provide mitigation for other off-site Port development.
 - Resolving legal issues regarding LNG operations. If feasible, swapping leasehold interest on this property with North Tongue Point.
- **South County:** Continuing to coordinate and find opportunities to invest in South County, such as expanding trail systems, providing information kiosks, or other projects to support tourism and job creation.



Plan Organization

The Strategic Investment Plan outlines the Port's strategic vision in its primary locations:

1. Piers, marinas, and upland properties on the Astoria waterfront
2. Recently leased waterfront, piers, upland properties, and structures at Tongue Point
3. Astoria/Warrenton Regional Airport
4. Skipanon Peninsula

The plan describes the general priorities and opportunities associated with each operational area and the type of investment strategy or planning action anticipated on the sites over a three- to five-year horizon. Additionally, organizational priorities and strategies for South County areas are also addressed. This plan updates and modifies the Port's current strategic plan dated July 2001.

When implemented, the plan will provide the Port with a coordinated investment strategy that:

- Addresses critical core infrastructure maintenance needs.
- Supports existing tenants and lines of business.
- Provides investment options that promote additional employment opportunities within Clatsop County.
- Builds on and protects the Port's most productive revenue sources.
- Outlines a plan for selective investments to take advantage of the potential at Tongue Point.
- Gives the Port the flexibility and financial strength to plan for—and be prepared to efficiently respond to and expand on—future business opportunities.

This plan is intended to supersede prior Strategic Plans adopted by the Port.

Planning Process

The planning process incorporated the following activities:

- Review of existing Port and City planning documents.
- Individual interviews (18) with:
 - Port commissioners (5).
 - Port staff and Executive Director (5).
 - City of Astoria Planning staff, City Manager, and Mayor (3).
 - Clatsop County Commission (1).
 - City of Warrenton Planning Director (1).
 - Port tenants at central waterfront and airport (3).
- Public work sessions with Port Commission (3).
- Public Open House (April 8 2010).
- Review and analysis of available Port data on revenues and operations.
- Market analysis of lower Columbia Port opportunities and trends.
- On-site review of all Port facilities.
- Numerous individual meetings with Port staff to collect data and review the process.

Port Overview

Port Resources

The Port of Astoria owns and operates the following facilities:

■ Astoria Central Waterfront

Port-owned in-water facilities at Astoria’s central waterfront include the West Basin Marina (330 slips), the East Basin Marina (82 slips), and 7,250 linear feet of dock face on three piers:

- Pier 1: The Port’s primary deep-draft cargo and utility pier.
- Pier 2: A general-use berthing and fishing fleet support facility.
- Pier 3: Marine Service Center, boatyard, and material staging.

Port-owned upland properties include the former Red Lion Hotel and Bornstein Seafoods sites. The Pier 1 Building is in Chapter 11 proceedings. Tenants at the Pier 2 Marine Terminal Building include the following:

- Da Yang Seafood Inc.
- Astoria Pacific Seafood
- Westbay Marketing
- MSRC



In addition to Port offices, the Port Office Building houses the following tenants:

- Michael E. Haglund, attorney
- ABHE & Svoboda, Inc.
- Nehalem Clatsop Tribe
- Oregon Department of Transportation
- Worker’s Compensation Board Hearing Room
- Columbia River Fishermen’s Protective Union

The Thunderbird Restaurant Building is vacant. However, the newly renovated Chinook Building contains the following new or returning tenants:

- Astoria Real Estate
- Astoria Tax Consultants
- Ray Raihala/Grange Insurance Group
- Tiki Charters
- World Class Fishing
- Bridgewater Bistro managerial offices
- Northwest Wild Products
- Total Fishermen
- Marina maintenance

Other central waterfront and boatyard tenants include:

- Oregon State Patrol
- Englund Marine & Industrial Supply Company
- Columbia Pacific Marine Works
- Riverland Development

The only tenant at the East Basin Marina is J.T.’s Clatsop Coffee Espresso Drive Thru. At the West Basin Marina, the tenants are Journey’s End Espresso and Union Fish.

■ Tongue Point

Acquired under a lease-purchase agreement, Tongue Point has 30 acres of upland, 140,000 square feet of building area in two former aircraft hangars, and 15,000 linear feet of pier frontages with water depths between 12 and 25 feet at pier side. Current tenants' activities include fish processing, boat repair/building, storage, and commercial berthing. Tenants include:

- Clean Rivers Corp.
- Moreland Fishing
- Chinook Ventures
- Deal Only
- Exceller Fisheries
- Bach Corp.
- J.E. McAmis
- Pacific Expedition Yachts
- City Transfer
- NRC Environmental Services
- Del Mar Seafoods
- J&H Boatworks

■ Astoria/Warrenton Regional Airport

The airport's tenants include:

- LEKTRO, Inc., a manufacturer of aircraft ground support equipment (the airport's major tenant)
- Columbia River Bar Pilots
- Arctic Air Service, Inc.
- Twiss Air Service
- United Parcel Service
- Charter Communication
- Rental car services
- 40 T Hangar tenants



Operating from the Regional Airport Terminal, SeaPort Airlines maintains scheduled daily air service from the airport.

The U.S. Coast Guard Group Astoria's rotary wing, rescue swimmer school, Captain of the Port Columbia River, and other services are also located at the airport.

Adjacent to the airport is a 45-acre industrial park. Tenants include the following:

- Western Oregon Waste
- Precision Heating and Indoor Air Quality, Inc.
- Overbay Houseworks

In addition, the Port owns 40 acres of commercial-zoned property along Highway 101.

■ Skipanon Peninsula

Skipanon Peninsula is more than 200 acres of undeveloped property. The property contains significant amounts of dredge/fill material plus significant wetlands. The Port leases 88.7 acres from the State of Oregon Department of Land Conservation and Development, which it subleases to Skipanon Natural Gas for a proposed LNG facility. The site is zoned Water-Dependent Industrial (I-2) and Urban Recreation and Resort (URR).

Port Financial Condition

The Port of Astoria's asset base has remained relatively stable at approximately \$20.6 million to \$21.7 million during the last three fiscal years.

Table 1. Port of Astoria Condensed Statement of Net Assets

	FY 2007	FY 2008	FY 2009
Assets			
Current Assets	\$1,758,769	\$1,819,349	\$1,921,741
Restricted Assets	903,818	964,014	1,056,670
Other Assets	11,157,756	10,952,968	10,946,235
Fixed Assets	28,795,783	29,205,561	29,378,275
Total Assets	42,616,126	42,941,892	43,302,921
Liabilities			
Current Liabilities	2,218,732	2,123,582	4,049,582
Long-term liabilities	19,431,155	19,996,287	17,448,916
Contingent claims	200,000	170,000	124,600
Total Liabilities	21,849,887	22,289,869	21,623,098
Net Assets			
Invested in Capital Assets	18,991,977	19,094,948	16,631,008
Restricted for Debt Service	903,818	937,120	1,020,921
Unrestricted	870,444	619,955	4,027,894
Total Net Assets	\$20,766,239	\$20,652,023	\$21,679,823

Sources: Port of Astoria Financial Statements for the years ended June 30, 2008 and June 30, 2009.

Current Operations Structure

The Port of Astoria uses three individual funds in its financial reporting, as described below:

- General Fund
 - Administration
 - Airport
 - Marina
 - Piers
 - Properties
 - Security
 - Tongue Point
- Bond Interest and Redemption Fund
- Special Revenues Fund

These funds are reviewed in the following sections.

■ General Fund

The following section provides an overview of the financial performance of the Port of Astoria's general fund, by individual lines of business. It is followed by a more detailed examination of revenues and expenses by line of business.

Revenues

Operating revenues generated by the Port of Astoria's lines of business (LOBs) increased from \$4.0 million¹ in FY 2008 to \$4.7 million in FY 2009 (up 17.7% from the prior year) and are expected to increase to \$5.2 million in FY 2010 (up 10.7% from the prior year).

Other income and revenues (including property taxes, timber taxes and interest income, but excluding loans and grants) decreased from \$965,000 to \$537,000 in FY 2009 and an estimated \$492,000 in FY 2010. The decline in FY 2009 was due to a decrease in interest income. Loans and grants, which are primarily used for capital outlays, are evaluated below.

Total revenues (excluding loans and grants) increased from approximately \$5.0 million in FY 2008 to \$5.2 million in FY 2009 (up 5.6% from the prior year) and are projected to increase to \$5.7 million in FY 2010 (up 8.7% from the prior year).

Table 2. Port of Astoria Statement of Operating Revenues and Non-Operating Revenues – General Fund

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY 2009	08-09 % Change	FY 2010	09-10 % Change
Operating Revenues					
Administration	83,478	194,223	132.7%	401,000	106.5%
Airport	1,068,337	1,019,190	-4.6%	987,500	-3.1%
Marina	878,467	989,081	12.6%	846,500	-14.4%
Piers	1,175,112	746,919	-36.4%	896,376	20.0%
Properties	749,493	1,684,154	124.7%	1,753,000	4.1%
Security	37,745	63,900	69.3%	65,000	1.7%
Tongue Point	-	-	NM	250,000	NM
Subtotal	3,992,632	4,697,467	17.7%	5,199,376	10.7%
Other Income & Revenues					
Administration	965,337	536,242	-44.5%	492,000	-8.3%
Airport	-	-	NM	-	NM
Marina	-	374	NM	-	-100.0%
Piers	-	-	NM	-	NM
Properties	-	-	NM	-	NM
Security	-	-	NM	-	NM
Tongue Point	-	-	NM	-	NM
Subtotal	965,337	536,616	-44.4%	492,000	-8.3%

¹ Revenues and expenditures are rounded up in the text. Please refer to the Tables for the details.

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY 2009	08-09 % Change	FY 2010	09-10 % Change
Total Revenues					
Administration	1,048,815	730,465	-30.4%	893,000	22.3%
Airport	1,068,337	1,019,190	-4.6%	987,500	-3.1%
Marina	878,467	989,455	12.6%	846,500	-14.4%
Piers	1,175,112	746,919	-36.4%	896,376	20.0%
Properties	749,493	1,684,154	124.7%	1,753,000	4.1%
Security	37,745	63,900	69.3%	65,000	1.7%
Tongue Point	-	-	NM	250,000	NM
Subtotal	4,957,969	5,234,083	5.6%	5,691,376	8.7%

Source: Port of Astoria Financial Reports

Operating Expenses

Operating expenses include personnel services (wages and benefits of Port staff) and outside material and services purchased by the Port.

Personnel services increased from approximately \$1.4 million in FY 2008 to \$1.6 million in FY 2009 (up 10.8% from the prior year) and are expected to increase to \$2.0 million in FY 2010 (up 24.3% from the prior year).

Material and services decreased from approximately \$2.52 million in FY 2008 to \$2.51 million in FY 2009 (down -0.6% from the prior year) and are expected to increase to \$2.7 million in FY 2010 (up 6.7% from the prior year).

Operating expenses (combining personnel services and materials and services) increased from approximately \$3.9 million in FY 2008 to \$4.1 million in FY 2009 (up 3.5% from the prior year) and are expected to increase to \$4.6 million in FY 2010 (up 13.5% from the prior year).

Table 3. Port of Astoria Statement of Operating Expenses – General Fund

EXPENDITURES	ACTUALS			BUDGET	
	FY 2008	FY 2009	08-09 % Change	FY 2010	09-10 % Change
Personnel Services					
Administration	450,760	487,280	8.1%	645,487	32.5%
Airport	-	47,969	NM	85,253	77.7%
Marina	218,404	240,211	10.0%	237,600	-1.1%
Piers	604,195	687,699	13.8%	719,964	4.7%
Properties	-	-	NM	-	NM
Security	151,523	114,962	-24.1%	104,005	-9.5%
Tongue Point	-	-	NM	169,980	NM
Subtotal	1,424,882	1,578,121	10.8%	1,962,289	24.3%
Materials & Services					
Administration	221,174	618,458	179.6%	393,600	-36.4%
Airport	673,541	462,208	-31.4%	454,325	-1.7%
Marina	524,596	484,838	-7.6%	455,625	-6.0%
Piers	811,961	441,338	-45.6%	628,350	42.4%
Properties	278,013	474,754	70.8%	514,000	8.3%
Security	15,482	18,444	19.1%	19,700	6.8%
Tongue Point	-	10,399	NM	213,500	1953.1%
Subtotal	2,524,767	2,510,439	-0.6%	2,679,100	6.7%
Total Operating Expenses					
Administration	671,934	1,105,738	64.6%	1,039,087	-6.0%
Airport	673,541	510,177	-24.3%	539,578	5.8%
Marina	743,000	725,049	-2.4%	693,225	-4.4%
Piers	1,416,156	1,129,037	-20.3%	1,348,314	19.4%
Properties	278,013	474,754	70.8%	514,000	8.3%
Security	167,005	133,406	-20.1%	123,705	-7.3%
Tongue Point	-	10,399	NM	383,480	3587.7%
Subtotal	3,949,649	4,088,560	3.5%	4,641,389	13.5%

Source: Port of Astoria Financial Reports

Net Revenue²

Net revenues (before bad debts and debt service) increased from approximately \$1.0 million in FY 2008 to \$1.1 million in FY 2009 (up 13.6% from the prior year) but are expected to decrease to \$1.0 million in FY 2010 (down -8.3% from the prior year).

Bad debts and debt service decreased from approximately \$1.4 million in FY 2008 to \$1.1 million in FY 2009 (down -23.9% from the prior year) but are expected to increase to \$1.2 million in FY 2010 (up 11.9% from the prior year).

² This section evaluates net revenues before and after bad debts and debt service. It does not include loans, grants and capital outlays, which are covered in the next section.

Net revenues after bad debts and debt service indicate that the Port does not generate sufficient revenues to cover expenses without assistance from loans and grants. In FY 2008, the Port’s net revenues were -\$411,000, increasing to +\$65,000 in FY 2009. The Port expects net revenue of -\$159,000 in FY 2010. This underscores the need for additional revenues in current and future years.

Table 4. Port of Astoria Statement of Net Revenues – General Fund

CATEGORY	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Net Revenues before Bad Debts & Debt Service					
Administration	376,881	(375,273)	-199.6%	(146,087)	-61.1%
Airport	394,796	509,013	28.9%	447,922	-12.0%
Marina	135,467	264,406	95.2%	153,275	-42.0%
Piers	(241,044)	(382,118)	58.5%	(451,938)	18.3%
Properties	471,480	1,209,400	156.5%	1,239,000	2.4%
Security	(129,260)	(69,506)	-46.2%	(58,705)	-15.5%
Tongue Point	-	(10,399)	NM	(133,480)	1183.6%
Subtotal	1,008,320	1,145,523	13.6%	1,049,987	-8.3%
Bad Debt & Debt Service					
Administration	744	1,393	87.2%	3,000	115.4%
Airport	500,915	219,018	-56.3%	275,343	25.7%
Marina	356,262	345,142	-3.1%	326,127	-5.5%
Piers	22,586	31,932	41.4%	57,035	78.6%
Properties	539,562	483,131	-10.5%	482,603	-0.1%
Security	-	-	NM	-	NM
Tongue Point	-	-	NM	65,000	NM
Subtotal	1,420,069	1,080,616	-23.9%	1,209,108	11.9%
Net Revenues after Bad Debts & Debt Service					
Administration	376,137	(376,666)	-200.1%	(149,087)	-60.4%
Airport	(106,119)	289,995	-373.3%	172,579	-40.5%
Marina	(220,795)	(80,736)	-63.4%	(172,852)	114.1%
Piers	(263,630)	(414,050)	57.1%	(508,973)	22.9%
Properties	(68,082)	726,269	-1166.8%	756,397	4.1%
Security	(129,260)	(69,506)	-46.2%	(58,705)	-15.5%
Tongue Point	-	(10,399)	NM	(198,480)	1808.6%
Subtotal	(411,749)	64,907	-115.8%	(159,121)	-345.2%

Source: Port of Astoria Financial Reports

Net Surplus/Deficit

Net surplus/deficit, which illustrates the ultimate financial evaluation of the Port, includes revenues from loans and grants as well as capital outlays.

The Port obtained \$187,000 in loans/grants in FY 2008 and \$1.5 million in FY 2009. The Port has an aggressive plan to obtain \$12.6 million in loans/grants in FY 2010.

The Port had capital outlays of \$1.7 million in FY 2008 and \$1.1 million in FY 2009. The Port is projecting capital outlays of nearly \$13 million in FY 2010. This is, of course, contingent upon availability of funds.

The Port was in a surplus position in FY 2008 of \$447,000 and in FY 2009 of \$910,000. The Port is projecting a surplus position of \$587,000 in FY 2010. This depends, however, on the availability of loan/grant resources. Capital outlays will be deferred or eliminated if funds are not available.

Table 5. Port of Astoria Statement of Net Surplus/Deficit

CATEGORY	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Grants & Loans					
Administration	-	-	NM	65,000	NM
Airport	119,688	754,231	530.2%	934,500	23.9%
Marina	66,916	5,500	-91.8%	613,400	11052.7%
Piers	-	645,841	NM	535,000	-17.2%
Properties	-	67,772	NM	3,732,000	5406.7%
Security	-	-	NM	200,000	NM
Tongue Point	-	100,000	NM	6,500,000	6400.0%
Subtotal	186,604	1,573,344	743.1%	12,579,900	699.6%
Capital Outlays					
Administration	-	1,520	NM	107,000	6939.5%
Airport	1,169,907	470,994	-59.7%	1,004,000	113.2%
Marina	13,348	10,369	-22.3%	658,000	6245.8%
Piers	228,643	575,633	151.8%	699,000	21.4%
Properties	279,074	26,825	-90.4%	3,744,000	13857.1%
Security	-	200	NM	205,000	102400.0%
Tongue Point	-	5,625	NM	6,500,000	115455.6%
Subtotal	1,690,972	1,091,166	-35.5%	12,917,000	1083.8%
Net Surplus/Deficit					
Administration	376,137	(378,186)	-200.5%	(191,087)	-49.5%
Airport	(1,156,338)	573,232	-149.6%	103,079	-82.0%
Marina	(167,227)	(85,605)	-48.8%	(217,452)	154.0%
Piers	(492,273)	(343,842)	-30.2%	(672,973)	95.7%
Properties	(347,156)	767,216	-321.0%	744,397	-3.0%
Security	(129,260)	(69,706)	-46.1%	(63,705)	-8.6%
Tongue Point	-	83,976	NM	(198,480)	-336.4%
Subtotal	(1,916,117)	547,085	-128.6%	(496,221)	-190.7%
Adjusted ending balance ³	447,016	910,700	103.7%	587,479	-35.5%

Source: Port of Astoria Financial Reports

³ Includes beginning balance and transfer-ins.

Administration

Revenues to support the Port of Astoria’s administration cost center come primarily from property taxes (a portion of which are allocated to administration) as well as from other income sources (resulting from an environmental settlement), sales of property and equipment, grants and interest income. The Port of Astoria’s administration revenues experienced a drop in FY 2009 due to a decline in interest income. However, the proceeds from the environmental settlement⁴ in FY 2010 were expected to increase revenues to slightly less than experienced in FY 2008.

Table 6. Port of Astoria Statement of Revenues - Administration

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Direct Operating Revenues					
Equipment & Property Sales	1,030	-	-100.0%	-	NM
Other Income	82,448	194,223	135.6%	401,000	106.5%
Total Direct Operating Revenues	83,478	194,223	132.7%	401,000	106.5%
Other Income Revenues					
Property Tax & Timber Revenue	521,745	520,064	-0.3%	475,000	-8.7%
Grants	-	-	NM	65,000	NM
Interest Income	443,592	16,178	-96.4%	17,000	5.1%
Total Other Income Revenues	965,337	536,242	-44.5%	557,000	3.9%
Total Revenues	1,048,815	730,465	-30.4%	958,000	31.1%

Source: Port of Astoria Financial Reports

Administrative expenses are dominated by personnel services (consisting of wages and benefits) and professional services (consisting of legal, design, planning and other professional services, among other items. These categories represent 67% to 83% of the costs, depending on the year evaluated. Wages and benefits are expected to increase by 32.5% in FY 2010 over the levels in FY 2009 due to addition of staff. However, personnel costs are offset by decreases in outside repairs/services and utilities, among other materials and services. As a result, total operating expenses are expected to decline by 6.0% in FY 2010.

The Port has begun to allocate direct administrative costs to other Lines of Business (LOBs). In the future, the Port should also consider allocating some indirect administrative costs to LOBs.

⁴ The Port filed a claim for environmental damages in FY 2010, but it now appears unlikely that the settlement will be paid this year.

Table 7. Port of Astoria Statement of Expenses - Administration

EXPENSES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Personnel Services-Wages & Benefits	450,760	487,280	8.1%	645,487	32.5%
Materials & Services					
Insurance	24,721	34,514	39.6%	32,000	-7.3%
Outside Repairs & Services	26,858	175,290	552.7%	23,000	-86.9%
Operating Supplies	2,593	2,774	7.0%	4,500	62.2%
Tools & Equipment	-	2,186	NM	-	-100.0%
Fuel & Oil	34	169	397.1%	200	18.3%
Equipment Rentals	561	2,868	411.2%	3,000	4.6%
Office Supplies & Expenses	19,191	18,482	-3.7%	16,000	-13.4%
Utilities	11,770	54,683	364.6%	15,000	-72.6%
Communications	9,078	10,125	11.5%	9,000	-11.1%
Permits	-	1,751	NM	1,500	-14.3%
Professional Services	91,188	248,847	172.9%	220,000	-11.6%
Advertising - Marketing	801	2,645	230.2%	5,000	89.0%
Dues & Subscriptions	2,494	10,346	314.8%	13,000	25.7%
Travel & Meeting	29,643	53,338	79.9%	49,900	-6.4%
Rent Expense	-	250	NM	-	-100.0%
Miscellaneous	2,242	190	-91.5%	1,500	689.5%
Total Materials & Services	221,174	618,458	179.6%	393,600	-36.4%
Total Operating Expenditures	671,934	1,105,738	64.6%	1,039,087	-6.0%

Source: Port of Astoria Financial Reports

Airport

The Port of Astoria operates the Astoria Regional Airport, which is the largest airport on the northern Oregon coast. The airport is essentially a break-even line of business, with revenues covering expenses.

Operating revenues are dominated by fuel sales and lease/rental income. As described in greater detail in the market assessment report, fuel sales depend upon both the volume of fuel sold and the average price per gallon. Fuel sales were higher in FY 2008 due to higher fuel prices and slightly higher volumes.

Leases and rental income generates approximately \$330,000 to \$360,000 per year. In addition, there are revenues associated with rebilling of utilities and other operating income. The Port's ability to pass through utility costs to tenants has helped to improve its financial performance.

The Port has also successfully attracted grants and loans for capital improvements at the Airport.

Revenues at the Airport are expected to reach \$1.9 million in FY 2010, which is 8.4% higher than the revenue experienced in FY 2009.

The Port is considering a review of hangar rates in coming years.

Table 8. Port of Astoria Statement of Revenues - Airport

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Direct Operating Revenues					
Lease & Rental Income	328,682	357,873	8.9%	360,000	0.6%
Fuel Sales	711,077	633,758	-10.9%	600,000	-5.3%
Other Income	1,119	1,649	47.4%	-	-100.0%
“ Expenses ⁵	27,459	25,910	-5.6%	27,500	6.1%
Total Direct Operating Revenues	1,068,337	1,019,190	-4.6%	987,500	-3.1%
Other Income Revenues					
Loans	-	-	NM	400,000	NM
Grants	119,688	754,231	530.2%	534,500	-29.1%
Total Other Income Revenues	119,688	754,231	530.2%	934,500	23.9%
Total Revenues	1,188,025	1,773,421	49.3%	1,922,000	8.4%

Source: Port of Astoria Financial Reports

The Port of Astoria has begun to allocate staff from administration to specific lines of business in recent years. For the airport this includes approximately \$48,000 in FY 2009 and \$85,000 in FY 2010.

Other expenses are dominated by the costs of fuel sold, which account for more than 72% of the materials and services required to run the Airport. The next largest expenses are utilities (at \$60,000 in FY 2010), outside repairs (at \$23,000) and insurance (at \$10,000) followed distantly by a variety of other expenses.

Table 9. Port of Astoria Statement of Expenses - Airport

OPERATING EXPENDITURES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	08-09 % Change
Personal Services-Wages & Benefits	-	47,969	NM	85,253	77.7%
Materials & Services					
Insurance	9,986	10,423	4.4%	10,000	-4.1%
Outside Repairs & Services	40,116	25,847	-35.6%	23,000	-11.0%
Operating Supplies	14,110	3,556	-74.8%	7,500	110.9%
Tools & Equipment	-	324	NM	-	-100.0%
Fuel for Resale	517,805	332,295	-35.8%	325,000	-2.2%
Fuel & Oil	3,073	1,460	-52.5%	3,200	119.2%
Equipment Rentals	3,953	338	-91.4%	100	-70.4%
Office Supplies & Expenses	4,880	4,757	-2.5%	4,825	1.4%
Utilities	54,999	58,671	6.7%	60,000	2.3%
Communications	1,907	2,988	56.7%	3,200	7.1%

⁵ “Rebilled” expenses are those expenses fully charged back to tenants.

OPERATING EXPENDITURES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	08-09 % Change
Permits	2,672	2,850	6.7%	7,400	159.6%
Property & Other Taxes	9,803	1,370	-86.0%	-	-100.0%
Professional Services	5,538	9,108	64.5%	1,500	-83.5%
Advertising - Marketing	2,811	2,802	-0.3%	3,600	28.5%
Dues & Subscriptions	300	224	-25.3%	300	33.9%
Travel & Meeting	1,548	4,881	215.3%	4,700	-3.7%
Rent Expense	-	250	NM	-	-100.0%
Miscellaneous	40	64	60.0%	-	-100.0%
Total Materials & Services	673,541	462,208	-31.4%	454,325	-1.7%
Total Operating Expenditures	673,541	510,177	-24.3%	539,578	5.8%

Source: Port of Astoria Financial Reports

Marina

The Port of Astoria's marina LOB includes two marinas (West Basin and East Basin) and a boatyard. Operating revenues at this line of business come primarily from fuel sales, marina revenues (from moorage rates on permanent and transient boats) and boatyard operations.

Table 10. Port of Astoria Statement of Revenues - Marina

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Direct Operating Revenues					
Fuel Sales	279,912	353,711	26.4%	325,000	-8.1%
Boatyard	170,557	188,810	10.7%	175,000	-7.3%
Marina Revenues	363,641	373,813	2.8%	280,000	-25.1%
Other Income	-	1,929	NM	1,500	-22.2%
Rebilled Expenses	64,357	70,818	10.0%	65,000	-8.2%
Total Direct Operating Revenues	878,467	989,081	12.6%	846,500	-14.4%
Other Income Revenues					
Loans	-	-	NM	60,000	NM
Grants	66,916	5,500	-91.8%	553,400	9961.8%
Interest Income	-	374	NM	-	-100.0%
Total Other Income Revenues	66,916	5,874	-91.2%	613,400	10342.6%
Total Revenues	945,383	994,955	5.2%	1,459,900	46.7%

Source: Port of Astoria Financial Reports

Moorage revenues were expected to decline by 25% in FY 2010 due to the economic recession and its projected impact on recreational boating. However, the impact has not been as great as initially projected. The Port is planning on reviewing moorage and haul-out rates in the next few years, after the economy improves. Revenues from the boatyard in FY 2010 are expected to be down slightly from FY 2009, more closely approximating the levels experienced in FY 2008.

The Port receives operating revenues from utility charges fully charged back to tenants (rebilled utilities) and from other income. The Port also receives loans and grants for capital improvements at the Marina facilities.

The Marina LOB is expected to experience a loss of approximately \$150,000 in FY 2010 operating revenues, down 14.4% from FY 2009. However, grant funds are expected to offset this decline.

The largest expenses at the Marina LOB are wages/benefits and cost of fuel sold, which jointly account for around 70% of operating expenses. Both of these items are expected to decline slightly in FY 2010 relative to FY 2009.

Other key expenses are utilities (\$84,000 in FY 2010), operating supplies (\$33,900), rent expenses (\$25,000) and DSL lease (\$22,000), among others.

Table 11. Port of Astoria Statement of Expenses - Marina

OPERATING EXPENDITURES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Personal Services-Wages & Benefits	218,404	240,211	10.0%	237,600	-1.1%
Materials & Services					
Insurance	9,986	10,662	6.8%	10,500	-1.5%
DSL Lease	11,971	20,724	73.1%	22,000	6.2%
Outside Repairs & Services	54,466	46,385	-14.8%	6,500	-86.0%
Operating Supplies	27,613	5,047	-81.7%	33,900	571.7%
Tools & Equipment	-	346	NM	-	-100.0%
Fuel for Resale	294,147	264,356	-10.1%	250,000	-5.4%
Fuel & Oil	3,040	2,253	-25.9%	2,500	11.0%
Equipment Rentals	3,000	-	-100.0%	-	NM
Office Supplies & Expenses	9,630	15,832	64.4%	775	-95.1%
Utilities	73,731	82,437	11.8%	84,000	1.9%
Communications	3,713	3,722	0.2%	3,500	-6.0%
Permits	3,572	2,742	-23.2%	2,500	-8.8%
Professional Services	150	625	316.7%	5,500	780.0%
Advertising - Marketing	854	1,765	106.7%	1,500	-15.0%
Dues & Subscriptions	385	974	153.0%	300	-69.2%
Travel & Meeting	1,323	2,130	61.0%	7,150	235.7%
Rent Expense	24,832	24,832	0.0%	25,000	0.7%
Miscellaneous	2,183	6	-99.7%	-	-100.0%
Total Materials & Services	524,596	484,838	-7.6%	455,625	-6.0%
Total Operating Expenditures	743,000	725,049	-2.4%	693,225	-4.4%

Source: Port of Astoria Financial Reports

Piers

The Port of Astoria owns three piers west of the Astoria-Megler Bridge. Pier 1, the eastern pier, is used to moor a variety of vessels, including cruise ships, research vessels, dredge equipment, and others. Pier 2 is primarily used for fish processing, and Pier 3 has the Port's boat repair yard. Piers 1 and 3 are also planned to be used for log exports in the near future.

Operating revenues at the Piers LOB are dominated by dockage and other charges on vessels. These accounted for \$300,000 in FY 2008 and are budgeted for \$376,000 in FY 2010. The Port is currently negotiating an agreement with a log exporter that could significantly increase dockage revenues (including a ground lease for three years at an estimated \$300,000 per year and approximately \$80,000 per vessel call in dockage, wharfage, and other charges).

Lease revenue and rebilled utilities are the next largest sources of operating revenues, each of which is expected to generate more than \$230,000 in FY 2010. In addition, the Port receives operating revenues associated with equipment rental and other income.

The Port of Astoria also receives loans and grants for capital improvements. In FY 2010, the Port is expecting \$375,000 in grants and a loan of \$160,000, both down slightly from FY 2009.

All revenues at the Piers LOB are expected to increase by 2.8% in FY 2010, reaching \$1.43 million.

Table 12. Port of Astoria Statement of Revenues - Piers

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Direct Operating Revenues					
Lease & Rental Income	316,341	192,162	-39.3%	237,600	23.6%
Equipment Rentals	13,737	11,881	-13.5%	11,000	-7.4%
Dockage & Vessel Service	314,044	307,921	-1.9%	376,197	22.2%
Other Income	30,125	38,646	28.3%	40,000	3.5%
Rebilled Expenses	500,865	196,309	-60.8%	231,579	18.0%
Total Direct Operating Revenues	1,175,112	746,919	-36.4%	896,376	20.0%
Other Income Revenues					
Loans	-	237,681	NM	160,000	-32.7%
Grants	-	408,160	NM	375,000	-8.1%
Total Other Income Revenues	-	645,841	NM	535,000	-17.2%
Total Revenues	1,175,112	1,392,760	18.5%	1,431,376	2.8%

Source: Port of Astoria Financial Reports

Expenses at the Piers are dominated by wages and salaries, which are expected to increase from approximately \$688,000 in FY 2009 to \$720,000 in FY 2010, or about 54% of operating expenses. However, it should be noted that this includes six maintenance workers and one maintenance manager, who work at all of the Port's facilities but are fully allocated to the Piers LOB.

Other key operating expenses are dredging (\$177,000 in FY 2010), professional services (\$147,000), utilities (\$100,000), operating supplies (\$82,000), insurance (\$45,000), and DSL lease (\$40,000). The dredging cost is captured under the Personal Services, Outside Repairs and Materials, and Fuel & Oil line items in Table 13.

Operating expenses are expected to increase by 19.4% in FY 2010 compared with 2009. The increase is due to operating supplies (up 650%), professional services (up 356%) and the DSL lease (up 347%).

Table 13. Port of Astoria Statement of Expenses - Piers

OPERATING EXPENDITURES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Personal Services-Wages & Benefits	604,195	687,699	13.8%	719,964	4.7%
Materials & Services					
Insurance	45,885	42,224	-8.0%	45,000	6.6%
DSL Lease	-	8,955	NM	40,000	346.7%
Outside Repairs & Services	75,588	107,245	41.9%	80,400	-25.0%
Operating Supplies	67,879	10,926	-83.9%	82,000	650.5%
Tools & Equipment	-	4,414	NM	-	-100.0%
Fuel & Oil	79,381	52,829	-33.4%	55,000	4.1%
Equipment Rentals	3,891	5,257	35.1%	5,000	-4.9%
Office Supplies & Expenses	844	1,935	129.3%	950	-50.9%
Utilities	417,965	92,984	-77.8%	100,000	7.5%
Communications	2,191	4,130	88.5%	3,500	-15.3%
Permits	7,965	32,199	304.3%	15,000	-53.4%
Professional Services	48,608	32,214	-33.7%	147,000	356.3%
Advertising - Marketing	662	795	20.1%	500	-37.1%
Dues & Subscriptions	4,009	11,253	180.7%	12,000	6.6%
Travel & Meeting	56,727	33,978	-40.1%	42,000	23.6%
Miscellaneous	366	-	-100.0%	-	NM
Total Materials & Services	811,961	441,338	-45.6%	628,350	42.4%
Total Operating Expenditures	1,416,156	1,129,037	-20.3%	1,348,314	19.4%

Source: Port of Astoria Financial Reports

Properties

The Port of Astoria owns properties in a number of locations, including at the Astoria Regional Airport and Skipanon Peninsula in Warrenton, adjacent to Piers 1, 2, and 3 in Astoria, and adjacent to the West Basin Astoria. These assets are grouped in the Properties LOB (which excludes Tongue Point).

Operating revenues are primarily sourced from leases and rental income, which are expected to reach \$1.4 million in FY 2010 and rebilled utilities (\$325,000 in FY 2010). Other sources of operating revenues are from equipment rentals and other income. Operating revenues are expected to reach \$1.75 million in FY 2010, up 4.1% from FY 2009.

The Port is expecting \$2.6 million in loans and \$1.1 million in grants in FY 2010.

Table 14. Port of Astoria Statement of Revenues - Properties

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	08-09 % Change
Direct Operating Revenues					
Lease & Rental Income	635,325	1,257,082	97.9%	1,425,000	13.4%
Equipment Rentals	1,171	1,275	8.9%	2,000	56.9%
Other Income	23,917	89,565	274.5%	1,000	-98.9%
Rebilled Expenses	89,080	336,232	277.4%	325,000	-3.3%
Total Direct Operating Revenues	749,493	1,684,154	124.7%	1,753,000	4.1%
Other Income Revenues					
Loans	-	-	NM	2,600,000	NM
Grants	-	67,772	NM	1,132,000	1570.3%
Interest Income	-	2,714	NM	3,000	10.5%
Total Other Income Revenues	-	70,486	NM	3,735,000	5198.9%
Total Revenues	749,493	1,754,640	134.1%	5,488,000	212.8%

Source: Port of Astoria Financial Reports

The Port does not allocate wages and benefits to properties at the present time. Operating expenses are expected to increase to \$514,000 in FY 2010, up 8.3% from FY 2009.

Utility expenses are expected to account for 63% of total operating expenses. It should be noted that these utility charges are fully charged back to tenants (rebilled). Other major operating expenses include DSL lease (\$60,000 in FY 2010), insurance (\$58,000) and outside service/repairs (\$31,000) among other expenses.

Table 15. Port of Astoria Statement of Expenses - Properties

OPERATING EXPENDITURES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Personal Services-Wages & Benefits	-	-	NM	-	NM
Materials & Services					
Insurance	56,968	53,488	-6.1%	58,000	8.4%
DSL Lease	67,225	54,651	-18.7%	60,000	9.8%
Outside Repairs & Services	33,231	39,705	19.5%	31,000	-21.9%
Operating Supplies	3,343	776	-76.8%	11,000	1317.5%
Fuel & Oil	16	-	-100.0%	-	NM
Equipment Rentals	101	1,805	1687.1%	1,500	-16.9%
Office Supplies & Expenses	7	14	100.0%	-	-100.0%
Utilities	24,337	305,858	1156.8%	325,000	6.3%
Communications	1,393	816	-41.4%	1,000	22.5%
Permits	691	1,050	52.0%	12,500	1090.5%
Property & Other Taxes	1,249	30	-97.6%	-	-100.0%
Professional Services	89,493	15,202	-83.0%	12,500	-17.8%
Advertising - Marketing	-	1,353	NM	1,500	10.9%

OPERATING EXPENDITURES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Miscellaneous	(41)	6	-114.6%	-	-100.0%
Total Materials & Services	278,013	474,754	70.8%	514,000	8.3%
Total Operating Expenditures	278,013	474,754	70.8%	514,000	8.3%

Source: Port of Astoria Financial Reports

Security

The Port of Astoria provides security for all of its facilities. Revenues to provide for this service come from rebilled security expenses and grants (including \$200,000 for security cameras). The Port expects total revenues of \$265,000 in FY 2010, up significantly from prior years.

Table 16. Port of Astoria Statement of Revenues - Security

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Direct Operating Revenues					
Rebilled Expenses	37,745	63,900	69.3%	65,000	1.7%
Total Direct Operating Revenues	37,745	63,900	69.3%	65,000	1.7%
Other Income Revenues					
Grants	-	-	NM	200,000	NM
Total Other Income Revenues	-	-	NM	200,000	NM
Total Revenues	37,745	63,900	69.3%	265,000	314.7%

Source: Port of Astoria Financial Reports

Operating expenses for security are expected to decline from \$167,000 in FY 2008 to \$133,000 in FY 2009 and are expected to decline by an additional 7.3% to \$124,000 in FY 2010.

Wages and salaries of port employees are projected to account for 84% of expenses in FY 2010. Other expenses consist of outside repairs/services, fuel/oil, operating supplies and permits, among other expenses.

Table 17. Port of Astoria Statement of Expenses - Security

OPERATING EXPENDITURES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Personal Services-Wages & Benefits	151,523	114,962	-24.1%	104,005	-9.5%
Materials & Services					
Outside Repairs & Services	3,288	5,248	59.6%	7,000	33.4%
Operating Supplies	3,977	3,131	-21.3%	3,250	3.8%
Tools & Equipment	-	474	NM	-	-100.0%
Fuel & Oil	5,766	3,306	-42.7%	5,500	66.4%
Office Supplies & Expenses	80	47	-41.3%	300	538.3%
Utilities	-	267	NM	750	180.9%
Communications	1,682	333	-80.2%	500	50.2%
Permits	265	1,988	650.2%	2,000	0.6%
Professional Services	100	3,375	3275.0%	-	-100.0%
Advertising - Marketing	41	101	146.3%	150	48.5%
Travel & Meeting	233	174	-25.3%	250	43.7%
Miscellaneous	50	-	-100.0%	-	NM
Total Materials & Services	15,482	18,444	19.1%	19,700	6.8%
Total Operating Expenditures	167,005	133,406	-20.1%	123,705	-7.3%

Source: Port of Astoria Financial Reports

Tongue Point

The Port of Astoria recently signed a 10-year lease at Tongue Point, with a right to purchase the facility after 10 years. Tongue Point consists of five finger piers (with more than 15,000 linear feet of moorage space), 130,000 square feet of industrial space and 30 acres of paved land as well as 50 acres of submerged wetlands. The property has water, sewer and power utilities; and potential rail capacity. It also has a 34-foot deep access channel. The site will require utility additions and upgrades over time in order to optimize its potential. There are several existing leases (small boat building, fish processing, and others). The Port is planning on keeping these existing tenants and attracting new users.

The Port has budgeted for revenues of \$6.75 million in FY 2010, consisting of \$250,000 in lease and rental income and the remainder in loans (\$2 million) and grants (\$4.5 million). The loans and grants are linked to facility improvements and property acquisition.



Table 18. Port of Astoria Statement of Revenues – Tongue Point

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Direct Operating Revenues					
Lease & Rental Income	-	-	NM	250,000	NM
Total Direct Operating Revenues	-	-	NM	250,000	NM
Other Income Revenues					
Loans	-	100,000	NM	2,000,000	1900.0%
Grants	-	-	NM	4,500,000	NM
Total Other Income Revenues	-	100,000	NM	6,500,000	6400.0%
Total Revenues	-	100,000	NM	6,750,000	6650.0%

Source: Port of Astoria Financial Reports

The operating budget for Tongue Point is projected at approximately \$383,000 in FY 2010. This includes nearly \$170,000 in wages/benefits for Port staff, \$100,000 in operating supplies, \$60,000 in utilities, \$20,000 for insurance and \$20,000 for DSL Lease, among other expenses.

Table 19. Port of Astoria Statement of Expenses – Tongue Point

OPERATING EXPENDITURES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Personal Services-Wages & Benefits	-	-	NM	169,980	NM
Materials & Services					
Insurance	-	-	NM	20,000	NM
DSL Lease	-	-	NM	20,000	NM
Operating Supplies	-	-	NM	100,000	NM
Utilities	-	-	NM	60,000	NM
Professional Services	-	7,630	NM	10,000	31.1%
Travel & Meeting	-	2,769	NM	3,500	26.4%
Total Materials & Services	-	10,399	NM	213,500	1953.1%
Total Operating Expenditures	-	10,399	NM	383,480	3587.7%

Source: Port of Astoria Financial Reports

■ Bond Interest and Redemption Fund

The Port's Bond Interest and Redemption Fund (BIR) is used to repay accumulated indebtedness associated with the General Obligation (GO) bond issued in 1996 (\$5.53 million), of which \$1.175 million was outstanding as of the end of June 2009. The GO Bond will be repaid at the end of FY 2012.

The primary revenue source for the BIR is property taxes. For FY 2009, the amount of revenues restricted for repayment of the bond was set at 47.4% of property taxes received by the Port. The assessed value of the Port was \$4.25 billion in FY 2009 and the tax rate was .1256 mills (\$ per \$1,000 of assessed value).

The Port projects that property taxes will generate approximately \$425,000 for the BIR Fund in FY 2010. In addition, there is expected to be \$15,000 in interest income in the account in the current fiscal year.

Table 20. Port of Astoria Statement of Revenues – Bond Interest and Redemption Fund

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	09-10 % Change
Other Income Revenues					
Property Tax & Timber Revenue	459,619	470,013	2.3%	425,000	-9.6%
Interest Income	29,835	15,300	-48.7%	15,000	-2.0%
Total Other Income Revenues	489,454	485,313	-0.8%	440,000	-9.3%
Total Revenues	489,454	485,313	-0.8%	440,000	-9.3%

Source: Port of Astoria Financial Reports

■ Special Revenue Fund

The Port of Astoria's Special Revenue Fund (SRF) was set up to account for the Port's timber tax revenues and for other resources not used for ordinary Port expenses. Expenditures from the SRF are generally used for capital outlays.

In FY 2009, the SRF had revenues of approximately \$314,000, consisting of \$299,000 in timber taxes and \$14,500 in interest income. The Port is projecting a decrease in revenues in FY 2010 to \$188,100.

Table 21. Port of Astoria Statement of Revenues – Special Revenue Fund

REVENUES	ACTUALS			BUDGET	
	FY 2008	FY2009	08-09 % Change	FY 2010	08-09 % Change
Other Income Revenues					
Property Tax & Timber Revenue	299,307	299,332	0.0%	187,903	-37.2%
Interest Income	26,514	14,522	-45.2%	200	-98.6%
Total Other Income Revenues	325,821	313,854	-3.7%	188,103	-40.1%
Total Revenues	325,821	313,854	-3.7%	188,103	-40.1%

Source: Port of Astoria Financial Reports

Conclusions

The Port has a relatively large asset base and generates substantial operating revenues. However, the Port does not generate sufficient revenues to comfortably cover operating expenses, bad debts and debt service. In addition, there is a substantial amount of deferred maintenance and capital improvements that must be addressed. Most importantly, the Port needs to find additional sources of revenue to improve its financial performance.

At this point in time, we believe that the following should be priority issues in developing a Port Business Plan from a financial perspective:

- Proceed with plans to improve operating revenues. Chief among these are to commence log exports. This will generate additional revenues, estimated at approximately \$1 million per year. This should be accomplished in a way that minimizes costs to the Port and impacts to existing tenants;
- Develop consistent guidelines for establishing lease rates for land and property that are responsive to market conditions but which cover costs;
- Evaluate moorage, haul-out, and hangar rates and improve occupancy to improve the financial performance of the Marina and Airport LOBs. Capital funds should be secured to improve the access to the East Basin;
- Move forward with plans to attract users to Tongue Point;
- Further refine the financial evaluation of each line of business by allocating direct and indirect administrative costs to the LOBs and allocate the maintenance expenses that are currently allocated to Piers to the other LOBs, where appropriate.

Port Policies and Procedures

The Port of Astoria Commission consists of five commissioners. The current Commission includes four commissioners with lengthy Port Commission experience and one newly appointed commissioner. The commissioners have diverse business backgrounds, including fishing, longshore activities, corporate planning, real estate development, construction, transportation, and aviation. Although the commissioners have attended informal training discussions and participate in other Port-related meetings and organizations, the Port does not have a specific policy for board member training and development.

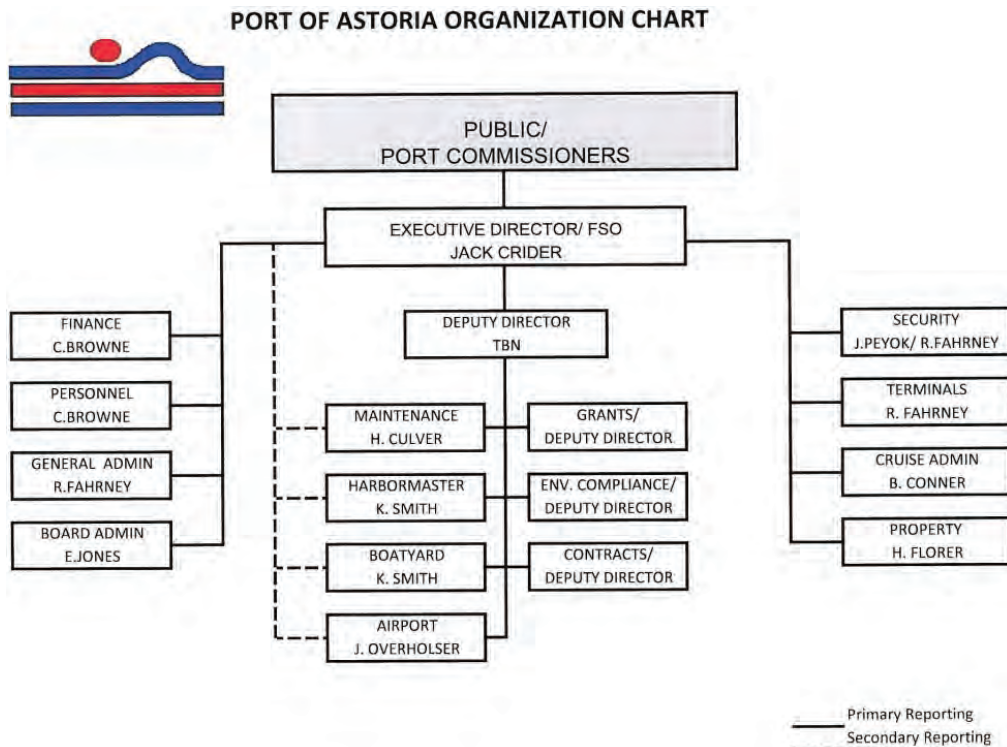
Governance

The Port maintains a written set of “Board Ground Rules.” The rules (Resolution 2008-5) were adopted by unanimous Commission vote on May 27, 2008. The rules provide guidance for commissioners on community responsibility, communication between commissioners and staff, general commissioner responsibilities, and the purpose and “appropriate” need for executive/closed sessions. The Board Ground Rules also outline the need for all commissioners to follow the rules and consequences for not doing so.

Although the Board Ground Rules spell out various commissioner responsibilities, they do not contain a clearly defined process for enforcement.

Organization Chart

The Port of Astoria’s 2010 organization chart is included below.



Staff/Professional Development

The Port encourages continued education and training for employees to enhance job performance and assist in potential career advancement within the Port of Astoria. The Port shall provide such in-service training as deemed necessary and beneficial to the delivery of services and performance of duties.

Employees may request compensation for the costs of college-level, technical, or other academic coursework, seminars, and conferences relevant to their current or future roles in the organization. Such requests must be made in writing to the department head and forwarded with a recommendation to the Executive Director for approval prior to the employee's enrollment or participation. Reimbursement for college-level coursework will only be made if the employee receives a passing grade. All training activities involving a cost to the Port must be approved in advance, in writing.

All employees are required to participate in any training sessions mandated by the various training and safety programs adopted by the Port. In addition, the Port may from time to time require additional training sessions to ensure that each employee's job knowledge and proficiency are maintained at the highest possible level. Attendance at these training sessions is mandatory, and failure to attend, without prior authorization from the Executive Director, will result in the loss of one vacation day for each day of training so missed.

Market Conditions

Summary

The Port of Astoria is a diversified operation, with assets that are critical to the economy of Clatsop County. Included in these assets are:

- Boat harbors and a boat repair yard that support the strong local fishing industry,
- Industrial space where new businesses can locate and existing businesses can grow,
- An airport that supports scheduled service, general aviation, and the Coast Guard,
- Cargo piers that host cruise ships, research vessels, and other maritime traffic, and
- A highly-visible hotel property in a growing tourism area.

In addition, the Port of Astoria recently signed a lease for the North Tongue Point property that includes an option to purchase the property.

The following report provides background information on each of the Port's lines of business, then examines current and potential markets in detail.

■ Port Revenue Sources

The Port of Astoria's assets are organized in four lines of business that generate the majority of the Port's revenue: airport, marinas, properties, and piers. In the 2008-2009 fiscal year, these four lines of business accounted for 78% of revenue.

For two of these lines of business (properties and marinas), most of the revenue is generated through operations. In contrast, both the airport and piers generate a substantial portion of their revenue through other sources, such as loans and grants.

In the 2008-2009 fiscal year, the airport generated \$1.77 million in revenue, accounting for 23.3% of the Port's total revenue of \$7.61 million. Within the \$1.77 million, \$1.02 million (57.5%) was generated through operations, while \$0.75 million was generated through grants.

Properties generated the second-highest level of revenue (\$1.75 million), and accounted for 23.1% of Port revenues. Of the \$1.75 million, \$1.69 million was generated by operations, while just \$70,000 came from grants and interest.

Piers are the third-largest revenue generator at the Port of Astoria, accounting for 18.3% of total revenue. As with the airport, a large portion of this revenue comes in the form of grants or loans. In this case, grants and loans accounted for 46% of the \$1.40 million generated by the piers, while operations generated the other 54%.

The marinas are another line of business that generates most revenues from operations. The marinas generated \$0.99 million in 2008-2009, and all but \$5,900 of this revenue was generated by operations. The marinas accounted for 13.1% of all Port revenue.

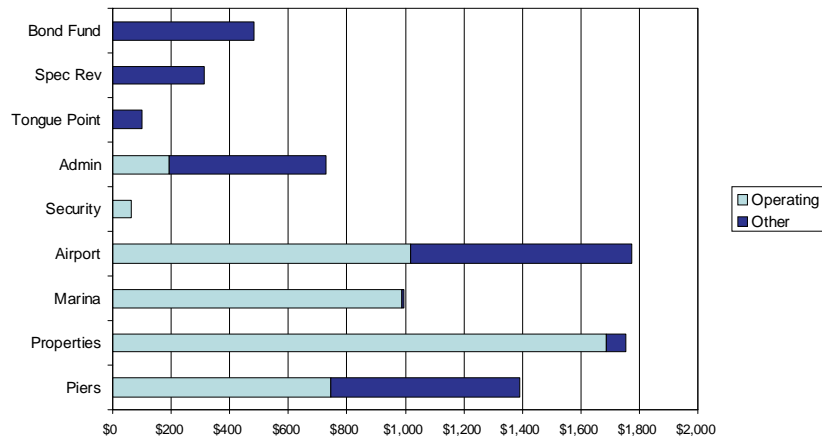


Figure 2. Port of Astoria Revenue, FY 2008-2009

■ Opportunities for the Port of Astoria

The Port of Astoria has opportunities for growth in many of its lines of business. In pursuing these opportunities, however, it is critical that the Port consider the fiscal impacts of pursuing these opportunities. The Port owns substantial capital assets that require funding for ongoing operations and maintenance, and any new opportunities that the Port pursues must not harm the finances of existing operations.

Opportunities at Piers

Astoria has been successful in attracting cruise ships, and over the past five cruise seasons an average of 19 vessels have called each year. For cruise lines Astoria is a desirable stop due to the variety of shoreside attractions, shopping opportunities and day trips that are available. In 2010 there will be 39 ships in the cruise market in Alaska, which provides Astoria with 78 opportunities to attract cruise vessel calls. One improvement that would increase the attractiveness of calling at Astoria is a weather-protected area for passengers to wait for ground transportation.

Research vessels are also an opportunity for the Port of Astoria. Although the number of research vessels calling in Astoria has been lower than that of cruise vessels, research vessels tend to stay for much longer periods than cruise vessels. In addition, when the NOAA Pacific Fleet moves to Newport, there will likely be more opportunities for the Port to attract this type of call.

A variety of other types of vessels will continue to stop at Astoria, including U.S. Navy ships, dredge equipment, and others.

Cargo opportunities at the piers are limited. However, there appears to be a potential for log exports at Piers 1 and 3. This opportunity should be considered, but the impact that such an operation would have on other existing business (e.g., cruise, boatyard, hotel) must be weighed against the potential benefit.

Opportunities at Marinas

Clatsop County has become the commercial fishing center of Oregon and plays a key role in West Coast fisheries. The Port supports this industry through its marinas, boatyard, pier leases, and other areas.

As the number of commercial vessels has declined, the average size of the remaining vessels has increased. The Port of Astoria may be able to better support the commercial fishing industry through upgrades to the East Basin, such as improvements to the causeway or reconfiguration of the marina to provide more floats for large vessels.

Recreational fishing is also a major draw for visitors, and during the peak of the fishery local businesses are packed with fishermen. The Port can continue to support this industry by providing adequate moorage space and sufficient boat ramps and trailer parking. Renovation or replacement of the Red Lion would also support the recreational fishing business.

The Port of Astoria Boatyard has seen business increase in each of its five years, but this business is highly seasonal. In part this seasonality is related to the seasonality of boating, but it is also due to the lack of weather-protected work space. Construction of an indoor facility for a limited number of boats could help to increase the amount of business at the boatyard, especially during the traditional slow winter season.

Opportunities at the Properties

The Port of Astoria owns a number of properties for lease, including at the airport and at the waterfront piers and marina. In addition, the Port recently entered into a lease agreement for North Tongue Point, and controls the Skipanon Peninsula.

North Tongue Point presents several opportunities for the Port. Tongue Point is home to a number of existing businesses, including a small boat building operation, fish processing, and others. The Port should work to keep these existing tenants, providing them with adequate facilities.

The Port should also examine other opportunities at Tongue Point, carefully weighing the cost to the Port with the anticipated benefits. One such opportunity is a bio-mass energy facility or co-generating facility. The Port should work with this potential tenant to evaluate the long-term prospects of the operation, and to structure a lease that will provide positive cash flow to the Port.

The attractiveness of Tongue Point to industrial operators can also be enhanced through resumption of rail access to the facility. The Port of Astoria should pursue funding opportunities to repair the rail line to Tongue Point.

The Red Lion property is another strong opportunity for the Port of Astoria. This hotel is currently closed, and the building is at or near the end of its useful life. With the strong growth trend in lodging in Astoria, and the location of this waterfront property adjacent to the major roads through town, the Port should pursue construction of a new hotel on the site.

Opportunities at the Airport

Steady growth in aircraft operations are forecast for Astoria Regional Airport, along with an increase in the number of aircraft based at the airport. The Port of Astoria can participate in this growth through several projects.

First, as the number of aircraft based at the field increases, the demand for hangars will increase. The Port of Astoria should evaluate the financial feasibility of constructing additional hangars for lease.

Second, commercial air service has resumed at Astoria after a long period of no service. The Port has been an active participant in this effort, and should continue to work with the air carrier to provide adequate facilities, including terminal space, parking, and improved access.

Third, the Port of Astoria owns industrial properties at the airport that are available for lease. Leases of airport property contribute to the financial health of the airport, and the Port should continue to market these properties.

Piers

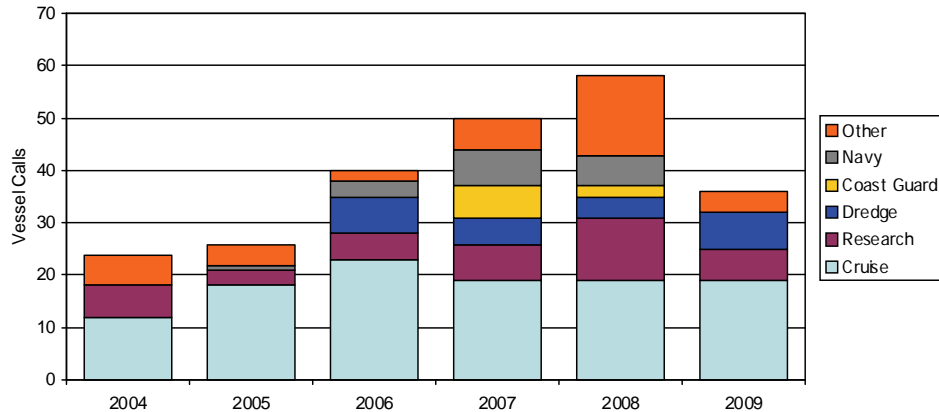
The Port of Astoria owns three piers west of the Astoria-Megler Bridge. Pier 1, the eastern pier, is used to moor a variety of vessels, including cruise ships, research vessels, dredge equipment, and others. Pier 2 is primarily used for fish processing, and Pier 3 has the Port’s boat repair yard. (See Figure 3.)



Source: Google Earth, BST Associates

Figure 3. Aerial of Piers and West Basin

Cruise vessels have been a steady source of vessel calls over the past six years, with an average of 19 vessel calls per year. Research vessels are another important market, with an average of six or seven vessels making multiple visits throughout the year. In recent years dredge equipment has also provided steady business, much of which is related to the Columbia River Channel Deepening project. Other vessel types using the piers include US Navy, US Coast Guard, and a variety of other vessels.



Source: Port of Astoria

Figure 4. Vessels Calls at Port of Astoria Piers

Although the number of research vessels calling at Astoria is smaller than the number of cruise vessels, this is an attractive market due to the length of time the vessels stay. While cruise ships are typically in port only eight hours, research vessels often stay for weeks at a time. When the National Oceanographic and Atmospheric Administration (NOAA) is successful in transferring its Pacific fleet from Seattle to Newport, Oregon, it is likely that Astoria will see additional demand from research vessels.

■ Cruise Ships/Passenger Vessels

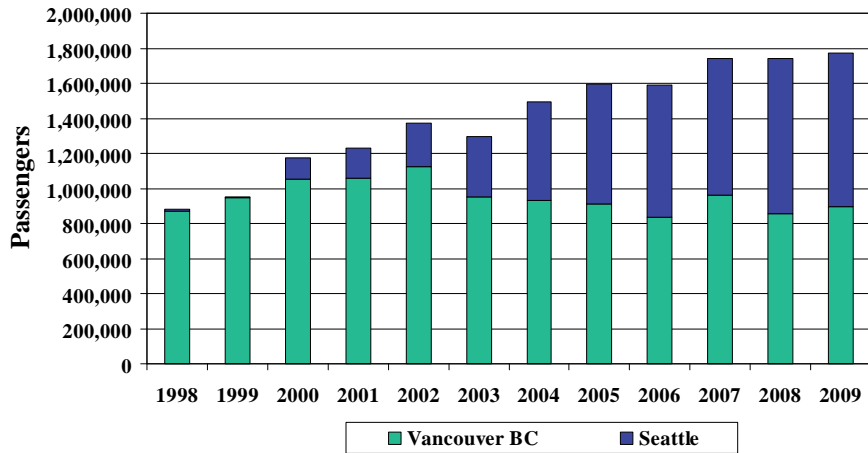
The cruise ship market is differentiated between homeports and ports of call. A homeport refers to a vessel's home base when it is in a particular market area. Homeports are chosen for their ability to smoothly transfer passengers that fly-in or drive-in with the cruise ship. This generally requires a large local market with strong airport/highway capacity. For example, Seattle and Vancouver (B.C.) are the homeports for vessels operating in the summer Alaska cruise market.

A port of call is one of the ports that will be visited during a cruise itinerary, or when the vessel is repositioning from one market to another. The large cruise vessels that call at Astoria are on repositioning moves, shifting north to the Alaska market during late spring and moving back south during the fall. The small cruise vessels that have called at Astoria include some that are repositioning, but also include some for which Astoria was a part of the regular itinerary.

Large Cruise Vessels

As shown in Figure 5, the number of passengers carried in the Alaska market grew at 6.6% per year between 1998 and 2009. Until 1999 virtually all Alaska cruises used Vancouver as their homeport, but in the last 10 years Seattle has captured half of the market.

Most industry forecasters expect that the rate of growth will slow in the future. Vancouver is reporting a decrease in cruise ship visits for 2010; many cruise lines have pulled one or more of their vessels from the Vancouver port to redirect them into more profitable markets. While a large portion of this shift is due to the economy, cruise lines also object to a \$50-per-person fee recently instituted by Alaska.



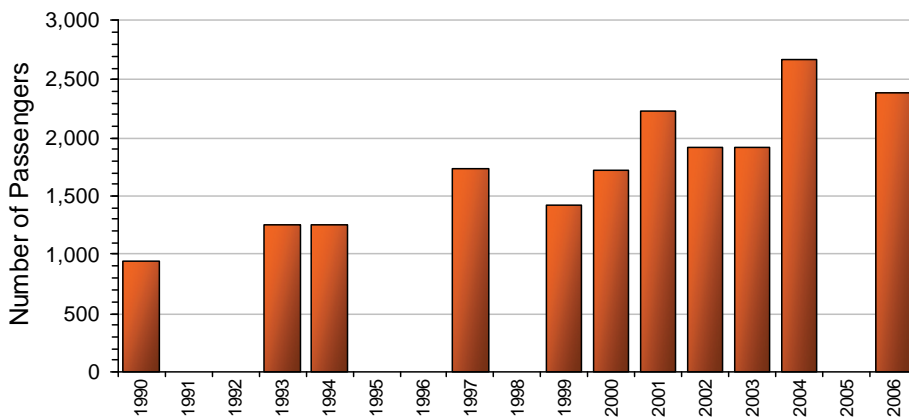
Source: Ports of Seattle and Port Metro Vancouver

Figure 5. Alaskan Cruise Market Trends in the Pacific Northwest

Five major cruise lines have reduced their Vancouver itineraries, including Carnival Cruise Lines, Holland America, Norwegian Cruise Lines, Princess Cruises and Royal Caribbean Cruise Lines. Some of these vessels are being diverted from Vancouver to Victoria, which is expecting 215 visits in 2010. Victoria is able to provide land vacations that can be married with a cruise.

Another important trend in the cruise industry is the move to larger vessels. Figure 6 presents the average passenger capacity for vessels scheduled to cruise between Pacific Northwest ports (Seattle and Vancouver) and Alaska in 2010. As illustrated, the average passenger capacity has grown over time.

The primary implication of the increasing ship size is that the same number of passengers can be accommodated using fewer vessels. Another important result of the growing ship size is the shoreside infrastructure and the shoreside transportation needed to handle bigger ships and more passengers disembarking per vessel call.



Clarkson Shipping Information Network

Figure 6. Average Passenger Capacity of Cruise Vessels on the 2010 Pacific Northwest to Alaska Schedule (Year Vessel Built)

- **Opportunities in Astoria**

- Homeport

- Astoria will not become a homeport for large cruise vessels, as are Seattle and Vancouver. This requires very large airport capacity and other tourism infrastructure.

- Repositions

- Astoria has been successful, however, in attracting vessels on repositioning moves, when ships are being transferred to or from the Pacific Northwest-Alaska market. Over the past five cruise seasons Astoria has attracted an average of 19 vessels calls per year. In 2010 there will be 39 ships in the cruise market in Alaska, operated by 15 different cruise lines. This provides Astoria with 78 opportunities to attract cruise vessel calls. For cruise lines Astoria is a desirable stop due to the variety of shoreside attractions, shopping opportunities and day trips that are available, as well as to the short distance from the open ocean to the dock.

The Port should continue to coordinate with the City and other economic development groups to market Astoria as a destination and identify cruise customer needs. One improvement that would increase the attractiveness of calling at Astoria is a covered area for passengers to wait for ground transportation once they have disembarked from the vessels. Currently there is no waiting area protected from wind and rain.

Conflicts between uses at Pier 1 must be taken into account when evaluating other opportunities for Pier 1. This includes priority use of the main dock, provision of the required security buffer, and protecting passengers from heavy equipment and dust related to cargo movement.

Small Cruise Ships

There is also a fleet of smaller cruise ships that serves the Alaska and Pacific Northwest market, as shown in Table 22. Some of these focus on cruises to Alaska and could present an opportunity when repositioning into and out of the market.

Table 22. Small Cruise Vessels in Alaska and Pacific Northwest

COMPANY	VESSEL NAME	PASSENGERS	LENGTH
American Safari Cruises	Safari Quest	22	120
American Safari Cruises	Safari Spirit	12	105
American Safari Cruises	Safari Escape	12	112
Alaska West Steamboat Company	Empress of the North	235	360
Alaska West Steamboat Company	Queen of the West	161	230
Clipper Cruise Line	Clipper Adventure	122	330
Clipper Cruise Line	Clipper Odyssey	128	340
Clipper Cruise Line	Yorktown Clipper	138	257
Cruise West	Spirit of Oceanus	114	295
Cruise West	Spirit of Endeavor	102	217
Cruise West	Spirit of '98	96	192
Cruise West	Spirit of Columbia	78	143
Cruise West	Pacific Explorer	100	185
Cruise West	Spirit of Alaska	78	143
Cruise West	Spirit of Discovery	84	166

COMPANY	VESSEL NAME	PASSENGERS	LENGTH
Cruise West	Sheltered Seas	70	90
Discovery Voyages	Discovery	12	65
Glacier Bay Cruise Line	MV Executive Explorer	104	49
Glacier Bay Cruise Line	MV Wilderness Discoverer	87	169
Glacier Bay Cruise Line	MV Wilderness Adventurer	69	157
Glacier Bay Cruise Line	MV Wilderness Explorer	31	112
Lindblad Expeditions	Sea Bird	70	152
Lindblad Expeditions	Sea Lion	70	152

Source: cruise line websites

- **Opportunities in Astoria**

- Homeport

- Astoria is not likely to become a homeport for the smaller cruise ships.

- Regular Port of Call and Repositions

- Astoria should continue to attract small cruise vessel calls as part of regular itineraries as well as during repositioning moves. The Port should encourage this by periodically communicating with small cruise customers and partnering with the City to attract these vessels to Astoria.

- As an example, American West Steamboat Company operated two modern paddlewheel vessels, the *Empress of the North* and the *Queen of the West*. *Empress of the North* spent summers in Alaska and winters in Portland, while *Queen of the West* spends the entire year operating on the Columbia, Snake and Willamette Rivers. Although this firm recently ceased operations, Astoria was a key port on its itinerary, and will likely be an important stop for any operator on the Columbia River.

- **Marine Cargo Trends and Opportunities**

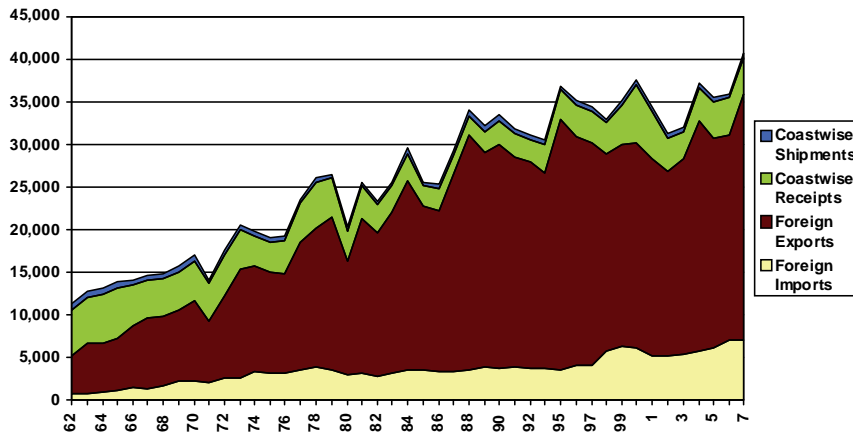
This section reviews trends and forecasts for marine cargo in the Pacific Northwest and evaluates whether there is a potential role for the Port of Astoria.

- Long-Term Trends in the Columbia River

- The Lower Columbia River is home to six ports with deep-draft cargo facilities. These include Astoria⁶, Portland and Saint Helens, Oregon, and Vancouver, Kalama, and Longview in Washington. These ports host a variety of public and privately owned facilities.

- The deep draft ports in the Lower Columbia River have experienced sustained growth in cargo volumes over the past 45 years. From 1962 through 2007 (the last year for which data is available), waterborne cargo volumes on domestic and international routes grew at a compound annual growth rate of 2.9%. Imports and exports grew by an average of 4.9% and 4.3% per year, respectively, while coastwise trade remained relatively stable. (See Figure 7.)

⁶ Astoria has handled marine cargo in the past but does not at present.



Source: US Army Corps of Engineers Waterborne Commerce Statistics

Figure 7. Lower Columbia River Marine Cargo Trends (1,000 metric tons)

Recent Trends in the Pacific Northwest

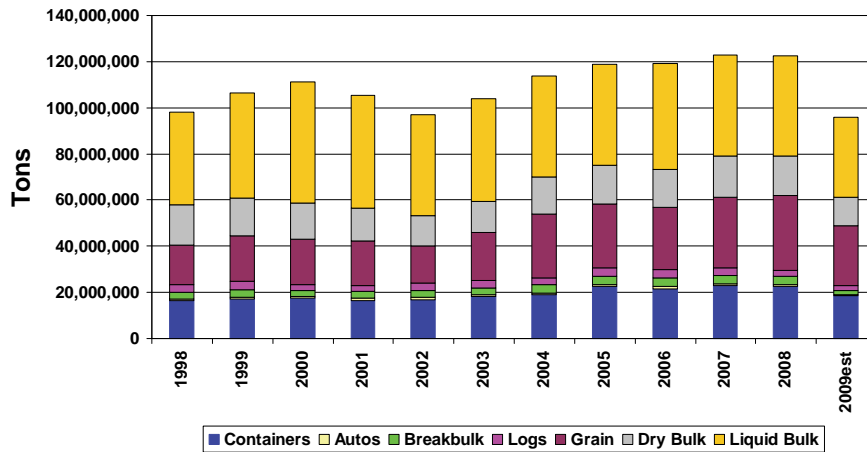
The severe economic recession has caused a significant drop in all types of cargo movements. Marine cargo volumes moving via ports in Oregon and Washington peaked in 2008 and then fell substantially in 2009 due to the effects of the global recession. Trade volumes also declined in 2001 and 2002 in response to an earlier recession.

In general, as economic activity slows down, trade volumes decline; as the economy rebounds, trade volumes also rebound. However, the effects of unemployment and economic uncertainty in the current recession have so far limited the rebound of trade volumes.

Most analysts conclude that it may take five years or more for trade volumes to reach their previous peaks, depending on the commodity group. Because of the slowing of trade growth, the perception that port capacity is becoming constrained has changed, and the demand to shift cargo from larger ports to smaller ports has been curtailed.

As shown in Figure 8, largest portion of marine cargoes moving through Pacific Northwest ports is liquid bulks, which accounted for approximately 35% of total volume in 2008. In order of volume, the other cargoes shipped through ports in the region include:

- Grain, 26% of total,
- Containers, at 18%,
- Dry bulks, 14%,
- Breakbulk, 3%,
- Logs 2%, and,
- Autos 1%.



Source: BST Associates using data from MARAD & USACE

Figure 8. Pacific Northwest Marine Cargo Trends (Metric Tons)

Each of these commodity groups is evaluated below, followed by a summary of the existing or potential role that the Port of Astoria may play in the product as well as whether the activity could be located at the Tongue Point property.

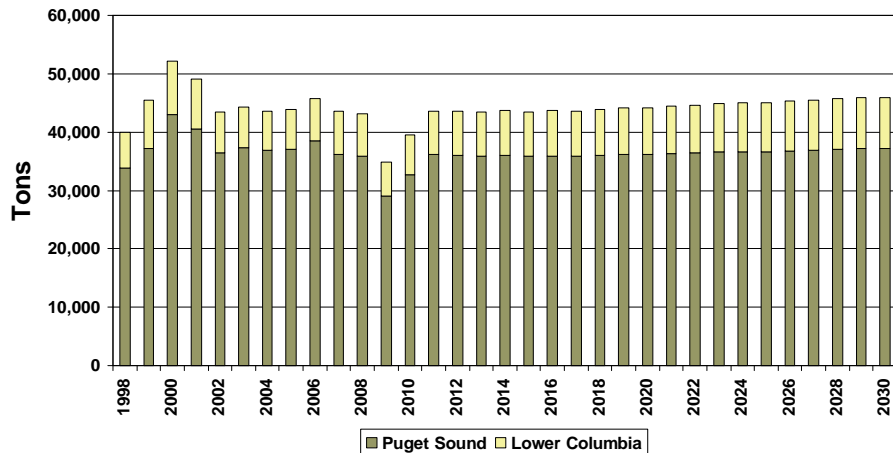
Liquid Bulks

The liquid bulk trades in the Pacific Northwest are dominated by petroleum, including crude oil and refined products. A variety of other liquid commodities are also handled, but in much smaller volumes.

In Puget Sound, imports of crude oil to the refineries at Cherry Point and March Point make up the lion’s share of liquid bulk movements moving into and out of the area. In addition to crude oil, refined products are both shipped and received by Puget Sound ports in large volumes. Most of the remaining liquid bulk tonnage is comprised of chemicals and animal fats, which move in significantly smaller volumes than petroleum products.

Petroleum products also dominate the liquid bulk trade on the Columbia River, although not to the extent it does on Puget Sound. There are no oil refineries on the Columbia River, which limits the amount of crude oil imported into river ports. However, asphalt production in the region does use crude oil that is imported by water. Shipment and receipt of petroleum products are also important for this region, and movements of chemicals and fertilizers play a larger role in the Lower Columbia River than in Puget Sound. For example, in Kalama toluene is received for chemical processing, while Vancouver receives liquid fertilizers for agriculture. Vancouver also receives chemicals for forest products firms and for local chemical producers.

Liquid bulk volumes are expected to remain relatively stable after overcoming the drop of volumes in 2009.



Source: BST Associates using data from MARAD and IHS Global Insight

Figure 9. Pacific Northwest Liquid Bulk Cargo Trends and Forecast (Tons)

- **Opportunities for Port of Astoria**

- Competing with Pacific Northwest Ports

There are limited opportunities to compete for liquid cargoes that originate or terminate at non-local markets.

- Serving Local Markets in the Northwestern Oregon

There is no apparent need for a new liquid bulk terminal at Astoria.

Grain

Grain products, which represent the largest flow of products via Pacific Northwest ports, are primarily composed of wheat, corn, barley, soybeans, grain sorghum and some animal feeds such as beet pulp pellets. Wheat is primarily used for human consumption, as opposed to the coarse grains being used as a feed product for animals. Demand for human food is less affected by changes in personal income than demand for animal feed. However, exchange rates do have a strong effect on wheat sales. Competition for wheat exports is intense, particularly with Canada and Australia, among countries. Virtually all wheat and barley exports are handled by Lower Columbia River ports.

Coarse grains, including corn and sorghum, are primarily used as animal feed. Soybeans are used for animal feed and for human consumption. World competition in the coarse grain market is intense, and Washington exporters vie for sales against Brazil, Argentina, and others. Washington ports also face competition from other U.S. port regions, specifically ports on the Gulf of Mexico. Ocean freight rate and rail freight rate differentials can cause major shifts of exports between Pacific Northwest and Gulf Coast ports.

Due to favorable conditions in recent years (including relatively lower freight rates) Pacific Northwest ports experienced rapid growth in corn exports. However, current factors mitigate against continued growth in corn exports. In particular, an increasing share of U.S. corn production will likely shift to ethanol production, reducing the volume of corn available for export. In addition,

international competition from Argentina and Ukraine is expected to increase in the near-term for export sales but China is expected to become a net importer in the near-term, which could expand the export market size substantially.

Soybean exports have also increased significantly in the last five years. There continues to be a strong demand for vegetable oils for food consumption and for protein meals used in livestock production and biodiesel. The export markets are large and growing, particularly in China. As with other crops, there is strong international competition (mainly from Brazil and Argentina).

Lower Columbia Washington ports (Vancouver and Kalama) had a 42% market share of grain exports in 2008 as compared with 41% in Puget Sound (includes Grays Harbor) and 17% in Lower Columbia Oregon ports (Portland Harbor).

Growth forecasts are expected to be modest for all sub-regions of the Pacific Northwest for several reasons. Grain exports ramped up significantly between 1998 and 2008, adding approximately 15 million tons, which nearly doubled export volumes. This occurred due to a shift from the U.S. Gulf to the Pacific Northwest caused by favorable relative transportation costs. According to the USDA, U.S. exports are projected to grow modestly in the future due to increased international competition. The one exception may be in soybean exports (especially to China).

As a result, grain exports via Pacific Northwest Ports are expected to grow modestly from 2008 to 2020. However, the forecast and market share could change with the introduction of the new terminal in Longview. In 2009, Bunge North America, the North American operating arm of Bunge Limited, announced that it had created a joint venture with Itochu (the second largest marketer of grain and food products in Japan) and STX Pan Ocean (one of the leading shipping companies of agricultural products in the world) to build and operate a state-of-the-art export grain terminal at the Port of Longview, Washington. EGT Development, LLC, which is currently being constructed, is the first export terminal built in the United States in more than two decades. It is expected to receive product by fall of 2011.

The terminal will be capable of handling grain, oilseeds and protein meals and has a stated capacity of 8 million tons. It features a rail loop track unloading system capable of holding four 110-car unit trains at any given time. The facility will include a highly efficient shuttle train unloading system as well as the capability to unload barges from the Columbia River. When it is fully operational, the facility will be able to handle more than eight million metric tons annually. The terminal encompasses approximately 108 acres. The new elevator could draw export cargo from the U.S. Gulf and/or from other ports in the Pacific Northwest.

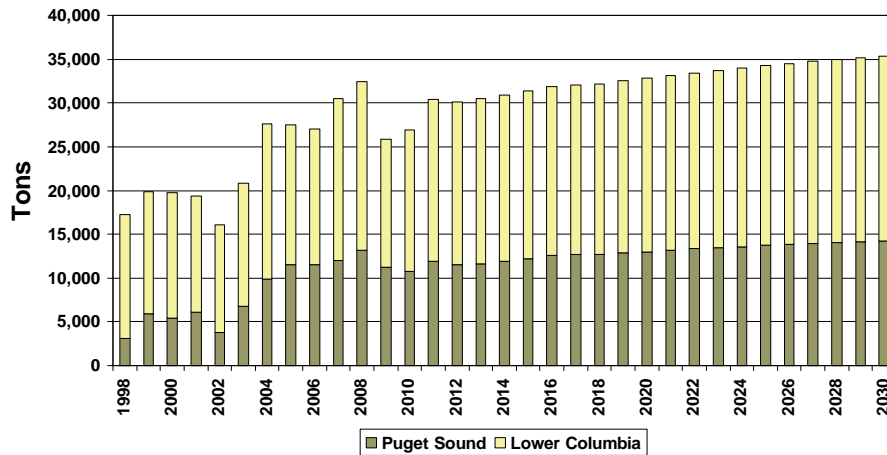


Figure 10. Pacific Northwest Grain Export Trends and Forecast (Tons)

Source: BST Associates using data from MARAD and IHS Global Insight

- **Opportunities for Port of Astoria**

Astoria does not have the facilities available to compete for this product, which needs 100+ acres and deep water (40+ feet). In addition, the new facility at Longview will likely absorb all excess grain export demand for many years.

As a result, grain exports are not considered a good opportunity for Astoria.

Containers

This section reviews the market conditions for containerized cargoes.

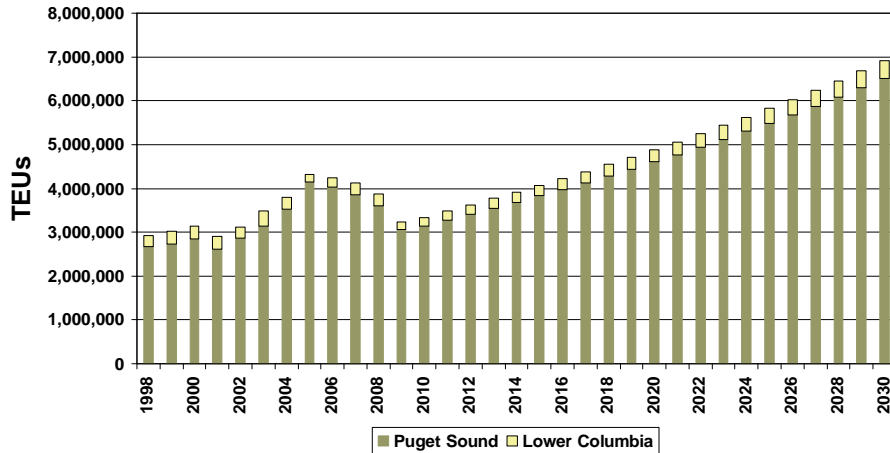
- **Overview – Trend and Forecast**

Pacific Northwest ports (primarily Seattle, Tacoma and Portland⁷) handle import and export of foreign containers as well as domestic containers. Most of the international trade consists of trade with the trans-Pacific region, with the largest import volumes coming from China. Domestic container traffic is primarily between the Pacific Northwest and Alaska, Hawaii and the U.S. Trust Territories in the Pacific Islands, and generally grows at a much slower rate than traffic on international routes.

Container volumes via Pacific Northwest ports grew robustly in the recent past, reaching a peak in 2005. This was caused by strong growth in trans-Pacific imports and by capacity constraints that occurred in Southern California. Shippers and carriers began to shift cargo from the Ports of Los Angeles and Long Beach to other gateways. Seattle and Tacoma were beneficiaries of this trend. However, improvements to facilities and operating systems in Southern California were undertaken in 2006 and 2007, causing container traffic to switch back to Southern California.

⁷ Some other Pacific Northwest ports also handle small volumes of containers.

Competition for containerized cargo on international trade routes has intensified, particularly from Canadian West Coast ports and U.S. East and Gulf Coast ports. The competition from the East Coast and Gulf Coast is expected to intensify in coming years as the Panama Canal is improved and becomes capable of handling larger container ships.



Source: BST Associates using data from MARAD and IHS Global Insight

Figure 11. Pacific Northwest Container Trends and Forecast (TEUs)

As noted above, the current recession caused a decline in volumes in 2009 and is expected to retard container volumes so that the previous peak volumes (set in 2005) will not be attained for several years (until approximately 2017). The forecast calls for containers to reach approximately 7.0 million TEUs by 2030, with growth averaging 2.7% per year between 2008 and 2020.

- **Opportunities for the Port of Astoria**

- Competing with Pacific Northwest Ports – Large Intermodal Facilities

Approximately 60% to 70% of the Pacific Northwest import container traffic consists of discretionary intermodal traffic, which requires cost-effective rail connections with the Midwest, Rocky Mountain and other inland population centers. The remainder of the container traffic originates or terminates in the region and is transferred by truck.

In 2005, ocean carriers began to search for alternative port gateways. They were looking for large tracts of land (150 to 400 acres) with relatively uncongested rail corridors on deep water (request for 50+ feet) to allow use by the newer generations of post-Panamax vessels (8,000+ TEU vessels). This led to the successful development of a pure intermodal gateway at Prince Rupert, B.C. In a similar move, one shipping line evaluated a number of ports in the region to develop a new intermodal port, including the ports of Coos Bay, Grays Harbor and Everett. Coos Bay was chosen by this carrier for development, but the plans have been delayed until market volumes recover, which could occur after 2020. Carriers and port authorities are also seeking to improve productivity at existing terminals.

The Port of Astoria does not have a large tract of land on deep water. Competition from other port areas for this market is expected to be very strong. This opportunity is considered high risk and high cost.

Competing with Portland – Serving Oregon and parts of Washington and Idaho

Portland's local container market consists mainly of Oregon, southern Idaho, and the barge system serving southeast Washington and northern Idaho. Products in this market area can move via Columbia River ports (primarily the Port of Portland) or container ports in Puget Sound. Portland's share of the local market depends on a number of factors, including the number of containers moving to and from each country or world region, the relative frequency of service provided by ocean carriers, and relative inland transport costs, among other factors.

Portland, which has a 200-acre container terminal, has lost market share in recent years due primarily to water depth constraints. In particular, the volume of containers shipped by both barge and rail has declined. Development of a terminal at Astoria would not likely be successful in competing with Portland.

Competing with Pacific Northwest Ports – Local Markets

Astoria could potentially enter the container business to serve local markets in northwest Oregon via short sea shipping. However, these opportunities are likely to be in the long-term future (15 to 20+ years).

The Maritime Administration and other agencies are promoting short sea shipping (which includes barge service) as a means to:

- Improve freight mobility (increased freight capacity) - At a basic level, incorporating Short Sea Shipping into the surface transportation system may add capacity to certain cargo routes because it increases modal alternatives. Short Sea Shipping operations may also help increase capacity in other ways.
- Improve freight mobility (decrease congestion) - By taking trucks off the road, Short Sea Shipping may help alleviate congestion along key corridors.
- Improve air quality - Barging services are more fuel efficient than trucking, and one barge may be able to carry as much freight as 58 trucks. Removing these trucks from the road and using a more fuel-efficient option may reduce emissions and improve air quality.
- Reduce need to build roadways and rail lines - By reducing the pressure on existing transportation infrastructure, Short Sea Shipping can reduce the need to build new infrastructure. Large infrastructure projects, such as new roadways and rail lines, are expensive, time consuming, and in some cases may be constrained due to low population density and/or high land costs.

Barge service has typically been successful for low-value products that are not time sensitive, including bulk commodities, such as grain, coal, and lumber. Newer barge services are targeting the higher-value time-sensitive containerized freight that normally moves by truck. This may require introduction of new types of service, including introduction of higher-speed self-propelled vessels; which allow trucks to roll on and roll off, instead of the traditional methods in which cargo is lifted on and off by large cranes. The key to success of the potential system is providing an economical way to move freight with the desired frequency, quality and cost of service.

Barge service from Astoria would need to have the following characteristics:

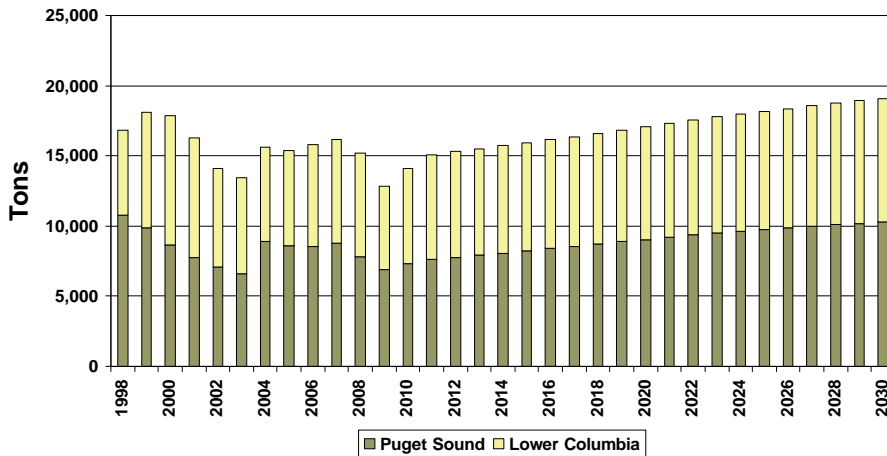
- Cost - Barging will need to be competitive with trucking.
- Frequency and reliability - Dependable service once per week is the minimum requirement.
- Multi-client service – Barge service that accommodates several shippers is required.

Dry Bulks

Dry bulks can be differentiated by the market area that is served. Some bulk cargoes originate/terminate in distant market areas (Rocky Mountains, Midwest and Canada) and move by unit train. These are categorized as national/international cargoes. National/international cargoes include exports of soda ash (mined in Wyoming), potash (mined in Saskatchewan), bentonite clay (mined in Wyoming) and copper concentrates (mined in Montana).

Other bulks primarily serve the local and regional markets and primarily move by truck although some also move by rail. These are categorized as local/regional cargoes and include cement, gypsum, aggregates, steel scrap, petroleum coke and fertilizers, among other like products. Proximity to the destination of the product is critical for these products.

As shown below, dry bulk traffic (imports and exports) are expected to grow from depressed levels in 2009 and reach the prior peak (2007) by 2020. Growth is expected to be modest at 1.0% per year from 2008 to 2030. However, there are opportunities for large new accounts to emerge (e.g., like the potash account at the Port of Portland).



Source: BST Associates using data from MARAD and IHS Global Insight
 Figure 12. Pacific Northwest Dry Bulk Cargo Trends and Forecast (Tons)

Opportunities for Port of Astoria

Astoria does not have the facilities available to compete for national/international dry bulk markets. These products require large facilities with 100 or more acres and deep water (40+ feet), and several other ports in the region (Vancouver, Longview et al) have facilities available for this market.

Dry bulks serving local/regional markets require more limited facilities, typically around 5 to 25 acres. However, these products tend to be low value, and proximity to the market served is critical. As an example, for aggregates the cost of transportation beyond 50 miles may exceed the product's value. The opportunities for Astoria are limited to the northwestern Oregon market.

As a result, dry bulk exports are not considered a good opportunity for Astoria, unless they serve the local market.

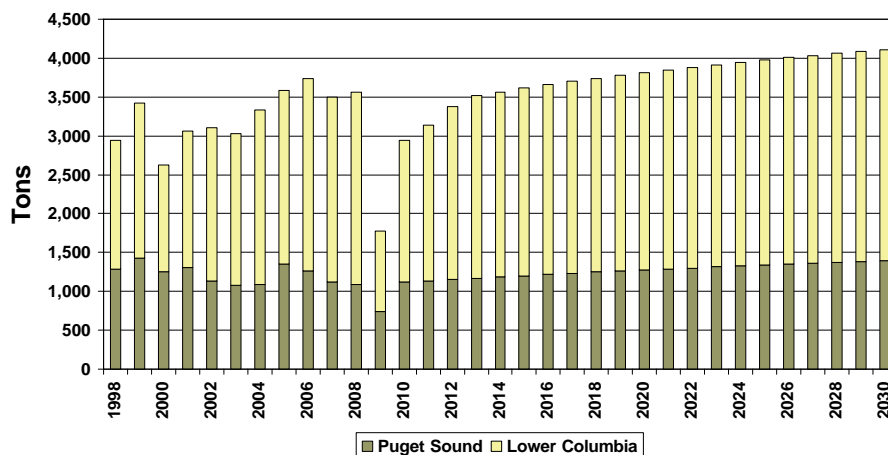
Breakbulk Cargoes

Breakbulk cargo includes general cargo that is unitized or palletized. In the Pacific Northwest, the major breakbulk commodities include metal products (steel and aluminum products), forest products (lumber, pulp, paper, plywood et al), and project cargoes (wind turbines and other similar products). Many of these cargoes are “swing” cargoes that can be shipped in breakbulk or containerized form.

Although a number of factors influence whether “swing” cargoes are shipped in breakbulk or containerized form, price is the most significant factor. In recent years shipping lines added so much container ship capacity to satisfy the demand for U.S. imports from Asia that there has been substantial excess container capacity heading back to Asia. This has resulted in decreasing westbound container rates, and which has induced shippers to move swing cargo from breakbulk to containers.

Puget Sound breakbulk traffic generally declined between 1998 and 2008 due to containerization of swing cargoes, to a shift to overland transport from Canada, and to structural changes in key producers. At the same time, Lower Columbia River ports experienced an increase in breakbulk cargo in both local and discretionary markets. Steel imports have been an important part of this, with some of the product being delivered directly to mills in Kalama and Portland. Steel products are also shipped by rail to inland producers, and wind energy equipment is shipped to project sites.

Breakbulk traffic dropped sharply in 2009 but is expected to regain its previous level by 2014 and then to grow slowly, to a level slightly higher than the peak volume in 2006.



Source: BST Associates using data from MARAD and IHS Global Insight

Figure 13. Pacific Northwest Breakbulk Trends and Forecast (Tons)

- **Opportunities for Port of Astoria**

- Competing with other Pacific Northwest Ports

A number of factors make the breakbulk market a difficult one for Astoria to enter. First, there is substantial underutilized breakbulk terminal capacity at Pacific Northwest ports. Second, a large portion of breakbulk cargo moves directly to manufacturing plant or construction site, making proximity a key consideration for shippers. Finally, a large portion of breakbulk cargo moves by rail to inland US destinations.

The Port of Astoria does not have proximity to regional markets to compete effectively with Lower Columbia ports that accommodate these commodities.

- Serving Local Markets in the northwestern Oregon

There is a limited volume of breakbulk general cargo that is produced in northwestern Oregon and moves either upriver or out to coastal markets and points beyond. These cargoes could be accommodated if the above mentioned short sea shipping system were in place. The estimated volumes of breakbulk cargo are included in the estimate of container traffic provided above.

Logs

Log exports from the Pacific Northwest have declined since the beginning of the 1990s. In 1990 ports in the region exported a combined total of 11.4 million tons of logs, but by 2001 this had dropped to 1.9 million tons. On the Oregon side of the Columbia River log exports disappeared entirely from Oregon ports, while Washington Columbia River ports saw 50% declines and ports on Puget Sound and the Washington Coast saw volumes fall by nearly 87%.

Environmental concerns are often blamed for the sharp drop in log exports, but other factors were at work as well, including the Asian financial crisis that substantially reduced U.S. exports to Asia. Even though this crisis has largely passed, exports to this region have not recovered. Contributing to the lack of recovery is increased competition for the Asian market from Russia, New Zealand, and South America, among other areas.

The volume of forest products shipped from ports on Oregon’s north coast dropped from more than 1 million metric tons in 1990 to just 33,000 metric tons in 2007. (See Table 23.)

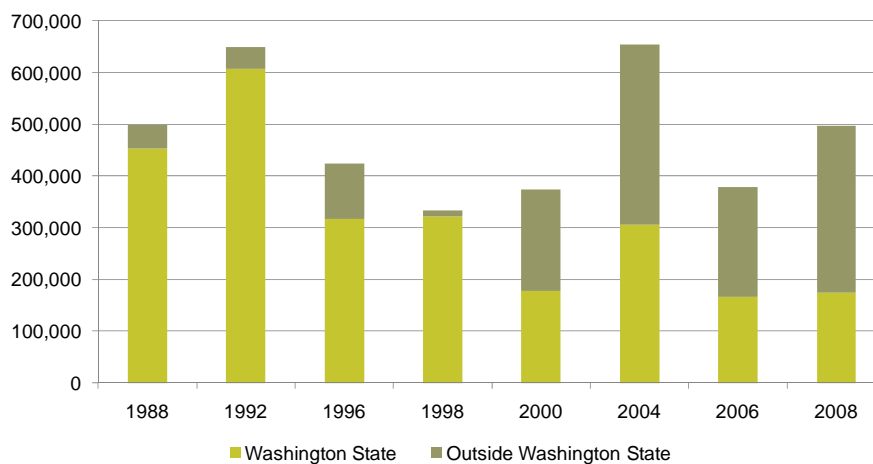
Table 23. Waterborne Movements of Forest Products on the North Coast (1,000 MT)

COMMODITY		1990	1995	2001	2005	2007
4161	Wood Chips	77	9	69	53	33
4170	Wood in the Rough	737	188	29	-	-
4189	Lumber	192	1	6	7	-
5120	Paper & Paperboard	24	-	-	-	-
5110	Newsprint	3	-	-	-	-
5190	Paper Products NEC	1	-	-	-	-
4150	Fuel Wood	-	85	-	-	-
4190	Forest Products NEC	-	-	-	-	-
4225	Pulp & Waste Paper	-	21	-	-	-
Total		1,033	304	104	60	33

Source: US Army Corp of Engineers

Most of this drop was due to the decline in log exports. As shown in Table 23, the volume of log exports (i.e. “Wood in the Rough”) dropped from 737,000 metric tons in 1990 to just 188,000 in 1995. By 2001 the volume had dropped to just 29,000 metric tons, equivalent to one or two shiploads. In recent years there have been no log exports from ports on the northern Oregon coast.

However, another factor at play in the log export market has been a shift of logs sourced from Oregon and exported via the Port of Longview. As shown in Figure 14, logs sourced outside of Washington State (which are almost entirely from NW Oregon) have increased from minor volumes in the 1990s to account for more than 50% of log exports via the Port of Longview in the 2000s. For the period 2000 through 2008, logs sourced outside of Washington State that are exported via the Port of Longview averaged 270 million board feet, accounting for 54% of Longview’s log exports.



Source: Washington State Department of Natural Resources, Mill Survey Reports

Figure 14. Log Exports via the Port of Longview by Origin of Log (1,000 board feet Scribner Scale)

Recent forecasts anticipate little growth in log exports, with anticipated growth rates of less than 1% per year. However, the recent downturn in the U.S. housing market, combined with the depressed value of the dollar, has made U.S. logs more attractive to foreign buyers. The difficulty in assessing the potential of log exports to grow faster than the 1% rate comes from the uncertainty of the U.S. economy in general, and housing market in particular. When the home construction begins to recover, it is possible that the increased demand for lumber will raise prices for timber, making U.S. timber less competitive with foreign suppliers.

- **Opportunities for the Port of Astoria**

Recent months have seen growth in exports of timber from Pacific Northwest ports. Furthermore, harvest volumes in Clatsop County and the surrounding counties have grown over the past decade, which stands in contrast to most of Oregon. This combination of increased demand and growing supply enhances the potential for log exports via Astoria. In addition, there is a possibility to shift some the NW Oregon log exports that have been moved via Longview to the Port of Astoria. This is enhanced by recent changes in timber ownership. Weyerhaeuser, which owns a major log export facility in Longview, sold approximately 140,000 acres in Clatsop County to an entity affiliated with The Campbell Group LLC, a Portland-based timberland investment company.

The strength and longevity of the revived export market remains unclear, however. When the housing market begins to recover then domestic lumber mills will compete with foreign buyers for timber. Also, strengthening of the U.S. dollar would make U.S. exports less competitive against other foreign suppliers.

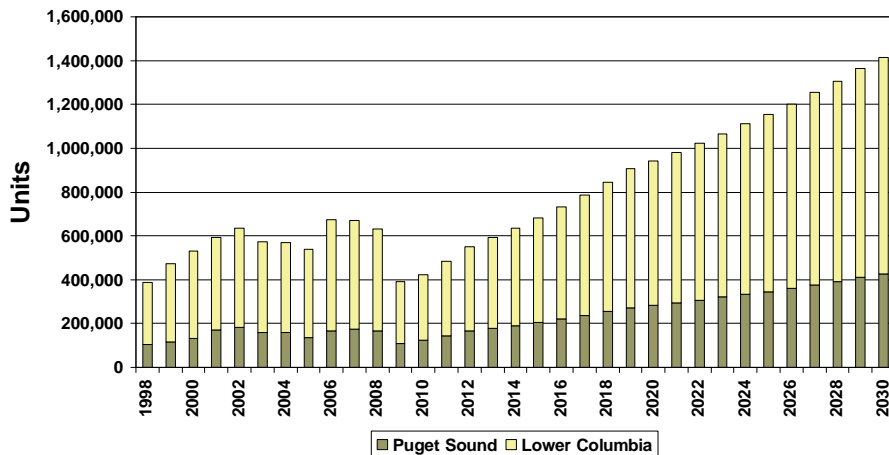
The challenge for the Port of Astoria will be to supply the dock and storage facilities needed by a log export operation, without displacing existing users, such as cruise ships, research vessels, the boatyard, and the hotel.

Autos

Sales by domestic U.S. producers collapsed in recent years. In 1998, U.S. producers accounted for 70% of cars and light trucks sold in the U.S. By 2007, domestic producers accounted for 50% of U.S. sales. Foreign car manufacturers have made significant inroads into the U.S. market, through the import of fully-assembled vehicles as well by setting up facilities in the U.S. to build “transplants”. Transplants grew from 9% of sales in 1990 to 26% in 2007. Imports of fully assembled vehicles declined in volume and percent of sale between 1990 and 1996, but then increased to 23% of U.S. sales in 2007.

Imports of cars and trucks via Pacific Northwest ports are expected to double, from nearly 700,000 units in 2006/2007 to around 1.4 million units in 2030. Currently, most of the vehicles imported into the Pacific Northwest are built in Japan or Korea, but in the future both China and India are expected to enter the market, also.

The great majority of these imports are handled at Lower Columbia River ports (Portland and Vancouver) followed by Puget Sound (Tacoma). Recently, the Port of Grays Harbor has entered this trade serving Chrysler exports.



Source: BST Associates using data from MARAD and his Global Insight
Figure 15. Pacific Northwest Auto Trends and Forecast (Units)

- **Opportunities for Port of Astoria**

- Competing with Pacific Northwest Ports

- Astoria will have trouble competing in the auto import business, for two main reasons.

- First, as with container volumes, approximately 70% of auto imports are transported by rail to inland US destinations, while the rest are transported by truck to Pacific Northwest markets. Astoria's distance from local markets is considered a drawback.

- The second hurdle for Astoria is the amount of space needed for auto imports. Auto import terminals typically need 70 to 150 acres, with water depth from 35 to 40 feet. None of Astoria's facilities meet these criteria, while several other ports in the region do have adequate sites.

- Serving Local Markets in the Astoria Area

- The local auto market in the Astoria area is insufficient in size to warrant a direct call by auto ships in Astoria.

Summary Demand for Terminals

There are opportunities for terminal development in the Lower Columbia River. However, the focus is on large sites with access to deep water (minimum 35 feet for autos and 40+ feet for dry bulks and grains).

- **Existing Terminal Space**

- There are currently an estimated 1,705 acres at marine terminals located along the Lower Columbia River (including the Willamette River) that are controlled by public ports or private entities that serve several customers.

- **Terminal Development Trends in the Lower Columbia River**

- Between 1974 and 2010, there were 1,297 acres developed into large marine terminal terminals at ports on the Lower Columbia River. During this 36-year period, annual development averaged 36.0 acres, which amounts to one 100-acre terminal approximately every three years.

- During this period (1974 to 2010), auto terminal development accounted for 402 acres (31% of total terminal development) followed by dry bulks (300 acres, 23% of total), grain (251 acres, 19% of total), containers (220 acres, 17% of total), and breakbulk (124 acres, 10% of total).

- Portland accounted for 719 acres of terminal development and expansion (55% of total terminal development) followed by Kalama (200 acres, 16% of total), Longview (148 acres, 12% of total), St Helens (110 acres, 9% of total), and Vancouver (100 acres, 8% of total).

- **Future Expansion Capabilities**

Including known public and private sites, there are an estimated 2,058 gross acres⁸ of potential land for marine terminal development in the Lower Columbia River region, which is slightly more than the existing supply of marine terminals. Of this total, approximately half is either currently available for maritime use, or will be shortly given planned improvements. The other half of this acreage may be more difficult to develop, due to environmental constraints, market conditions, or financial viability. In particular, the financial viability of developing some of this acreage will depend on the cost of the infrastructure required.

The Port of Portland has limited space available at its existing marine terminals, with approximately 71.5 acres available at three separate locations. There are no other sites in the Portland Harbor that offer acreage of more than 100 acres, with access to the deep water navigation channel and access to railroads and highway. Portland does have a potential 450 acre development site at West Hayden Island, but it is unknown how much of this area could be devoted to marine terminals.

The Port of Vancouver has approximately 718 acres for marine terminal development. This includes current development of Terminal 5 and future development of Columbia Gateway.

In Longview, there are an estimated 600 acres of expansion at private sites (Barlow Point and Chinook Properties), while the Port of Longview will essentially be out space after development of the new grain terminal.

The Port of Kalama has approximately 90 acres of expansion at the North Port. However, the Port of Kalama has an expressed interest in cargo-generating companies (like the steel mill), and may not compete for marine terminal development opportunities.

The Port of St Helens has approximately 200 acres available for development that could serve marine terminals. Much of the waterfront frontage at the Port Westward site has been utilized for development of an ethanol plant and a power plant. However, the Port of St Helens has a strategy to develop the Port Westward site into an energy park. All of the users thus far are non-water dependent. It is uncertain whether water-dependent uses will be attracted to the site.

- **Future Terminal Demand**

The development opportunities include:

Liquid Bulks

- Imports of crude oil to the refineries on Puget Sound account for most of the trade.
- On the Columbia River, petroleum products, chemicals and fertilizers account for most liquid bulks.
- Liquid bulk volumes are expected to remain relatively stable after overcoming the drop of volumes in 2009.
- There is no apparent need for a new liquid bulk terminal at Astoria.

⁸ A gross acre refers to total developable area, which may include marine terminal, rail and road access and other components of port development.

Grain

- Some of the existing terminals (private and public) in the region are old but have been improved to increase capacity.
- Newer terminal designs, like the new terminal under construction in Longview, provide sufficient land for four unit trains. This requires a footprint of 100+ acres.
- Astoria does not have the land available for a terminal of this size.

Containers

- There appears to be sufficient capacity at the Port of Portland to support expected container activity in the Lower Columbia River.
- There may be long-term opportunities for short sea shipping of containers.

Dry Bulks

- There is likely to be capacity shortfall for large-volume bulk cargoes.
- Improvements to existing terminals (increased productivity and/or expansion) could meet some of the capacity needs. However, there are also opportunities for new cargoes. Likely candidates include coal, iron ore and like bulk materials that could range in throughput from 2 to 5 million tons per year.
- If a port were able to attract a new major bulk commodity group, it would require a new terminal of approximately 120 acres. Again, Astoria does not have the land available for a terminal of this size.

Breakbulk

- Existing capacity for breakbulk cargoes in the Lower Columbia River is expected to meet the needs for breakbulk cargoes.

Logs

- Log terminal space is needed on a short term basis to meet extraordinary international demand.

Autos

- Existing auto terminal capacity is insufficient. There is an apparent demand for 200 to 400 additional acres of auto terminal space. Several ports are evaluating these opportunities.

Summary

- Competition focuses on large sites (100+ acres) with deep water 35+ feet (for autos) and 40+ feet (for large scale dry bulks).
- The Port of Astoria does not have access to this type of facility. It could develop a medium-sized terminal at Tongue Point. However, this option is considered high risk and high cost.

Marinas

The Port of Astoria operates two marinas: the West Basin is located near the west end of town, near the entrance to the Astoria-Megler bridge, while the East Basin is located approximately 2.5 miles upstream, near the east end of town. In general, the East Basin is used to moor commercial vessels, while the West Basin is used for recreational boats. The marina line of business also includes the boatyard, which is located at Pier 3.

The East Basin has a total of 82 slips, nearly half of which are 50 feet long. The main dock is designed to support vehicles, so that supplies can be driven directly to fishing vessels. The East Basin also has a large amount of open water space within the breakwater that could hold additional slips, if demand warranted.

The West Basin has space for 400 vessels, including space on linear docks and side-ties. Although the majority of the slips in the West Basin are 30 feet long or less, there are a significant number of 36-foot, 40-foot and 50-foot slips. (See Table 24.)

Table 24. Slip Inventory by Basin

LENGTH	EAST BASIN	WEST BASIN	TOTAL
20	10	26	36
24	-	73	73
30	28	157	185
36	-	28	28
40	-	37	37
50	35	49	84
Other	9	30	39
Total	82	400	482

Source: BST Associates using Port of Astoria Data

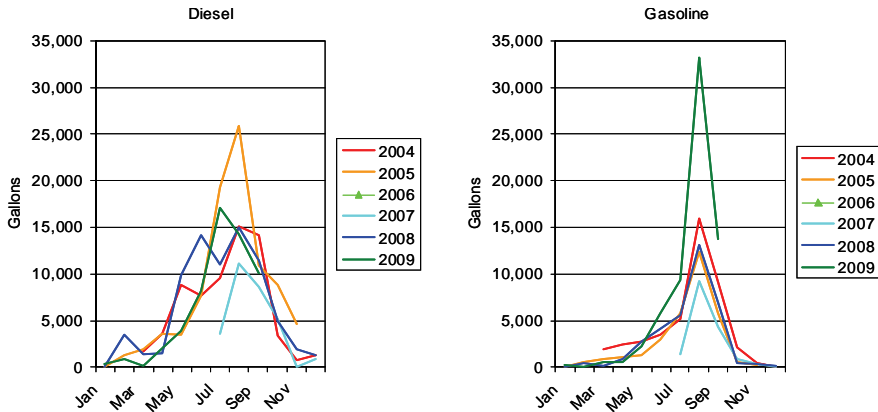
■ Marina Trends

Recreational boating in the Pacific Northwest is a seasonal activity, with most of the activity occurring during the summer months. Fishing is also a seasonal activity, which is true for both recreational and commercial fishing. Recreational and commercial fishing drive the moorage market in Astoria and the surrounding region.

The seasonality in the Astoria boating market is illustrated in Figure 16. Using marina fuel sales as a proxy for boating activity, the graphs in this figure show that sales of both gasoline and diesel fuel at the Port marinas peak during the summer months and bottom out between November and April. (Note that the fuel dock was out of commission between December 2005 and mid-2007.)

Diesel sales are related to activity of larger boats, especially commercial fishing vessels. Smaller boats tend to have gasoline engines, and these boats tend to be recreational. As shown in Figure 16, sales of gasoline begin to ramp up in May and June, grow strongly in July, and then peak in August, before dropping in September. This August peak is related to recreational salmon fishing.

Diesel sales are spread across a wider period than gasoline sales, and sometimes experience several peaks per year. The wider spread in diesel sales is due to commercial fishing vessels harvesting multiple species, which have different peak harvest seasons.

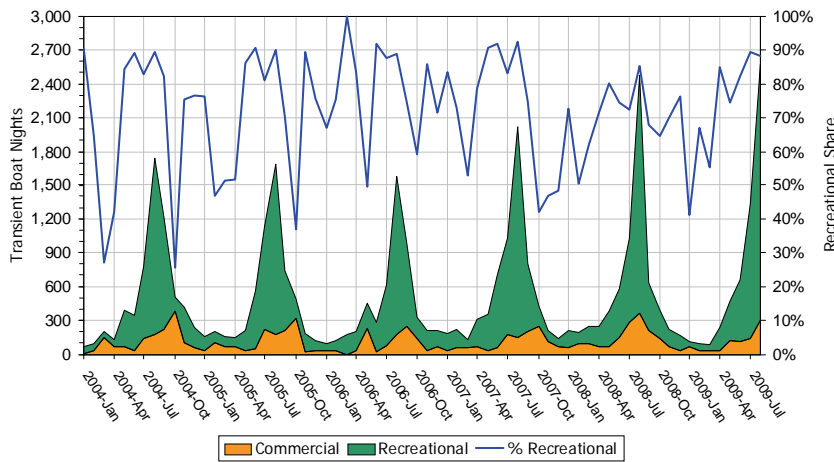


Note: the fuel dock was out of service during December 2005, all of 2006, and part of 2007. Source: BST Associates using Port of Astoria Data

Figure 16. Port of Astoria Marina Fuel Sales Trends

Transient moorage records from the Port of Astoria also illustrate the seasonality of recreational and commercial fishing. Figure 17 shows the number of boat-nights spent in Astoria marinas from 2004 through July 2009. The green portion of the graph depicts recreational boat-nights, and is nearly identical to the gasoline sales graph in the previous figure. This peak in August reflects the peak of the sport salmon season.

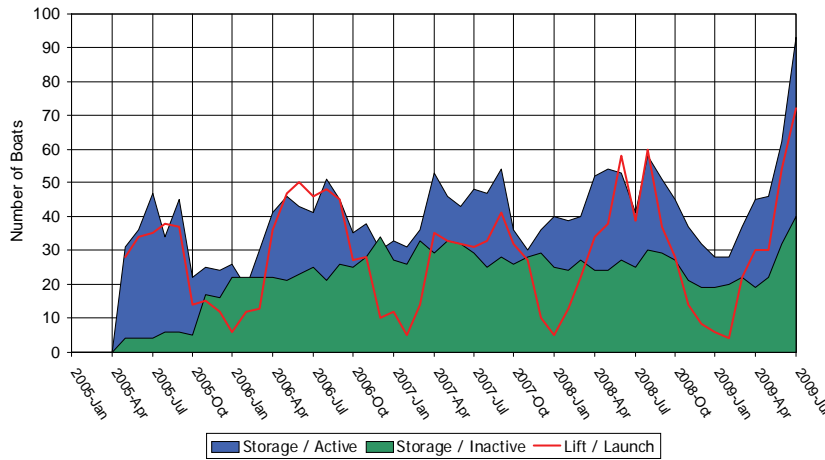
The orange portion of the graph in Figure 17 depicts transient boat-nights for commercial vessels. Again, the peaks in this figure conform to those of diesel fuel sales in Figure 16, reflecting the peaks of the seasons for fishing different species.



Source: BST Associates using Port of Astoria Data

Figure 17. Port of Astoria Marina Transient Moorage Trends

Figure 18 shows that boatyard usage peaks around the same time as other boating activities. In part this reflects the increased level of boating around this time, but it also reflects the fact that all work is performed outside, limiting what can be done during winter weather.



Source: BST Associates using Port of Astoria Data

Figure 18. Port of Astoria Boatyard Trends

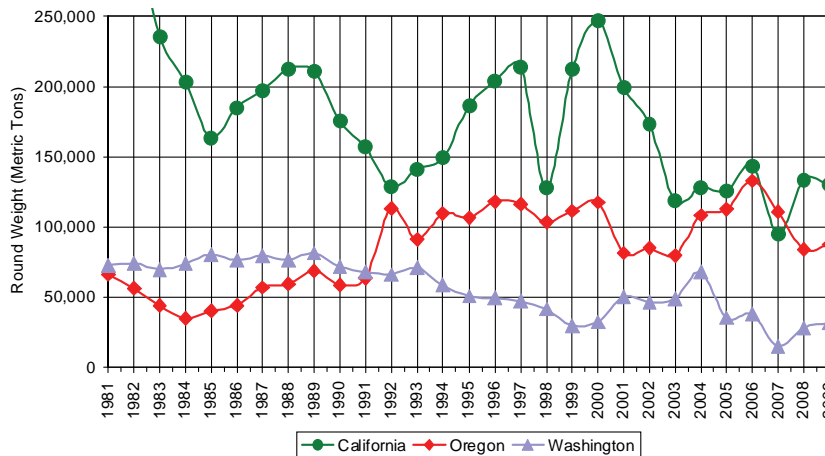
Fishing Industry Trends

Commercial

Over the past two decades the commercial fishing industry in Oregon has experienced both years of steady harvest as well as wide fluctuations in the amount of fish caught. At the same time the value of this harvest has risen steadily while the number of vessels has dropped substantially. There has also been a substantial shift in the species that are harvested by commercial vessels.

- Harvest Volume

In recent decades the commercial fishing industry in Oregon has fared much better than that in Washington or California. In 1984, Oregon’s commercial fish harvest amounted to approximately 40,000 metric tons. For the next five years the harvest increased steadily, to approximately 70,000 metric tons in 1989. After a small decline in 1990 the volume of fish harvested jumped to more than 110,000 in 1992, and between 1992 and 2000 the volume dropped below 100,000 metric tons just once, in 1993. (See Figure 19.)



Source: Pacific Coast Fisheries Information Network (PacFIN) database

Figure 19. Fish Landings Round Weight (Metric Tons)

The volume of fish harvested commercially in Oregon dropped sharply between 2001 and 2003, but then grew to a record level in 2007. In 2008 the volume dropped again, before recovering slightly in 2009.

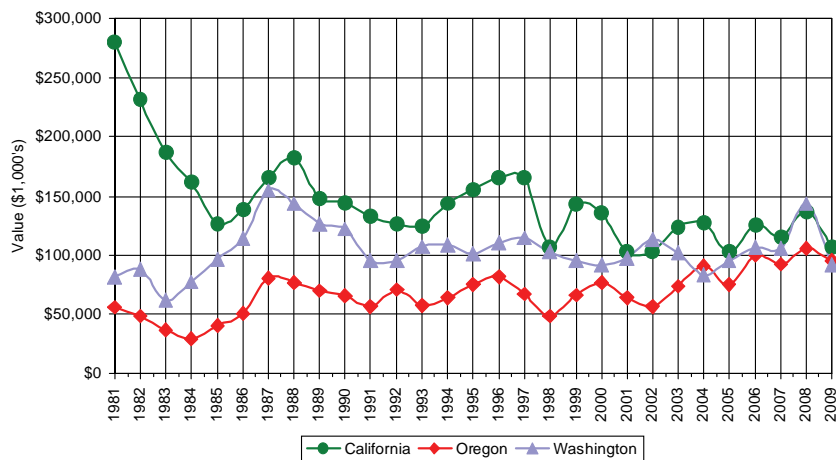
In comparison to Oregon, the commercial fishing industry in both Washington and California has fared poorly, with California hit especially hard. In Washington the volume of fish harvested held steady throughout the 1980's, before starting a slow, steady decline. Washington's commercial fish harvest averaged approximately 75,000 metric tons during the 1980's, which was a much higher volume than Oregon's. In 1991 both Oregon and Washington saw commercial harvest of approximately 65,000 metric tons, but Washington's harvest continued to decline through 1999. The next few years saw some recovery in Washington, but the harvested volumes in 2007 through 2009 were the lowest in three decades.

The decline in the California fishing industry has been dramatic. From a high of 356,000 metric tons in 1981, the volume of fish harvested in California dropped to less than 100,000 metric tons in 2007, and in that year Oregon's harvest surpassed that of California for the first time. In 2008 and 2009 California's fish harvest saw some recovery, and once again surpassed that of Oregon.

In spite of year-to-year fluctuation in harvest, steady growth in Oregon combined with declines in neighboring states has made Oregon a key player in the West Coast commercial fishing industry.

- Harvest Value

The value of the commercial fish harvest in Oregon has increased slowly over the past two decades, while in both Washington and California the value declined. In both 2004 and 2009 the value of fish harvested in Oregon was higher than that of Washington, while the California harvest value was only slightly higher than Oregon's. (See Figure 20.) The main reason that Oregon's harvest value did not increase as fast as volume was the increase in low-value Pacific white, or hake. This is discussed in more detail in the following section.



Source: Pacific Coast Fisheries Information Network (PacFIN) database

Figure 20. Fish Landings Value (\$1,000's)

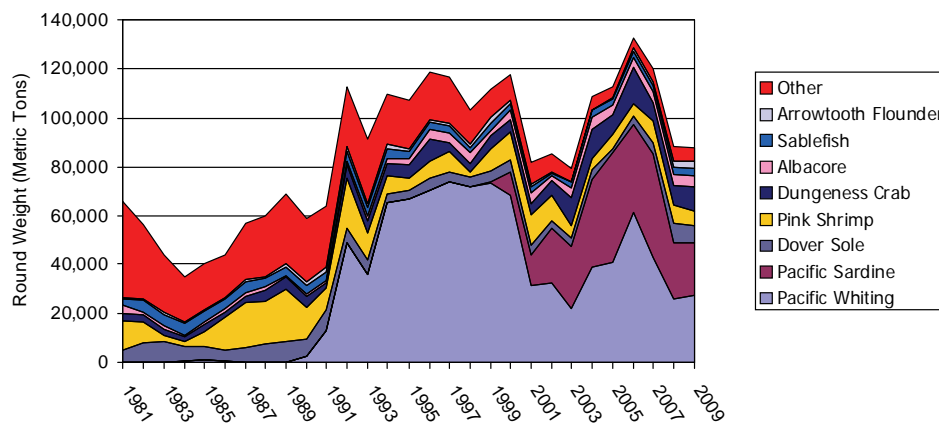
In California, most of the decline in harvest value occurred between 1981 and 1985. After recovering in each of the next three years, the value of harvest in California has been on a long-term slide. In Washington, 1987 marked a peak in harvest value, but a long-term decline started the next year, and by 2004 the Washington harvest value was the lowest since 1984. Washington's value grew between 2005 and 2008, but declined again in 2009.

- Commercial Species

One of the most dramatic changes in West Coast fisheries is in the types of fish that are harvested commercially.

Pacific whiting and Pacific sardines have been responsible for most of the growth in Oregon commercial fish volumes. The whiting fishery grew from no harvest in 1989 to 2,220 metric tons in 1990, and by 1994 had exceeded 65,000 metric tons. The harvest volume stayed above this level through 2000, before dropping to an average of 35,000 metric tons per year between 2001 and 2009. (See Figure 21.)

The growth in Oregon's sardine fishery was nearly as spectacular as that of whiting. In 1998 there was essentially no commercial harvest of sardines in Oregon. By 2000 more than 9,500 metric tons was harvested, and by 2005 the volume had grown to nearly five times that level, or 45,000 metric tons. The volume of sardine remained high in both 2006 and 2007, although it fell to an average of 22,000 metric tons in both 2008 and 2009.



Source: Pacific Coast Fisheries Information Network (PacFIN) database
 Figure 21. Oregon Fish Landings Round Weight (Metric Tons)

The remaining 25% to 40% of the harvest was accounted for by a variety of species, including Dover sole, pink shrimp, Dungeness crab, albacore tuna, sablefish, arrowtooth flounder, skates, and Petrale sole.

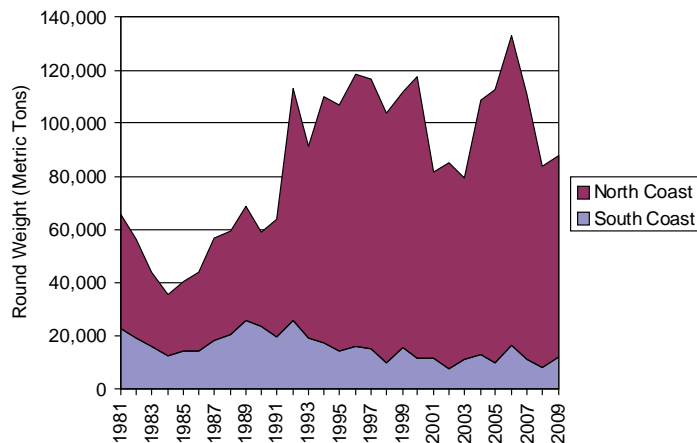
Pacific whiting (or hake) is the largest fishery off the West Coast of the U.S. and British Columbia. It is marketed in two primary ways: surimi (used to make imitation crab and other products) and hake fillets. There are uncertainties about establishing harvest levels related to stock abundance. There are also concerns about harvest level impacts on bycatch or the incidental harvest of other species, particularly those that are threatened or endangered.

The whiting allocation for 2009 is approximately 136,000 tons, including: 50,000 tons tribal set-aside, 4,000 tons for research catch and bycatch in non-groundfish fisheries; catcher/processors 27,859 tons, motherships getting 19,665 tons, and the shore based sector 34,414 tons. In 2009, the Makah Tribal representatives stated their intent to harvest only 23,789 tons of their 42,000 ton set-aside and asked that the remaining 18,211 tons be reapportioned to the non-tribal sectors of the fishery⁹.

- **Opportunities for Astoria**

Astoria is one of the most important centers for commercial fishing in the Pacific Northwest, and should continue to be so in the future.

The Oregon commercial fishing industry is concentrated on the north coast, where the share of fish landings increased steadily from 60% in 1990 to between 85% and 90% in recent years. During this period the volume landed in the north increased sharply, while the volume landed in the south decreased slowly. (See Figure 22.)



Source: Pacific Coast Fisheries Information Network (PacFIN) database

Figure 22. Oregon Fish Landings by Region

Clatsop County has been the center of growth in Oregon's commercial fishing industry. In 1981 approximately one-third of fish landed in Oregon were landed in Clatsop County, but by 2009 this had jumped to two-thirds.

It is difficult to forecast the volume of fish that will be harvested commercially in the future. This is due to changes in the mix of species fished, to the abundance of different species, and to changes in regulations. Despite this uncertainty, the importance of Astoria to Oregon's commercial fishing industry is clear, and the Port of Astoria will continue to play a key role in supporting this industry. Through its marinas, boatyard, land leases to processors, and other facilities, the Port of Astoria is a key player in the fishing industry.

⁹ Source: Federal Register, Vol. 74, No. 118 / Monday, June 22, 2009 / Rules and Regulations

Alaska Fishing Fleet

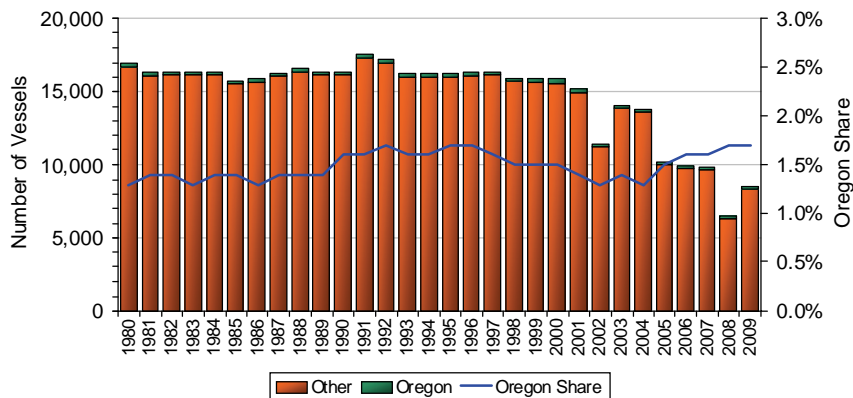
In addition to the commercial fleet that is based in the Pacific Northwest and operates in local waters, there is also fleet of vessels that is based in the region but fishes primarily in Alaska. The largest share of this distant-water fleet is based in the Seattle area, but vessels are also based at other ports throughout the region. The potential of Astoria to attract these vessels is discussed in this section.

- Alaska Fleet Trends

The number of vessels licensed to fish commercially in Alaska has declined sharply over the past decade in response to new fisheries management strategies. Among these strategies are the conversion of certain fisheries from open systems to individual transferable quota systems, as well as vessel buyouts. The switch to individual transferable quotas has led many vessel owners to sell their quota rights to other vessels, and remove their vessels from the fleet.

In 1991 approximately 17,500 boats were licensed for commercial fishing in Alaska. By 2008 this had fallen to just 6,500 vessels, and although the number of vessels grew slightly in 2009, the total fleet of 8,500 vessels was half the size of the fleet in 1991. (See Figure 23.)

Very few Oregon boats are licensed to fish in Alaska. For the past three decades, vessels homeported in Oregon have accounted for less than 2% of the Alaskan fleet. Although this share has edged upward in recent years, this growth represents an increasing share of a declining market, and the actual number of Oregon-homeport vessels registered to fish in Alaska fell from 287 in 1991 to 144 in 2009.

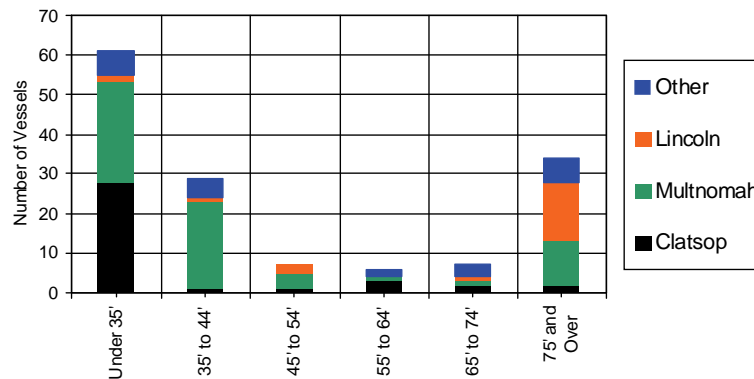


Source: Alaska Commercial Fisheries Entry Commission

Figure 23. Alaska Fishing Fleet Trend Including Share of Homeported in Oregon

The same data can be used to show the number of vessels with owners whose addresses are in Oregon. Address data indicates that Oregon owners accounted for 2.8% of the Alaska fleet in 2009, up from 1.6% in 1980. Again, however, this is a growing share of a shrinking market, and the total number of Alaska vessels owned in Oregon fell from a high of 411 in 1998 to 238 in 2009.

The majority of Alaska vessels homeported in Oregon are from Clatsop County or Multnomah County, according to State of Alaska data. Most of the vessels from Clatsop County are less than 35 feet in length, and Clatsop County accounts for nearly half of the Oregon boats in this size range. At the other end of the size range, Lincoln County is the homeport of the largest share, accounting for 15 out of 34 vessels. (See Figure 24.)



Source: Alaska Commercial Fisheries Entry Commission

Figure 24. Alaska Fishing Fleet Trend

- **Potential for Astoria**

It is possible that Astoria could attract additional boats from the Alaska fleet. In order to do so, Astoria will need to overcome several challenges.

First, as discussed, because the size of the fleet has been declining, there are fewer boats to attract.

Second, Puget Sound has historically been the center of the Alaska distant-water fleet. Repair facilities, trades people, and supplies are all easily attained in Seattle, and a vessel owner would need to see an advantage to mooring in Astoria in order to move.

Lower moorage rates may be a strong attraction, if the difference in moorage cost is enough to offset any disadvantages. At the Port of Seattle's Fishermen's Terminal, the monthly rate for commercial vessel ranges from \$5.79 per foot for vessels up to 79 feet, to as much as \$11.06 per foot for vessels over 125 feet. In Astoria at the central waterfront, the monthly rate is \$7.00 per foot for all vessel lengths, but the annual rate provides a significant discount, lowering the monthly cost to \$2.25 per foot. At Tongue Point, rates are currently \$6.00 per foot.

Recreational / Charter

During the 1980s, the Oregon Coast charter industry diversified from complete dependence on salmon to other species including bottom fish, tuna and others. This shift in focus was the result of a decrease in available salmon.

Oregon Department of Fish and Wildlife statistics show that anglers caught not only 50,000 albacore, they also landed blue-fin tuna, thresher shark and the first Dorado ever documented in Oregon. The shift in fisheries has reduced the harvest of rockfish. However, salmon is still a very important draw to the Oregon Coast.

As shown in Table 25, salmon accounts for nearly two-thirds of recreational saltwater fishing trips on the Oregon Coast. Salmon is especially important for the north coast, accounting for 73% of trips.

Table 25. Saltwater Fishing Trips in Oregon by Type of Fish (1,000's), 2008

REGION	SALMON	OTHER MARINE	TOTAL	REGION	SALMON	OTHER MARINE	TOTAL
North Coast				South Coast			
Overnight	64	11	76	Overnight	13	19	31
Day (50+ miles)	68	35	103	Day (50+ miles)	26	38	64
Local (<50 mi)	4	3	7	Local (<50 mi)	4	7	11
Central Coast				Statewide Total			
Overnight	49	33	82	Overnight	126	63	189
Day (50+ miles)	89	40	128	Day (50+ miles)	182	113	295
Local (<50 mi)	11	1	12	Local (<50 mi)	20	11	31
				Total Trips	328	186	514

North Coast - Clatsop, Tillamook; Central Coast - Douglas (West), Lincoln, Lane (West); South Coast - Coos, Curry
 Source: Dean Runyan Associates

The number of vessels in the recreational fleet in Oregon has dropped in recent years, for coast and Columbia River regions. This fleet is concentrated on the south coast and Lower Columbia. On the north coast, the number of recreational vessels dropped from approximately 9,000 in 2000 to 8,500 in 2008. This decline occurred in vessels 27 feet in length and smaller (vessels that are small enough to be trailered); the number of vessels over 27 feet grew from 197 to 281. (See Table 26.)

Table 26. Growth in Recreational Fleet by Region

REGION	27' AND UNDER		OVER 27'		TOTAL	
	2000	2008	2000	2008	2000	2008
South Coast	36,495	32,641	296	509	36,791	33,150
North Coast	8,814	8,259	197	281	9,011	8,540
Lower Columbia	30,004	25,222	1,220	1,796	31,224	27,018
Upper Columbia	5,575	7,465	70	139	5,645	7,604
Total	80,888	73,587	1,783	2,725	82,671	76,312

Source: Oregon Marine Board

- **Potential for Astoria**

As with commercial fishing, uncertainty over harvest volumes makes it difficult to forecast recreational fishing. This is especially true for salmon, which accounts for most of the recreational effort.

In spite of this uncertainty, Astoria (and Warrenton) should continue to be the center of the recreational fishing industry in the region.

Fish Processing Industry

Fish processing is a key industry to the economy of Clatsop County, and Clatsop County is the center of Oregon's fish processing industry. Several fish processing operations are located in Astoria and Warrenton, including:

- Astoria Pacific Seafoods
- Da Yang Seafood
- Fishhawk Fisheries
- Ocean Beauty Seafoods
- Pacific Coast Seafoods
- Bornstein Seafoods
- Pacific Seafoods
- Westbay Seafoods

Clatsop County should remain an important center for seafood catching and processing, and the facilities provided by the Port of Astoria are a key to this industry.

■ Boat Repair

The Port of Astoria's boatyard consists of approximately 10 acres of paved land, and vessel haul-outs are performed with a marine Travelift with 88-ton capacity. The yard has averaged 340 lifts per year since 2005, with a market split of approximately 60% commercial and 40% recreational vessels. Most lifts are in the 36 foot to 40 foot range.

Competing Facilities

While the main market areas for the Port of Astoria Boat Yard are Astoria, Warrenton, and Portland, the Port also competes with other boatyards in Oregon, Washington, and even Alaska. Competing facilities described in the following section include:

- Reedsport, OR (Fred Wahl)
- Toledo (Port of Toledo/Fred Wahl)
- Coos Bay, OR (Charleston)
- Ilwaco, WA
- Port Townsend, WA

The Fred Wahl Marine Construction facility in Reedsport has approximately four acres of uplands, a marine railway with 900 ton capacity, and indoor repair capacity for vessels up to 100 feet. This yard is starting to focus more on new construction, and is moving away from boat repair.

The Port of Toledo has recently been in the process of acquiring Fred Wahl's second facility, located in Toledo. This site includes 14 acres of uplands, of which 8.4 is flat. The facility includes a variety of lifting equipment, including a 300-ton drydock, and 45-ton and 85-ton lifts.

The Port of Coos Bay recently completed the Charleston Marina Complex Vision and Master Plan (February 2007). The Port's long-term plan for Charleston Harbor calls for an expansion of the shipyard from six acres to 10.8 to 12 acres, and the installation of a 200-ton Travelift to replace the 200-ton marine ways.

The Port of Ilwaco Boat Yard is approximately two acres in size. Capacity is approximately 35 boats with an average length of 50 feet. The Port of Ilwaco Boat Yard currently has a 50-ton Travelift. The market split at Ilwaco leans more heavily toward commercial vessels than at Astoria, with approximately 70% commercial and 30% recreational boats. The Ilwaco yard tends to capture few boats from Astoria and Warrenton, but does compete for vessels from Portland, as well as from coast locations such as the Long Beach peninsula, Newport, and Westport. Like Astoria, the market at Ilwaco peaks in June, August and April.

The Port of Port Townsend Shipyard is approximately 10 acres, with ashore capacity of up to 200 vessels at any given time. Its 330-ton Marine Travelift is capable of lifting vessels up to 150 feet long with a maximum beam of 30 feet/10 inches. The Shipyard is supported by extensive support businesses.

In addition to these coastal facilities there are numerous shipyards and boatyards on Puget Sound. Yards on Puget Sound have a total of more than 70 lift devices, including Travelifts, marine rails, and drydocks, with lift capacity ranging from 75 tons to as much as 2,000 tons.

In recent years there has been a substantial upgrade to boat and ship repair facilities in Alaska:

- Kodiak recently installed a 600-ton marine Travelift for commercial fishing vessels. It is expected to compete with yards in Seattle and Seward for work on bigger fishing vessels.
- The Seward Marine Industrial Center has a 250-ton Travelift capable of handling boats up to 120 feet, as well as a 5,000 ton Syncro-Lift capable of lifting boats up to 350 feet long.
- The Ketchikan Shipyard has several lifts including 50-ton Travelift lift, a 200-ton marine railway, dry dock for ships up to 10,000 tons.
- Wrangell has a 150-ton lift and 130-ton marine railway
- Petersburg has a floating dry dock for vessels up to 45 feet and a 300-ton marine railway.
- Sitka has an 80-ton lift and full shipbuilding and repair services
- Craig has a trailer with capacity to haul out a 60-ton, 65 foot vessel.

Some industry observers expect that the escalating price of fuel will entice a portion of the distant water fleet to keep their boats in Alaska. If the owners of these vessels choose to have work performed at Alaska yards it will take business from yards in Oregon and Washington. However, because the majority of boats using the Port of Astoria boatyard are from the local area, the impact to the Port should be limited.

Potential for Astoria

The Port of Astoria boatyard serves the large recreational and commercial fleet homeported in the Astoria-Warrenton area. It also serves vessels from other areas, but faces competition for these boats from numerous other facilities.

Usage of the Port of Astoria boatyard has increased steadily since operations began in 2005. Business is seasonal, however, due to the seasonality of fishing, as well as to the lack of indoor facilities. It is possible that construction of a repair building could smooth out the seasonality in the boatyard business, while also increasing the number of vessels using the facility.

Properties

The Port of Astoria owns properties in a number of locations, including at the Astoria Region Airport and Skipanon Peninsula in Warrenton, adjacent to Piers 1, 2, and 3, and adjacent to the West Basin. In addition, the Port recently signed a lease with option to purchase North Tongue Point. These facilities have a number of existing tenants, but also present opportunities for new tenants.

In the following section the different markets for these facilities are examined.

■ Lodging

Tourism is a key component of the Clatsop County economy, and the Port of Astoria is involved in tourism through its ownership of the Red Lion Property. The Red Lion is a hotel that is currently leased and operated by Red Lion Inns, through a lease set to expire in July 2013. It occupies a highly visible site at the intersection of the two main routes into and out of Astoria, the Columbia River Highway and the Astoria-Megler Bridge.



The Red Lion ceased operations during the fall of 2009 due to concerns over the structural integrity of the building, and it is possible that this building will not re-open. As demonstrated in the following section, however, tourism has been a strong growth industry in Clatsop County, and replacement of the Red Lion with a new facility appears to be a strong potential project for the Port of Astoria.

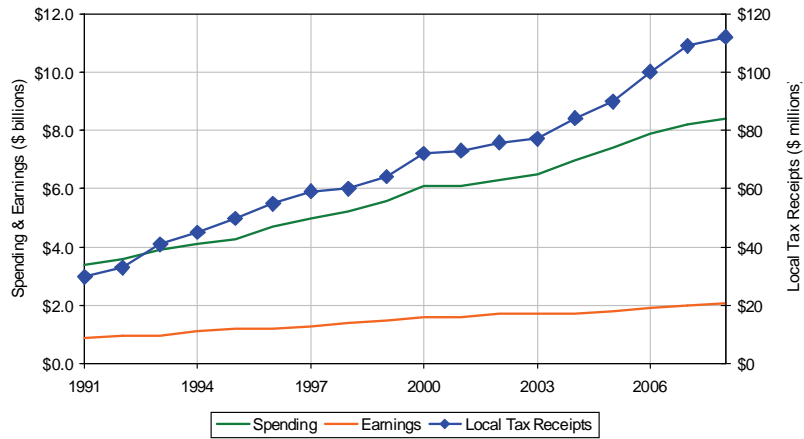
Tourism Trends

- **Oregon Trends**

According to the most recent tourism industry analysis prepared for the Oregon Tourism Commission Salem by Dean Runyon Associates¹⁰, spending by visitors to Oregon increased from \$3.4 billion in 1991 to an estimated \$8.4 billion in 2008. This represents annual average growth of 5.5%. Earnings of workers in visitor industries grew from \$0.9 billion to \$2.1 billion at the same time, with growth averaging 5.1% per year. Even with inflation growing at 2.8% per year during the same period, visitor spending grew quickly. (See Figure 25.)

The local tax impact of visitor spending is an important benefit of the tourism industry, and in Oregon local tax receipts saw strong growth between 1991 and 2008. According to Dean Runyan Associates, local tax receipts from visitor spending grew from \$30 million in 1991 to \$112 million in 2008, representing annual growth of 8.1%.

¹⁰ *Oregon Travel Impacts 1991-2008*, Dean Runyon Associates, June 2009



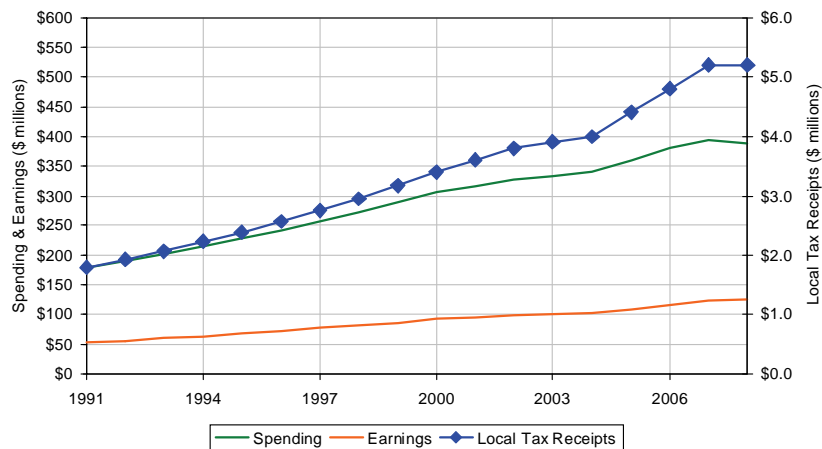
Source: Dean Runyon Associates
 Figure 25. Oregon Visitor Impacts

• **Clatsop County Trends**

Growth in visitor spending in Clatsop County was somewhat slower than in the state as a whole over the past 17 years, but was still strong, and outpaced the rate of inflation by a wide margin. Starting from a total of \$179 million in 1991, visitor spending grew to \$390 million in 2008, for an average annual rate of 4.7%. This growth was fastest between 1991 and 2000, averaging 6.2% per year, compared with 3.1% annual growth between 2000 and 2008. In comparison, the inflation rate averaged 2.6% between 1991 and 2000 and 2.9% between 2000 and 2008, so even the slower visitor spending growth in the latter years outpaced inflation. (See Figure 26.)

In contrast to the state as a whole, earnings of workers in visitor industries in Clatsop County grew faster than visitor spending, climbing from \$54 million in 1991 to \$126 million in 2008.

Local tax receipts from visitor spending in Clatsop County grew at a very strong rate between 1991 and 2008, with growth averaging 6.4% per year. Local visitor-related tax receipts grew from \$1.8 million in 1991 to \$5.2 million in 2008.



Source: Dean Runyon Associates
 Figure 26. Clatsop County Visitor Impacts

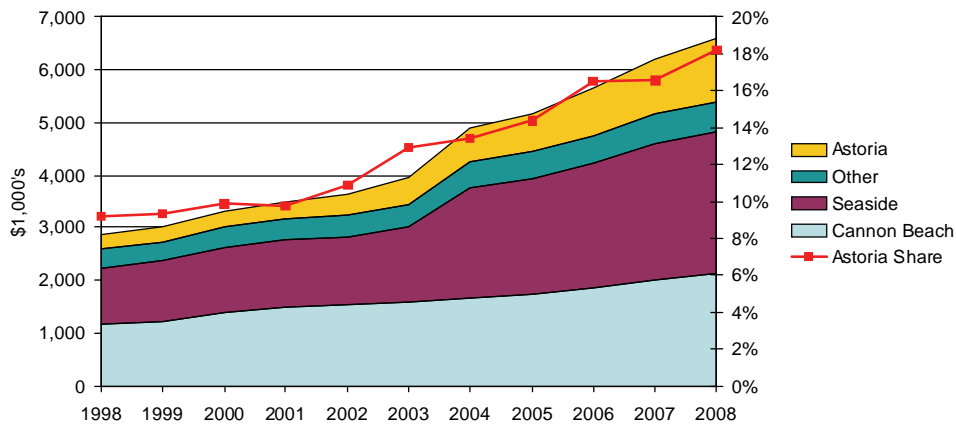
Lodging accounts for more than 20% of visitor spending in Clatsop County. Since 1991, the amount spent on lodging (accommodation) increased from \$39.0 million to \$73.3 million; in 2008 it accounted for 22.5% of Clatsop County visitor spending. (See Table 27.)

Table 27. Visitor Spending Detail, Clatsop County

	SPENDING			SHARE OF TOTAL		
	1991	2000	2008	1991	2000	2008
Accommodations	\$39.0	\$69.4	\$73.3	21.8%	22.7%	22.5%
Food & Beverage Services	\$53.4	\$91.6	\$98.7	29.9%	30.0%	30.3%
Food Stores	\$17.3	\$27.9	\$29.9	9.7%	9.1%	9.2%
Ground Tran. & Motor Fuel	\$2.8	\$5.1	\$4.8	1.6%	1.7%	1.5%
Arts, Entertainment & Recreation	\$27.3	\$46.6	\$49.8	15.3%	15.2%	15.3%
Retail Sales	\$38.8	\$64.9	\$69.4	21.7%	21.2%	21.3%
Air Transportation (visitor only)	\$-	\$-	\$-	0.0%	0.0%	0.0%
Spending at Destination	\$178.5	\$305.6	\$325.9	100.0%	100.0%	100.0%

Source: Dean Runyon Associates

One of the fastest-growing tourist areas in Clatsop County is Astoria. As illustrated in Figure 27 Astoria's share of lodging tax receipts grew from 9.2% in 1998 to 18.2% in 2008.



Source: Dean Runyon Associates

Figure 27. Clatsop County Visitor Spending by Type of Accommodation

- ### Potential for Astoria

The strong growth in visitor spending in Clatsop County, most notably the growth in the lodging industry in Astoria, indicates that there is strong demand for a hotel at the Port's Red Lion property. Other projects suggested with potential to capitalize on this growing demand include allowing hiking and picnicking on a portion of Tongue Point, extending the trolley and River Walk to Tongue Point, and providing better facilities to support conventions and meetings. The feasibility of these suggestions has not been evaluated as part of this Strategic Investment Plan.