

Executive Director's Budget Message

As Clatsop County continues to grow, it is presented with new opportunities. The Port will carefully coordinate its efforts with our community partners to develop public and private investments that will take full advantage of these opportunities and bring significant economic development to our region.

The FY 2015-2016 budget empowers staff to evaluate the Port's most pressing needs, focusing on issues that will give the Port its best opportunities to support its existing customers while developing new sources of revenues. Building on the Port's 2010 Strategic Plan, this budget reflects that this is the time to strengthen our operational infrastructure, increase staff capabilities and position our organization to take advantage of new opportunities. Updating the Port's 2010 Strategic Plan, developing and implementing a new Business Plan to support our Strategic Plan will be a key focus for staff during this fiscal year. The coming fiscal year must include preparation for meeting current environmental standards but also seek new solutions that will benefit the Port's customers and the citizens of Clatsop County.

Administration

The Administration Department has many goals in FY 2015-16, but none is more important than continuing to develop sound accounting practices that reinforce the many hours of work that have been invested over the last eight to nine months to bring the Port's books into compliance with accounting standards. This will also include further development of an accounting policies and procedures manual that provides sound guidelines and instruction for many of the customary transactions that occur in the Port's various business units.

Another goal for the upcoming fiscal year is to select new accounting software. Our consultants, CFO Selections, will be instrumental in this effort as will our auditors, Moss Adams, LLP. We expect to select the software by the end of January 2016, so that creating charts of accounts, financial reports and migration out of Quickbooks data files can be accomplished. It is staff's desire to transition to the new software on July 1, 2016.

Throughout the budget process for FY 2015-16, staff has worked diligently to prioritize the investments that will be made to the Port's aging infrastructure. The 2015-16 budget will not remedy the many years of deferred maintenance, but will implement sound, necessary first steps towards that end. Another positive outcome of this process is a commitment on staff's part to improve the Port's allocation of costs, with the goal of having reports that more accurately depict what it costs to operate each of our business units.

Environment

We now face challenges never encountered in the history of the Port of Astoria. Twenty three years ago, the first storm water permits were issued under the Clean Water Act. The permit parameters and restrictions have expanded in scope and restriction and surrounding states are implementing more stringent standards with each new permit evolution. We can expect the State of Oregon to follow suit.

In addition to increasing regulatory pressures, our tenants' needs are evolving. Our obligation to the seafood industry, forest products, marine services and future endeavors require us to take immediate steps. These steps must be taken to bring us up to regulatory compliance, including the implementation of a storm water runoff to meet water quality standards.

We are tasked with a Tier II mandate to protect storm water discharged from Port property. Our initial estimates of the project cost are between \$4.5 and \$6.5 million. The benefit to the Port and its constituency will be predictable levels of pollutants below permit levels in our storm water runoff which will allow us to remain in compliance. Coupled with procedural best management practices, including maintenance of storm water drain networks, we will comply with current and future water quality rules.

On a longer term scale, we are tasked with mitigating a large petroleum liquid concentration, which has contaminated groundwater and soils as a result of previous occupancies on, or adjacent to Port properties. Our obligation is to resolve this problem. This endeavor is not intended to prohibit specific uses but to ensure safeguards are in place to prevent illicit discharges to the environment.

The Port must continue its efforts to maintain efficient and effective pollution control systems. This will require continued substantial investments in facilities, delivery systems, consultant services, improved Best Management Practices and highly trained and technically knowledgeable staff. All of this will have significant financial impacts to our Port. This budget reflects staff's focus on addressing our most pressing and urgent needs.

Marinas

Deferred maintenance and safety concerns are primary motivators to this year's Marina budget. The West Basin has not been thoroughly dredged for approximately ten years and the shallow water is now a safety concern for many Marina users. Dock structures are also failing, including a significant number of piles that must be addressed in this next fiscal year. The increasing numbers of tourists and vehicles for popular events such as the Regatta, Buoy 10 Fishery, Crab Fest and the Columbia Crossing continue to present significant parking challenges for Port staff. The installation of automated parking equipment in this year's budget will address safety, administration and collections concerns. Increases in Marina fees, which have not been implemented for many years will begin to help address deferred maintenance and repairs of the Marina's infrastructure.

Boatyard

The last few months of fiscal year 2014-2015 clearly demonstrated that vision of the boatyard strategic plan has not come to full fruition. The total area on pier 3 that was originally identified as the future boatyard, including the facilities, services and equipment, that were anticipated to be included, have not been realized. Subsequently, much of the originally anticipated boatyard area has been converted into a log receiving, sorting and de-barking yard. Operating a reduced boatyard operation next to a vibrant log yard creates significant challenges.

During the coming year, with the help and counsel of community participants, and Port customers, staff will develop and implement strategies that will ensure the continued and improved operation of this valuable community asset. This budget reflects staff's recommendations for creating an improved boatyard facility that must, for the time being, co-exist with log yard operations. Staff will continue its efforts to remove abandoned and or dilapidated vessels from the boatyard operations, curtail and/or deny long-term storage of vessels and use its best efforts to reject the haul-out of high risk vessels.

The Port of Astoria Boatyard is a favorite destination for many seeking space for vessel maintenance and storage. The Port has consistently offered deeply discounted rates that have produced a host of operational inefficiencies. Another challenge is that Port staff is now working with substantially less footprint than what was originally conceived. This significant reduction was a primary motivator in this year's decision to maximize Boatyard efficiency via long-overdue rate restructuring.

This year's budget includes not only increased haul-out and environmental fees, but graduated storage rates designed to encourage vessel owners to minimize work times and get their vessels back in the water. Even with the reduced footprint, the new rates proposed in this year's budget should increase the vessel turnover rate and enable the Boatyard to regain its previous revenues.

Tongue Point

The North Tongue Point (NTP) facility has struggled for many years, but recent developments lead Port staff to believe that NTP has remarkable potential. Interests from multiple development organizations, including the Federal Government, have renewed the Port's prospects in the property. Additionally, the US Army Corps of Engineers has reached out to the Port regarding redevelopment and environmental cleanup of the site through their FUDS program. The Lower Columbia Solutions Group has also added NTP to their list of critical sites needing assistance.

The current lease with Washington Development group continues through 2019. The current budget reflects a minimal investment into the property until such time as the Port decides to either purchase the property or allow the current lease to expire.

Over the past few years, the port has made minor improvements to the property, most of which have produced a moderate return on our investments. In particular, expanded electrical services on P4 have led to increased vessel traffic and interest in the facility. Investments in the Ice house and Hangar 2 have allowed Pacific Coast Seafoods to remain a viable operation at NTP and they continue to thrive at that location.

Infrastructure repairs, dredging, rail access, environmental systems upgrades and expansion of terminal and pier areas will be the continued challenges in the development of NTP. The Pier 4 ramp, fire alarm systems and sewer line replacements are items that require attention. Additionally, proposed new flood mapping by FEMA creates new challenges that we must address in the coming year.

The Port continues to vigorously pursue a number of opportunities on the site and we are optimistic that NTP will transform into a vibrant industrial center within the next 5-10 years, which will provide sufficient funding resources that will be necessary to bring NTP to its full potential.

Marine Terminals

Opportunities for securing new customers and revenues are currently hindered by aging infrastructure and competition for limited space. During this budget year, staff will focus its efforts on the most critical areas of concern, identifying cost effective solutions for maintaining the Port's operating infrastructure. Updating equipment and facilities along with improved operational management, will gain useable space for expansion of Port operations. During the coming year, we will seek new parking solutions for our terminal customers while assisting in developing expansion opportunities for our marine terminal customers.

Competition and efficient utilization of space on all of the Port's piers is of great concern. During the last few years the Port has experienced the impacts of operating a log yard adjacent to a boat yard and we have discovered how challenging two entirely different operations can become. Expansion on Pier 2 continues, requiring the utilization of ever increasing space. This expansion will necessitate close coordination with all Pier 2 customers, balancing growth while maintaining efficient operations. During the coming year, staff will use its best efforts to create a better environment that promotes the wellbeing of all operations.

Cruise ship operations continues to thrive and grow, dominating Pier 1 facilities during the cruise ship season. For future growth to continue, work must begin now to identify future infrastructure needs for the efficient movement of our visitors, space and facility needs for our vendors and cruise hosts, and the development of new parking facilities.

Airport

The airport continues to thrive and the future prospects are very exciting.

- Life Flight Network has located their new satellite headquarters at the Astoria-Warrenton Airport. The additional flights and fuel purchases from Life Flight will boost our fuel sales and increase returns on the Port's investments. Additionally, Life Flight is expecting to add 14 FTEs at the Astoria Airport.
- With the addition of Airbus and additional new airlines to their clientele, Lektro is seeking to expand. We have had preliminary discussions with Lektro and Oregon Business Development to structure a plan for expansion. Our hopes are to retain Lektro and expand their current operations to meet their rapidly growing customer base.
- Within the next two years, we intend to build a more permanent home, including new aircraft hangars for Life Flight, Lektro, & Brim Aviation. During this fiscal year, staff will create a new marketing and development strategy to develop the Airport's Industrial Park.
- The recent work to develop Enterprise zone designations in Warrenton and Clatsop County has been very productive and we expect a decision from the state on our application within the next few months. The Port will be able to use the enterprise designations as a tool to promote development and expansion projects on our commercial and industrial properties.

Port staff are working diligently to keep up with the ground maintenance (grass, drainage, & trees). Trees and vegetation have grown up over the years and continue to create issues pertaining to runway clearances and part 77 surfaces (i.e. ILS approach/Terminal Instrument Procedures). Maintenance staff and the FAA are planning a series of obstruction removals during the next fiscal year.

Over the next year we will receive three units of funding from the FAA and another unit of funding will continue into this fiscal year from Connect Oregon V. The total funding allotted to the Runway overlay and drainage rehabilitation project is expected to exceed \$5 million.

Our Goals over the next fiscal year:

1. Proceed to overlay runway 13-31 and rehabilitate the drainage system
2. Develop new hangers for Lektro, Life Flight, and possibly Brim Aviation
3. Decrease our approach ceiling allowing for larger aircraft
4. Lay the ground work for a new access road of Hwy 101 at the Harbor drive intersection
5. Market the industrial park and seek avenues to develop infrastructure

Each of our talented staff are committed to doing their very best to serve the citizens of Clatsop County through their day to day responsibilities of operating the Port of Astoria. All of us feel it is a privilege to work at the Port, in spite of the significant challenges that we face on a daily basis. We believe that the future of the Port is good, our opportunities for improvements and new developments are strong. We believe that this organization, reflects the strength and determination of the citizens of Clatsop County to overcome each and every obstacle before us.

It is an honor to serve our community, our region and our State.

Jim Knight
Executive Director