

**Minutes of September 28, 2001
PORT COMMISSION RETREAT**

PC/Staff Present: Port Commissioners (PCs) Norm Deo, Wayne Vinyard and Marc Harvey; Executive Director (Exec.D) Dianne Sherwood; Admin. Asst. (AA) Vickie Drew.

Guests Present: Byron Hanke, Port Consultant and George Fox, CPA

The retreat was called to order at 12:20 P.M.

Exec.D Sherwood greeted the attendees and gave a brief history of the Port noting where we've been and where we are now. She then introduced Byron Hanke to lead the discussion.

VISION: An important thing to do is FOCUS.

Land
Facilities
Money; Budget
People; staff, tenants, vendors
Community; political, environmental

If we could have anything we want, without consideration of cost, what would the Port look like?

Bingen Point:

- Look like the Master Plan
- Improved Access
- Develop Phase 4
- Technical Training and Education Center
- Acquire Entire Point Area
- Manufacturing Buildings
- New Port Office

Dallesport Industrial Park:

- Develop Master Plan
- All Built-out - 660 acres-
 - Expanded Railhead
 - Acquire Riley Property - 40 ac.
 - Manufacturing/Commercial Businesses
 - Infrastructure
 - High-speed Rail
 - Improved Dock
 - Acquire & Improve Airport

Other:

- Improve Benefits; Staff/Commissioners
- Additional Personnel
 - Assistant Executive Director
 - Director of Property
 - Director of Finance
 - Airport "Guy"
 - Maintenance & Construction Staff
 - Marine Terminal Staff
 - Marketing & Public Relations Staff

Port Allies:

- + Klickitat County / Treasurer
- + Cities
- + or - Private Industry/Tenants/Recreationists
- Gorge Commission - IMPROVE
- + or - Town of Dallesport - IMPROVE
- + Mid-Columbia Ports/WPPA

- Marketing
- Political
- Exchange leads
- Audubon Society
- NMFS - IMPROVE
- WDFW - IMPROVE
- CERB
- EDA
- R/D
- State Auditor - IMPROVE
- Media

REALITY:

Available Funds are Limited
 Land Needs Infrastructure
 Limited Staff - but should only have as much staff as needed to do what we can do. Consider using part-time consultants at a reasonable rate for only periods of time needed.
 Demand ? / World Situation
 People Nervous About Capital Investment-Rental Facilities More Desirable
 Desirable Area

STRENGTHS

1. Land
2. Location
3. Financial Capacity
4. Allies
5. People
6. Infrastructure
7. Reputation

LIMITATIONS

1. Money in Bank / Matching Funds
2. Location
3. Access
4. Bureaucracy
5. Infrastructure

BUSINESS CLIMATE: What kind is it? Good? Bad?

Spend
 Improve
 Buy/Sell

Competition
 Ports
 Private Business

George Fox discussed his financial analysis of the Port including a building at Bingen Point and one at the Dallesport Industrial Park.

Debt is neutral; it's either good or bad depending on the use to which it's put. George discussed the proliferation of references to debt reduction within the Ports goals list. Also listed are about 18 to 20 items in the goals that are capital driven. In order to achieve them the Port must get over the fear of debt. It is important to look at the kinds of return that projects will give to the Port, and what other economic entities will spin off from a particular investment that will benefit the community. George recommended a cash reserve balance of \$250,000.00 or at least 6 months of operating expenses.

Debt

- Cash Flow should be Positive over the life of the project.
- Net Income is not as important as Cash Flow.

A Ports role is to go into debt and build things that private industry won't. Exec.D Sherwood clarified that the debt the Port wanted to get rid of was debt with no revenue stream, it's not necessarily that the Port perceives debt in general as a bad thing. George disagreed, stating that it is an underlying assumption - We can't go into debt and we can't sell land. It's okay to go into debt if you're doing a good thing, and it's okay to sell land if it's the right thing to do. Debt service should never exceed the Port's projected tax levy.

Inter-agency or inter-state loans are not included in the statutory debt limit calculation as previously assumed, therefore, the true amount of current debt capacity is \$4.9MM (Current assessed property value of \$665MM times 3/8 of 1%, plus cash on hand).

FUNDAMENTAL FINANCIAL ANALYSIS:

- Project goal
 - ┌
 - ├ • Capital Cost - build
 - ├ • Operational costs - maint/staff
 - ├ • Debt service costs
 - └ • Other
- └-----Costs
- Cash Flows
 - Rent (less vacancy)
 - Present value

CASH FLOWS > COST

Infrastructure should be approached as a net cost/sunk cost. Then look at each building project stand-alone, without attempting to allocate infrastructure to a particular building cost. This makes each project more profitable, more doable, and more financable. Most infrastructure costs are paid for by a state grant/loan package or should be paid for with the general obligation tax levy. Those are the kinds of things you don't expect a return on directly; they are the things that are necessary before you can develop something that you will get a return on.

Square-foot Cost:

1. Core and shell - completely generic; heat, light, electric, roof, floor, walls
2. Tenant Improvements - everything else

Each cost can be separated out and looked at as a separate business transaction. The tenants bill would include the lease rate on the core and shell plus an amount determined for pay-back of the cost of tenant improvements over the term specified. Once the tenant improvement pay-back period is over, the tenant would pay only the lease rate for the remaining term of the lease.

Ports make money by building things and renting them out. Renting property is a great way for Ports to make enough cash flow to survive on while they start working on the next project. Marinas with over 100 slips will also make money.

Byron Hanke:

MISSION STATEMENT

Who We Are! "Niche"

----> Potential		Land
		Opportunity
\$\$ <---->	<----> \$	[River
Portland	Tri-Cities	[Road
		[Rail

“COMPETITION”

Ports
Private
Cities

It was felt that our competition is in the east, i.e. Tri-Cities, Boardman and Umatilla, while our business comes upriver from Portland and Vancouver.

GOALS

Priorities

1. Land - lease/sell/buy
circumstances
-----> Do Inventory
2. Market Plan / Research
Word / Brochures - Timing
Advertise - Media/Radio
Broker
Signs
3. Infrastructure / Site Survey/Plans/Permitting
4. Planning / Communicating

SPECIFIC PRIORITIES

1. Inventory of Property
2. Marketing Plan / People to Implement
3. Establish Buy/Sell/Lease Policy
4. Planning - Short-term
5. Administrative Policies
Education & Training

ADJOURNMENT: *The Port Commission Retreat was adjourned at 4:32.*

Approved on: _____
(Date)

Respectfully submitted, _____
Vickie L. Drew

Dianne Sherwood, Executive Director

Norman Deo, Chairman