PORT OF ALSEA

BUDGET MESSAGE FOR FISCAL YEAR 2021/2022

I always try to begin my budget message for thanking all of you for your willingness to represent the Port of Alsea District residents on the Port of Alsea Budget Committee. Last year, I told you I was especially grateful because of the uncertainties of the proposed 2020 / 2021 fiscal budget that resulted from the construction of the new boat launch and marina facilities. Those new facilities should soon be open and operating. Every budget is based upon best guesses. Ideally, those projections are founded upon revenues and expenditures of past years. However, the proposed 2021 / 2022 budget is again fraught with new uncertainties. I have tried very hard to err on the side of caution — underestimating revenues and overestimating expenditures. Having more money in the bank at the end of the budget year is always better than having less.

As you will see, the Port of Alsea is entering into new endeavors, and for that reason alone, your comments and suggestions with respect to the budget will be especially welcome. The Port will need to do a supplemental budget for the current budget year, and I will provide you with as much of that information as I can as part of your discussion of next year's budget. I will also provide you with the rate of expenditures for the components of this year's budget, as well as the most current statements of the Port's bank accounts, including the Local Government Investment Pool (LGIP) accounts.

The Oregon statutes require that the budget official / port manager prepare a budget message for submission to the Budget Committee. At a minimum, the budget message must contain the following issues:

1. An Explanation of the Budget Document

Approximately, one-third of the Port's past revenues were derived from boat launch and moorage fees (another third from property taxes and the last third from leases to local businesses). The Port had not raised its annual boat launch or moorage fees in six years. The Board of Commissioners adopted new rates that took effect in March, 2021. The commissioners wanted to acknowledge the contributions made by District residents in passing the bond measure to build the new facilities, as well as the property taxes paid by non-residents who own property in the District (both are referred to as locals). As a result, fees paid by locals increased by 20% and those paid by non-residents increased by 50%. Because of contributions to the boat launch construction by the Oregon State Marine Board, the Port needs to receive permission from the Marine Board to increase the daily launch fee. The Port asked the Marine Board about the possibility of raising the daily rate from $7.00 to $8.00 and the response was less than enthusiastic, so the $7.00 daily rate is unchanged.

In estimating the amount of anticipated revenue from the boat launch and moorage, I took the 2018 / 2019 revenues (the current year was not applicable because the launch was closed during construction and the previous year, we thought we were closing, which affected our revenues) as my basis. The boat launch revenues were just under $32,000 and the moorage was just over $8,700. I assumed that the launch revenues would increase by just under 15% and the moorage revenues would increase by approximately 30%. The anticipated moorage increase is based upon (1) the increased rate structure; (2) a second tier of fees for the 20' slips and the 25' slips; (3) the increased number of slips available to rent; and (4) the increased interest in long term moorage.

Most of the construction invoices should be paid and grant monies received by the end of the current budget cycle. The proposed budget provides for a small amount of construction funds to still be available, but principally, what will continue are the interest and principal payments made twice a year to the bondholders. Those payments are included in the proposed budget.

Lastly, the Port of Alsea is in the process of purchasing the Dock of the Bay; the Port should take possession in May, 2021. The Port already owned the building and, of course, the moorage. The business has been in probate since the death of its previous owner, Bill Ternyila. The Dock of the Bay was left to two of his employees; the Port negotiated with both heirs to purchase their interests. The decline in cash-on-hand in the budget is largely due to the cash outlay for a portion of the purchase price. The Port will pay one heir $43,000 for his share of the inventory at the time of closing the sale. The other heir, Robby Hensen, who works for the Port, will also receive $43,000 over a period of five years. His annual payment is found in the budget. The goal in purchasing the Dock of the Bay is to eventually have a revenue source for future dredging needs.

The Dock of the Bay financial records available to the Port are very scanty — Bill's tax returns, as well as handwritten ledgers with limited documentation. After going through all of the available records, I am estimating that the Port will essentially break even in the proposed budget, with approximately $200,000 in revenues and $200,000 in expenditures. The Port has some financial advantages over a private owner, such as not paying property or income taxes.

However, the largest, single expense is always payroll and the Port will be paying more in wages and salaries. Robby Hensen, who has worked for both the Port and the Dock of the Bay, will work full-time and be on an exempt salary. Two people have been hired to work at both the Dock of the Bay and on Port maintenance. Hensen, as part of his duties, will supervise personnel to ensure that all Port maintenance, such as cleaning the public bathrooms, is done. The Port Manager will supervise all Port employees, including Hensen, and will do the bookwork for the Port and the Dock of the Bay, as well as payroll for all the employees, using Intuit software. She has been three-quarter time and will become full time. Those changes are all reflected in the proposed budget.

Hensen's salary is set at $50,000.00 per year, which is almost $15,000 above the maximum threshold for paying overtime. Under federal and state law, those salaried employees earning $684 per week ($35,568 a year) must be paid for any overtime. Exempt salaried positions,which are not subject to overtime, must meet some tests, including exempt duties, which include supervisory duties. The number of hours of overtime is also a factor. The lower the salary, the more likely the employer is to fail the exemption test. Hensen will likely put in substantial overtime by his own preference in the busy season and significantly fewer hours during the slow season. Hensen was already earning approximately $10,000 per year working for the port, so an additional $40,000 of his proposed salary would come from the Dock of the Bay's expenditures.

The port manager's salary is budgeted for $60,000. She would have received an increase from the current $38,000 to $40,000. The increase of $20,000 would come from the Dock of the Bay revenues. That leaves $20,000 of the projected Dock of the Bay revenues to pay the payroll taxes for the $60,000 increase in Hensen's and Cuellar's wage increases as well as $5,000 to apply to payroll taxes for the two hourly employees. Two employees will be paid hourly wages of $17.00 per hour. One employee will work approximately 20 hours a week for approximately five months. The other employee will work approximately 40 hours a week for six months and 20 hours a week for six months. Total projected payroll and payroll taxes will be approximately $175,000. A $10,000 payroll contingency is included in that portion of the budget.

The purchase of the Dock of the Bay means that the Port could either no longer receive the monthly lease payments from the Dock of the Bay, reducing the amount paid into the general fund and decreasing the expenditures of the Dock of the Bay, or the Port could continue to have the Dock of the Bay pay the monthly lease payment to the Port, which would go into the general fund. The Port of Alsea does not pay taxes, neither property taxes nor income taxes, on revenue producing properties as long as they are managed by the Port, so tax considerations do not apply. In the proposed budget, the Dock of the Bay would continue to make the monthly lease payment to the Port. That would continue an established revenue to the general fund and help offset the cost of the purchase of the Dock of the Bay which came from the general fund. In QuickBooks, a new company will be created in which the revenues and expenditures of the Dock of the Bay will be entered and reconciled. However, for the FY 2021 / 2022, accumulated revenues from the Dock of the Bay will be reasonably transferred to the General Fund for reimbursement for the purchase of the Dock of the Bay, allowing the General Fund to return when possible to prepurchase account levels.

Il. A Brief Description of the Proposed Budget Policies for the Coming Fiscal Year

Because of the purchase of the Dock of the Bay, the Port will open a new bank account at Columbia Bank. Dock of the Bay revenues and expenditures will go through that account. All sales would be run up on a new cash register that would take and record credit card sales as well as cash sales. All sales would be categorized when using the cash register, and the cash register would hopefully be synchronized with QuickBooks. Daily revenues from the Dock of the Bay will be deposited in the safe at the Port office at the end of each day and the port manager will reconcile the daily receipts the subsequent mornings on the days she is in the office. The Dock of the Bay bank account will be reconciled monthly, just like the other Port of Alsea accounts.

After the busy part of the Port season is passed, probably in January, the Port will reassess all aspects of operating the Dock of the Bay — prices, employment needs, and inventory, as well as general policies and procedures. Until the Port has the experience of operating the Dock of the Bay, the Port will follow many of the practices of the previous owner, although paperwork and recordkeeping will be more stringent.

Ill. Important Features of the Budget Document in Connection with the Fiscal Policies of the Local Government.

One of the principal fiscal policies of the Port has been to make the Port finances more reliable by finding new revenue sources. The purchase of the Dock of the Bay is intended to develop funding for future dredging. Raising the rates of annual launch passes and moorage helps the Port keep pace with cost increases. Improving the boat launch facilities and increasing the moorage opportunities are all designed to increase the Port's revenues. In addition, the Port reevaluated the rental agreement with the Shrimp Daddy and the parties agreed to increase the monthly rent from $280 a month to $450 a month, which includes one annual boat moorage.

It will take a year or two to fully assess the financial repercussions from the new boat launch and marina facilities, as well as the purchase of the Dock of the Bay. Hopefully, the Port will realize a significant improvement in its financial health.



Roxie Cuellar, Budget Officer / Port Manager