

*Port of Port Orford*  
*Port Orford,*  
*Oregon, USA*



**Port of Port Orford Port  
Perspectives  
& Briefing Papers**

## **A. High Dock Shoaling—Threatens Port Existence**

High Dock is being slowly overwhelmed by shoaling. Shoaling build-up is caused by the current rock jetty—this is dramatically demonstrated by aerial photographs taken pre- and post-jetty installation.

Shoaling requires dredge intervention by the US Army Corps of Engineers—competing with regional ports makes this intervention difficult. Inaction will result in Port closure—an unacceptable outcome. Short term and long term solutions for tandem pursuit are:

### **1. Short Term Solution**

Move the current accumulation of sand to a new location that minimizes its return. A simple low-technology alternative is being promoted. The proposal can be substantially supported by federal funding. It requires quick technical evaluation, final decision making, resolution of time-consuming permitting issues, and rapid implementation.

#### **a. Transport Silt with Submersible Pump—A Recognized Solution**

Relocate silt with an electric submersible slurry pump and hoses that are positioned by the current dock boat hoists. The hoses will connect to piping arranged to discharge the sand slurry on the offshore side of the High Dock. Action requires a new pump, hoses and piping, minimal labor, substantial electricity, and can be used in all but severe weather conditions.

### **2. Long Term Solutions**

Modify the existing rock jetty so that shoaling and silting is discouraged or prevented. Two progressively expensive solutions are being put forward. Both alternatives *may* be substantially supported by federal funding. The alternatives require further technical study and resolution of permitting issues which *may* be supported by outside funding sources including federal ones.

#### **a. Shorten or Remove the Jetty—A Reliable Solution**

Relocate most of the existing jetty rock to the western offshore side of the High Dock—creating a low-sloping revetment that can be used to absorb winter storm produced wave energy which currently overwhelms on-dock infrastructure. This is a least costly and manageable alternative that has side benefits that allow further commercial/recreational development on the High Dock.

#### **b. Add to Current Jetty—A Risky Solution**

Extend the existing jetty and add a flanking rock jetty encircling the offshore Battle Beach area. This expensive alternative requires further extensive study, design, and resolution of extensive permitting issues. It has the downside risk of making the shoaling problem worse. It has the upside risk of allowing added commercial and recreational facilities in an expanded marina. This alternative is very expensive—requiring multi-year, multi-phased, funding and construction.

Original High Dock was wood piling supported. It is shown here with the newly-installed robust rock jetty in foreground, circa 1980.

Note:

- Low tide when photographed
- Short depth of sand beach
- Former recreational boat ramp between dock and jetty



New concrete cell supported High Dock under construction overlying former pile supported dock and recreational boat ramp, circa 2000.

Note:

- Low tide when photographed
- Greater depth of sand beach
- Thinning and erosion of rock jetty



Operational High Dock, circa 1992.

Note:

- Low tide when photographed
- Greater expanse of sand beach
- Advanced rock jetty thinning and erosion



## **B. Port Debt—Threatens Port Well-Being**

Port finances are shaky—failure is averted by not making payments on a \$500k loan owed to the State of Oregon. Often small ports have flawed financials caused by a combination of below-cost pricing, poor financial management, facility decay, and voluntary liquidation.

The Port has cut expenses to low levels—limiting management to a caretaker role. To survive and prosper the Port must increase operating margins. Short term and long term solutions for tandem pursuit are:

### **1. Short Term Solutions**

Missteps during construction of the High Dock are the root cause of the current situation. The result was significant cost overruns that are attributed to the project engineer and construction manager. Litigating claims is the largest single cash source available to the Port and its creditors. Litigation requires legal services and attendant financial resources not available to the Port.

#### **a. Litigate Construction Claims—Biggest Available Cash Source**

OECD grant should be part of the solution. Obtain OECD grant funding or an appropriate state legal entity to pay the cost of determining if litigation is feasible—and for litigation costs, if the litigation proceeds.

The legal process may or may not include joining forces with the Port's insurer on a fisher's damage claim resulting from a boat hoist failure. The proceeds from successful litigation of Port's claims are committed by OECD loan terms to reducing the principal of the OECD SPWF Loan.

#### **b. Reduce and Restructure \$500k OECD SPWF Loan—Improve Finances**

Reduce and restructure the current OECD SPWF loan arrangements to improve Port's long-term financial health. Concurrent with the Port's good faith effort to increase revenues described below; a. obtain grant funding to reduce loan principal, b. negotiate loan principal forgiveness, and c. re-negotiate interest-only payment terms which make things worse in years to come.

### **2. Long Term Solutions**

Create a cost-based pricing model to show the gap between costs and current prices—for public review. Increase Port revenue with a combination of tools including; a. use incentive prices to increase landed catch, b. gradually increase prices based on value provided, and c. add new revenue customers to current Port facilities (see separate Perspective Paper).

**a. Raise Variable Revenue—Gradually Introduce Incentive Pricing**

Adopt incentive pricing. Today, the ambitious fisher and less productive fisher pay the same price for a space on the Port's High Dock. In four annual steps, raise the price for a boat slot to the cost of providing facilities—a minimum annual admission fee.

Reduce and offset the annual fee, in an equitable manner, based on the Port's variable revenue that is produced by that fisher's landed catch. This *could* result in some unproductive fishers being replaced by better performers.

**b. Raise Fixed Revenue—Gradually Increase Fixed Prices**

Gradually increase slot prices above Port's costs to reflect the value that is received including: 1. serving a select clientele, 2. providing rapid access to a unique, diverse, robust fishery, 3. reducing overall boat maintenance with on-dock boat storage, 4. making easy access for fisher-maintenance of boat and gear, and 5. reducing fishing expenses with short voyage distances. See a separate Perspective Paper covering this topic.

**c. Raise Variable Revenue—Increase Fish Buyer Fees**

Currently, the Port receives one percent of the catch value purchased by the fish buying tenants. The fee is specified in the fish buyer's lease agreement with the Port. When the lease agreements are renewed or otherwise open for re-negotiation, change the fish buyer's lease terms to include: 1. the Port's ability to increase percentage charged and 2. to invoke fish buyer incentives for increasing the amount of fish purchased at the Port of Port Orford.

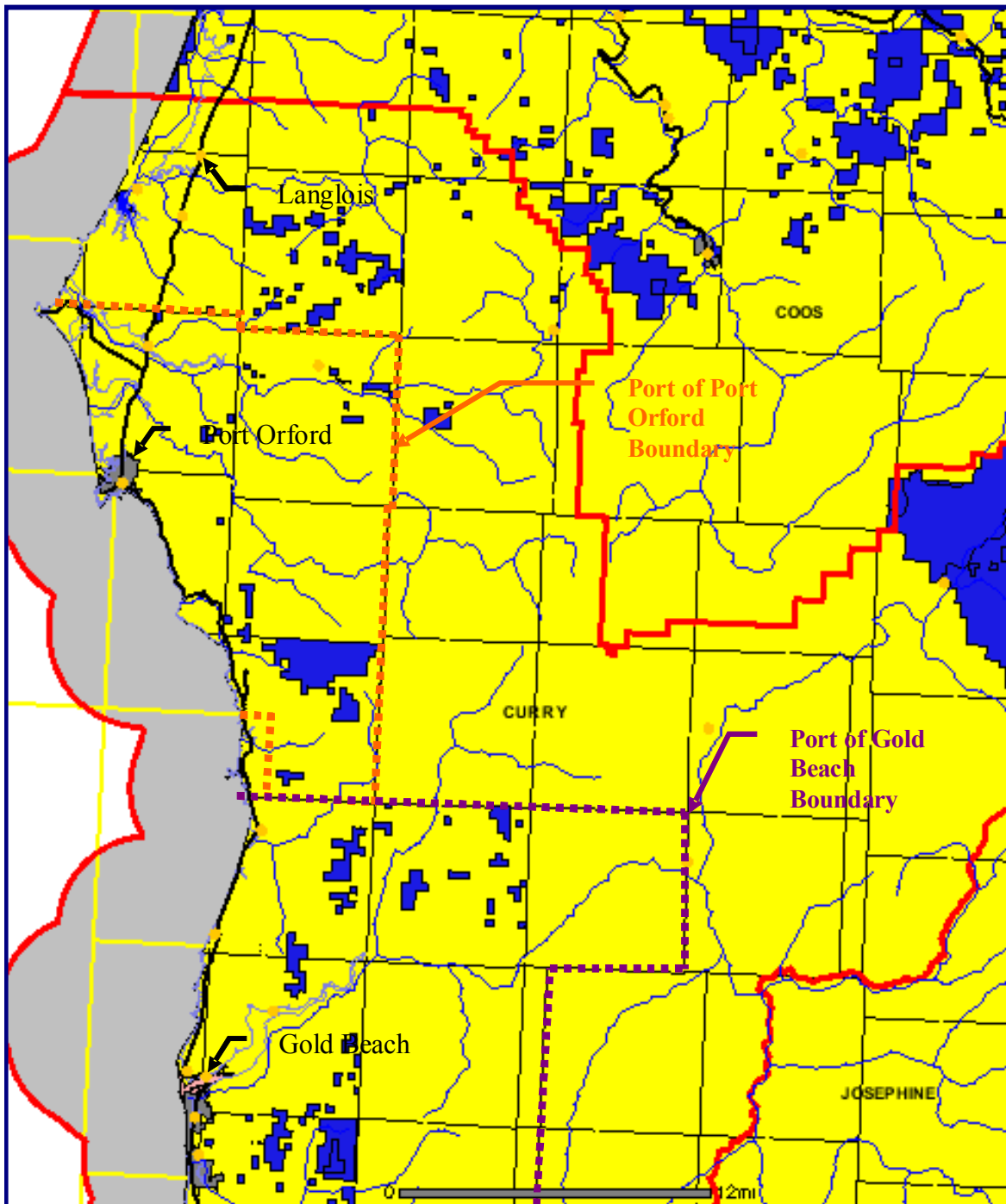
## C. Port District Boundary Expansion

The Port of Port Orford is financially fragile and needs to increase revenue. Property tax revenue collected averages about \$52,000 annually. The Port district area is among the smallest in Oregon—much smaller than its current service area. If Port district boundaries are extended, property tax revenues will increase and provide some added financial breathing room.

### 1. Background

- The Port of Port Orford is a municipal corporation in Oregon. The corporation encompasses a geographically special district in Curry County. See the nearby map.
- The Oregon statutes governing Port district boundaries are principally provided in ORS Chapters 198 and 777. See the nearby Appendix for relevant verbatim extracts.
- For administrative and tax purposes, the district includes the equivalent of five geographic townships. The Port Orford port district has its center near the City of Port Orford. By contrast, neighboring Port of Gold Beach encompasses nine townships.
- An Oregon township is roughly square to survey meridians and varies in size from three to six miles on a side. Irregular township edge shapes are caused by river and ocean margins and borders.
- Port of Port Orford's north boundary coincides roughly with Cape Blanco. The south boundary coincides more or less with Sister Rock. Port of Gold Beach's northern boundary abuts at this location. Port's east Boundary is about 10 miles east of Port Orford city center along a township meridian.
- The entire Port district covers an area of about 146 square miles. Nearby Port of Gold Beach encompasses about 307 square miles—twice the size of Port of Port Orford.
- A reading of the Oregon statutes indicates that the Port's district boundaries should remain within Curry County boundaries.
- This being true, Port of Port Orford has the opportunity to add the equivalent of four townships north of the current boundary—adding Denmark and Langlois. Four more townships are open to the east. A small enclave can be added south at Frankport—making 13 townships in the ultimately expanded district.
- Incremental changes to Port boundaries including annexation of townships appear achievable through Curry County Commission action. When the area and taxes collected increase more than 50 percent in a single event—voter approval required.
- Based on the current district boundaries the Port receives property taxes that average \$52,576 in General Fund revenue and as Bonded Debt revenue of \$111,797. Expanding the Port district by annexation will add revenue—at a minimum to the General Fund.

The map below was obtained from the Oregon Geospatial Data Clearinghouse with labels author-added--<http://www.gis.state.or.us/Website/sdl/viewer.htm>.



Boundary data for Port Orford and Gold Beach were provided by Port of Port Orford staff. The heavy red lines are County boundaries. The blue areas are BLM lands. The black grid lines are township meridian boundaries. The less-than-attractive yellow background is a fixed requirement of the website.

For added guidance the following property tax information was gathered from the Department of Revenue at <http://www.dor.state.or.us/statistical/303-448-04/303-448-04.html>.

Tax District	Approximate District Area Square Miles	FYE 04 Net Property Value in '000s	FYE 04 General Fund Property Tax Imposed	Effective Tax Rate
Port of Bandon	326	\$844,257	\$273,529	
Port of Gold Beach	307	\$436,279	\$214,475	
Port of Brookings Harbor	N/A	\$1,113,192	\$146,505	
Port of Port Orford	146	\$166,054	\$59,630	

The Port of Brookings Harbor does not levy property tax to its full authority and has a management philosophy not to do so. Tax data on the other 22 port districts are available at the abovementioned website.

## 2. Recommended Action

As part of the Port of Port Orford's newly created Strategic Business Plan, the following steps should be taken to increase the size of the Port district:

- Obtain a professional legal determination of the relevant statutes governing Port boundaries—the author is not a lawyer. The first step in this process should be to meet with the Curry County Assessor and the Curry County Counsel.
- With a legal determination, prepare a work plan with Curry County for annexation of the available townships north of the current Port district boundary—to include the townships around Denmark and Langlois—and south to include the township around Frankport.
- Investigate the tax levy that would be realized by the addition of the available townships to the east. If appropriate, continue the annexation process to include these townships.

## 3. Appendix

The Port of Port Orford should seek professional legal assistance on the boundary issue. Good starting points include meetings with the Curry County Assessor's Office and the Curry County Counsel's legal staff.

Mci has performed a cursory search of the Oregon Revised Statutes to help the reader understand the fundamentals of Port District formation and boundary alignments. The results of that effort are provided next with verbatim extracts.

## 1. Ports Generally

**‘777.010 Areas that may be included in port.** (1) Ports may be formed in the manner provided in this section and ORS 777.050.

(2) A proposed port may include all the territory in one county. However, where a petition is filed for formation of a port, the territorial limits of which do not include the county as a whole, the limits proposed by the petition shall not extend beyond the natural watershed of any drainage basin whose waters flow into another bay, estuary or river navigable from the sea situate within the county. [Amended by 1959 c.602 §1; 1963 c.209 §1; 1967 c.342 §1; 1971 c.727 §182; 1971 c.728 §2; 2003 c.802 §149]

**777.326 Special procedure for annexations increasing by one-half or more the area or assessed value of taxable property within the port.** (1) This section applies when an annexation would increase the area of a port by one-half or more, or would increase the assessed value of taxable property within a port by one-half or more. An annexation proposal subject to this section, if approved by the county board, shall be submitted to the electors at an election which shall be held at the same time as a primary election or general election.

(2) When the county board orders an election on the annexation proposal, the board shall adopt an order dividing or redividing the area of the port, including the territory annexed, into five subdistricts. The boundaries of the subdistricts shall be determined in accordance with ORS 777.155 and shall be described in the order calling the election on the proposed annexation.

(3) At the first regular district election following the effective date of the annexation, one commissioner from each of the five subdistricts established under subsection (2) of this section shall be elected. The terms of the incumbent commissioners shall terminate and the terms of the commissioners elected under this subsection shall commence as provided in ORS 777.160.

(4) If the annexation is approved, the order proclaiming the annexation shall also describe the boundaries of the subdistricts established as provided by subsection (2) of this section. [1967 c.498 §2; 1971 c.647 §140; 1971 c.727 §§188,201; 1971 c.728 §49; 1983 c.350 §323; 1987 c.267 §79; 1995 c.712 §111; 1997 c.541 §386]

**777.347 Consent of Department of State Lands for state lands.** The Department of State Lands is authorized to consent to annexation with respect to any land owned by the State of Oregon, under the jurisdiction of the department, which is located in the territory proposed to be annexed. [1963 c.268 §12; 1971 c.727 §189]

**777.353 Annexation of enclave.** When territory not part of another port or wholly belonging to the state or federal government is surrounded by the boundaries of a port, the board of the surrounding port may, by resolution, annex the territory to the port with or without the consent of any resident or owner of property within the territory and without submitting the proposed annexation to the electors for approval. [1963 c.268 §13; 1971 c.728 §52]

**777.437 Filing boundary change with county assessor and Department of Revenue.** For purposes of ad valorem taxation, a boundary change must be filed in final approved form with the county assessor and the Department of Revenue as provided in ORS 308.225. [2001 c.138 §52]

## **2. 198 Special Districts**

**198.747 Effective date of boundary change; filing boundary change with county assessor and Department of Revenue.** (1) Notwithstanding any provision of ORS 198.705 to 198.955 that provides a different effective date, an annexation, withdrawal, consolidation or merger shall not become effective during the period:

(a) Beginning after the 90th day before a primary election or general election and ending on the day after the election; or

(b) Beginning after the deadline for filing the notice of election before any other election held by any district or other municipal corporation involved in the annexation, withdrawal, consolidation or merger and ending on the day after the election.

(2) If the effective date established for an annexation, withdrawal, consolidation or merger is a date that is prohibited under this section, the annexation, withdrawal, consolidation or merger shall become effective on the day after the election.

(3) For the purposes of ORS 308.225 only, the effective date of an annexation shall be the date of the order declaring the annexation under ORS 198.855.

(4) For purposes of ad valorem taxation, a boundary change must be filed in final approved form with the county assessor and the Department of Revenue as provided in ORS 308.225. [1985 c.808 §67; 1989 c.923 §23; 1995 c.712 §82; 2001 c.138 §3]

**198.775 Security deposit to accompany petition; payment of costs from security deposit; payment of costs by county or district.** (1) A petition for formation, annexation, withdrawal or dissolution shall not be accepted for filing unless the petition is accompanied by a bond, a cash deposit or other security deposit as follows:

(a) The bond shall be in a form and in an amount approved by the county board, not to exceed \$100 for each precinct in the affected district and any territory to be included in the district, up to a maximum of \$10,000. The bond shall be conditioned that, if the attempted formation, annexation, withdrawal or dissolution is not effected, the chief petitioners will pay the costs thereof, excluding any costs incurred by a local government boundary commission under ORS 199.410 to 199.519.

(b) The cash deposit shall be in an amount approved by the county board, not to exceed \$100 for each precinct in the affected district and any territory to be included in the district, up to a maximum of \$10,000.

The cash deposit shall be accompanied by a form prescribed by the Secretary of State. The form shall include the names and addresses of all persons and organizations providing any part of the cash deposit and the amount provided by each, and a statement signed by the chief petitioners that if the costs of the attempted formation, annexation, withdrawal or dissolution exceed the deposit, the chief petitioners shall pay to the county treasurer the amount of the excess costs.

(c) The security deposit other than a bond or cash deposit shall be of a kind and in an amount approved by the county board, not to exceed \$100 for each precinct in the affected district and any territory to be included in the district, up to a maximum of \$10,000. The security deposit shall be accompanied by a form prescribed by the Secretary of State. The form shall include the names and addresses of all persons and organizations providing any part of the security deposit and the amount and kind provided by each, and a statement signed by the chief petitioners that if the costs of the attempted formation, annexation, withdrawal or dissolution exceed the security deposited, the chief petitioners shall pay to the county treasurer the amount of the excess costs.

(2) If the proposed formation, annexation, withdrawal or dissolution is effected, the district shall be liable for the costs. Not later than the 30th day after the election, if a cash deposit or security deposit other than a bond was made under subsection (1) of this section, the county clerk shall refund the deposit to the persons who made the deposit.

(3) If the proposed formation, annexation, withdrawal or dissolution is not effected, the county shall collect the costs of the attempted formation, annexation, withdrawal or dissolution as follows:

(a) If the chief petitioners posted a bond, the county shall collect on the bond.

(b) If the chief petitioners made a cash deposit, not later than the 30th day after the election, the county clerk shall pay into the general fund of the county that portion of the deposit needed to reimburse the county for the costs. If any portion of the deposit remains after the costs have been paid, the county clerk shall refund the portion to the persons shown on the form filed under subsection (1) of this section as having made the deposit. If the costs exceed the amount of the deposit, the chief petitioners shall pay to the county treasurer the amount of the excess costs.

(c) If the chief petitioners made a security deposit other than a bond or cash deposit, not later than the 30th day after the election, the county clerk shall negotiate or otherwise collect on as much of the security deposit as necessary to reimburse the county for the costs and shall pay the proceeds into the general fund of the county. If any portion of the security deposit or any proceeds of the security deposit remain after the costs have been paid, the county clerk shall return the portion or the remaining proceeds to the persons shown on the form filed under subsection (1) of this section as having made the deposit. If the costs exceed the amount of the proceeds, the chief petitioners shall pay to the county treasurer the amount of the excess costs.

(4) Notwithstanding subsection (1) of this section, the costs of proceedings initiated by a county or district board, excluding costs incurred by a local government boundary commission under ORS 199.410 to 199.519, shall be paid by the initiating board out of county or district funds. [1971 c.727 §20; 1983 c.567 §19]

## D. Financial Breakeven & Dockage

Port of Port Orford is financially fragile. To remain operational, the Port has not made payments for two years on a \$500,000 loan from OECDD. Non-payment risks being declared in default—a recent rapid and negative outcome at the Port of Gold Beach. Moreover, the Port needs ongoing grant assistance, including re-negotiating the terms of the troubled loan, from the state and other agencies to close its financial gap. To be taken seriously, the Port must make its good faith effort to improve its own financial condition. This Perspective describes pricing and other strategies to help close the financial gap.

### 1. Background

To determine the gap between current earned revenue and ‘breakeven’, a modeling spreadsheet was prepared. Cost values include the most recent five year averages—except Debt Service and Depreciation which are based on current estimates. Engineer Personal Services are an estimate, since the recent actual data includes some anomalous payment and repayment amounts.

### 2. Breakeven—The Problem

To remain a viable enterprise, the Port must move to financial self-sufficiency. Self-sufficiency means producing operating (earned) revenue that offsets operating costs and debt service and depreciation—also known as ‘breakeven’.

- Variable costs including Personal Services have been cut to the maximum extent possible. Further reductions are not practically achievable. In fact, to implement the Strategic Business Plan and move forward, it will be necessary to invest in more human resources.
- Costs are allocated on a percentage basis to their business lines based on anecdotal information and observations. For example, 65% of staff costs are allocated to Dockage which includes unlimited hoist use. Fuel purchases are allocated 100% to fuel sales.
- Before including Debt Service and Depreciation, current revenue falls short of breakeven by over \$66,000. When Debt Service and Depreciation are included this shortfall grows to over \$326,000.
- Revenue from Facility Rent and Variable Rent are derived under long-term agreements that can be re-negotiated a specific intervals. Together, these business lines produce about one-third of current sales. At best when renegotiated, they might add 3% to the bottom line.
- Three business lines contribute to the largest share of the short fall. These are Dockage, Commercial Hoist, and Day & Charter Hoist. Increasing the units sold in these three business lines is not likely. Raising revenue from these three business lines requires increasing prices.
- Fuel Sales becomes a less-than-breakeven business when a suitable part of Debt Service and Depreciation is added. Consideration should be given to increasing the Port’s fuel price margin.

Port of Port Orford Breakeven								
Business Line	Dockage	Comm'l Hoist	Day & Charter Hoist	Fuel Sales	Facility Rent	Variable Rent	Other Earned Revenue	5 Year Average Total
Sales	\$57,510	\$8,552	\$5,274	\$74,931	\$46,929	\$22,890	\$3,904	\$219,990
Percent	26.1%	3.9%	2.4%	34.1%	21.3%	10.4%	1.8%	100.0%
Cost of Sales								
Allocation	65%	10%	3%	5%	15%	0%	2%	100%
Personal Services, Staff	\$87,952	\$13,531	\$4,059	\$6,766	\$20,297	\$0	\$2,706	\$135,311
Personal Services, Legal	\$1,849	\$284	\$85	\$142	\$427	\$0	\$57	\$2,844
Personal Services, Finance	\$5,644	\$868	\$260	\$434	\$1,302	\$0	\$174	\$8,683
Personal Services, Engineer	\$6,500	\$1,000	\$300	\$500	\$1,500	\$0	\$200	\$10,000
Personal Services, Other	\$2,741	\$422	\$127	\$211	\$633	\$0	\$84	\$4,218
Personal Services	\$104,687	\$16,106	\$4,832	\$8,053	\$24,158	\$0	\$3,221	\$161,056
Allocation	0%	0%	0%	100%	0%	0%	0%	100%
Fuel Purchases	\$0	\$0	\$0	\$63,874	\$0	\$0	\$0	\$63,874
Allocation	93%	3%	2%	2%	0%	0%	0%	100%
Electricity	\$13,854	\$447	\$298	\$298	\$0	\$0	\$0	\$14,897
Water & Sewer	\$1,943	\$63	\$42	\$42	\$0	\$0	\$0	\$2,089
Telephone	\$1,767	\$57	\$38	\$38	\$0	\$0	\$0	\$1,900
Allocation	50%	25%	10%	5%	10%	0%	0%	100%
Maintenance & Repair	\$9,118	\$4,559	\$1,824	\$912	\$1,824	\$0	\$0	\$18,237
Material & Services	\$26,682	\$5,126	\$2,201	\$65,163	\$1,824	\$0	\$0	\$100,999
Allocation	75%	10%	5%	4%	2%	2%	2%	100%
Office Expense	\$3,429	\$457	\$229	\$183	\$91	\$91	\$91	\$4,572
Insurance	\$11,080	\$1,477	\$739	\$591	\$295	\$295	\$295	\$14,773
DSL Lease	\$1,790	\$239	\$119	\$95	\$48	\$48	\$48	\$2,387
Travel & Marketing	\$967	\$129	\$64	\$52	\$26	\$26	\$26	\$1,290
Dues, Subscriptions	\$368	\$49	\$25	\$20	\$10	\$10	\$10	\$491
Other Gen. & Admin.	\$472	\$63	\$31	\$25	\$13	\$13	\$13	\$629
Gen. & Admin.	\$18,106	\$2,414	\$1,207	\$966	\$483	\$483	\$483	\$24,545
Cost of Sales Subtotal	\$149,475	\$23,645	\$8,240	\$74,182	\$26,465	\$483	\$3,704	\$286,599
Profit (Loss) Before Debt Service & Depreciation	(\$91,964)	(\$15,094)	(\$2,966)	\$749	\$20,464	\$22,407	\$200	(\$66,609)
Price Change to Breakeven	160%	177%	56%	-1%	-44%	-98%	-5%	30%
Allocation	90%	4%	2%	2%	2%	0%	0%	100%
Current Debt Service	\$117,000	\$5,200	\$2,600	\$2,600	\$2,600	\$0	\$0	\$130,000
Current Depreciation	\$117,000	\$5,200	\$2,600	\$2,600	\$2,600	\$0	\$0	\$130,000
Total Cost of Sales	\$383,475	\$34,045	\$13,440	\$79,382	\$31,665	\$483	\$3,704	\$546,599
Profit (Loss) After Debt Service & Depreciation	(\$325,964)	(\$25,494)	(\$8,166)	(\$4,451)	\$15,264	\$22,407	\$200	(\$326,609)
Price Change to Breakeven	567%	298%	155%	6%	-33%	-98%	-5%	148%

### 3. Dockage—Proposed Solutions

The Dockage spreadsheet describes two proposed price increases for Port consideration. These increases can be implemented together, in two or three steps, or consecutively over time—balancing the need for good faith revenue-raising efforts and minimizing their negative impact on customers.

#### a. First Price Increase—Services

The first proposed price increase covers the cost of electricity, water, sewer, trash disposal, and insurance. As now provided by the Port—electricity, water, and trash are not metered to the individual slot users.

- In relative terms, this is a \$52 per month, and a \$624 per year increase. It represents 1.2 percent of the five-year average \$52,173 landed catch revenue per pad—based on 40 pads.
- At absolute terms, this is a net 31% increase to the current slot user. It might be introduced in two (2) consecutive steps.

#### b. Second Price Increase—Fishing Incentive

A second proposed increase is a fishing incentive to be applied when appropriate. It is intended to reward the slot users for making 100 fishing trips in a year. The current average is 77 per pad.

- In relative terms this is an added \$66 per month, and a \$792 per year increase. It represents 1.5 percent of the five-year average \$52,173 landed catch revenue per pad—based on 40 pads.
- In absolute terms, together with the first price increase, this is a net 69% increase to the 77-trip ‘average’ pad, after the year-end rebate is received.
- To the 100-trip pad, there is no second price increase—the fisher gets the entire incentive returned. It is a reward for being a steady Port user, a contributor to Port district employment, adding economic well-being, and incrementally adding to Port’s variable fishing revenue.
- The fishing incentive might be introduced in two (2) or more consecutive steps.

Note: Spreadsheets contain some rounding errors which do not affect overall accuracy.

### 4. Conclusion

The Port needs to close the ‘breakeven’ gap. It is a first visible step of moving forward. Port’s ability to increase revenue production from existing assets is limited—leases do not allow discretionary price changes. Dockage is the business line that offers the opportunity to act. Two proposals to increase prices are offered for Port consideration. Inaction is probably not an option.

<b>Port of Port Orford Dockage</b>	
Units Available	44
Projected Utilization	90%
Units Sold	40
Breakeven Cost, No Debt Service, No Depreciation	\$149,475
Breakeven Unit Price per Year	\$3,397
Breakeven Cost, With Debt Service & Depreciation	\$383,475
Breakeven Unit Price Per Year	\$8,715
Current Price Per Month	\$170
Current Annual Price Basis \$170/Month	\$2,040
Add Annual Electricity, Trash, Insurance & 10% Rate Increase	\$915
New Annual Price	\$2,955
New Price Per Month	\$246
Maximum Annual Fisher Incentive	\$1,500
Target Fisher Trips/Year	100
Fisher Rebate Per Trip	\$15.00
New Annual Price with Fisher Incentive	\$4,455
New Price Per Month with Fisher Incentive	\$371
Average' Incentive Price Reduction Earned, 77 Trips	-\$1,155
New Annual Price with 'Average' Rebate	\$3,300
Price Per Month	\$275
Price Increase for 'Average' Fisher above Current Price	62%
New Price with 'Maximum' Rebate	\$2,955
Price Per Month	\$246
Price Increase for 'Maximum' Fisher above Current Price	45%
Port Dockage Revenue, Basis Current 'Average' Fishing Trips	\$130,664
Port Dockage Revenue, Basis 'Maximum' Rebate	\$117,002
Port Dockage Revenue, Basis 'Most Likely' Rebate	\$123,833
Dockage Breakeven Before Debt Service & Depreciation	\$149,475
Breakeven Shortfall Basis 'Most Likely' Revenue	(\$25,642)
Dockage Breakeven Including Debt Service & Depreciation	\$383,475
Breakeven Shortfall Basis 'Most Likely' Revenue	(\$259,642)
Fisher Incentive Rebate Terms:	
Eligibility for rebate requires continuous twelve (12) full months of dock use and payment.	
Rebate is fully refundable based only on fisher activity.	
Rebate is paid in full at the end of twelve (12) full months based on fish sale tickets at Port Orford Dock.	

## **E. Port of Port Orford's Economic Impact**

Port of Port Orford's substantial community economic impact comes from providing direct access to the ocean for commerce and recreation. The Port, its commercial fishers, and recreational users are an economic engine that is vital to the region.

- Commercial fishers using Port facilities harvest an average annual catch valued at \$2.1 million—in the first four months of 2004 the catch value was \$2.3 million.
- The average annual catch equates to \$54,921 for each of the 38 available High Dock pads—or \$36,614 when distributed equaling among the 57 currently participating commercial fishers.
- The fishers use highly targeted eco-friendly techniques that result in a relatively high value per ton catch—including a unique live fishery.
- Commercial fishing activity creates 70 family wage direct jobs in the community—based on Port Orford's 2000 US Census median family income of \$29,653.
- Another 30 indirect or induced family wage jobs can be attributed to the Port's activity and customer-related purchase, supply, construction, and repair activities.
- Commercial fishing alone creates 90 full-time equivalent direct jobs—based on Port Orford's 2000 US Census median individual income of \$23,289.

### **1. Port's Special Value Added**

The Port of Port Orford provides users of the High Dock with several value added features that are not offered by other Oregon or regional ports. These include:

- Direct ocean access with no bar to cross—more days for fishing.
- Quick access to one of the premiere fishing grounds in Oregon—Port Orford and Cape Blanco Reef
- Short travel time to the fishing grounds which means: less fuel used, less wear and tear on the boat's machinery, and more time to fish
- Dry storage of boats on the High Dock reduces maintenance on hull and machinery by reducing ocean exposure and gives access to make owner-maintenance easy.

### **2. Port's Strategic Opportunities**

Port of Port Orford is a small municipal government that has few property holdings for new development, and has limited facilities for producing revenue.

- The current High Dock has 38 boat pads for rent on a month-to-month basis by fishers, charter boats, and dive boats—most pads are used by commercial fishers.
- Not all commercial fishers rent High Dock pads—some use the commercial hoist for ocean access and move their boat by trailer to and from Port property.
- To survive, the Port has three simultaneous strategic approaches: 1. Add revenue from existing business lines, 2. Increase revenue by increasing sales, and 3. Add new business lines.
- Port of Port Orford is geographically very small compared to all other Oregon Port Districts—providing a relatively small base of taxpayer support.
- It may be necessary and desirable to expand the Port district boundaries and add to the current base of property tax revenue.

### **3. Port's Financial Situation**

Port of Port Orford relies heavily on public support for survival—a situation that has existed for many years.

- The Port is facing serious financial difficulty—to remain afloat the Port has not made payments on a \$500,000 state loan for two years.
- Port's total income from fishing operations averages \$71,336 per year—about \$1,877 per pad or \$1,252 per commercial fisher.
- Port's total operating cost to provide fishing operations averages \$269,647 per year—about \$7,096 per pad or \$4,731 per commercial fisher.

### **4. Direct Taxpayer Support**

Property owners in the Port district provide substantial support for Port operations through a small portion of their property tax payments.

- Direct taxpayer support for fishing operations averages \$181,808 per year—about \$4,784 per pad or \$3,190 for each commercial fisher.
- Net operating losses for High Dock operations, including taxpayer support, average \$16,503 per year—about \$434 per pad or \$290 for each commercial fisher.
- The operating deficit is partly offset by revenue from other Port business lines including variable rent collected from the fish buyers which averages \$22,890 each year.

### 5. Port's Added Tax Support

In addition to the Port district property owners, taxpayers (and lottery players) across Oregon provide financial support to the Port. Some of these additional sources of support include:

- State of Oregon public grant funds of over \$3 million that were used for High Dock construction
- US Army Corps of Engineers maintenance dredging support of over \$100,000 per year—a federal funding source that requires the help of sister Ports, Curry County and the State of Oregon to obtain.

<b>Port Orford Operations &amp; Tax Support</b>			
	6-Year Average	High Dock Total	High Dock Per Pad
<b>Operating Income</b>			
Dockage	\$57,510		
Commercial Hoist	\$8,552		
Day Hoist	\$5,274		
<b>Total Operating Income</b>		<b>\$71,336</b>	<b>\$1,877</b>
<b>Operating Cost</b>			
Personal Services	\$144,105		
Material & Services	\$100,997		
General & Administrative	\$24,545		
<b>Total Operating Cost</b>		<b>\$269,647</b>	<b>\$7,096</b>
<b>Operating Gain (Loss)</b>		<b>(\$198,310)</b>	<b>(\$5,219)</b>
<b>Direct Tax Support</b>			
General Fund Taxes	\$52,576		
Debt Fund Taxes	\$111,797		
Investment Interest	\$12,547		
Grants (ex High Dock Construction)	\$53,662		
Interest Expense	(\$48,774)		
<b>Total Direct Tax Support</b>		<b>\$181,808</b>	<b>\$4,784</b>
<b>Operating Gain (Loss)</b>		<b>(\$16,503)</b>	<b>(\$434)</b>

## **F. New Revenue—Opportunity for Diversification**

Port of Port Orford facilities are located in one of the most scenic area of the coast. Commercial High Dock activities, including the ‘live fish’ buyer-processors are a captivating educational experience. Port relies solely on the cyclical commercial fishing industry for survival—a small contribution comes from recreational fishers and kindred services.

The Port *must* develop a Master Facility Plan that includes; recreation, tourism, and means of increasing revenue and net income. Short term and long term solutions are:

### **1. Short Term Solutions**

The Port is currently promoting charter boat fishing. Recreational diving relies on resolving the shoaling issue—no water access, no charter boat. On-dock RV camping for sport fishers and nearby beach camping are essential adders for revenue and overall tourism awareness-raising.

#### **a. Increase Sport Fishing and Camping Activity**

Install about 12 RV plug-ins using alternate sport fisher trailer slots. Plug-ins will require removal and capping during the winter. Relocate the so-called ‘bone yard’ area and install several tent camping sites.

Actions required; grant funds for improvements, permitting activity, incremental labor, and utilities.

### **2. Long Term Solutions**

The cannery building housing the current fish buyer-processor activity is dilapidated and quickly becoming unusable. Re-development can be done using flexible space—possibly with an over story—that integrates tourism, commercial, and educational uses.

More casual sport fishers will be attracted by conventional boat ramp facilities. The 5<sup>th</sup> & Washington property is under-used and has environmental needs that are now being investigated.

#### **a. Re-develop Cannery & Nearby Upland**

Install about 20,000 square feet of flexible commercial-retail space in a well-planned phased development that houses fish buying-processing space, public viewing, commercial-retail, tourism, and support facilities.

Actions required; grant funding, design, permits, educator participation, developer involvement, engineering, and carefully phased construction.

**b. Add Recreational Boat Ramp**

Add a pay-for-use recreational boat ramp. Ramp location, design, and installation follow the resolution of High Dock Shoaling issue. Actions required; grant funding, design, engineering, construction, and incremental operating and maintenance labor.

**c. Develop 5th & Washington Property**

Create steady Port revenue with a long-term lease and redevelopment that compliments Port awareness-raising and business development needs. Commercial zoning and a 45-foot height limit allows up three story construction with spectacular views. The first floor may contain retail and a restaurant. The upper floors can be used for residential or other uses. Actions required; grant funding for environmental work, design, permits, and developer participation.