

PORT OF TILLAMOOK BAY Strategic Business Plan

Port of Tillamook Bay
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Tillamook, OR 97141

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TABLE OF CONTENTS

I.	HISTORY & MISSION.....	1
	A. HISTORY.....	1
	B. PORT ENABLING STATUTES.....	1
	C. EXISTING MISSION.....	2
	D. STRATEGIC PLAN PROCESS.....	3
II.	PORT DESCRIPTION.....	4
	A. FACILITIES AND PROPERTY.....	4
	B. OPERATIONS.....	5
	C. POLICIES AND PROCEDURES.....	7
	D. FINANCIAL CONDITION.....	11
III.	MARKET AND TRENDS.....	21
	A. NATIONAL TRENDS.....	21
	B. REGIONAL & LOCAL TRENDS.....	24
	C. Tillamook County Tourism.....	30
	D. TWENTY-YEAR EMPLOYMENT FORECAST.....	31
	E. REGIONAL & LOCAL TRENDS SUMMARY.....	33
	F. ECONOMIC OPPORTUNITIES.....	33
IV.	POLICY CONTEXT.....	36
	A. CITY AND COUNTY POLICIES.....	36
	B. LOCAL AND REGIONAL PLANS.....	38
	C. STATEWIDE PLANNING GOALS.....	38
V.	SITUATIONAL ANALYSIS.....	40
	A. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS.....	40
	B. RISK ANALYSIS.....	44
VI.	STRATEGIC BUSINESS PLAN.....	45
	A. MISSION AND GOALS.....	45
	B. MANAGEMENT.....	45
	C. FINANCIAL.....	47
	D. MARKETING.....	47
	E. ENVIRONMENTAL.....	48
	F. FIVE YEAR CAPITAL PLAN.....	48

LIST OF TABLES

TABLE #	TITLE	PAGE #
II-1	STATEMENT OF NET ASSETS.....	12
II-2	STATEMENT OF EXPENDITURES, GENERAL FUNDS	13
II-3	STATEMENT OF REVENUES, AIRPORT DIVISION	14
II-4	STATEMENT OF EXPENDITURES, AIRPORT DIVISION.....	15
II-5	OPERATING REV. & EXP., ADMIN & INDUSTRIAL PARK	16
II-6	OPERATING REV. & EXP., UTILITIES	17
II-7	OPERATING REV. & EXP., DIGESTER	18
II-8	STATEMENT OF REVENUES, RAILROAD DIVISION	19
II-9	STATEMENT OF EXPENDITURES, RAILROAD DIVISION.....	20
III-1	LOCAL POPULATION GROWTH TRENDS, TILLAMOOK	24
III-2	CITY OF TILLAMOOK SHARE OF COUNTY POPULATION	25
III-3	TILLAMOOK COUNTY POPULATION DISTRIBUTION BY AGE	25
III-4	LEVEL OF EDUCATION ATTAINMENT, 2007	26
III-5	UNEMPLOYMENT RATE, 2001-2009.....	27
III-6	YEAR-OVER-YEAR EMPLOYMENT GROWTH	27
III-7	SHARE OF INDUSTRIAL COMPOSITION, 2008	28
III-8	EMPLOYMENT GROWTH BY INDUSTRY	29
III-9	AVERAGE ANNUAL WAGE GROWTH	29
III-10	AVERAGE WAGE BY INDUSTRIAL SECTOR	30
III-11	AVERAGE DAILY TRAFFIC COUNTS (HWY US 101)	31
III-12	TRAFFIC COUNTS (HWY OR 6).....	31
III-13	CONVERSION OF COVERED EMPLOYMENT TO TOTAL	32
III-14	UPDATING 2007 TOTAL EMPLOYMENT	32
III-15	TARGET HWY US 101 BUSINESSES.....	34
VI-1	ALTERNATE PROJECTS BY SECTION	49-50

A. HISTORY

In 1911, the Port of Bayocean was formed by a special election to manage land at the entrance to Tillamook Bay. The Port incorporated additional land in 1948 to construct a jetty to protect the Bay.

Just six years earlier, a Naval Air Station had been established in Tillamook as a part of a network of Blimp squadrons to patrol the Pacific and act as escorts to coastal convoys. With the end of World War II, the base was decommissioned in 1948 and the former base became the responsibility of the Tillamook County Airport Commission.

In 1953, the Port of Bayocean held another election to incorporate the 1600 acres that had comprised the Naval Air Station and on November 4, the former base became the Port of Tillamook Bay. The Port also acquired the Navy's 5.5 mile rail line. In 1990, the State of Oregon assisted the Port with lottery funds to purchase the Southern Pacific line (which had been abandoned by SP) from Tillamook to Shefflin near Hillsboro. The Port operated the line until severe storm damage in December, 2007 necessitated a freight embargo, which remains in effect. Today, the Port manages the airport, boasts an ever-growing array of businesses, utility services and offers tourist oriented attractions and services with the Airport Museum and RV Park.

B. PORT ENABLING STATUTES

1. ORS 777 & 778 Port Enabling Statutes

Chapter 777 enables the formation of port districts in Oregon, and defines their expected purposes, activities and financial abilities. ORS 777 includes a subsection specifically for the Oregon International Port of Coos Bay, and Chapter 778 describes the Port of Portland's powers in addition to those granted within ORS 777.

The statutes provide expansive powers to Oregon port districts by providing broad venues within which ports may acquire, own, and operate facilities and services that accomplish their purposes. For example, ports can own and operate transportation facilities (water, rail and air), act as utility providers (water and electric power) for their industrial customers, and own/operate as businesses (fuel distribution; processing facilities for fish, meat and agriculture; and industrial parks). This broad leeway is emphasized in ORS 777.258, which states that a port "may, in general, do such other acts and things, not mentioned [in relevant statutes], as tend to promote the maritime shipping, aviation and commercial interests of the port."

2. ORS 198, Special Districts

All of Oregon's ports are defined as "Special Districts" within the meaning of ORS 198, which provides additional (and sometimes, overlapping) regulations in administrative areas, including:

- formation, modification, mergers and dissolution of districts, and
- adoption of port ordinances and regulations

3. ORS 285, Economic Development Statute, and HB 2152-C

Chapter 285, the Economic Development statute, is divided into three parts – A, B and C, and lays out the functions and responsibilities of the state entity charged with economic development responsibilities. Part A has the most relevance for Oregon’s ports. ORS 285A.020 (1)(m) notes that ports are “important partners in the state’s economic development efforts”; ORS 285A.600-732 devotes attention specifically to ports, including not just the state’s relationship with ports, but also the use and function of two dedicated funds critical to most ports:

- Port Planning & Marketing Fund (PPM); this fund provides small funds (limit generally \$25,000) with match required for ports to prepare and update strategic business plans and to market their facilities; and
- Oregon Port Revolving Fund (OPRF); the OPRF enables ports to borrow money from the State for a broad variety of development projects, subject to project qualification and financing approval; interest earned on OPRF repayments is used to provide a separate funding source for the PPM.

The 2009 Legislative session made significant changes via HB 2152-C (Enrolled). The agency’s name was changed to the Oregon Business Development Department, taking on the assumed business name “Business Oregon”, to reflect the Governor’s “goal of giving the agency a more strategic focus on addressing the needs of existing Oregon businesses” (<http://www.oregon.gov/OBDD/>). More significantly, the bill creates the Oregon Infrastructure Finance Authority (IFA) as a “policy-making and advisory body” within the department. All previous statutory language describing the Department’s function relating to ports, contained primarily in Chapter 285A.600-.732, has now been changed such that the Infrastructure Finance Authority assumes those functions, such as being the “statewide coordinating, planning and research entity for all ports” (ORS 285A.627 (1)).

C. EXISTING MISSION

The Port has adopted the following Mission Statement in the past to guide its projects and programs.

“The Port of Tillamook Bay shall pursue activities that shall improve the economy in a manner acceptable to the Community.”

The Port has not adopted additional goals or objectives for any of the functional areas of the Port development.

D. STRATEGIC PLAN PROCESS

The purpose of the Strategic Plan Process is to provide a set of management tools to guide the Port's major business, financial and organizational challenges.

The process includes a comprehensive description of the Port including:

- Operations, Facilities and Property
- Revenue Centers
- Non-Revenue Activities
- Port Resources
- Policies and Procedures and
- Financial and Market Conditions

Based on an analysis of these characteristics and a review of the policy context of the Port, a Facilities and Business Plan is completed. The Plan includes Goals and Objectives, Five Year Capital Plan, Management Plan, Financial Plan, Environmental Plan and Marketing Plan.

In addition to periodic reviews of the draft Plan components by the staff and Port Commission, two reviews of the draft plans by the community were also conducted.

A. FACILITIES AND PROPERTY

1. **AIRPORT** The Port owns and operates a Category IV airport (more than 2,500 annual operations or more than 10 based aircraft), call letters “TMK”, with 42 single-engine aircraft and one multi-engine aircraft based at TMK; the main runway (13-31) is 5,001 feet in length, with a secondary runway (01-19) at 2,900 feet. Both runways have medium intensity runway lighting (MIRL) and precision approach path lighting (PAPI); runway 13-31 also has a GPS nonprecision approach/departure capability. The airport grounds include 40 port-owned hangars for aircraft, a cardlock system for fueling, a tie-down area for transient aircraft, leasable land available for private hangar construction, and land available for airport/industrial uses.

2. **RAILROAD** The Port owns extensive rail rights of way, which varies in width from 50 to 200 feet. The Port rail line is 101 miles in length, of which roughly 88 miles are main line and the other 13 miles are spurs and sidings; the Port leases to PNWR (Portland Northern & Western Railroad) a 3.5 mile section from Banks to Hillsboro. The Port retains legal title to railroad assets, but operates under the provisions of a 1993 agreement between the State of Oregon and the Port, which created the Oregon Tillamook Railroad Authority (OTRA). The OTRA five-member board is comprised of two Port Commissioners, plus one representative each from the Oregon Business Development Department (OBDD), the Oregon Public Utility Commission (OPUC) and the Oregon Department of Transportation (ODOT).

Prior to severe storm damage in December, 2007, which necessitated a freight embargo still in effect, the Port averaged approximately 4,000 railcar transits per year, serving especially the agriculture and timber industries. The high final assessment cost to rebuild the line persuaded the Board of Commissioners to target repair funds, offered by the Federal Emergency Management Agency (FEMA), to eligible alternate infrastructure projects within the Industrial Park. FEMA funds awarded are 75% of the final assessment cost of damage repair, and must have a 25% nonfederal match.

In addition to right-of-way ownership, Port rail assets include locomotives, steel rail, and embedded ties. The current freight embargo is scheduled to expire December 5, 2009. The Port is in the process of filing a “Discontinuance of Service” notice with the Surface Transportation Board. Under a discontinuance of service notice to shippers (as compared to an “abandonment” notice), the Port is under no obligation to remove rails or ties, although it does continue to maintain crossings and sidings.

3. **INDUSTRIAL PARK** The Industrial Park comprises 785 acres of a 1600-acre ownership. Around 537 acres of the Industrial Park are contained within an area requiring that derived revenues be dedicated to airport uses, and a smaller portion of the industrial park lies within the approach zone, with uses highly restricted so as to avoid interference with aircraft operations. Another 248 acres are outside the airport influence zone. The fully serviced industrial park has a

variety of sites and buildings available for immediate occupancy. Approximately 776 acres were included in a lease agreement with the Bunker Group for a new golf course; a sizeable portion of that property is unsuitable for industrial uses because of the presence of wetlands on some areas and excessive slopes on others. Over the years, the Port has developed sites with a wide range of businesses. Many 10 to 20 acre sites as well as smaller 5 acre parcels are still available for new businesses.

The Port has received state of Oregon Industrial Site Certification of three parcels including:

- E-6 17.77 acres with frontage on Long Prairie Road with direct taxiway access to the main runway
- I-14 22.47 acres with access to Blimp Boulevard
- K1-K8 80.74 acres with frontage on Long Prairie and Brickyard Roads

The Port offers water and sewer service as a utility provider to its existing tenants, and extends such utility lines with Port staff to new industrial clients upon demand. The Port also serves as the septage receiving station for Tillamook County. The Industrial Park also houses the Hooley Digester, which converts cow manure to marketable products while generating power back to the electrical grid.

In September 2009, the Port entered in to a Memorandum of Understanding (MOU) with the Tillamook School District No. 9 and Tillamook Bay Community College. The purpose of the MOU is to reacquire two parcels of land totaling 6.54 acres in the Industrial Park utilizing resources from FEMA and the State of Oregon. The purchase is contingent upon the Port meeting all of FEMA's reviews for Alternate Project eligibility and receiving the State of Oregon's matching funds.

4. RECREATIONAL VEHICLE (RV) PARK The Port's RV Park is located east of US Highway 101 and west of the airport operations environs. The Park has 52 campsites with picnic tables, spaces for self-contained RVs as well as drinking water and restrooms. The spaces are considered "dry" by the recreational community because neither power nor sewerage is provided to the individual sites.

5. ADMINISTRATIVE Port management activities are primarily housed in an administration building within the Industrial Park campus; the Board of Commissioners meetings are held monthly within the same facility. The various managers reporting to the General Manager typically work close to their operating venues, but maintain regular physical communication with the administrative office.

B. OPERATIONS

1. AIRPORT The Port serves as the Fixed Base Operator (FBO) for the Tillamook Airport, providing radio contact with arriving and departing aircraft, and on-the-ground presence, as needed. The Airport Supervisor and one assistant have

overlapping 40-hour week schedules so that seven-day per week coverage is available. Most fueling is done by the pilots through a recently installed card lock system for aviation fuels. The Oregon Department of Aviation takes responsibility for runway maintenance funding through an IGA with the Port (a crack sealing and paving program was just completed), with periodic maintenance accomplished by Port staff, who also maintain the automated weather observation station, runway edge/end lighting and other equipment. Port staff worked with the Federal Aviation Administration (FAA) and its 90% grant funding to expand one of the T-hangar buildings in 2006 for a total of 40 leased hangar spaces (constructed by private contractor).

2. RAILROAD The major portion of the Port of Tillamook Bay railroad has been placed under a Freight Embargo following extensive destruction of rail property from severe rain and wind storms in December, 2007. Service is available for Banks Lumber to connect to the PNWR system and to both Class I railroads (UPRR and BNSF).

The Port now has one full-time railroad employee (the Roadmaster) and one half-time employee (Operations Manager) who now provides administrative assistance for other port operations. The Port has retained as much of its experienced railroad staff as possible by assigning them to similar operational jobs in the industrial park (seven former railroad employees continue to work for the Port in some capacity.) This is important for several reasons. First, the Port still has railroad crossing obligations, as well as inspection services (reimbursed) for the Oregon Coast Scenic Railroad. Second, the Port continues to examine options to rebuild its damaged railroad facility, and is considering building a reload facility at Buxton, initially for shipment of grain; a lumber reload facility may also be constructed.

3. INDUSTRIAL PARK The Industrial Park hosts around fifty tenants, notably wood products manufacturing and storage, cabinet makers, warehousing and distribution centers for national companies, and a variety of governmental functions. Principal staff operations can be categorized as follows:

- (a) **Septage Receiving.** The Port serves as the principal septage receiving station for the county, including not just municipal sludge but all materials from septic haulers, and charges fees by the gallon. Solids are periodically pumped out and taken to the Septage Receiving station. The Port intends to upgrade the system to improve removal of undesirable waste products (e.g., grits, plastics) found in septage, and believes the fee schedule and benefits can produce a 30-month payback of the \$125,000 cost.
- (b) **Hooley Digester.** The Port now operates its innovative cow manure digester system, after completion of a temporary or “experimental” management contract with Garick Corporation of Cleveland, Ohio, with two full-time port employees. Some of the bio-gas methane digester product is used in landscape applications and in agricultural operations (such as bedding material for cows), while the bio-gas is used to generate power for

sale back to the electrical grid. The Port has plans for upgrading this system, one of the first community systems in the U.S., to a one megawatt capacity, which would significantly increase production of beneficial products as well as revenue from power generation.

- (c) **Utilities Operation and Extension.** The Port operates its own wastewater treatment system and permitted lagoon, with a certified operator and backup certified operator, neither job being considered full-time. Each industrial park building has a tank that automatically pumps gray water to the Port's lagoon, and staff periodically monitors sludge/solids in each tank. The lagoon can be considered a type of secondary treatment, although the Port does not need to discharge effluent for most of the year, relying instead on evaporation. (The discharge permit with EPA is for winter months only.) Private contractors remove septage and haul it to the Port's receiving station. The Port provides water service for a fee to its industrial tenants by purchase of water from the City of Tillamook and from South Prairie and Long Prairie Water Districts; the provider depends on the location of the building, because the industrial park adjoins all three districts.
- (d) **Site Maintenance.** Port staff maintains grounds and certain port-owned buildings. Ground maintenance activities include mowing, weeding, spraying, carpentry, welding and fabrication, signage placement and repair, and septic and water system work, which includes quality monitoring, repair, and ditching and installation of new water lines and septic tanks and pumps. Most roads within the Industrial Park are County roads, and most are within the county maintenance system; Port staff monitors the roads and periodically contacts the County to arrange grading, ditching or paving projects as needed.

4. ADMINISTRATION Four staff members in addition to the General Manager perform all office and management assistance duties, including grant writing and administration, port development activities (such as project planning), project financing (such as bonds and loans), payroll and accounting, annual budgeting, Port Commission support, and clerical duties. The General Manager oversees all of the facility supervisors mentioned in the preceding sections as well as all remaining railroad operations, Port Commission interaction and intergovernmental relations and community contacts. Marketing and business recruitment, while not absent, have not been typical or priority activities of the Port.

C. POLICIES AND PROCEDURES

1. AIRPORT The Airport maintains compliance with the Federal Aviation Administration (FAA) guidelines, including safe aircraft operations, protection of airport environs from conflicting uses and identification of an airport influence

zone within which all revenues derived from leases must be used for airport purposes.

The Port publishes rate sheets for its available hangars and owns all 40 spaces at the FBO, although airport grounds also house one privately built hangar. A second private hangar is scheduled. The most recent project, expanding one of the T-hangar buildings, was constructed for \$321,000 in 2005-2006, using FAA Entitlement Grant funds for 90% of the cost and a small private contribution, so that the Port's out-of-pocket cost was around \$28,000. The rates established by the Port for eleven new spaces currently produce monthly revenue of just over \$2,800. That income stream amortizes the Port's 10% cost-share investment in less than one year at full occupancy.

2. RAILROAD In addition to the extensive Port Safety Manual, the Port of Tillamook Bay Railroad is one of the adopted signatories (like all Class I railroads, Class II railroads and many short line railroads like POTB RR) of the General Code of Operating Rules, providing procedural guidelines for an array of operational circumstances. Additionally, the POTB RR dispatch office utilized a "Railroad Office Daily Checklist" as a standard daily operating procedure.

Although currently operating on a very limited basis under a Freight Embargo, the Port utilizes a Published Freight Tariff to describe the terms for fees and charges to shippers when service on the line is available. The Port then would bill both the shipper (say, for the switching charge) and the mainline railroad (based, for example, on destination). The tariff appears to be written such that the Port has no long-term obligation to provide rail service against its wishes.

The Oregon Coast Scenic Railroad passenger train runs from Garibaldi to Wheeler, generally on extended weekends, although the normal usage area is a 3-mile run from Garibaldi to Rockaway. The Port's sole obligation under the current OCSR agreement (expiration 4/15/2013) is to provide rail line inspection services, for which it is reimbursed. The Port also receives a small amount for building rental and for right-of-way usage (although no fee is received for trackage use). Recognizing that the "Discontinuance of Service" notice requires a change in their relationship, OCSR and the Port are preparing final documents that will amend the existing lease. Instead of billing directly for inspections, the Port will receive \$2,500 per month for the passenger service season (Memorial Day to September 30) for "trackage", including inspections and maintenance. Additional inspection fees will still apply from Rockaway to Wheeler. The lease expires in 2013, but the lease calls for the Port to negotiate in good faith for an additional five-year term.

3. INDUSTRIAL PARK

- (a) Septage Receiving, Sewer/Water systems. The Port's sewer system is a simple and effective "Step" system tailored to the Industrial Park's relative remoteness from the city of Tillamook. Maintenance of the entire system requires a certified operator (the Port has two), who keeps the operations manual and maintains compliance with Oregon Department of Environmental Quality

rules and regulations. The Port's certified operators maintain an operations manual that, among other duties, prescribe daily and other periodic testing to assure public health and safety compliance.

- (b) **Digester.** The Port's operator maintains a document titled "Port of Tillamook Bay Dairy Manure Digester and Power Generation Operations Plan (Draft version 1.2, January 2004)". The Operations Plan enables the Port to comply with Oregon DEQ and federal Environmental Protection Agency (EPA) standards for all aspects of the operation, including receipt of manure tankers, safety and safe operations, facility maintenance, record maintenance and problem resolution, among other activities.
- (c) **Shop Operations.** Port staff retains all instruction manuals and safe operating manuals for the variety of equipment used in the shop and throughout the Port.
- (d) **Industrial/Commercial land leasing** (see also Administration, following). Industrial park lease rates are based on a fee schedule approved by the Port Commission; the General Manager is authorized to negotiate rates, and to sign leases where revenue produced by the lease is less than \$75,000 annually. The Port publishes several sample lease agreements, developed or at least reviewed by their attorney, for guidance to prospective tenants, which indicate expected lease rates for land leases and building leases. When circumstances require a different lease arrangement, the Port uses an attorney through Special Districts Association of Oregon (SDAO). The Port Commission approved a 3% automatic annual increase in rates effective each August 1, beginning August 1, 2008.

The Port appears to have no policy guidance for design/build lease rates, that is, where the Port finances construction for a client of a new building on Port property. This will likely prove more important as the Port utilizes FEMA grant awards and state matching funds to construct infrastructure in the near future.

4. ADMINISTRATION

- (a) **Staffing.** The Port maintains an extensive Personnel Manual, which it amends periodically to keep up with changes in state and federal laws and regulations. Additionally, the Port has adopted various personnel policy addenda, including (1) a pre-employment substance abuse testing policy form; (2) a position classification and wage schedule; (3) position classification system for the railroad division; (4) drug and alcohol policy; (5) railroad accident/incident reporting form; (6) records retention policy; and (7) a Safety Manual describing accepted safety rules for all employees in each of the Port's divisions.

The Port General Manager, although recently contracted (promoted), has twelve years of experience in many aspects of port operations. The Port has many seasoned mid-level managers for its operating functions, and has retained as many skilled railroad staff as possible by reassigning them to other port operations.

The Personnel Manual describes new employee orientation (C-1), required training (G-7), and education benefits (reimbursement) available (E-5), but there is no specific policy for professional development of key staff.

- (b) Port Commission. The five-member Port Commission includes three experienced port commissioners with a combined total of 37 years on the Commission. All three have extensive business and/or management experience, and they each have also served on a variety of other kinds of public bodies. The other two Port Commissioners are recent appointments with relevant business backgrounds. Despite the substantial and varied experience on the Commission, there is no corresponding policy regarding board member training and development. To its credit, all five Commissioners recently completed an all-day “Board Training” seminar by attorney Andy Jordan; the Port of Tillamook Bay hosted the event and invited Commissioners from other nearby districts to attend.
- (c) Governance. The Port maintains no separate policy for Commission governance and operation. Section A-4 of the Personnel Manual specifies the relationship between the Board of Commissioners and the General Manager. The Board has authority over all personnel administration through its ability to adopt budgets, ordinances, resolutions, policies and so forth, but delegates “broad discretion in all aspects of personnel and employee relations” to the General Manager. By annual resolution (currently Resolution 2009-2010 #1), the Board provides some details of Commission business actions, especially roles of various Commissioners and naming of authorized parties for conducting routine business.

In summary, the Port has no written policies describing Commission meeting procedures and conduct, ethical standards, conflict of interest determination, Board member training, or key staff professional development, to name some examples. In each case, the SDAO (Special Districts Association of Oregon) Policy Manual provides readily available policy suggestions that can be easily reviewed, modified and adopted to provide detailed guidance.

D. FINANCIAL CONDITION

The Port of Tillamook Bay's financial position has changed considerably over the last year, as the Port has decided to cease its railroad operations and redirect the FEMA funds available for reconstruction. As a result of these changes, historical trends will provide less guidance than typical for business planning purposes.

The Port's net assets were estimated at just over \$22 million at the end of the last fiscal year. This is a 27.3% reduction from the previous year, largely attributable to an approximately \$8.6 million drop in fixed assets associated with storm damage of the railroad. Without this loss, income from operations and grant proceeds have had a positive impact on the Port's assets over time.

TABLE II-1
PORT OF TILLAMOOK
STATEMENT OF NET ASSETS

	Year Ended Jun-06	Year Ended Jun-07	06-07 % Change	Year Ended Jun-08	07-08 % Change
ASSETS					
Current and Other Assets	\$658,200	\$895,250	36.0%	\$491,090	-45.1%
Restricted Assets	\$91,652	\$91,327	-0.4%	\$88,438	-3.2%
Other Assets	\$90,567	\$75,530	-16.6%	\$64,182	-15.0%
Fixed Assets	\$34,479,757	\$35,074,850	1.7%	\$26,978,455	-23.1%
Total Assets	\$35,320,176	\$36,136,957	2.3%	\$27,622,165	-23.6%
LIABILITIES					
Current Liabilities	\$1,210,864	\$1,174,549	-3.0%	\$1,378,648	17.4%
Long-term Liabilities	\$3,325,004	\$3,676,904	10.6%	\$3,395,286	-7.7%
Liabilities Payable from Restricted Assets	\$580,000	\$545,000	-6.0%	\$505,000	-7.3%
Total Liabilities	\$5,115,868	\$5,396,453	5.5%	\$5,278,934	-2.2%
NET ASSETS					
Invested in Capital Assets, Restricted for Debt Service	\$30,223,765	\$30,439,295	0.7%	\$22,489,256	-26.1%
Unrestricted	(\$91,652)	\$209,882	-	(\$234,463)	-
Total Net Assets	\$30,204,308	\$30,740,504	1.8%	\$22,343,231	-27.3%

1. CURRENT OPERATIONS STRUCTURE

The Port of Tillamook Bay splits its operations into a series of individual funds and departments for financial reporting. These include the following:

- General Fund
 - *Administrative*
 - *Industrial Park*
 - *Airport*
 - *Utilities*
 - *Digester*
- Railroad Division
- Revenue Bond

Over the last few years, the almost \$8 million in contingency expenditure in FY 2008-09 has distorted available trend data. The following table shows FY 2007-08 expenditures, adopted 2008-09 expenditures and budgeted 2009-10 expenditures.

TABLE II-2
STATEMENT OF EXPENDITURES
GENERAL FUND

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	08-09 % Change	Budget 2009-2010	09-10 % Change
EXPENDITURES					
Personnel Services					
Administration	130,486	153,471	17.6%	121,050	-21.1%
Airport	149,321	171,233	14.7%	155,774	-9.0%
Industrial Park Buildings & Grounds	334,323	301,629	-9.8%	290,065	-3.8%
Utilities	159,535	184,973	15.9%	146,201	-21.0%
Digester	45,112	43,453	-3.7%	138,575	218.9%
Railroad Management & Contractual Services	82,059	105,061	28.0%	82,059	-21.9%
Total Personnel Services	<u>900,836</u>	<u>959,820</u>	6.5%	<u>933,724</u>	-2.7%
Materials & Services					
Administration	189,811	169,750	-10.6%	157,100	-7.5%
Airport	114,628	106,850	-6.8%	92,250	-13.7%
Industrial Park Buildings & Grounds	105,556	108,700	3.0%	121,042	11.4%
Digester	186,738	19,700	-89.5%	19,700	0.0%
Utilities	108,652	158,050	45.5%	125,250	-20.8%
Total Materials & Services	<u>705,385</u>	<u>563,050</u>	-20.2%	<u>515,342</u>	-8.5%
Capital Outlay					
Administration	2,892	2,500	-13.6%	-	N/A
Airport	-	2,500	N/A	-	N/A
Industrial Park Buildings & Grounds	1,368	95,000	6844.4%	25,000	-73.7%
Resort Development	-	-	N/A	-	N/A
Digester	204,202	-	N/A	-	N/A
Utilities	117	100,000	85370.1%	-	N/A
Total Capital Outlay	<u>208,579</u>	<u>200,000</u>	-4.1%	<u>25,000</u>	-87.5%
Long-Term Debt Payments					
Administration	5,332	12,000	-	10,000	-
Airport	57,521	36,608	-36.4%	36,808	0.5%
Industrial Park Buildings & Grounds	292,477	292,477	0.0%	283,745	-3.0%
Digester	37,917	37,917	0.0%	17,601	-53.6%
Utilities	46,700	46,700	0.0%	45,545	-2.5%
Total Long-Term Debt Payments	<u>439,947</u>	<u>425,702</u>	-3.2%	<u>393,699</u>	-7.5%
Other Expenditures					
Transfer to Railroad Fund	100,668	200,000	98.7%	125,000	-37.5%
Transfer to Revenue Bond Fund	61,782	70,450	14.0%	60,450	-14.2%
Short Term Loan	-	-	N/A	-	N/A
Contingency	-	7,924,889	N/A	-	N/A
Total Other Expenditures	<u>162,450</u>	<u>8,195,339</u>	4944.8%	<u>185,450</u>	-97.7%
Total Expenditure	2,417,197	10,343,911	327.9%	2,053,215	-80.2%

As shown, expenditures are expected to be reduced to approximately \$2.1 million in the FY 2009-2010 budget.

2. AIRPORT (AVIATION)

The Port of Tillamook Bay serves as the Fixed Base Operator (FBO) for the Tillamook Airport. The Port receives revenue attributed to the Airport through the rent of buildings and land within airport boundaries, aviation fuel sales, general airport retail sales, hunting permits and the RV Park. Other revenue sources for projects at the airport include the Oregon Department of Aviation, FAA and potentially FEMA. Excluding potential FEMA revenues, the overall revenue anticipated for FY 2009-2010 would be \$328,300, with an additional \$17,015 assumed for an ODOT fencing easement.

TABLE II-3
STATEMENT OF REVENUES
AIRPORT DIVISION

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	08-09 % Change	Fiscal Year 2009-2010	09-10 % Change
REVENUE					
Operating Revenue					
Building & Land Rent	215,276	240,000	11.5%	245,000	2.1%
Aviation Fuel Sales	79,715	75,000	-5.9%	78,000	4.0%
Miscellaneous	1	500	-	100	-
Retail Sales	33	300	809.1%	300	0.0%
FEMA 2007 Revenue	892	-	-	-	-
RV Park	2,777	3,000	8.0%	3,000	0.0%
Hunting Permits	1,920	1,900	-1.0%	1,900	0.0%
Total Operating Revenue	300,614	320,700	6.7%	328,300	2.4%
Other Revenue					
Property Sales	-	-	-	-	-
Total Other Revenue	-	-	-	-	-
Grants & Contributed Capital					
FAA - AIP Project	128,088	-	-	-	-
Total Grants & Contributed Capital	128,088	-	-	-	-
Total Airport Revenue	428,702	320,700	-25.2%	328,300	2.4%

Personnel Services account for the bulk of airport related expenditures, followed by Aviation Fuel for retail sales, utilities and insurance.

TABLE II-4
STATEMENT OF EXPENDITURES
AIRPORT DIVISION

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	08-09 % Change	Fiscal Year 2009-2010	09-10 % Change
EXPENDITURES					
Personnel Services					
Salaries	96,019	103,702	8.0%	94,197	-9.2%
Fringe Benefits	53,302	67,531	26.7%	61,577	-8.8%
Total Personnel Services	149,321	171,233	14.7%	155,774	-9.0%
Materials & Services					
Insurance	8,135	8,000	-1.7%	6,000	-25.0%
Aviation Fuel for Retail Sales	77,308	70,000	-9.5%	57,000	-18.6%
Telephone	4,299	4,000	-7.0%	4,000	0.0%
Electricity	4,251	4,200	-1.2%	4,200	0.0%
Other	20,635	20,650	0.1%	21,050	1.9%
Total Materials & Services	114,628	106,850	-6.8%	92,250	-13.7%
Capital Outlay					
Equipment	-	2,500	-	-	-
Total Capital Outlay	-	2,500	-	-	-
Long-Term Debt					
Principal	34,355	25,760	-25.0%	26,989	4.8%
Interest	23,166	10,848	-53.2%	9,819	-9.5%
Total Long-Term Debt	57,521	36,608	-36.4%	36,808	0.5%
Total Airport Expenditure	321,470	317,191	-1.3%	284,832	-10.2%

Budgeted revenues for the Airport are in excess of anticipated expenditures, indicating that the asset is generating some level of return, exclusive of depreciation.

3. ADMINISTRATIVE AND AIRPORT INDUSTRIAL PARK

The Port groups general administration and the Airport Industrial Park into a consolidated statement. As summarized in the following table, the net cash flow associated with these two components of the Port's operations has been positive. The lease income from the land and buildings is well in excess of what is necessary to fund associated operational costs and debt service. The statements do not address depreciation of the structures, nor do they include a reserve and replacement fund, and as a result will likely understate costs.

TABLE II-5
OPERATING REVENUES AND EXPENDITURES
ADMINISTRATION AND INDUSTRIAL PARK

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	08-09 % Change	Fiscal Year 2009-2010	09-10 % Change
REVENUE					
Operating Revenue					
Landfill Tipping Fee	7,445	10,000	34.3%	11,400	14.0%
Service Charges	7,127	7,415	4.0%	10,000	34.9%
Building & Land Rent	828,827	815,000	-1.7%	830,000	1.8%
Museum Income	77,913	79,000	1.4%	79,000	0.0%
Misc. Revenue	5,087	2,000	-60.7%	1,500	-25.0%
FEMA 2007	19,021	-	-	100,000	-
RR Management Services	150,154	-	-	-	-
RR Contractual Services	13,905	-	-	-	-
Property Tax Interest Income	58	100	72.4%	100	0.0%
Timber Land County Taxes	3,431	5,000	45.7%	5,000	0.0%
Reimb. Prior Expenses	-	500	-	500	0.0%
Sale of Misc. Properties	-	5,000	-	5,000	0.0%
Total Operating Revenue	1,112,968	924,015	-17.0%	1,042,500	12.8%
Other Revenue					
Golf Course Funding	19,500	-	-	-	-
Sale of Property	-	450,000	-	-	-
Insurance Proceeds	195,989	-	-	-	-
Total Other Revenue	215,489	450,000	108.8%	-	-
Grants and Contributed Capital					
OEDD SPWF Wetland Mitigation	6,502	-	-	-	-
National Historic Funding	12,138	-	-	-	-
NOEA - USIA - Bldg. 71	15,337	45,000	193.4%	15,000	-66.7%
NOEA - Magiquest - Bldg. 72	14,255	30,000	110.5%	10,000	-66.7%
Port Planning and Marketing	13,792	-	-	-	-
Total Other Revenue	62,024	75,000	20.9%	25,000	-66.7%
Property Taxes					
Current Taxes	37,308	35,000	-6.2%	38,000	8.6%
Prior Year Taxes	1,130	1,000	-11.5%	1,000	0.0%
Total Other Revenue	38,438	36,000	-6.3%	39,000	8.3%
Total Revenue	1,428,919	1,485,015	3.9%	1,106,500	-25.5%
EXPENDITURES - Adminstrative					
Operating Expenses					
Salaries	87,644	92,586	5.6%	71,720	-22.5%
Fringe Benefits	42,842	60,885	42.1%	49,330	-19.0%
Materials and Services	189,811	169,750	-10.6%	157,100	-7.5%
Total Operating Expenses	320,297	323,221	0.9%	278,150	-13.9%
Capital Outlays	2,892	2,500	-13.6%	50,000	1900.0%
Long Term Debt	5,332	12,000	125.1%	10,000	-16.7%
Total Administrative Expenditures	328,521	337,721	2.8%	338,150	0.1%
EXPENDITURES - Industrial Park					
Operating Expenses					
Salaries	229,509	183,763	-19.9%	177,204	-3.6%
Fringe Benefits	104,814	117,866	12.5%	112,861	-4.2%
Materials and Services	105,556	108,700	3.0%	121,042	11.4%
Total Operating Expenses	439,879	410,329	-6.7%	411,107	0.2%
Capital Outlays	1,368	95,000	6844.4%	25,000	-73.7%
Contingency	-	-	-	-	-
Long Term Debt	153,359	292,477	90.7%	283,745	-3.0%
Total Industrial Park Expenditures	594,606	797,806	34.2%	719,852	-9.8%
NET CASH FLOW	505,792	349,488		48,498	

4. UTILITIES

The Port provides water service for a fee to its industrial tenants by purchase of water from the City of Tillamook and from South Prairie and Long Prairie Water Districts; the provider depends on the location of the building, because the industrial park adjoins all three districts. The Port also operates its own wastewater treatment system and permitted lagoon, with a certified operator and backup certified operator, neither job being considered full-time. The Port also serves as the principal septage receiving station for the county, including not just municipal sludge but also all materials from septic haulers, and charges fees by the pound, after weigh-in and weigh-out of trucks.

The Port's utility operation generates a consistent and significant income stream, with net operating income anticipated in FY 2009-2010 at approximately \$120,000. This cash flow services some utility-related debt, with annual principal and interest payments on related long term debt of \$45,545.

TABLE II-6
PORT OF TILLAMOOK BAY
OPERATING REVENUES AND EXPENDITURES
UTILITIES

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	08-09 % Change	Fiscal Year 2009-2010	09-10 % Change
REVENUE					
Operating Revenue					
Water Income	84,311	88,000	4.4%	113,300	28.8%
Sewer Income	53,586	56,000	4.5%	61,800	10.4%
Septage Receiving Station	180,953	237,000	-	216,300	-
Total Operating Revenue	318,850	381,000	19.5%	391,400	2.7%
EXPENDITURES					
Operating Expenses					
Salaries	110,161	112,692	2.3%	89,071	-21.0%
Prince Benefits	49,374	72,281	46.4%	57,130	-21.0%
Materials and Services	108,652	158,050	45.5%	125,250	-20.8%
Total Operating Expenses	268,187	343,023	27.9%	271,451	-20.9%
Net Operating Revenue	50,663	37,977	-25.0%	119,949	215.8%

5. DIGESTER OPERATIONS

The Port has largely worked its way through the kinks in the innovative cow manure digester system, which had been a drain on Port financial resources in its first few years of operation. In January, 2008, the Port signed a contract with Garick Corporation of Cleveland, Ohio, to assume management of the bio-gas methane digester. In June 2009, the Port resumed management of the digester.

As shown in the following table, the digester is starting to show positive cash flow from operations, with the drain on Port resources declining. As with other aspects of the Port's operations, the omission of depreciation in the operating statements tends to underestimate actual costs of operation.

TABLE II-7
**PORT OF TILLAMOOK BAY
 OPERATING REVENUES AND EXPENDITURES
 DIGESTER**

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	08-09 % Change	Fiscal Year 2009-2010	09-10 % Change
REVENUE					
Operating Revenue					
Electric Power Sales	36,171	-	-	-	-
Manure Fiber	31,602	-	-	-	-
Green Tag	3,311	-	-	-	-
Dairy Farmer Tipping Fees	70,483	-	-	-	-
Garick Company	-	119,181	-	170,000	42.6%
Ground Lease	-	5,000	-	5,000	0.0%
Total Operating Revenue	141,567	124,181	-12.3%	175,000	40.9%
EXPENDITURES					
Operating Expenses					
Salaries	104,523	26,316	-74.8%	83,924	218.9%
Fringe Benefits	45,112	17,137	-62.0%	54,651	218.9%
Materials and Services	186,738	19,700	-89.5%	19,700	0.0%
Total Operating Expenses	336,373	63,153	-81.2%	158,275	150.6%
Net Operating Revenue	(194,806)	61,028	-	16,725	-72.6%
Capital Outlays					
Equipment	9,647	50,000	418.3%	-	-
Drying Facility	194,555	-	-	-	-
Phase III TPUD Program	-	500,000	-	-	-
Total Operating Revenue	204,202	550,000	169.3%	-	-
Long Term Debt					
Principal	17,784	17,784	0.0%	11,592	-34.8%
Interest	18,656	20,133	7.9%	6,009	-70.2%
Total Long Term Debt	36,440	37,917	4.1%	17,601	-53.6%
Total Expenditures	577,015	651,070	12.8%	175,876	-73.0%
Net Cash Flow	(435,448)	(526,889)	21.0%	(876)	-99.8%

6. RAILROAD FUND

While the Port has decided to discontinue operations on the POTB railroad, the current improvements and right of way retain value, and potential disposition of these assets should be evaluated.

Looking at recent historical data as well as the FY 2009-2010 budget, operating revenues have dropped dramatically for the railroad as would be expected. Revenues are largely related to grants and sale of property as opposed to any sustainable sources.

**TABLE II-8
PORT OF TILLAMOOK BAY
STATEMENT OF REVENUES
RAILROAD DIVISION**

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	08-09 % Change	Fiscal Year 2009-2010	09-10 % Change
REVENUE					
Operating Revenue					
Switching Chg-Terminating	43,902	-	-	-	-
Switching Chg-Originating	610,779	77,000	-87.4%	55,000	-28.6%
Trackage	1,400	46,000	3185.7%	-	-
Demurrage - Rental	24,100	500	-97.9%	-	-
Fuel/E-Board Surcharge	248,900	-	-	-	-
Special Rate Increase	60,800	-	-	-	-
Car Storage	-	-	-	100,000	-
Passenger Charges/Riembursements	2,668	2,000	-25.0%	8,000	300.0%
Equipment Rental - Passenger Cars	-	1,000	-	-	-
Watchman Lookout Fees	26,527	2,500	-90.6%	-	-
Reclaim	31,021	20,000	-35.5%	-	-
Interest	2,477	2,200	-11.2%	1,200	-45.5%
Sale of Assets	28,356	15,000	-47.1%	20,000	33.3%
Timber Sales	-	20,000	-	-	-
Use of Property/Bldgs./Equipment	98,024	56,000	-42.9%	98,000	75.0%
Other	33,896	41,100	21.3%	67,000	63.0%
Total Operating Revenue	1,212,850	283,300	-76.6%	349,200	23.3%
Other Revenue					
Sale of Property	-	150,000	-	-	-
Scrap Rail & Ties	6,343	1,000	-84.2%	-	-
Insurance Proceeds	16,938	25,000	47.6%	-	-
Transfers In	-	200,000	-	125,000	-37.5%
Total Other Revenue	23,281	376,000	1515.1%	125,000	-66.8%
Grants & Contributed Capital					
Grant Funding - Engineering	-	1,200,000	-	-	-
OEDD SPWF - Tunnel 32	80,550	-	-	-	-
FEMA - Labor	47,648	901,369	1791.7%	50,000	-94.5%
FEMA - Equipment	-	276,000	-	35,000	-87.3%
ODOT Rail	42,300	-	-	-	-
Total Grants & Contributed Capital	170,498	2,377,369	1294.4%	85,000	-96.4%
Loans					
Capital Improvement Loan	195,000	-	0.0%	-	0.0%
Total Loans	195,000	-	0.0%	-	0.0%
Total Railroad Revenue	1,601,629	3,036,669	89.6%	559,200	-81.6%

While revenues have declined sharply, offsetting reductions in expenses are expected to allow the operational cost of the Railroad Division to have a negligible impact on the Port's cash flows.

**TABLE II-9
PORT OF TILLAMOOK BAY
STATEMENT OF EXPENDITURES
RAILROAD DIVISION**

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	08-09 % Change	Fiscal Year 2009-2010	09-10 % Change
EXPENDITURES					
Personnel Services					
Maintenance of Way & Structures	305,725	313,277	2.5%	75,251	-76.0%
Maintenance of Equipment	180,954	84,260	-53.4%	73,298	-13.0%
Operations - Freight	233,711	-	-	-	-
Operations - Passenger	13,374	-	-	-	-
Administration	43,357	73,848	70%	-	-
Total Personnel Services	777,121	471,385	-39.3%	148,549	-68.5%
Materials & Services					
Maintenance of Way & Structures	155,351	184,234	18.6%	55,908	-69.7%
Maintenance of Equipment	211,327	250,350	18.5%	74,249	-70.3%
Operations - Freight	398,558	161,615	-59.5%	-	-
Operations - Passenger	1,772	-	-	-	-
Administration	322,252	260,600	-19.1%	76,600	-70.6%
Total Materials & Services	1,089,260	856,799	-21.3%	206,757	-75.9%
Capital Outlay					
Equipment	17,294	2,000	-88.4%	-	-
Capital Improvement	61,276	1,200,000	1858.4%	-	-
Passenger Service	-	-	-	-	-
Miscellaneous Improvements	-	-	-	-	-
Total Capital Outlay	78,570	1,202,000	1429.8%	-	-
Other Expenditures					
Long-Term Debt Payments	208,376	541,485	159.9%	238,894	-55.9%
Total Long-Term Debt	208,376	541,485	159.9%	238,894	-55.9%
Total Railroad Expenditure	2,153,327	3,071,669	42.6%	594,200	-80.7%
Net Railroad Cash Flow	(551,698)	(35,000)		(35,000)	

Over a longer term horizon, the reduced role of the Railroad Division in overall Port operations is expected to provide for more predictable cash flows, and a better rate of return on Port assets.

7. SUMMARY

The Port's financial condition is currently quite strong, with a large asset base generating considerable revenues. Current debt levels are limited, with long-term debt payments less than 20% of operating revenue. As the Railroad Division changes its role, cash flow would be expected to become more predictable.

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

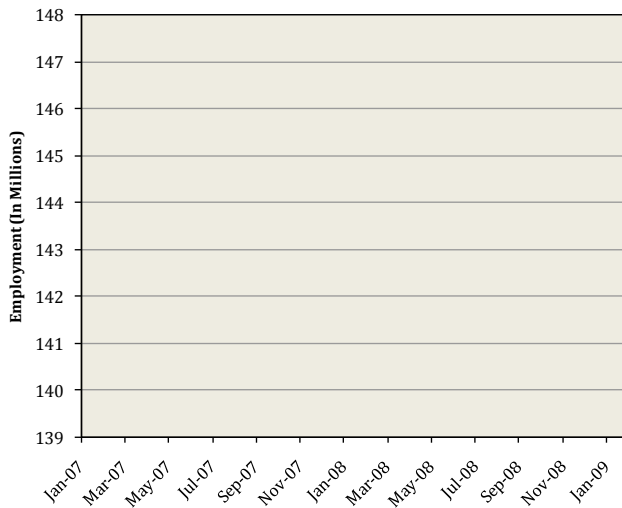
- Modifying the accounting system to address depreciation of assets;
- Developing consistent guidelines for establishing lease rates for land and property;
- Preparing a disposition strategy for Railroad Fund related assets
- Determining the use of funds and source of matching funds for available FEMA funding

A. NATIONAL TRENDS

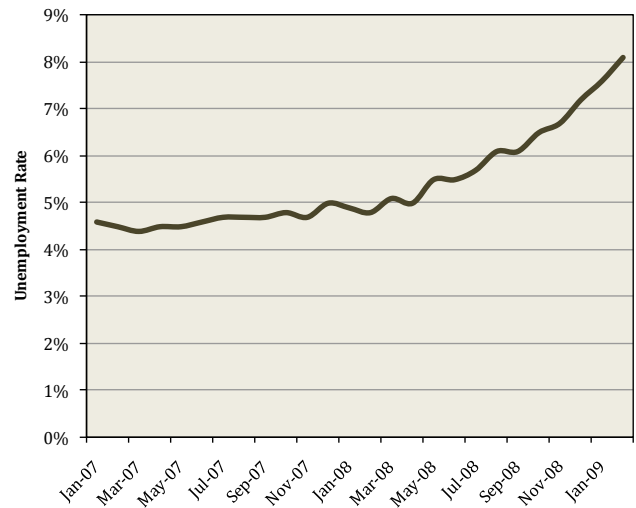
1. SHORT-TERM OUTLOOK

In December of 2008, the National Bureau of Economic Research (NBER), an organization charged with officially dating economic cycles, announced that the country has been in a contractionary period (recession) since December of 2007, ending a 73-month expansionary period dating to November of 2001. Since December of 2007, the national economy has shed over 4.4 million jobs with unemployment rising to 9.5% in June, its highest level since the recession of 1981-1982.

EMPLOYED LEVEL

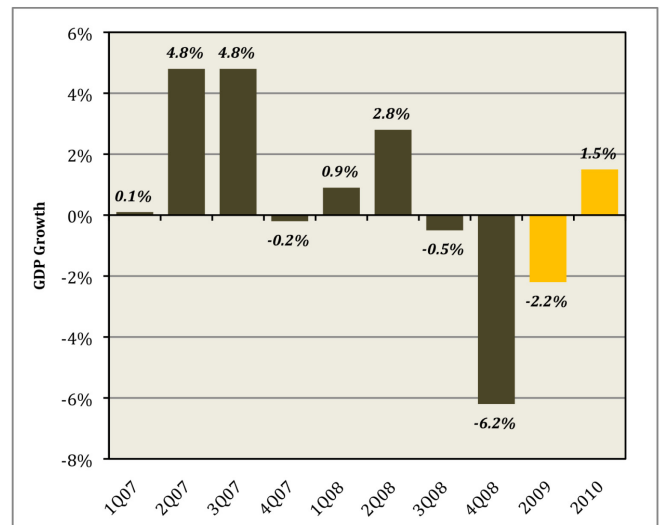


UNEMPLOYMENT RATE



The current recession was catalyzed by a mix of economic conditions that drastically curtailed economic growth. Principally, a drop in housing prices and subsequently housing starts, severely undermined the solvency of the nation's financial institutions, disrupting financial markets and exacerbating a tense period of uncertainty. In addition, a historic rise in the price of oil and other commodity inputs markedly limited economic activity. For a time, recessionary pressure was partially offset by strong export growth

REAL GROSS DOMESTIC PRODUCT



driven by emerging markets and a favorable currency position. Aggressive monetary and fiscal policy also played a role, with the Federal Reserve slashing interest rates and the Bush Administration's \$100 billion tax rebate package in the first half of 2008. However, output growth began to weaken by mid-2008, with GDP posting negative growth (-0.5%) in the third quarter of 2008. The economic condition deteriorated further in the fourth quarter as the financial crisis intensified, uncertainty permeated through the economy and economic activity stagnated. GDP growth in the fourth quarter contracted by 6.2%, the largest such decline since 1982.

Historically, sharp economic contractions are abruptly followed by a rapid return to growth. However, the near-term outlook is likely to be more abridged, as economic conditions in place may not facilitate a "typical" recovery, specifically:

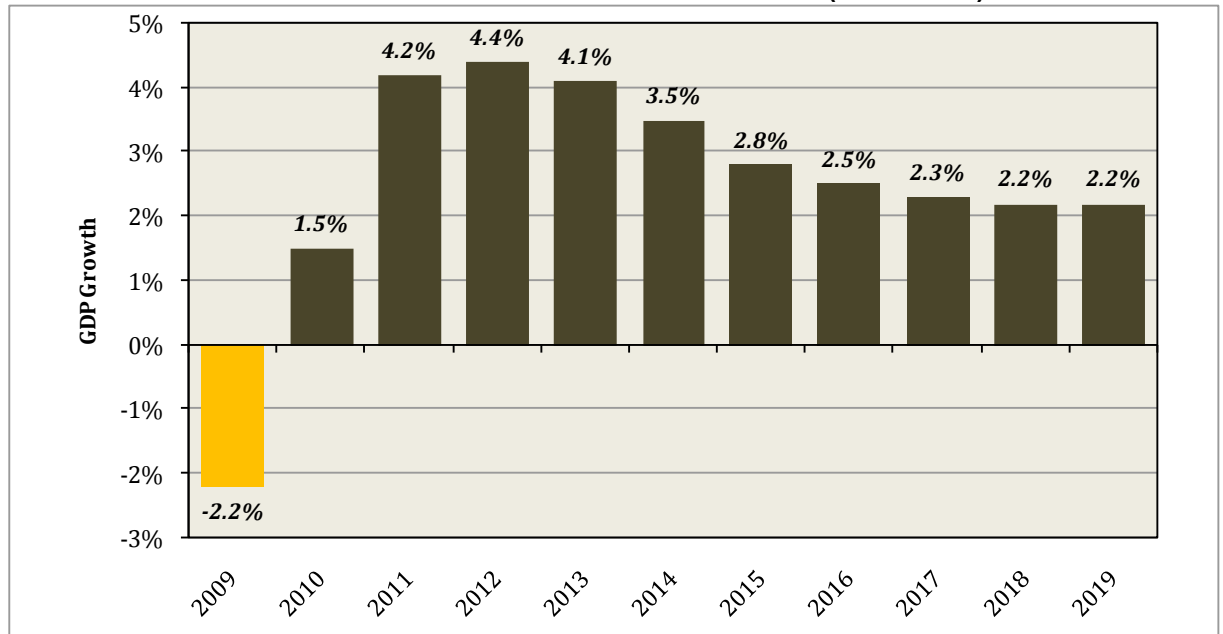
1. The pace of recovery will be restrained by the on-going uncertainty and functionality of financial markets and the institution's ability to recover from default losses. This will continue to limit the availability of credit and increase the cost of capital investment for several years;
2. Housing vacancy currently sits at 2.9%, its highest level on record, while housing starts are also at record lows. Excess supply of housing units is expected to postpone the typical rebound in construction;
3. High unemployment and declining household wealth are expected to curtail personal consumption spending in the near-term; and
4. For a time, it was theorized that economies in emerging markets would be less impacted by recessionary pressure, and would help moderate contraction domestically through strong exports. However, foreign economies are now weakening as well.

Over the near-term, real gross domestic product is expected to fall by 2.2% in 2009, followed by a soft recovery in 2010 (+1.5% growth). While GDP is expected to recover by mid-2009, the employment situation characteristically lags recovery in output. Unemployment is likely to increase to 9.5%-10% in 2009 before peaking near 10.2%-10.5% in early 2010.

2. LONG-TERM OUTLOOK

Beyond the near-term, the United States economy is expected to return to a typical growth cycle, averaging 2.7% annual GDP growth from 2011 to 2019—slightly faster than potential GDP, narrowing the GDP gap by 2015. In other words, the widened gap between real GDP and its potential level created as a result of slow growth in 2008 and 2009 will be narrowed by accelerated growth from 2011 to 2014. Beyond 2014 real output is expected to grow at the same pace, on average, as potential GDP through 2019—keeping the output gap proximate to zero.

FORECASTED U.S. REAL GDP GROWTH (2009-2019)



SOURCE: Congressional Budget Office (CBO)

Nationally, employment is expected to grow at an average annual rate of 0.7% from 2011 to 2019, indicating further increase in worker productivity on the horizon. Over the long-term, the inflation rate will largely be determined by monetary policy decisions, assuming that the Federal Reserve can, on average, maintain core inflation (as measured by the PCE price index) around 2.2% through 2019. Consumer inflation, as measured by the CPI-U is expected to average 2.2% annually over the same interval.

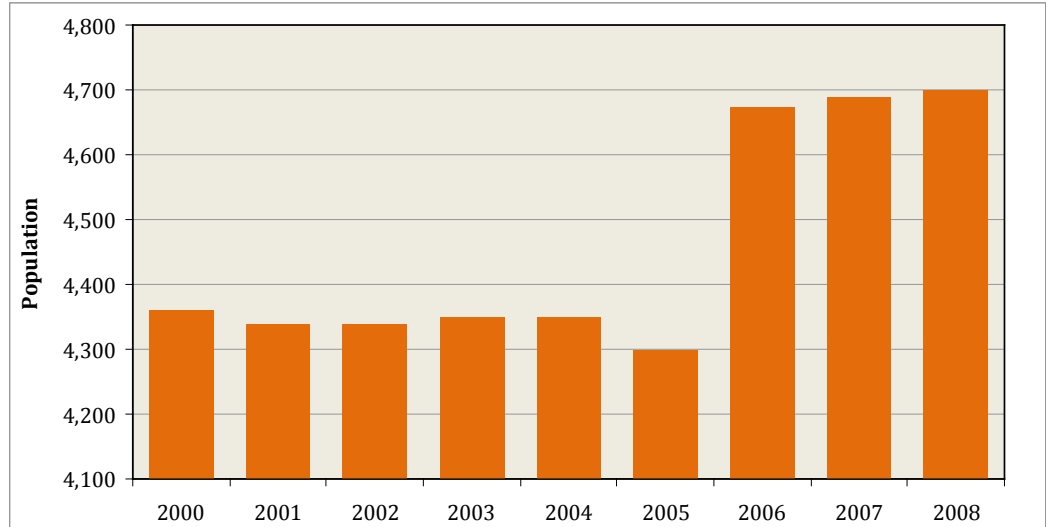
In the coming growth cycle, the United States' commitment to renewable energy transition is expected to play a major role—a reality that is likely to garner greater political support following the outcome of the 2008 election cycle. Specifically, the passage of the 2009 American Recovery and Reinvestment Act will provide billions in federal dollars for the advancement of this sector. In addition to environmental concerns, growth in domestic energy production, through both renewable and non-renewable sources, is being increasingly discussed through the prism of energy independence and energy security—the foundation of which is sufficient, reliable, and affordable energy. The economic advantages of this transition encompass the macroeconomic benefits of investment in new technologies, greater economic productivity, and improvements in the U.S. balance of trade. At a microeconomic level, benefits include lower business costs and reduced household energy expenditures. Taken together, these advantages are manifested in job growth, income growth, and ancillary benefits to the environment.

B. REGIONAL & LOCAL TRENDS

1. DEMOGRAPHICS

The largest jurisdiction within Tillamook County is the City of Tillamook, north of the Port's primary land holdings. Tillamook has grown steadily over the last decade, growing on average 0.94% a year since 2000.

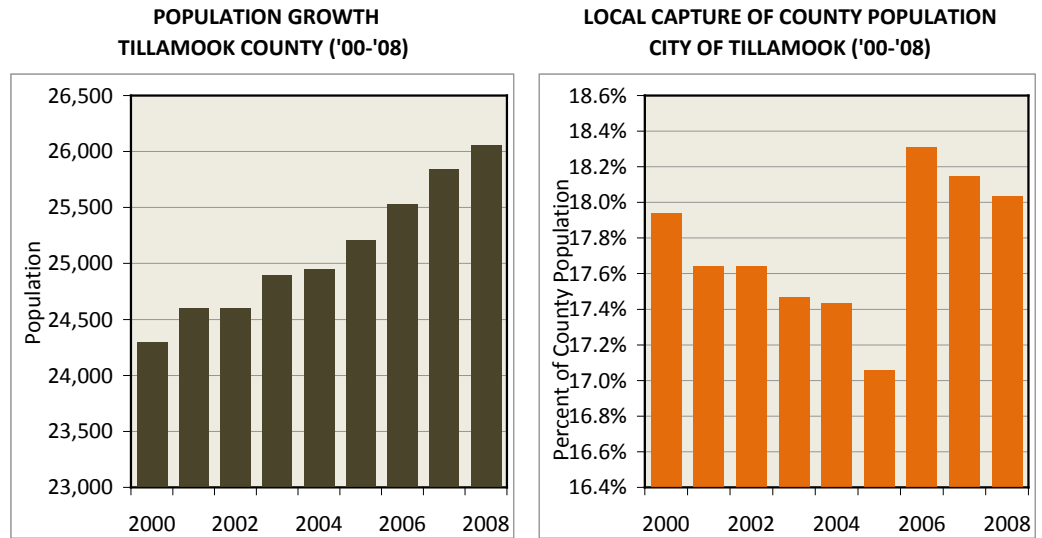
TABLE III-1
Local Population Growth Trends, City of Tillamook (2000-2008)



SOURCE: Portland State University Population Research Center

Tillamook County has grown over the last decade at an average annual rate of 0.88%. All areas of the county have experienced positive growth, with the exception of Garibaldi. Manzanita, Nehalem, Wheeler and Bay City have experienced the most accelerated growth since 2000 with Tillamook, Rockaway Beach and the Unincorporated areas trailing at growth rates between 0.75% and 1%.

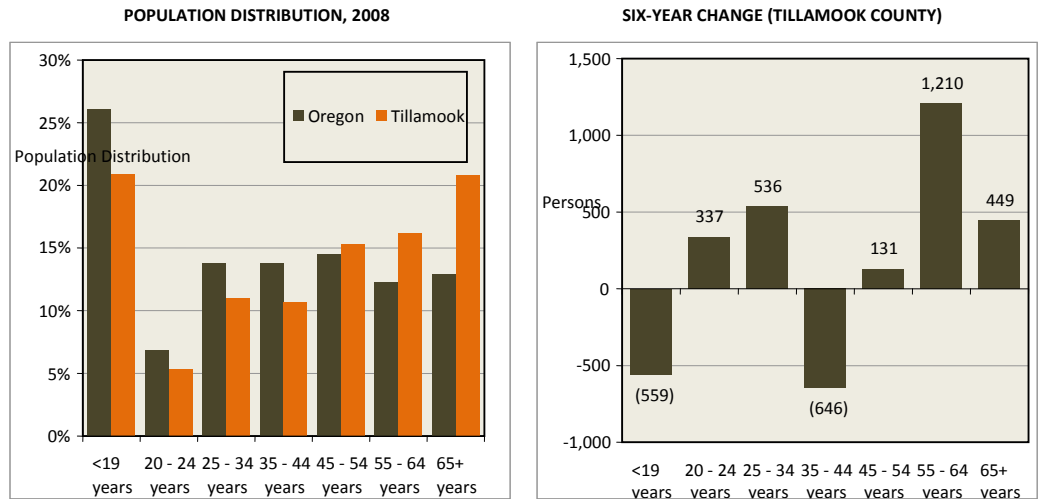
**TABLE III-2
Tillamook County Population Growth Trends, City of Tillamook Share of
County Population (2000-2008)**



SOURCE: Portland State Population Research Center

Population distribution by age in Tillamook County closely resembles the statewide distribution pattern (Table III-3). The County has a smaller share of young, working-age adults (20 to 44 years) and a larger share of older, working-age adults (45 and older). Tillamook County's population growth has been primarily caused by the in-migration of older, working-age and retirement-age residents. Over the last eight years, Tillamook County has seen declines in the number of children and in 35 to 44 year olds.

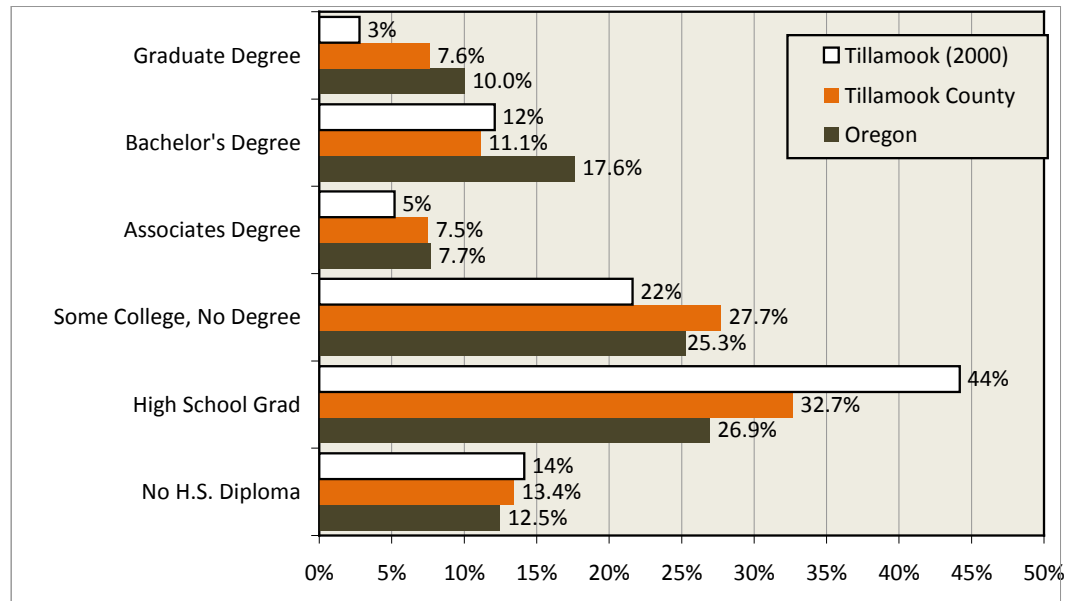
**TABLE III-3
Tillamook County Age Distribution (2008) and Growth Trends by Age Group (2000-2008)**



SOURCE: Portland State Population Research Center

An area's level of educational attainment is often used as a proxy for the skill level of the population base. From an economic development perspective, Tillamook County is at a slight competitive disadvantage regionally, with a lower distribution of higher educated persons—18.7% of local residents have a Bachelor's Degree or higher as compared to 27.6% at the statewide level. Similarly, the City of Tillamook has a lower portion of its population with a Bachelor's Degree or higher at 14.9% according to the 2000 Census. On average, the population of the City of Tillamook is less educated than the population of Tillamook County and the statewide average.

TABLE III-4
Level of Education Attainment, 2007

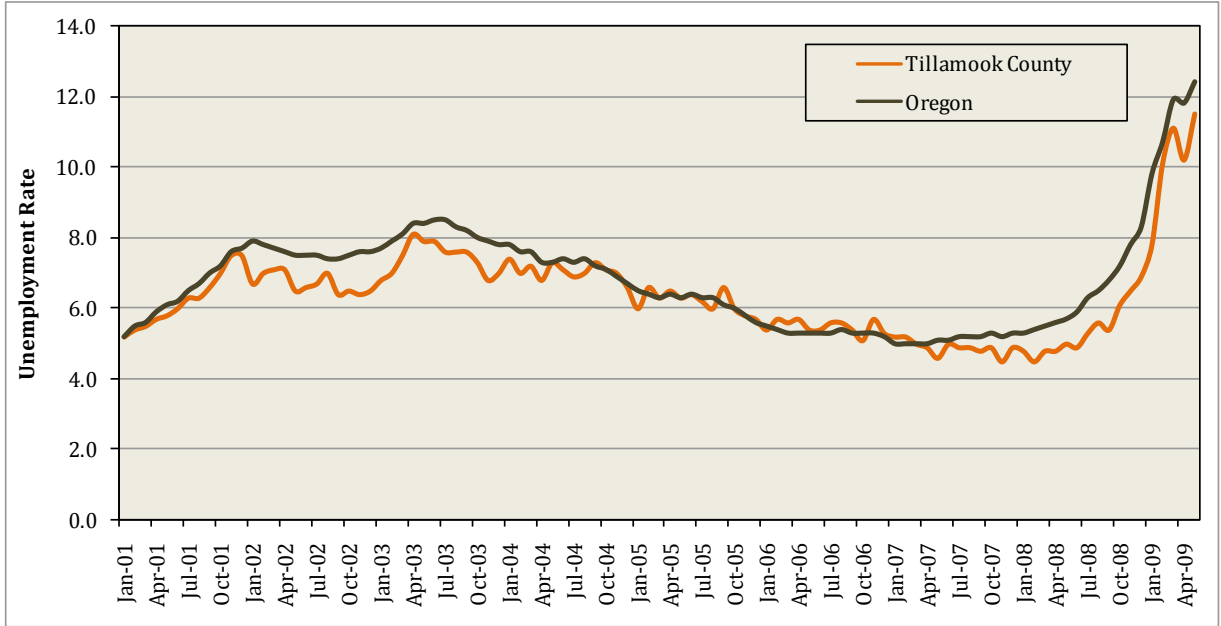


SOURCE: United States Census Bureau, American Community Survey. Data for the City of Tillamook are from the 2000 Census, Oregon and Tillamook County are from the 2005-2007 American Community Survey.

2. EMPLOYMENT

The unemployment rate in Tillamook County has consistently exceeded the broader statewide unemployment rate. In recent years, the County's unemployment rate has closely tracked the statewide trend (Table III-5)

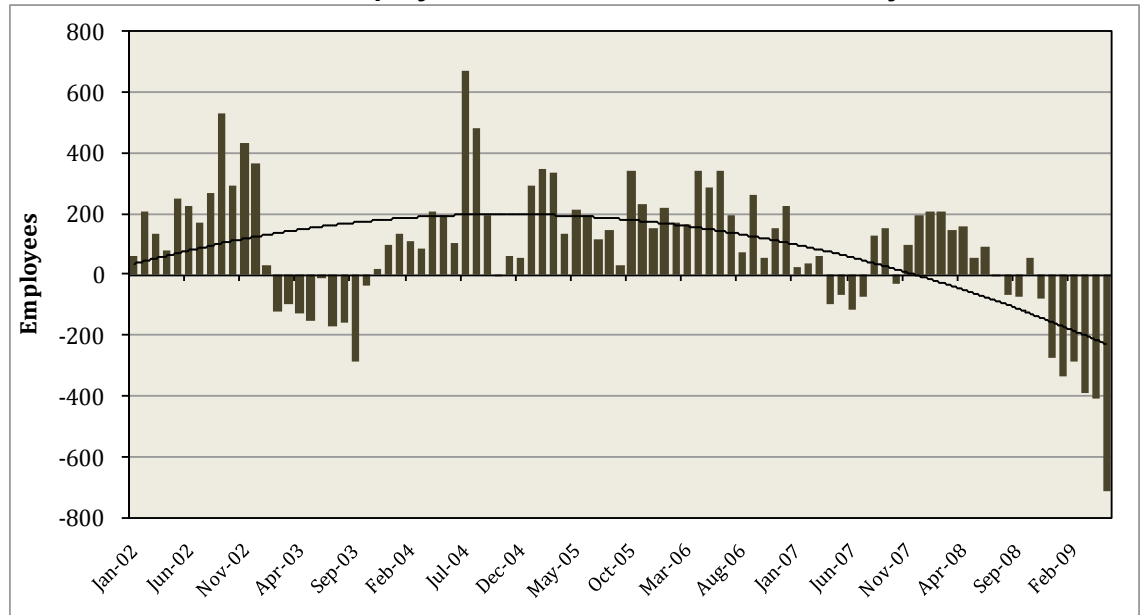
TABLE III-5
Unemployment Rate, Tillamook County and Oregon, 2001-2009



Note: The figure shows seasonally adjusted unemployment data.
 Source: Oregon Employment Department.

Between 2001 and the end of 2007, employment in Tillamook County grew at an average annual rate of 1.4%. The number of employed workers in the County declined by 2.4% in 2008, with deeper losses projected for 2009.

TABLE III-6
Year-Over-Year Employment Growth in Tillamook County, 2002-2009



SOURCE: Oregon Employment Department

The industrial composition of Tillamook County varies from the state:

- Tillamook County has a higher portion of jobs in Natural Resources, Manufacturing, Leisure & Hospitality and Government. Wood Products Manufacturing makes up 4.9% of nonfarm employment in Tillamook County, a much higher portion than 1.6% in Oregon.
- Manufacturing other than Wood Products makes up 11.1% of nonfarm employment in Tillamook County, higher than the statewide portion of 9.8%.
- Government makes up a higher portion of the Tillamook County economy, making up 21.6% of jobs, higher than 16.2% in Oregon. The great majority of Government jobs in Tillamook County are in Local Governments; nearly half of all Government jobs are in the Education and Health Services sector.
- The County has a lower share of Education & Health Services, Financial, Professional and Business, and Information jobs than the state as a whole.
- The County's dairy sector is accounted for in both Natural Resources, under Animal Production and Manufacturing, under Food Manufacturing. In 2008, employment in animal production accounted for about half of County employment in Natural Resources. Likewise, Food Manufacturing accounted for about 60% of County employment in Manufacturing.

**TABLE III-7
Share of Industrial Composition, Tillamook County and Oregon, 2008**

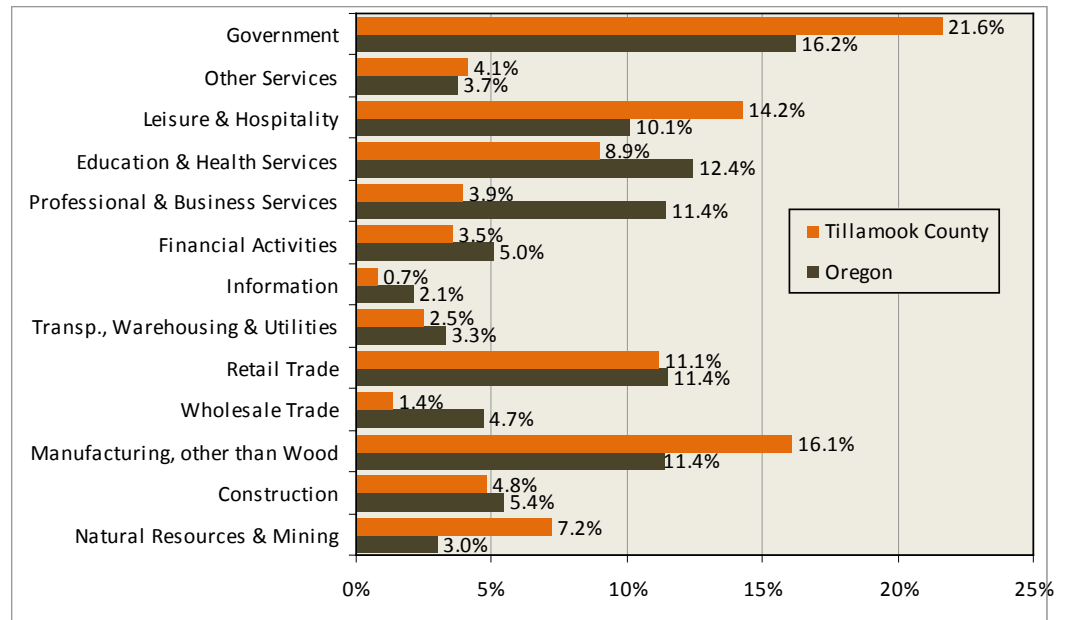
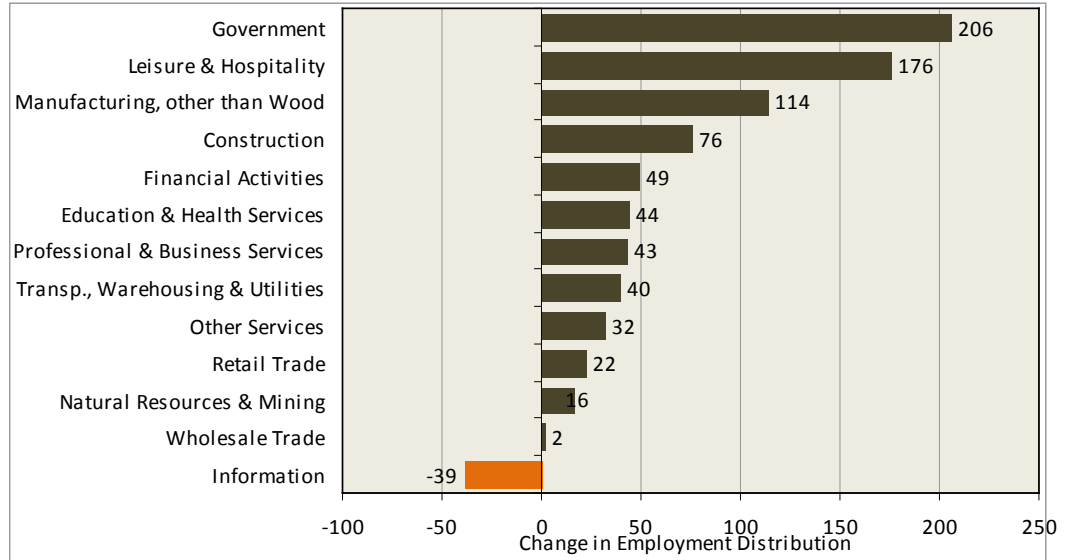


Table III-8 shows the change in employment by industrial sector during the five-year period between 2003 and 2008. All sectors experienced growth, with the exception of Information, which declined by 8.97%. The shift in employment shows that the County's economy is becoming less dependent on natural resources and providing more services seen in urban areas. Robust growth was

experienced in Transportation, Warehousing and Utilities (+4.14%), Construction (+4.06%), Financial Activities (+3.49%), Leisure & Hospitality (+3.08%), Professional & Business Services (+2.71%) and Government (+2.32%).

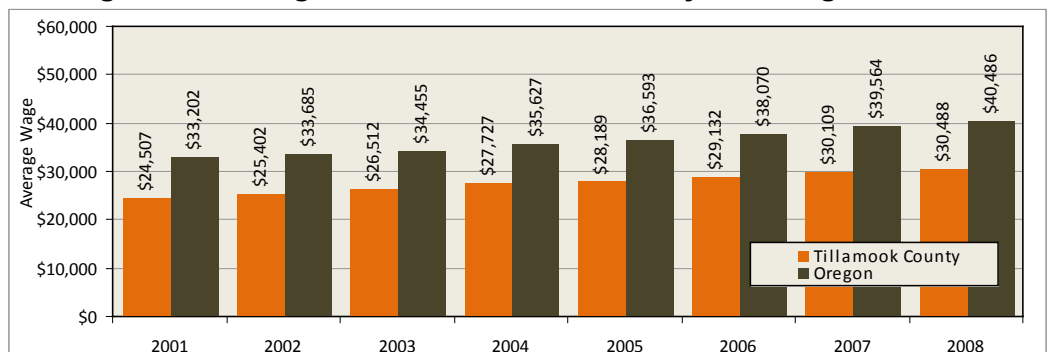
**TABLE III-8
Employment Growth by Industry, Tillamook County, 2003-2008**



3. WAGES

Tillamook County's average wage levels by sector are significantly below wage levels statewide. Across all industries, the Tillamook County average wage was \$30,488, 33% below the Oregon average of \$40,486. Since 2001, wage levels in Tillamook County have averaged 3.2% annual growth, above the 2.9% annual growth at the state level.

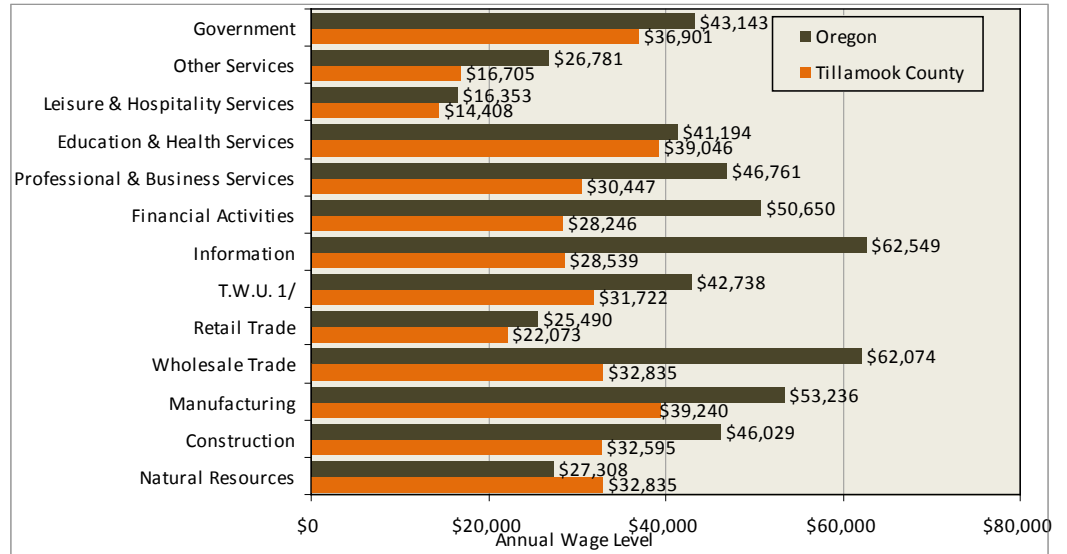
**TABLE III-9
Average Annual Wage Growth, Tillamook County and Oregon, 2001-2008**



Wages by industrial sector in Tillamook County are lower than the statewide average, except for Natural Resources. The highest paid industries in Tillamook County are Manufacturing (\$39,240) and Education & Health Services (\$39,046).

The lowest paid industries are Leisure & Hospitality (\$14,408) and Other Services (\$16,705).

**TABLE III-10
Average Wage by Industrial Sector, Tillamook County and Oregon, 2008**

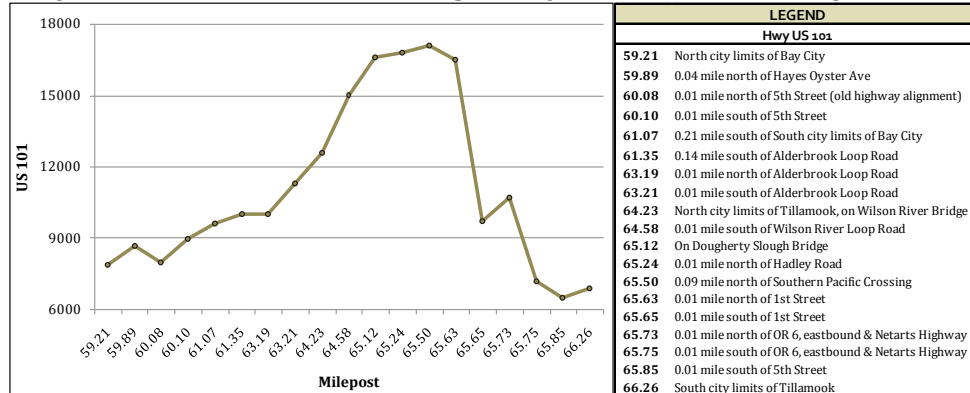


C. Tillamook County Tourism

Since 1991, Tillamook County tourism spending has averaged an annual growth of about 5%, driving tourism related employment growth of about 1.8% AAGR. Accommodations and Food Service has accounted for the bulk of the employment growth in the County. The City of Tillamook captured approximately \$41.6 million in total visitor spending or about 24% of total County spending.

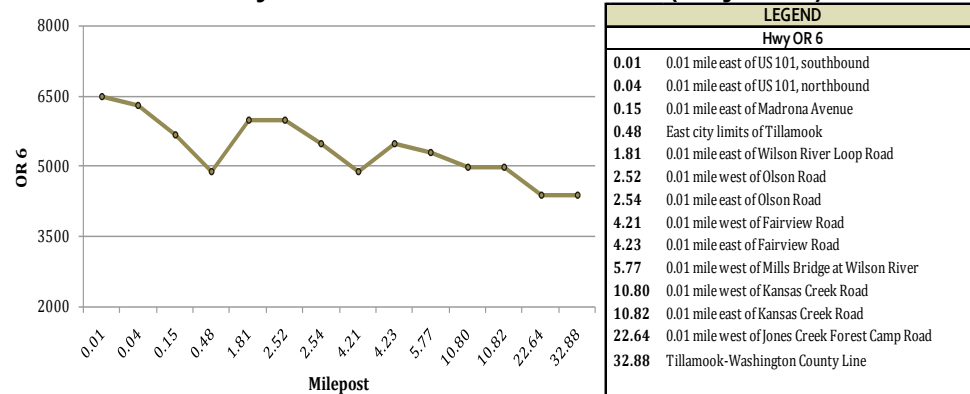
Table III-11 and Table III-12 summarize traffic patterns in 2007 on the city's two major arterials. Highway 101 averaged between 6,500 and 17,100 southbound vehicles per day. Traffic peaks between Alderbrook Loop Road and 1st Street in downtown, indicating that local traffic trips to destinations between the two intersections comprise approximately 71% of average daily trips. On the other hand, Hwy OR 6 averaged between 4,900 to 6,500 eastbound vehicles per day, which remains relative stable beyond its intersection with Hwy US 101. Since 1998, average daily vehicle traffic along Hwy US 101 has been declining by an average annual rate of 1%, while average daily vehicle traffic along Hwy OR 6 has been increasing by 2%.

**TABLE III-11
City of Tillamook Annual Average Daily Traffic Counts (Hwy US 101)**



Source: Oregon Department of Transportation

**TABLE III-12
City of Tillamook Traffic Counts (Hwy OR 6)**



Source: Oregon Department of Transportation

D. TWENTY-YEAR EMPLOYMENT FORECAST

For the year 2007, the Oregon Employment Department estimates employment in Tillamook County to total 8,795 employees. However, the data shows “covered employment” only—employer firms that are tracked through unemployment insurance. Because this data omits a significant portion of the workforce that are not covered (i.e. sole-proprietors, self-employed, commission workers), the estimates were revised to reflect total employment. Estimates from the Bureau of Economic Analysis (BEA) indicate that in 2007 covered employment accounted for approximately 67.9% of total employment in Tillamook County, with individual estimates reported by broad sector. Assuming that Tillamook roughly tracks the countywide trend, the estimate for the *total* level of employed in 2007 is approximately 12,960 employees.

**TABLE III-13
Conversion of Covered Employment to Total Employment (2007)**

NAICS	Tillamook County Covered Employment 1/	Covered Share of Total Employment 2/	Estimated Tillamook County Total Employment
Natural Resources	617	97.9%	630
Construction	464	44.7%	1,037
Manufacturing	1,383	88.3%	1,567
Wholesale Trade	127	87.0%	146
Retail Trade	1,011	66.9%	1,512
T.W.U. 1/	216	48.0%	450
Information	69	74.2%	93
Financial Activities	314	34.8%	902
Professional & Business Services	365	34.1%	1,070
Education & Health Services	799	65.4%	1,221
Leisure & Hospitality	1,197	76.2%	1,571
Other Services	358	42.7%	839
Public Administration	1,875	97.6%	1,921
TOTAL	8,795	67.9%	12,959

1/ Oregon Employment Department.

2/ Data from the Bureau of Economic Analysis and Oregon Employment Department for 2007. Percent of total (covered) employment to total nonfarm employment in Tillamook County.

SOURCE: Oregon Employment Department, U.S. Bureau of Economic Analysis, and JOHNSON REID

The second step to creating the base year estimate is updating the 2007 total employment estimate to the current period. This process involves the evaluation of countywide economic trends between 2007 and 2008. Outlined in Table III-13 between 2007 and 2008, the Tillamook County economy averaged a 0.7% annual decline to 12,866 total employees. The overall growth rate of -0.7% is based on Oregon Employment Department industry employment data for Tillamook County between 2007 and 2008. This estimate will be utilized as the basis of the long-term employment forecast.

**TABLE III-14
Updating 2007 Total Employment to the Current Period (2008)**

NAICS	2007 Total Employment	Short Term Annual Growth Assumption 1/	2008 Total Employment Estimate
Natural Resources	630	2.6%	646
Construction	1,037	-9.3%	941
Manufacturing	1,567	2.2%	1,602
Wholesale Trade	146	-6.3%	137
Retail Trade	1,512	-3.2%	1,464
T.W.U.	450	0.9%	454
Information	93	-5.8%	88
Financial Activities	902	-1.0%	893
Professional & Business	1,070	-5.8%	1,008
Education & Health	1,221	-1.8%	1,200
Leisure & Hospitality	1,571	4.6%	1,643
Other Services	839	0.6%	844
Public Administration	1,921	1.3%	1,946
TOTAL	12,959	-0.7%	12,866

1/ Based on 2007 to 2008 realized growth trend. Oregon Employment Department.

Source: Oregon Employment Department and JOHNSON REID

The State of Oregon's most recent employment growth forecast for Region 1 which includes Tillamook, Clatsop and Columbia Counties, anticipates an average annual growth rate of 1.2% from 2006 through 2016. The Education & Health (2.5% AAGR), Construction (1.9% AAGR) and Professional & Business (1.8% AAGR) sectors are expected to display accelerated growth at the regional level during the period. Modest rates of growth are expected in most other sectors, with the exception of Natural Resources, is expected to maintain its current level of employment through the forecast period.

E. REGIONAL & LOCAL TRENDS SUMMARY

- Between 2003 and 2008, Tillamook County experienced employment growth in all industries with the exception of Information. The most robust growth was seen in Government, Leisure & Hospitality, Manufacturing and Construction.
- Tillamook County tourism has averaged 5% annual growth since 1991. In 2007, the County captured over \$172 million in visitor spending, approximately 2.4% of statewide spending.
- Hwy US 101 captures the bulk of traffic traveling through the City of Tillamook, but its share since 1998 has been declining. Alternatively, traffic along Hwy OR 6 has been increasing by an average annual rate of 2%.
- Tillamook County is expected to experience an average annual growth rate of 1.2% from 2006 through 2016. The Education & Health (2.5% AAGR), Construction (1.9% AAGR) and Professional & Business (1.8% AAGR) sectors are expected to display accelerated growth at the regional level during the period. Modest rates of growth are expected in most other sectors with the exception of Natural Resources.

F. ECONOMIC OPPORTUNITIES

The Port of Tillamook Bay is well positioned within Tillamook County and the Central Oregon Coast to capitalize on a range of economic opportunities. Key areas of strength for the Port from an economic development perspective include: ample land supply; existing investments (i.e., airport, rail right of way), financial capacity (FEMA funds, bonding capacity and tax base); direct access to Highway 101 and an existing management structure. This discussion of economic opportunities for the Port focuses on ways in which to capitalize on the Port's assets to further its mission and objectives.

The nearby City of Tillamook has limited industrial land resources, and has assumed in their recent economic development planning that the Port's properties will serve to accommodate most of their future industrial land needs.

1. TENANT RELOCATIONS

As a result of periodic flooding, the City of Tillamook and FEMA have been working with a range of Hwy US 101 businesses on potential relocation. Table III-15 provides a list of target businesses for relocation, including their industry type, relocation status, the land use type they will demand upon relocation as well as their level of dependency on tourist traffic.

TABLE III-15
TARGET HWY US 101 BUSINESSES

Business	Address	Type	Land Use Form	Status
Hayward's Tillamook Chevrolet Cadilla	1 Main Avenue	Car Dealer	Retail	Needs Mitigation
Rosenberg Builders Supply	2 North Main	Building Material Dealer	Retail/Light Industrial	Elevated
Grunder Equipment Repair	405 North Main	General Automotive Repair	Light Industrial	FEMA Buyout
Cash Company	535 North Main	Financial Activities	General Commercial	Needs Mitigation
Lin's Chinese Restaurant	500 North Main	Food & Beverage Services	Retail	Elevated
North Port Plaza	1000 North Main	General Commercial	General Commercial	FEMA Elevated
Papa Murphy's Pizza	2140 Hadley Road North	Food & Beverage Services	Retail	Needs Mitigation
Tillamook RV Repair	2150 Hadley Road North	General Automotive Repair	Light Industrial	FEMA Buyout
Tillamook Veterinary Clinic	1095 North Main	Veterinary Services	Office	FEMA Elevated
Western Royal Motel	1125 North Main	Accommodations	Overnight Lodging	FEMA Elevated
Chinese Garden Restaurant	1145 North Main	Food & Beverage Services	Retail	Needs Mitigation
La Casa Modelo Restaurant	1160 Hwy 101 N	Food & Beverage Services	Retail	Needs Mitigation
Coldwell Banker	1180 Hwy 101 N	Financial Activities	General Commercial	Needs Mitigation

While the Port's property is unlikely to be considered appropriate for the retail uses, there is potential to attract some light industrial users.

2. CERTIFIED INDUSTRIAL SITES

The Port has three properties listed on the State of Oregon Business Development Department's certified site inventory, which are the only sites on this inventory within Tillamook County. This allows the Port's properties to benefit from the economic development efforts of the OBDD.

Each of these sites is currently designated as land leases only. While limiting land disposition to lease-only is a fairly typical position to take for a Port District, some consideration should be given to allowing the sale of properties when determined to be appropriate. The proceeds of these sales can be limited in their use to maintain land supply, or to establish an equivalent income stream.

3. RECREATION/TOURISM

Economic activity within the Port District is characterized by a significant recreation/tourism component. The Port's properties have direct access to Highway 101, the primary spine of activity for recreation/tourism activity along the Oregon Coast.

The Tillamook Air Museum, housed on Port property, serves as a tourist draw. As the Evergreen Aviation & Space Museum in McMinnville continues to develop

as a major attraction, links between the two facilities can provide for a loop tour for those interested in aviation history.

Properties along major tourism routes such as Highway 101 provide a natural home for overnight lodging, including hotels, motels and RV Parks. The Port's existing RV Park is relatively modest in scope, and repositioning the Park to a higher standard, including potential motel rooms, may provide for both additional income as well as providing services in the area that support economic development efforts.

4. UTILITY OPERATIONS

The Port's utility operations, which include the Digester as well as the septage receiving station, provide needed public services as well as providing dependable income streams. Expansion of these systems over time would further both of these key objectives, providing improved regional services as well as enhancing the Port's reliable income stream.

5. INDUSTRIAL PARK IMPROVEMENTS

The Port derives much of its current income stream from leases at its industrial park. While the cash flow has been strong, many structures appear to have significant deferred maintenance. An area of potential opportunity for the Port would be repositioning of the Port's industrial park, with a new Master Plan for the site.

While a more detailed analysis of the potential markets would be necessary to inform a new master plan, the size of the Port's holding would allow for a degree of segmentation within the property. This may be reflected in a higher quality park more suitable for office/commercial uses, an airport-related component and a section marketed towards more price-sensitive tenants. This may allow the Port to address a wider range of prospective users.

Funds for infrastructure improvements are potentially available via FEMA funds. The Port may also want to evaluate the construction of speculative industrial/office space on the property, as well as private hangar space by the airport.

A. CITY AND COUNTY POLICIES

The Tillamook County Economic Development Goals and Strategies are identified and implemented by the Tillamook County Economic Development Council. For that reason, the Tillamook County Comprehensive Plan does not include an Economic Development section.

1. CITY OF TILLAMOOK

The City of Tillamook is in the process of updating their Comprehensive Plan. A final draft is in the process of review and approval by the City Planning Commission and City Council. The following *draft* policies and implementing measures are directly related to the Port's facilities and economic development programs.

Policy 10-18: The City shall support an active Economic Development Advisory Committee and shall work with that committee, the Port of Tillamook Bay, the County and Chamber of Commerce to:

- interest tourists in year round visits to Tillamook;
- use existing timber resources in local wood products manufacturing;
- increase local marine food processing;
- attract appropriate manufacturing concerns to the Tillamook area;
- support public facilities including water, sewer and parking to handle the planned growth;
- monitor changes in employment, population, retail sales, etc., in order to bring information up to date and be able to make adequate choices as development alternatives become available.

Policy 10-23: Realizing the importance of industry to the economic stability of the community, it is desirable to encourage and aid in the improvement and well-located industrial development.

Implementing Procedures for 10-23

- Existing industry is encouraged to expand in the Tillamook City area.
- Additional light and heavy industries are needed to help diversify and balance the fiscal effects of the Community's growth in the Tillamook City area.
- Suitable locations for heavy industry exist at the Port of Tillamook Bay industrial park and in several light industrial sites lying to the east and north in the Urban Growth Boundary area
- New industry would provide increased employment source, investment and tax revenues in the Tillamook City area.

Policy 10-24: The City shall promote and encourage greater use of Port of Tillamook Bay for industrial uses.

Policy 10-25: The City shall participate in a countywide economic development program to recruit industry appropriate for the area.

Policy 10-26: The City shall work with key state and federal agencies to promote local economic objectives and to seek financing for economic development programs and projects.

2. TILLAMOOK COUNTY ECONOMIC DEVELOPMENT COUNCIL (TCEDC)

The Tillamook County Economic Development Council mission is to:

“Facilitate a healthy business community and infrastructure to increase economic viability for Tillamook County citizens.”

The TCEDC completed a Strategic Plan in July, 2003. The plan included a revised Mission Statement, Vision Statements, a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and five Goals and supporting Strategies to accomplish the goals. There are vision elements, attributes of the SWOT analysis and specific strategies related to the Port’s role and its facilities in the county.

Relevant phrases related to the Vision Statements include:

- Sustainable and affordable quality infrastructure: water, wastewater, transportation and communications.
- More diversified industrial base.
- Year-round family wage jobs

Issues identified within each of the SWOT characteristics included:

- Strengths: Opportunity for Business Diversity
Variety of Transportation
Location for business opportunities
- Weaknesses: Low wage jobs with lack of youth opportunities
Cyclical economy
- Opportunities: Aviation Business opportunities
Small Business expansion
Retain and expand industry jobs
- Threats State fiscal decisions

To reduce the weaknesses and capitalize on the opportunities expressed by the SWOT analysis, the TCEDC has identified two goals and several strategies that are directly related to the Port of Tillamook Bay’s aviation and industrial development programs.

Goal 1: Expand, retain and recruit businesses and industries including the traditional bases in forestry, agriculture and tourism.

Strategy 1.2: Inventory available industrial and commercial lands and include on website.

- Coordinate with industrial/commercial sites, and county and state permitting departments to identify and develop “project ready” sites.

Strategy 1.6: Support development at Tillamook County port districts.

- Support composting and methane digesting industrial opportunities.
- Encourage businesses that utilize products developed through composting and MEAD.
- Encourage aviation-related industries.

Strategy 1.10: Explore long-range opportunities for agricultural diversification, industrial commercial growth, and tourism-related endeavors.

- Research and support opportunities for industrial “clusters”, i.e. aviation-related endeavors at the Port.

Goal 2: Increase per capita income, diversify the economy, and promote economic growth through year-round family-wage jobs.

Strategy 2.3 Explore small business incubator with commercial kitchen.

- Work with CARE, OECDD and other community partners to establish a community facility that could facilitate small food products business as well as general small business.

B. LOCAL AND REGIONAL PLANS

The local and regional plans are described above in Section A.

C. STATEWIDE PLANNING GOALS

The Statewide Planning Goals that provide a framework for Port programs include:

Since 1973, Oregon has maintained a strong statewide program for land use planning. The foundation of the program is a set of 19 statewide planning goals. The goals express the state’s policies on land use and on related topics such as natural resources, economic development and transportation. The goals are mandatory and have been adopted as Oregon Administrative Rules Chapter 660. The Cities and Counties are responsible for complying with Chapter 660 by assuring that their Comprehensive Plans and Development Ordinances fulfill the requirements of the Rule for each Goal.

The Port’s responsibilities are to coordinate the improvement of their facilities and long range plans with the general purpose government. In some communities, the Ports have an excellent working relationship with the cities and counties and in others, productive cooperation is often not achieved.

1. GOAL 5 - OPEN SPACES, SCENIC AND HISTORIC AREAS AND NATURAL RESOURCES.

To conserve open space and protect natural and scenic resources.

Where no conflicting uses for such resources have been identified, such resources shall be managed so as to preserve the original character. Where conflicting uses have been identified, the economic, social, environmental and energy (EASE) consequences of the conflicting uses shall be determined and programs developed to achieve the goal.

The EASE analysis is often a difficult and somewhat abstract standard to meet when balancing the development of a site for Port uses against its original character. This is especially true for the “social and environmental” components of the analysis.

2. GOAL 9 - ECONOMIC DEVELOPMENT

To provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare, and prosperity of Oregon’s citizens.

The Oregon Administrative Rule Chap.660.009.0000 DIV.9 Economic Development was amended in 2008 and specifies the requirements for complying with the goal. Cities and counties are required to assess the national, state and local trends and inventory their commercial and industrial zoned lands. Based on an assessment of future economic opportunities, the jurisdiction must identify and plan for the number and types of sites that will be required to accommodate the need.

The Goal 9 planning process is an opportunity for a port to incorporate its vision into the city’s Comprehensive Plan. By coordinating the port’s long range plans with the city, future regulatory issues related to commercial and industrial development, have an improved standing with the state and federal agencies. The Department of Land Conservation and Development has been very aggressive in the past two to five years in providing funds to communities to update this section of their Comprehensive Plans.

3. GOAL 12 – TRANSPORTATION

To provide and encourage a safe, convenient and economic transportation system.

Goal 12 refers to “transportation” as the movement of people and goods. The Oregon Administrative Rule Chap.660-012-0000 Division 12 Transportation Planning (filed in August 2002) is directed at all modes including port facilities, airports, railroads and regional pipelines. The rule requires jurisdictions to prepare Transportation Systems Plans (TSPs) that are composed of transportation system planning and transportation project development.

A. STRENGTHS, WEAKNESSES , OPPORTUNITIES AND THREATS

1. INTRODUCTION The purpose of performing a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is to help the Port achieve its mission; we identify internal characteristics or conditions (strengths and weaknesses) that can be changed and external conditions (opportunities and threats) that should be addressed in order for the Port to achieve its mission. Until the Port adopts a more robust mission statement as part of this process, it is presumed that the Port wants to continue to pursue its longtime objective of improving the regional economy for its citizens.

A SWOT “analysis” is not an end in itself; it is objective-oriented, a means to an end. Its main purpose is to provide the Port a better understanding of (a) its internal characteristics (its strengths and weaknesses), that is, those factors within the Port’s immediate control, and (b) the external environment in which it operates (opportunities for success and threats to successful operation). The next step is then to utilize that deeper understanding to assist in developing meaningful goals and strategies for success (Section VI of the Strategic Business Plan).

Development of these strategies will, in part, utilize the SWOT analysis by addressing the following questions:

- *How can the Port build on its Strengths?*
- *How can the Port overcome or correct each identified Weakness?*
- *How can the Port capitalize on each identified Opportunity, especially by building upon relevant Strengths and overcoming related Weaknesses?*
- *How can the Port protect against, mitigate or avoid each Threat?*
- *What are the most critical issues suggested by the SWOT and other analysis that the Port must address most promptly?*

The following SWOT identification is intended to be informative rather than exhaustive, and to spur additional creative attention. Further related discussion can be found in this document in Section III.F., “Economic Opportunities”, and in Section V.B., “Risk Analysis”. Some of the SWOT factors that follow have been drawn from the Tillamook County Economic Development Council Strategic Plan (July 2003).

2. STRENGTHS IDENTIFICATION Assessing the strengths of the Port should consider the following questions (and others):

- *What does the Port do well? (Core Competencies)*
- *Where is the Port making money?*
- *What are the Port’s assets?*

The collection of the Port's strengths represents a way of describing the Port's competitive advantage, the most important factors that will aid the Port in exploiting specific opportunities and achieving its mission.

Suggested strengths of the Port of Tillamook Bay:

- a. Improved financial position if FEMA funds are used for alternate infrastructure projects in lieu of full rail service restoration
- b. Existing industrial park development with port-run services
- c. Extensive port ownership of flat buildable land
- d. Airport runway system is commercial aviation capable
- e. Commission/staff management experience
- f. Connection/experience with established local agricultural industry
- g. Frontage on US Highway 101
- h. Heavy regional tourist traffic from Tillamook Creamery
- i. Active Regional Economic Development Council
- j. Closer proximity to Portland markets than most coastal areas

3. WEAKNESSES IDENTIFICATION Weaknesses can be considered the absence of strengths, or areas needing improvement that can become strengths. Questions for gauging weakness include:

- *Where is (or has been) the Port losing money?*
- *What resources are missing or insufficient, especially those that would generate more net income or more job creation?*
- *What does the Port not do well that it could or should?*
- *What factors have lacked sufficient attention until now?*

Suggested weaknesses include:

- a. No overall vision or updated Master Plan
- b. Lack of marketing plan/policy
- c. Assets have no (recent) appraised value, are not on a depreciation schedule, and have no reserve fund for replacement
- d. Lack of policy for Port design/build on industrial land
- e. Lack of Commission ownership of meaningful mission statement
- f. Deterioration of some existing industrial buildings; deferred maintenance
- g. Small local population/market and distance from urban markets
- h. Port lacks identified matching funds for part of FEMA funds

4. OPPORTUNITIES IDENTIFICATION Opportunities represent new business for the Port of Tillamook Bay. They can be as specific as knowledge of a particular company's interest, or as general as awareness of upcoming changes in the external environment where the Port has or can work to gain a competitive advantage. A common framework for evaluating the "external environment" is the use of the acronym PESTLE, standing for Political, Economic, Social, Technological, Legal and Environmental factors and trends. Relevant questions for determining opportunities include:

- *What economic trends (regional and national) could the Port take advantage of?*
- *Are there niches that the Port could fill that other ports are not doing or cannot do?*
- *Are there unmet needs of existing (and possible new) customers/clients that the Port could meet?*
- *What are the best available net revenue generating projects?*
- *Which are immediate opportunities, and which are longer term?*

Some possible opportunities include:

- a. Availability of FEMA funds to add supportive infrastructure
- b. Development of additional US 101 access
- c. Promotion of Airport-related businesses
- d. Speculative construction of new private hangar
- e. Tourism potential of Port property
- f. Proximity of available timber resource
- g. Agricultural/digester products expansion

5. THREATS IDENTIFICATION Threats are looming changes in the external environment that are likely to impede the Port's mission. It is helpful to narrow down the list by considering their likelihood (high or low) and seriousness or impact (high or low) on the Port. These can also be gleaned by using the PESTLE factors suggests under the Opportunities paragraph.

Appropriate questions include:

- *What obstacles do we face that threaten successful fulfillment of our mission?*
- *Who are our competitors, and how do we compare?*
- *What existing or emerging trends threaten our current way of operating the Port?*

Some possible threats to the Port of Tillamook Bay include:

- a. Uncertainty about future of rail assets and requirements
- b. Slow national/state housing industry recovery (timber mills)
- c. Competing demands for increasingly scarce state funds, including lottery funds for economic development
- d. Possible increasing restrictions on timber harvest

There are a myriad of ways to respond appropriately to identified Threats. One way is to minimize the impact by getting out of a related business, which is what the Port has achieved with the rail system discontinuance of service. Another method is to develop a contingency plan if the Threat's probability or seriousness increases. Yet another method is to gain more knowledge (than, say, other ports) about the coming change or trend, and develop strategies that will enable the Port to turn the Threat into a competitive advantage, that is, an Opportunity.

6. CRITICAL ISSUES FROM SWOT IDENTIFICATION. The SWOT identification suggests a number of critical issues facing the Port of Tillamook Bay. In anticipation of future Commission work sessions as part of the planning effort, we suggest that attention be given at least to the following three opportunities in light of the SWOT factors.

a. **FEMA funds availability and infrastructure needs.** The Port has an opportunity to use FEMA funds from railroad damage for infrastructure needs and is prepared to take advantage of that. Some identified strengths, such as the Port's experience with the local agricultural community and the Port's operating digester, can be used (as the Port has already targeted) to expand that facility and the products it can generate. Other identified strengths that can be built upon include the Port's ownership of a large industrial park with "shovel-ready sites", three state certified sites, and the Port's ability to extend services to new clients.

Weaknesses involving lack of policy guidance can be overcome through development of a new Industrial Park Master Plan, which can also address in detail the weakness of deteriorated buildings and their refurbishment or replacement. Another "weakness", lack of matching funds for a portion of the FEMA funds, can be addressed by aggressive grant-writing, together with completion of the master plan to demonstrate the Port's capabilities, preparedness and intent.

b. **Financial challenges.** As discussed more fully in Section V.C., Risk Analysis, the Port has an opportunity to change some long standing financial practices whose correction will better enable the Port to determine its financial condition and to establish more accurate lease rates. This will require at least a simplified general appraisal of Port properties, and a corresponding decision by the Port to begin depreciating capital assets annually. This will overcome the weaknesses of missing or inadequate policies on industrial land leasing and lease rates, and will give the Port a better ability to forecast and budget. The Port can also choose to establish a reserve/replacement fund, as part of a plan for overcoming the deteriorating condition of many World War II era building.

c. **Airport-related business development.** One weakness for the Port and Tillamook County is its small population and distance from large urban markets such as Portland, but one of the strengths of the Port -- the quality of the runway system that the Port has developed -- offers an excellent opportunity to overcome that distance, especially for airport related businesses but possibly also for other uses such as tourism. Opportunities include (1) approaching a commercial carrier such as SeaPort Airlines to assess interest; (2) constructing a speculative hangar that might be rented to visiting aircraft; (3) improving the FBO building to provide more attractive space to airport users; and (4) developing a budget to advertise the POTB Airport in selected markets such as Portland for airport-related business.

B. RISK ANALYSIS

This section addresses some of the key risk factors for The Port of Tillamook Bay's future operations.

Over the last decade or so, the Port's railroad has served as a major area of risk, with extensive capital improvements subject to difficult to anticipate impacts. Risk associated with rail operations and maintenance will be reduced as rail becomes a reduced part of the Port's overall operations. This will allow for a more predictable revenue and cost stream in the future.

The Port's financial statements are currently misleading although not intentionally deceptive as they do not account for depreciation of capital assets. Addressing this issue should be a high priority action item for the Port. Without this adjustment, the value of the Port's capital assets is unreliable, as are statements on individual profit centers. This may contribute to management having a limited understanding of the Port's actual condition and cash flow. A primary risk associated with neglecting depreciation is that it does not accurately characterize the Port's financial position. The 2008 audit shows capital assets of almost \$27 million, roughly \$8 million less than capital assets shown in 2007.

The Port has an unusually low property tax levy, relying primarily on income generation from Port assets to fund operations. While this is seen as generally positive by the community, it does place the Port's income stream at somewhat greater risk than typical for a Port District. While operational statements appear to negate the need for additional operating revenues, incorporating depreciation in the future may show that there is a need for additional operating support. The enhanced income stream then can be used to support episodic matching fund requirements and other needs.

Long term debt obligations for the Port represent about 20% of total general fund expenditures and revenues, and are not seen as unduly burdensome.

A. MISSION AND GOALS

Mission: Promote a fiscally sustainable Port of Tillamook Bay that contributes to the economic health of the county through responsible management of Port assets, resources and capabilities.

Management Goal: Achieve continued success in fulfilling the stated mission of the Port by developing and maintaining necessary organizational and physical resources.

Financial Goal: Assure the Port's fiscal stability and reliable financial condition for its ongoing missions.

Marketing Goal: Market the Port as a "Destination" on the North Coast that offers employment, tourist facilities and mixed use development opportunities.

Environmental Goal: Exhibit conscientious stewardship of all lands, facilities and waters under the Port's control.

B. MANAGEMENT

Goal 1: Enhance the existing abilities of the professional staff and Board of Commissioners.

- Policy : The Port of Tillamook Bay shall provide continual training opportunities to enable the professional development of its staff and Board of Commissioners.
 - Strategy A: Utilize periodic training opportunities provided by Special Districts Association of Oregon (SDAO) to enable Board members and staff to increase their knowledge appropriate to their position.
 - Strategy B: Encourage commissioner and staff participation in professional and advocacy organizations, including Pacific Northwest Waterways Association, Oregon Public Ports Association, Northwest Area Commission on Transportation and Special Districts Association of Oregon (SDAO).

Goal 2: Develop the use and integration of planning to guide the Port.

- Policy: The Port of Tillamook Bay supports strategic planning as the cornerstone of its future success in order to anticipate and prioritize resource and financial needs.
 - Strategy A: Adopt a 5-year schedule for review and update of all plans.
 - Strategy B: Review policies and procedures on a scheduled annual basis to ensure compliance with state and federal laws and to promote implementation of new plans.
 - Strategy C: Prepare a Time Schedule for staff and Commission to implement the 2009 Strategic Business Plan.

Goal 3: Improve the Port's external relationships.

- Policy: The Port shall actively seek opportunities for outreach with other governments, private sector businesses and Port district citizens.
 - Strategy A: Assign Port management staff and Commissioners to participate fully with the Tillamook County Economic Development Council and the Oregon Business Development Department (OBDD) to ensure coordination of economic development efforts.
 - Strategy B: Provide a more frequent update of the Port's website, including Commission meeting summaries, to help citizens stay better informed on Port activities and decisions.

Goal 4: Develop the Port's physical resources (land, infrastructure and services)

- Policy: Recognizing that Port-owned lands, including the Industrial Park, Airport and associated equipment and services provide significant jobs and job-creation opportunities for Tillamook County, the Port shall develop its properties based on strategic planning, attraction of new business and financial returns adequate to ensure the continued success of the Port.
 - Strategy A: Prepare a Business Plan to analyze the feasibility of expansion of the Hooley Digester Facility.
 - Strategy B: Attract new business to the Industrial Park by making the Industrial Park more attractive: (1) through site clean-up or "policing" of Port-controlled grounds, and (2) through adoption of a policy for reducing unsightly and unnecessary clutter of outside storage for all Industrial Park properties.
 - Strategy C: Develop grant writing capability, either through training or hiring/contracting a skilled grant writer, in order to expand the Port's ability to fund infrastructure development.
 - Strategy D: Continue coordination with ODOT for a new intersection on Highway 101 to provide access to the southern section of the property.
 - Strategy E: Improve access and services to the Hillside Area including a new street, sewer, water and storm drainage to serve new development such as a business park or resort.

Goal 5: Maximize remaining rail asset value and level of service to the Port district.

- Policy: Prepare a formal plan to analyze POTB rail issues.
 - Strategy A.: Publish (with media and on the Port website) a statement and schedule regarding the POTB railroad explaining the necessity and rationale for the pending applications for (a) discontinuance of service, and (b) use of FEMA repair funds for alternate infrastructure projects within the Industrial Park.
 - Strategy B.: Forecast critical POTB railroad financial issues and needs, short-term and long-term, including deferred maintenance costs, investments necessary to maintain rail infrastructure, legal requirements and funding opportunities.
 - Strategy C. Consider options available by rail line segment (Banks to Hillsboro segment, discontinued service segment and excursion service segment), including business options (sale or lease of segments and restoration of service), salvage opportunities and rails to trails.

C. FINANCIAL

Goal 1: Facilitate appropriate use of FEMA funds

- Policy: Utilize a Master Plan for the Industrial Park to guide future investments.
 - Strategy A.: Borrow funds to prepare a Master Plan on a timeline consistent with the needs to direct FEMA funds.

Goal 2: Improve Financial Reporting

- Policy: Introduce a system to track depreciation of capital assets and incorporate into the Port's financial reporting.
 - Strategy A.: Utilize the Real Market Value (RMV) estimates produced by the Assessor's office as a standard for setting an initial value of the asset. Port properties are scheduled for re-assessment by the Assessor in 2012.
 - Strategy B.: (alternative): Commission a limited appraisal study to establish a baseline value for Port properties.

Goal 3: Improve Reliability of Cash Flows

- Policy: The Port will seek to improve the reliability of revenue streams for operations.
 - Strategy A.: Establish an operating line of credit based on either tax anticipation or projected revenue streams.
 - Strategy B.: Increase the Port's property tax rate to cover a greater share of general Port administrative and economic development costs.
 - Strategy C.: Establish a lease rate policy based on a targeted return on asset value.

D. MARKETING

Goal 1: Maximize the effectiveness and utilization of Port assets and capabilities through an on-going Marketing program.

- Policy: The Port shall actively market the area and Port opportunities.
 - Strategy A.: Continue to coordinate economic development efforts with regional as well as Statewide efforts.
 - Strategy B.: Prepare and regularly update a Marketing Plan that promotes Port commercial and industrial land, the airport and facilities consistent with the need to grow the county economy.
 - Strategy C.: Coordinate, as appropriate, potential cross marketing opportunities with representatives of the Evergreen Museum.
 - Strategy D.: Work with the City of Tillamook and property owners located in FEMA-impacted areas to identify potential relocation opportunities on Port properties.
 - Strategy E.: Target airport-related industrial users, and reserve sites with direct airport access for users requiring that access.
 - Strategy F.: Actively lobby ODOT with respect to improving the reliability of access to Highways 6 and 22 from the Willamette Valley.
 - Strategy G.: Develop a process to consider the sale of properties and/or improvements when appropriate. This may involve a requirement for property replacement as part of a transfer, or establishing a fund to replace properties sold.
 - Strategy H.: Reacquire centrally located property within the Port's Industrial Park from owners who wish to sell no longer productive parcels.

- Strategy I: Evaluate the development of new industrial space on Port property, either fully speculative or on a build-to-suit basis.

Goal 2: Retention and Expansion of Existing Businesses

- Policy: The Port shall work to anticipate and accommodate the needs of current businesses operating on Port properties.
 - Strategy A.: Implement a program of annual interviews with businesses leasing property from the Port to assess needs and potential opportunities.
 - Strategy B.: Work on joint marketing program for tenants operating on Port properties, such as signage identifying tenants along Highway 101.

E. ENVIRONMENTAL

Goal 1: Utilize accepted environmental standards to guide the Port’s stewardship of its facilities and lands.

- Policy: The Port shall work to maintain full and continuous statutory compliance for all operations on its property.
 - Strategy A.: Maintain professional certifications of treatment plant operators.
 - Strategy B.: Develop a business plan for the Hooley Digester expansion to identify new product opportunities, promote greater efficiency of the facility and additional capture of regional cow manure resources.

F. FIVE YEAR CAPITAL PLAN

The Five Year Capital Plan is based on the policies and strategies described above. All of these projects are intended to contribute toward achieving the long term Port Mission and Goals.

- Strategy A: Prepare a Master Plan for all of the Port’s properties to use as guidance for the expenditure of FEMA funds initially, and improvements and development in the future.
- Strategy B.: Explore the feasibility of improving the RV Park to a new standard with sensitivity to competition with the local RV facilities.

The following project list was adopted by the Port Commission for use of the FEMA funds in October 2009 (Table VI-1). The funding of these projects by FEMA is subject to their review and approval. For that reason, some of the proposed projects may not satisfy their funding criteria.

The Port’s objective is to maximize the use of the funds and achieve a balance of old and new projects as well as improving the Industrial Park’s infrastructure for future development. The Port will use other funding sources such as loans and grants for those projects not qualified by FEMA. The project list is subject to revision by Port Commission action.

TABLE VI-1
ALTERNATE PROJECTS BY SECTION
PORT OF TILLAMOOK BAY

FEMA ALTERNATE PROJECT REQUESTS (BY NUMBER)

IDENTIFIER	ALTERNATE PROJECT DESCRIPTION	LATITUDE/LONGITUDE LOCATION	COST ESTIMATE
1	EQUIPMENT PURCHASE	45°25'32.70"N 123°48'01.59"W	\$ 8,420,301.25
2	PORT FACILITY IMPROVEMENTS		
2.1	ADMINISTRATION BUILDING	45°25'22.62"N 123°47'41.81"W	\$ 1,232,000.00
2.2	AIRPORT T-HANGAR	45°25'08.35"N 123°49'06.43"W	\$ 172,750.00
2.3	BUILDING 7	45°25'32.74"N 123°48'01.77"W	\$ 25,000.00
2.4	BUILDING 11	45°25'11.34"N 123°48'09.28"W	\$ 659,929.00
2.5	BUILDING 12	45°25'13.77"N 123°48'07.51"W	\$ 149,832.00
2.6	BUILDING 18	45°25'12.51"N 123°48'12.95"W	\$ 180,000.00
2.7	BUILDING 19	45°25'32.70"N 123°48'01.59"W	\$ 717,500.00
2.8	BUILDING 59	45°24'54.81"N 123°48'07.32"W	\$ 526,392.00
2.9	BUILDING 66	45°25'20.22"N 123°47'51.02"W	\$ 655,250.00
2.10	BUILDING 69	45°24'53.92"N 123°48'09.54"W	\$ 420,288.00
2.11	HOOLEY DIGESTER ROOF AND BAGGING FACILITY	45°24'54.19"N 123°48'18.52"W	\$ 2,250,000.00
2.12	RV PARK	45°25'06.29"N 123°49'12.35"W	\$ 287,500.00
2.13	WAREHOUSES - BLIMP BOULEVARD	45°25'10.28"N 123°48'05.09"W	\$ 1,500,000.00
3	NEW PORT FACILITIES		
3.1	AIRPORT FIXED BASE OPERATOR CONSTRUCTION	45°25'10.09"N 123°49'06.16"W	\$ 1,222,500.00
3.2	INDUSTRIAL WAREHOUSE BUSINESS PARK	45°25'15.04"N 123°47'59.46"W	\$ 2,500,000.00
3.3	PORT SHOPS CONSTRUCTION	45°24'55.13"N 123°48'02.59"W	\$ 762,500.00
3.4	WAREHOUSE ROW CONSTRUCTION	45°25'09.02"N 123°48'11.47"W	\$ 272,500.00
3.5	POTB TRUCK STORAGE AND WASH FACILITY	45°25'02.66"N 123°48'15.36"W	\$ 750,000.00
4	NEW PORT FACILITY - LEASE BUILDING (TILLAMOOK GUN CLUB); OR IMPROVEMENTS	45°24'26.40"N 123°48'49.70"W	\$ 250,000.00
5	NEW PORT FACILITY - BUXTON GRAIN/LUMBER TRANSLOAD WITH SPURS AND INSPECTION PIT	45°41'19.40"N 123°11'50.53"W	\$ 2,213,757.00

TABLE VI-1 (CONTINUED)

<u>IDENTIFIER</u>	<u>ALTERNATE PROJECT DESCRIPTION</u>	<u>LATITUDE/LONGITUDE LOCATION</u>	<u>COST ESTIMATE</u>
6	TILLAMOOK AIRPORT INTERMODAL TRANSFER DEPOT DEVELOPMENT	45°25'30.03"N 123°48'48.78"W	\$ 3,125,000.00
7	HANGAR B IMPROVEMENTS	45°25'14.41"N 123°48'12.84"W	\$ 3,160,000.00
8	POTB ROAD IMPROVEMENTS	MULTIPLE SITES	\$ 2,954,406.33
9	TILLAMOOK AIRPORT BUSINESS PARK DEVELOPMENT	45°25'31.90"N 123°48'37.56"W	\$ 5,675,000.00
10	WATER LOOP CONNECTION	45°25'32.74"N 123°48'01.77"W	\$ 250,000.00
11	SEPTAGE RECEIVING IMPROVEMENTS	45°24'50.65"N 123°47'36.30"W	\$ 367,794.00
12	HOOLEY DIGESTER UPGRADE PROJECT	45°24'54.19"N 123°48'18.52"W	\$ 5,495,455.55
13	POTB RAILROAD RIGHT-OF-WAY IMPROVEMENTS (RE OREGON SOLUTIONS)	MULTIPLE SITES	\$ 4,300,000.00
14	SOUTH JETTY	45°34'02.10"N 123°57'46.68"W	TBD
TOTAL ALL PROJECTS			\$ 50,495,655.13