

DRAFT

OREGON INTERNATIONAL PORT OF COOS BAY

Coos Bay, Oregon

REGULAR COMMISSION MEETING

Thursday, April 15, 2010

7:00 p.m.

Port Commission Chambers, 125 Central Ave, Suite 230, Coos Bay OR 97420

ATTENDANCE

Commission: David Kronsteiner, President; Caddy McKeown, Vice President; Dan Smith, Secretary; Brady Scott, Treasurer; Jerry Hampel, Commissioner

Staff: Jeffrey Bishop, Executive Director; Martin Callery, Director of Communications and Freight Mobility; Donna Nichols, Director of Finance and Administration; Mike Stebbins Port Counsel; Andrea Wall, Executive Assistant; Dan Lovelady was absent

Media & Guests: Gordon Young, Channel 14; Erica Rush, KCBY; Mary Geddry; Bob & Carol Fischer; Ken Messerle, Coast Consulting; Marvin Caldera, ILWU Local 12; Jody McCaffree; Steve Pickering; Steve Sweeney; Geno Landrum

1. The meeting was called to order at: 7:02 p.m.
2. Introduction of Guests: The President called for introductions of guests.
3. CONSENT ITEMS:
 - A. Minutes: Approval of March 18, 2010 Minutes
 - B. Approval invoices totaling: \$ 766,505.26
 - C. Ratification of Change Order from HDR Engineering, Inc. & LRL Construction for rail line tunnel project.

Upon a motion by Commissioner McKeown (second by Commissioner Smith) the Minutes from the March 18, 2010 meeting, the invoices totaling \$766,505.26 and the Ratification of change order from HDR Engineering, Inc. & LRL Construction for the rail line tunnel project were all approved.

4. MANAGEMENT REPORTS:
 - A. Executive Director: Jeffrey Bishop

Mr. Bishop and Commissioner McKeown just returned from the American Association of Port Authorities Spring Meeting. It was primarily focused on legislative issues in Washington D.C. and was not an agenda that was of particular concern to us. Mr. Bishop said that they had been invited to testify before the Senate Finance Committee along with the Ports of Seattle, Vancouver and Portland however, they were unable to do that due to some travel arrangements; then the hearing was cancelled. The hearing is now set up for April 29th and Mr. Bishop is going to go back to Washington D.C. to testify and this is the first time he has had the opportunity to testify before Congress.

There was one other item of business to discuss pertaining to the Section 203 study which is underway. Mr. Bishop gave a power point presentation and the outline is below:

- Background
 - Completed Studies
 - Preliminary Screening Study
- Section 203 Process versus Corps/DSL Permit
 - Process Differences
 - Path most beneficial to Port of Coos Bay
- Path Forward
 - Section 203 Plan Formulation Studies
 - Alternatives and Commodities to be Studied
 - Contract Scope, Schedule, & Budget

Mr. Bishop continued and said that the Port has completed the Army Corps of Engineers (COE) Section 203 preliminary technical studies for a container terminal on the North Spit. During that process, there was some channel configuration and benefit optimization studies. There was also some peer review of the engineering studies and cost estimates and some preliminary screening of some possible new commodities was completed.

As background, when the Port started this process, the economy was very different. There was double digit growth at both the Ports of Los Angeles and Long Beach and also at the Ports of Seattle and Tacoma – container shipping was very strong. By the time the economic studies were completed, the market had weakened to the point where it was going to be difficult to support the project on the containers alone. Part of the process is called a National Economic Needs Benefit Study Cost Benefit Ratio. In order to move forward, you need a benefit better than one and we were able to do that. But the process in Washington says if you can't get a cost benefit ratio of 3 to 1 or greater, it is very difficult to get through the authorization process. As a result the Port hired Don Breazeale & Associates to do some analysis. To review, the original design standard was going for the PS class ship, a 14,000 to 18,000 TEU vessel. Mr. Breazeale interviewed the shipping lines (except Maersk) and the consensus was a vessel of that size would not enter into the transpacific service. The largest ship that we would probably see would be the 8,500 TEU and smaller container vessels. The original design configuration for the channel was 500' wide and 51' deep which would have been sufficient for the large vessel. However, once we started the modeling and looked at the wind profile of a ship that large, the analysis indicated that the channel needed to be 600' wide which had dramatic impacts on cost.

We then went back and remodeled the original design and came up with a 400' wide channel at 49' deep for the 8500 TEU vessel. Mr. Bishop met with APM in Norfolk and received approval for the 49' depth. Mr. Bishop explained some of the rationale behind that scenario. Coos Bay has a 7' tide on average. With that kind of tide, you would have 51' of clearance 20 hours a day (if you took the channel to 49'). In changing from 51' to 49' there were dramatic cost savings because of the sandstone in the channel. Preliminary analysis determined that the sandstone was soft enough that a cutter-head dredge would be able to deal with it and you would not have to blast.

As a result of all the changes, it was necessary for us to look at ways to maximize the economic benefits of the study. One of the things looked at was whether to continue with the 203 process or look for a regular permit. The level of technical studies was very similar, the economic studies are different. We don't have to do as much in a DSL process as opposed to the Section 203. Bundling

and packaging the information is different and the biggest difference is, if you continue with the Section 203 you remain in the planning group at the COE. If you go with the 404 permit then you move to the regulatory group of the COE. Section 203 focuses on it still being a Federal project.

In the path forward which we are recommending to you, the COE becomes part of the project team; they become active participants in the team. Up to this point we have been doing it primarily ourselves with consultants and looking at different options and models without getting the COE involved. We will now start funding them so they become part of the team and it will be incorporated into the budget presented to you later.

At this point, there will be in-depth technical studies and an analysis particularly generated toward the NEPA document that will be produced at the end of this; establish with and without project condition; formulation of alternatives; engineering; economics; and environmental. Hopefully this will lead to COE headquarters buy-in which is necessary for us to receive a chief engineers report to go on to the next step. One of the critical steps is the Chief Engineers Report.

The additional commodities that are going to be studied are bulk imports & exports in wood chips. There are a lot of interesting things taking place in the wood chip industry. The Port has four solid leads right now of companies that will produce biomass pellets – taking wood chips and compressing them into an industrial grade pellet. The pellets are mixed with a little bit of coal to get the BTU up but they are marketed as a replacement for coal. Containers will be in the analysis; auto imports will be in there; and because there is a proposed LNG project we will look to see if there is any beneficial economics from the carbons.

Mr. Bishop said we are looking at three potential development sites. Location # 1 (primarily automobile facility) is D B Western; the T-dock can be dredged to 40' and it would make an excellent ramp for automobiles off of a ro-ro (roll on roll off of a ship). We were surprised to learn also that there was little improvement needed compared to building a new facility. Location #2 is Henderson Marsh which is the APM site. Location #3 is Roseburg Forest Products. Another container facility developer came in while the Port was talking to APM and because we had an exclusive with APM they talked to Roseburg instead about conversion of their facility. The thought is that there may be a higher and better use of that facility so it will be included in the analysis also.

A copy of the scope was distributed to the Commissioners focusing on the completion of the technical studies. The schedule is between now and November 2010. The budget is \$2.4 million, up about \$500,000 over the previous budget. This is for primarily all of the economic studies we had to do to add the different commodities above which have gone through the screening process.

Staff is requesting a motion from the Board tonight:

Discussion:

Commissioner Smith: What is the source of funds? The funds are from dredge funds which were appropriated from the legislatures. It doesn't really affect the overall budget; it is still within the confines of the budget. We are still also operating within the risk model that the finance department and Mr. Bishop developed; still within the safety margins.

Commissioner McKeown: The scope is to have the completion of the studies by November?

Mr. Bishop said yes, these will be the major technical studies. The scope has been broken down, although the whole scope was in your packet. Each scope coincides with a decision point. The decision points to have been cleared so far, but changes have been made, based upon some of the data we have received. Going through to November 2010 gets you to the next major decision point. At that time you will know if you can get there; it takes you to the point of whether or not you can actually do it or not.

Commissioner Kronsteiner: Are we changing from a Section 203? Mr. Bishop said, no. As part of the due diligence incorporating your aversion to risk, we wanted to look at every option as far as the other alternatives, or other processes that created more security and less risk for the Port. We came to the conclusion that the 203 was still the appropriate process. And in crafting the scope of work, we have done it in ways that coincides with the decision points moving forward. The President asked if the schedule has changed. Mr. Bishop answered yes. We have been sidetracked for almost a year by the rail. There was no reason to be dredging the channel for containers if we didn't have the rail connection.

Commissioner McKeown: She commented that one of the reasons for the 203 process was to speed up the process from a 20 yr. process of getting to the actual dredge to about a seven year process. Mr. Bishop said that he did not think we hurt ourselves from a time standpoint because of the state of the economy. Most of the analysis and the presentations that Mr. Bishop has viewed put us at a set back to 2006 as far as the container industry is concerned. There is a wide held belief that the industry will come back but it will be very slow. The wildcard is that in 2014, when the Panama Canal opens its third lane we do not know how much diversion of cargo will take place from the west coast to the central east coast. That will depend a lot on how the railroad reacts; the pricing and level of service rail is providing to the shippers. The Port is positioned well in that process, the delay actually helped as long as we stay within the confines of the risk model so we have sufficient reserve. From a time standpoint the payback model is stretched but we have a plan for dealing with that eventuality incase we have to pay the money back.

Commissioner Scott: Is the \$2.4 million the Federal dredging dollars? Mr. Bishop said no, this is the State dredging money; of the \$5 million we are to receive, this is half.

President Kronsteiner said this is still considered a loan until such time as the terminal is completed and that is the risk model. Mr. Bishop said that the risk model looks at the potential of it converting to a loan, what the debt service would be, and how much is in the "sinking fund" (a fund where you put money aside to accumulate to a point where you have sufficient revenue to pay the debt service of the loan). We have developed a target balance for it that minimizes the impact on future revenues. Mr. Bishop continued and said that the Board would have a major decision to make in November 2010, because based on the analysis and the data you see in November it could take you beyond the risk model which is why we have it stopping in November. You will be able to look at it, compare back to the risk model and decide whether or not you can take the next step. You have no obligation in your agreement with APM to take the next step.

Commissioner Scott asked, 'At that time in the decision process, something will be pretty clear to us?' Mr. Bishop said yes, at that time we will know about all there is to know about the channel. We will have a better idea what will happen with the market and how far it will come back. In his news reading today, Mr. Bishop said he sees that LA and Long Beach and Seattle are all seeing growth.

Upon a motion by Commissioner Scott (second by Commissioner McKeown) the Board of Commissioners authorized the scope of work and budget modification providing for the Phase IIa “Detailed Studies” on the Coos Bay Channel Modification project in the amount of \$2,382,116. This account incorporates the previously approved \$1,928,017 Phase II modification.

Mr. Bishop ended his report by saying that he does expect a very lengthy Executive Session – about 30 minutes to 90 minutes.

B. Director of Communications and Freight Mobility: Martin Callery

Mr. Callery said Dan Lovelady’s management report in your packet gave you most of the rail information. Mr. Callery said he would focus on the ConnectOregon. Our Coos Bay Rail Line project has scored second highest in the rail division and second highest in the Oregon Trade Advisory Committee. Mr. Callery made a presentation Friday on the Southwest Area Commission on Transportation; our project was ranked first in the three county regions; he has a second presentation on May the 4th and at that time we will be combined with the Rogue Valley Committee on Transportation. They have four projects. Mr. Callery is confident that we will come out near the top. The final review committee meets for two days, June 10th and 11th in Portland and they will then forward their selection to the Oregon Department of Transportation at their July meeting for comment. The Transportation Committee will gavel down on their final selections at their August meeting. After that, if successful, we expect to have access to funds in late September or early October.

Mr. Callery said that Ms. Nichols will fill you in on another opportunity for funding which we have been anticipating and which will allow us to work through the summer. For ConnectOregon we cannot do anything until we have a signed contract.

Mr. Callery continued and said that we have had enormous help from the ODOT rail division. Mr. Callery and Mr. Lovelady took out the high rail vehicle and took Mr. Charles Kettering (inspector for our project from ODOT rail) through Tunnel 20. Mr. Kettering said that he was very pleased with the work that has been done in the 5 tunnels. By the latter end of the month we will have totally exhausted the \$2.5 million in Federal funds we have had for this project. We got a lot more work done for the scope than we thought we could.

Mr. Callery concluded his report talking about the Oyster Feed coming up on April 24th. He executed the marketing advertising for that event.

President Kronsteiner asked about the contract with ODOT for the ConnectOregon funds. What are those funds dependant on in accordance to time schedule? Do they have to have the funds available before they will enter into a contract? Mr. Callery said no, the funds are available from the 2009 legislative session. We just have to prove our 20% non-State cost share. In fact one of the things they have been working with ODOT on is using a portion of the purchase price of the rail line to meet the \$1.9 million cost share requirement of the project. We still have to put more money into it but it would free up funds from what Ms. Nichols is going to talk to you about. We could use those funds during the summer and then when we get the contract with ODOT on ConnectOregon III, we simply change the scope of work to a change order to do more bridge and rail ballast ties work than tunnel work. That allows us to do tunnel work in the best time of the year.

- C. Dan Lovelady: Rail Operations Manger was absent
- D. Director of Finance and Administration: Donna Nichols

Ms. Nichols attended a Special Districts Trust Board meeting in Klamath Falls. Being on the Insurance Trust, Health insurance is a big issue. Special Districts is going to take the lead in keeping the districts informed of all the changes to the Health Benefits. Most of the plans are self matured plans, businesses won't provide coverages, they will be individual plans and COBRA will go away. There was a lot of discussion about that and there are a lot of unknowns. This year we are looking at a 10-12% increase in our overall benefits package. Because the Port has the HSA plan we are still under our authorized cap for cost.

Ice Dock: Since April 1st, we have delivered ice to 12 vessels, 59 ½ tons of ice. People like the ice quality. The average load has been 5-9 tons of ice. Mr. Bishop said he thought the machine could produce about 25 tons of ice a day and it takes about ½ hour to put 5 tons on a vessel. Mr. Bishop said that our peak out-load appears to be about 50 tons and we are not capable of keeping up with the tonnage with a 40 ton machine so we are looking at some storage options and possibly some after-hours activity of diverting it to Hallmark. Ms. Nichols said that she figures we are at about a 6-month learning curve because of the seasons. We have two maintenance crew dedicated to working on the equipment to keep it up and to get the ice going. Then after hours everyone will be able to share in the delivery of ice. We will just have to see how it works.

Ms. Nichols just received the paperwork for the Federal Appropriations grant for the new equipment, about \$350,000.

We have had the pre-conference meeting for the TransPacific Highway Realignment project with LTM/Knife River, the prime contractor. They plan on starting the 1st of May and the plan is to be done the end of August. The contractors plan on closing during SandFest and Mr. Bishop said that there were some prohibitions for them doing work during Memorial Day weekend. We are going to make a concerted effort to do as much public relations on the impact to the access to the dunes during the project as we can. The Forest Service has agreed to share the reservation database and we are going to do some direct flyers to folks with reservations before they get here to let them know there will be some construction. Unfortunately we were not in charge of the project calendar. Mr. Bishop said that he thought they would be out of the road before the 4th of July.

The last thing Ms. Nichols said was that the 1st budget meeting was at 5:30 pm on May 5th – be there!

- E. Marina Facilities Manager: Aaron Simons was absent

5. PUBLIC COMMENT:

Carol Fisher: - She would like to get a hold of a pipeline map; when it was last updated? Mr. Callery suggested she look at the Pacific Connector Pipeline website. You can also contact them and they will provide the information. There are contact names on the website.

Mary Geddry: On November 19th minutes from the Port meeting, the Port took a neutral stance on ORC and said that they would allow staff to come back later concerning advocacy. She has been

unable to find when or where there was a decision made to advocate on behalf of ORC. Mr. Bishop said that staff did not bring it back to the Commission because the issue appeared to resolve itself. Ms. Geddry said that they were thanking the Port for getting the permits. Mr. Bishop said that they were thanking the Port for making some inquiries to the Corps of Engineers; we did not do any advocacy.

6. ACTION ITEMS/REPORTS:

A. Blue Back – Boat Basin Drive Bike & Pedestrian Path – Charleston

The State of Oregon, acting through ODOT in partnership with Coos County and the Port has agreed to fund the payment resurfacing (overlay) on Boat Basin Drive and construction of a separated walkway with drainage, landscape strip and lighting on the east side of the road.

An Intergovernmental Agreement (IGA) between the Port and Coos County has been finalized, approved and signed by both entities. This agreement is between the State, Coos County and the Port of Coos Bay. The project is included in the Transportation Enhancement Program under Title 23, U.S. Code which incorporated SAFETEA-LU.

The total project cost is \$1,394,000 with grant funds in the amount of \$1,107,000. There is a Port in-kind match of \$43,000 and a County match of \$244,000. A portion of the County's match will be used for the pavement overlay, which is not included in the grant funds.

Port staff and ODOT are currently working on a mini-request for proposal for the project which is scheduled for summer or fall of 2011.

This agreement has been reviewed by both Coos County and the Port's Legal Counsels.

Discussion: As question was asked, what is a mini-RFP? ODOT has in-house consultants they use and a mini-RFP for these people is not as involved.

Where is our portion of the match coming from? Ms. Nichols said that our match would be our staff helping.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown) the Board of Commissioners approved signature authorization for the Executive Director of designee and the Port's Legal Counsel to sign ODOT Funding Agreement # 26429.

B. Grant Agreement – Lottery Bond for RR repair, restoration and improvements

The State of Oregon, through its Dept. of Administrative Services (DAS) has authorized the use of lottery bonds to be issued to fund grants to the Port for repair, restoration and improvements to the Coos Bay Rail Line. This includes potential purchases of rail cars. The net proceeds directed to the Port from the sale of lottery revenue bonds during the 2009-2011 bienniums will total \$3,552,399. The bond sale has been scheduled to be marketed for the first week of May. The Legislature authorized a grant to the Port during the 2009 session and they anticipate selling all or a portion of the grant amount in this sale. These funds are not tied to any existing or future grant projects and will be used towards completing the rail line tunnel work as well as trestles, bridges and line restoration.

Agreement details need to be worked out before the bond sale and it will need to be signed before the funds are disbursed.

The Port's Legal Counsel has reviewed the draft agreement. Port Counsel will provide an Opinion Letter that needs to be submitted along with the executed grant agreement.

Discussion: Commission McKeown asked Mr. Callery how many rail cars it would buy; a locomotive? No. Are they energy efficient? Mr. Callery continued and said that he was working on an RFQ with Mr. Lovelady. The RFQ will be for a qualified railroad operator which is part of our agreement with the State.

He said that in most cases when you are moving various commodities, the class one railroad (in this case, UP) provides the cars. If it is a specialized type of commodity then sometimes it is up to the shipper to provide the cars; sometimes a short line or connecting railroad will purchase those cars if they stay within a geographical area and don't get lost in the greater national system. That is why in most cases, the class ones provide all the cars for moving commodities. The RFQ will look for what kind of motive power that they will bring on the line, what is needed; how many road engines are needed to move a train from Coos Bay to Eugene. That will also depend on the level of business which is one of the things Dan Lovelady is working on. Mr. Lovelady and Mr. Callery have both been talking to various shippers to determine when the line is back in service (hopefully by the end of first quarter 2011) what the shippers anticipate in the way of commodities in the way of in-bound or out-bound. We have received a lot of good data back from the shippers even though some are still trying to figure it out. Mr. Callery and Mr. Lovelady have talked to American Bridge, Southport, Swanson Brothers, Swanson Group, Roseboro and a couple of projects that may happen. We have actually had a phone call from CORP saying they had a possible interchange for us off of their line. As we get closer to start of service, we will have a much better idea. Mr. Callery said that the only types of equipment we would be looking at would be high rail vehicles.

Mr. Callery added that when Dan is over here starting the first of June, he wants to take you (the Commissioners) on a high rail vehicle up to see parts of the line and some of the work that has been done. It would only be two at a time because of the size of the vehicle.

Upon a motion from Commissioner McKeown (second by Commissioner Smith) the Board of Commissioners approved signature authorization for the Executive Director or designee to sign the State of Oregon Grant Agreement for Lottery Revenue Bonds to be used for repair and restoration of the Coos Bay Rail Line.

The Commission recessed to Executive Session at 7:50 p.m.

The Commission returned from Executive Session at 9:23 p.m.

Returning from the Executive Session, a motion was made:

Upon a motion by Commission McKeown (second by Commissioner Smith) the Board of Commissioners gave approval for the Executive Director to execute the Union Pacific Donation Agreement for the rail line from Cordes to Coquille.

Commissioner McKeown then thanked Mr. Bishop for all of his work in completing this agreement – it was a good job.

7. OTHER:

8. INFORMATION ITEMS:

- A. Business Center Newsletter – April 2010
- B. Charleston Marina RV Park Newsletter – January 2010
- C. Letter from Eileen Ophus – CCD Business Development

9. COMMISSION COMMENTS:

10. NEXT MEETING DATE: Thursday, May 20, 2010

11. ADJOURN: The meeting was adjourned at 9:25 p.m.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary