

OREGON INTERNATIONAL PORT OF COOS BAY

Coos Bay, Oregon

REGULAR COMMISSION MEETING

Thursday, April 21, 2011

7:00 p.m.

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

ATTENDANCE

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

Staff: Jeffrey Bishop, Chief Executive Officer; David Koch, Chief Operating Officer, ABSENT; Martin Callery, Chief Commercial Officer, ABSENT; Donna Nichols, Chief Financial Officer; Kathy Wall, Harbormaster, ABSENT; Elise Hamner, Communications & Community Affairs Manager; Dan Lovelady, Chief Operating Officer – Coos Bay Rail Link; Mike Stebbins, Port Counsel; Donna Scholl, Executive Assistant

Media & Guests:

1. The meeting was called to order at 7:00 p.m. by Commission President Kronsteiner.
2. Introduction of Guests: Commissioner Kronsteiner dismissed the self-introductions due to the long agenda for tonight's meeting. The names are provided from the meeting sign-in sheet. Clair and Leslie Farnsworth; Dan Smith, Ken Johnson, Joseph Drew, Cindy Jorgensen, Rob Marshall-Johns, Tim Smith, Rachel and Jason Swieck, Ron Dith, Lorenzo Craig, Alan Pettit, James Randall, Phil Thompson, Cecilia Brinke, Karla and Todd Williams, Marvin Caldera, Tom Nolen, Joanne Moss, Paul West, Terry Butler, Ken Messerle, Jon Richards, Darrell Smith, Barry Winters, Mark Wall, Ken and Joy Ware, Doyle Williams, Carolyn Williams, Mary Geddry, Jack Jones and Julie Jones, Richard Chasm, Dana Gaab, Bob and Carol Fischer, Paul Slater, Anne Donnelly, Frank Williams, Robert Lea
3. The Executive Session was moved to the end of the meeting due to the number of people who asked to make public comment.
4. Annual Dredging Report: John Craig and Kate Groth
Mr. Craig said he had nothing but good news to report and that he had retired from the U.S. Army Corps of Engineers. He introduced Kate Groth as the new project manager for all coastal projects for the Army Corps of Engineers. Ms. Groth has been working in regulatory here in Coos Bay and Mr. Craig felt she would do an excellent job for the Port. The Commissioners welcomed Ms. Groth.

Mr. Craig said the Army Corps had a good year last year. He said the Essayons removed approximately 600,000 cubic yards of material from the entrance. The project depth is approximately 47 feet and the Army Corps is allowed to dredge five feet over. When the dredge finished, the depth was at least 50 feet, with most around 51 to 52 feet. The Army Corps did a survey a week ago and the depth is still holding. Mr. Craig said there is approximately 350,000 yards of in-fill right now, but that's not unexpected. He said they would likely continue to do surveys once a month until they dredge in late summer. Mr. Craig said the Yaquina takes care of the river mouth, from miles 2 to 12. The Yaquina dredged 140,000 yards last year.

There was also a small job at Charleston with a contractor, which removed 9,000 yards of material. Mr. Craig said he had hoped that they were getting the in-fill at Charleston under control. A survey done a couple of days ago showed that more than half of the Charleston entrance channel extending in past the ice plant near the fuel dock is restricted, which was very unexpected. Commissioner McKeown asked if it was due to the tsunami. Mr. Craig said he personally did not think so and that it had been building prior to that. He said it was clean sand and he wasn't sure why it had decided to move in. He said they had been working on it for the last four years and that the yardages had been dropping every year, so he really thought they had a handle on it. He said it took 4 to 5 years to get the shoal just outside of the channel to the north under control. Mr. Craig said there is no money available in the budget for this work. The FY 2011 budget numbers have not yet dropped into the accounts and that particular project was not funded. The Army Corps is looking at options with surveys done at least once a month. Mr. Craig said there are 30 days of Yaquina time in the budget this year. It will be starting work in June and dredge through August or possibly sometime in September. There are currently 17 days on the Essayons schedule, which the Army Corps thinks will be plenty. That vessel probably will start working in August. He said they like to hold off on that work until late summer for better weather. Most of the in-fill will occur in the latter part of the spring and early part of the summer, so the further out the work is done the better the job of removing more material and it will hold longer into the winter and following spring. Commissioner McKeown asked if this would be Mr. Craig's last report. Mr. Craig said it would be his last official presentation. Commissioner McKeown thanked Mr. Craig for his years of service. Commissioner Kronsteiner congratulated him on his retirement.

5. **CONSENT ITEMS:**

- A. Minutes: Approval of March 10, 2011, Special Meeting Minutes
- B. Approval invoices through April 13, 2011, totaling \$1,405,787.42
- C. Technical Advisory Committee Member Reappointments
- D. Port Budget Committee Member Re-appointment of John Craig
- E. Giddings Boat Works Lease Renewals
- F. Clausen Oysters Lease Renewal
- G. Russell Marine Fuel and Supply Lease Renewal
- H. Ratification of Change Orders Related to the Ice Dock Rehabilitation Project

Commissioner Kronsteiner asked the other Commissioners if they had read the consent items. Commissioners McKeown and Hampel responded they had and neither had questions. Commissioner Kronsteiner mentioned that both Commissioner Scott and Smith were absent. He said Commissioner Scott was out of town on business and Commissioner Smith was ill, however there was still a quorum with Commissioners Hampel, McKeown and himself.

Upon a motion by Commissioner McKeown (seconded by Commissioner Hampel), the Board of Commissioners voted unanimously to approve the minutes of the March 10, 2011, Special Meeting, invoices from March through April totaling \$1,405,787.42, Technical Advisory Committee Member Reappointments, Port Budget Committee Member Reappointment of John Craig, Giddings Boat Works lease renewals, Clausen Oysters lease renewal, Russell Marine Fuel and Supply Lease Renewal and Ratification of Change Orders related to the Ice Dock Rehabilitation Project. Motion carried.

6. MANAGEMENT REPORTS:

A. Chief Executive Officer: Jeffrey Bishop
Mr. Bishop said the comment period for the permit on the Jordan Cove and Port's Oregon Gateway slip was extended for 30-days. As a result of the extension, there were additional comments submitted. He said the consultants were requesting that the Port retain an economic consultant to answer some of the questions that resulted from the extended comment period. The resulting study would cost \$7,500. Mr. Bishop said the dollar amount was within his authority but because it was not a budgeted item and would be a pass-through item to Jordan Cove, per the terms of the Port's business arrangement with them, he was asking for authorization to execute the agreement for an amount not to exceed \$7,500, subject to reimbursement from Jordan Cove. Commissioner McKeown asked when the public comment period was ending. Mr. Bishop responded that the public comment period had ended and the Port was now responding to some 3,000 form emails that had been received.

Upon a motion by Commissioner McKeown (seconded by Commissioner Hampel), the Board of Commissioners voted unanimously to approve the study at a cost not to exceed \$7,500. Motion carried.

Mr. Bishop gave a presentation on economic development. He said the fundamentals of business models have changed little over the years. Markets change quite frequently, but the measure of success remains the bottom line. No economic developer can make a business profitable. One can only react to, estimate and project market conditions. He said the Port focuses on marine and transportation sectors and the North Spit. To contrast that, the South Coast Development Council's primary focus is countywide recruitment. The Port's secondary mission is to focus on how to make the most of the opportunities presented to it. There are factors that make a community desirable to businesses, including the ability to make money by either lower costs or unique attributes that the market agrees cannot be duplicated elsewhere. In his observations, the most successful rural communities are successful because they become pragmatic. Mr. Bishop said the Port recognizes no reason not to recruit equivalent opportunities, and in fact, it does in regard to alternative projects. He said there is no law prohibiting it and anyone can do it. One example he used was green projects. The Port has spent a great deal of effort exploring renewables and green technology.

Mr. Bishop said most renewable energy business plans currently require subsidies with either tax credits, grants or preferential contracts. It's difficult to make a commercial case with lending institutions on unproven technology. Port staff is exploring emerging industries and produces reports regarding trends to the Commission. The Port has spent considerable effort and time recruiting renewable energy sectors. He said the Port has been heavily invested in solar recruitment primarily with Project TK, in addition to a number of other firms. The Port has been very active in dialog between the Southern Oregon Ocean Resource Coalition and Ocean Power Technologies and wave energy. It is investigating wind power potential, including an evaluation of the North Spit for wind production and is exploring becoming the launching site for offshore wind platforms if that should develop. It's focused on biomass and bio-fuels, by working with a Norwegian company to potentially manufacture and ship industrial pellets. The Port has also worked with bio-fuel developers and continues to do so, including a conversation with a developer on April 20.

Mr. Bishop said renewable energy endeavors are still businesses and are subject to the same principles as other businesses. These companies use the same type of infrastructure as other businesses. For example, a liquefied natural gas (LNG) dock differs little from a biomass dock or a NOAA dock. They also suffer from “not in my backyard” externalities, just like any other businesses. Mr. Bishop said it will be many years before the energy renewable industry is mainstream and capable of replacing traditional industries, and he asked, “Should we recruit no other industry until then?” He said, if someone disagrees, he was happy to acknowledge his misinterpretation. Mr. Bishop commented that when someone can produce a sufficiently capitalized venture that is fully sustainable in Coos County, the Port will have property to offer.

Mr. Bishop said his recommendation to the Port, based on 25 years of administration and industrial development experience, is to continue to pursue every available option to encourage and develop opportunities in this field because it is the future. He said Port staff will continue to look at strategic opportunities to position the Port to take advantage of growing renewable energy opportunities. Examples include a recent visit to the U.S. Department of Energy, where Port staff discussed the possibility of becoming its designated “Port of significance,” as the future launch point for offshore wind in the Pacific Ocean. Another example is its effort to quantify the net carbon reduction of becoming an LNG refueling depot for maritime commerce, displacing the use of bunker fuel within West Coast harbors.

Mr. Bishop said noticeably there has been a change in staff’s perception toward the opposition. He said he was not attacking any single person and that he valued divergent opinions. He said a public process is valuable and necessary. However, some opposition groups appear to be using a scorched earth strategy, which in turn damages the ability to recruit anything and therefore must be interpreted as parochial and devoid of pragmatism. These parochial interests, in his opinion, by default and not maliciously, have risen to the level of an enabler – exacerbating the unjustifiable levels of poverty that are pervasive in this community. Such efforts have now risen to the highest level of social irresponsibility. He said this, not to throw stones, but to point out that excessive process has a cost.

Mr. Bishop gave the following poverty facts. According to the 2008-09 Coos County Public Health Annual Report:

- 17.8% of the County’s population lives below the poverty line compared to 13.5% statewide.
- 26.2% of children, under age 18 years old, live below the poverty line in Coos County compared to 17.8% statewide.

He said President Obama has described natural gas as a clean energy and proclaimed his desire to increase exports. Exports decrease trade imbalances.

Mr. Bishop spoke about LNG and how it is a means to an end; it always has been and always will be nothing more than a catalyst. It is capacity, plain and simple. He said an LNG terminal would be a huge investment in this community. It is pragmatic; it wants to be here and is willing to pay to be here. Mr. Bishop said it was his recommendation that the Port of Coos Bay invite Jordan Cove Energy Partners to expand the facility to create the best possible commercial case to increase the probability of construction, with a focus on the best markets and maximized local investment. He said he further recommended inviting Jordan Cove to pursue enterprise zone tax abatement and enter into good faith negotiations to spread equivalent in-lieu of tax revenue as

broadly as possible to the Port's sister taxing authorities, with at least half dedicated to education. 1) This would require increased employment by Jordan Cove; 2) It would encourage more investment, which creates compounding effects; 3) It creates more community benefit, but allows more agencies to directly benefit from the facility; 4) It opens a dialogue with area school districts to explore ways to use the enterprise program to provide funding without endangering formulary funds.

Mr. Bishop said currently the lion share of the taxes paid by Jordan Cove will go solely to Coos County's Urban Renewal District. To dissolve the Urban Renewal District would benefit the taxing districts but offer no help to schools due to the state's formulary process. Once dissolved, the benefits of an Urban Renewal District are lost. Use of the enterprise zone is an effective way to distribute those tax dollars to needed areas without sacrificing the urban renewal district.

Mr. Bishop commented that he had proposed in an ad in The World newspaper (April 21) in which he suggested allocating half of the levy to education. The other half would remain available and zone sponsors could target those monies to critical areas, such as public safety as well as other essential services within county government. He said there is an opportunity for plenty of resources to be shared. Mr. Bishop said keep in mind that he was not proposing to give Jordan Cove a real tax cut, but rather requiring it to pay an equivalent amount of in-lieu of taxes. Commissioner McKeown thanked Mr. Bishop for clarification and felt the letter in the paper would generate a lot of community dialog. She thought there would be one shot at this opportunity to create a fund that could impact education in Coos County, Coos Bay, North Bend or a defined area. She felt it was worth having a conversation, if this project comes and she was not certain it would yet, to use it to the community's best advantage. She felt now was the time for everyone to start talking to each other and figure out what it was they wanted for an outcome if the project did happen.

B. Chief Operating Officer: David Koch - Absent

C. Chief Commercial Officer: Martin Callery - Absent

D. Chief Operating Officer – Coos Bay Rail Link: Dan Lovelady

Mr. Lovelady said he had provided a written report but would answer questions. Commissioner McKeown thanked Mr. Lovelady for his thorough report and for his hard work on the tunnel tour on April 20 with Congressman Peter DeFazio. She said this was the first opportunity she had to get out on the line to see the work that has been done on the tunnels. Realizing the tunnels have been in place with train traffic using them for almost 100 years, she felt it was remarkable they were still intact and useable.

E. Chief Financial Officer: Donna Nichols

Ms. Nichols offered to answer questions about her written report.

F. Harbormaster: Kathy Wall - Absent

7. PUBLIC COMMENT:

Commissioner Kronsteiner limited commenters to four minutes each since there were 15 people signed up to speak.

Dan Smith

Mr. Smith from Oregon Resources Corp. (ORC) thanked the Port on behalf of ORC for support. He said they were running water this week in the plant and will be running ore next week. He said they have hit a milestone and should be in commercial production by mid-May. He said they need the rail for shipments. They are looking at 12 to 15 ships a year coming into port plus the outbound rail shipments. He said LNG, besides bringing in jobs, will create spin-off business. Mr. Smith said he wanted to report on employee numbers. He said 48 out of ORC's 50 employees are from Coos County. He said there were 200 applicants for five forklift positions and 600 applicants for one receptionist position, which highlights the demand for jobs. He said it has been great for them and they have had some great people to choose from but a lot of people did not get jobs. Commissioner McKeown asked where ships would be loading. Mr. Smith responded that they would be loaded either at Ocean Terminals or Roseburg Forest Products. He said there was some dredging that needed to be done, as well as dock repair at ORC, but until they get the logistics done and know their market, it does not pay to get it all built. He said currently, two-thirds of ORC's product is going overseas with most of it either going to Europe or China. Commissioner McKeown congratulated Mr. Smith.

Ron Sadler

Mr. Sadler said he had a question but first wanted to give the context to his comments. He said the Port must not forget the first step in the LNG process and that is a viable environmental impact statement (EIS) by Federal Energy Regulatory Commission standards. He said the EIS enables the entire process. He said that while the EIS was published, he believes it is grossly deficient in compliance with existing laws and regulations. He said that is not only his opinion, but that people such as the governor and attorney general are on record as formally appealing FERC's decision to issue the permit based on this faulty EIS. Mr. Sadler said much of the deficiencies in the EIS are procedural and they fail to address issues required by law or omit substantial parts of the EIS. He commented that Mr. Bishop's seventh letter put the Port on record with a substance of deficiency. He said that if making the Jordan Cove project into an import/export terminal is in the Port's view the most reasonable way to go, which is essentially what Mr. Bishop indicated, that FERC's EIS doesn't mention that alternative and it is not addressed in any way, shape or form. He believes this is another nail in the coffin of the existing EIS. He said, not only is it procedurally deficient as attested to by the governor, attorney general, Western Environmental Law Center, and a consortium of environmental groups, there are deficiencies since it overlooks the Port's case. Mr. Sadler asked whether the Port asked FERC to re-do the EIS and if not, why not? Mr. Bishop responded that the Port was not involved in the drafting of the EIS and that it had been prepared by Jordan Cove. He said it is Jordan Cove's private business product and it would be Jordan Cove's decision on what to do with that particular document and that particular process. Mr. Sadler commented nonetheless the ability of the Port to implement Jordan Cove, and in fact Jordan Cove's ability to implement the project is dependent upon the EIS. Mr. Bishop said that Jordan Cove has not announced whether it will consider an export function, but he assumes the company would address that issue if it decides on import/export. Mr. Sadler asked if the Port had reviewed the EIS and commented on it. Mr. Bishop responded that the Port was not an intervener.

Frank Williams

Mr. Williams said he was the vice president of the ILWU retirees and welcomed all of the people attending from ORC. He said the ILWU has always been supportive of labor in this area. He said for the last 30 years the area has pretty much been going downhill and every year there are between 500 – 600 students graduating. He felt it was very sad that a handful of people could

stop a project that is going to create jobs. He said ORC has hired 50 people and Knutson has approximately 150 people working. He felt the news media is missing the log export story and people should be giving Jim Lyons and Ocean Terminals a great deal of thanks. The tenth load of logs leaves this month. Mr. Williams said he learned from Jones Stevedoring that it will equate to approximately \$15 million in wages and \$16 million to the local economy for all of Oregon, not just southern Oregon. He said this Port is a hub for all other counties and states beyond and he cannot understand why anyone in this room would want to stop progress and jobs. He commented he has heard it said the unemployment rate is at 12 percent and there are kids living with parents, grandparents raising grandchildren and great-grandchildren in Coos County. Mr. Williams repeated the ILWU has always supported labor and he cannot believe that people continually try to stop progress by filing against permits just to cause delay after delay. Mr. Williams said he understands that small jobs and small businesses are great for the community but shipping is a multi-million dollar business. He said industry needs to be on the North Spit and there should be a multi-use container port facility. The railroad is coming, although it may need to be expanded if things grow like they should. Mr. Williams said he looks for big things to happen here, and there is a need to move forward, not backward. Mr. Williams added that the Longshore retirees have talked it over, and if Port Commission member Dan Smith is leaving, they would like to recommend Daryl Smith as a replacement because he knows shipping.

Carolyn Williams

Ms. Williams is the president of the ILWU Federated Auxiliaries on the West Coast. She said the organization supports labor and the Port. She said the Auxiliary is interested in what the Port is doing and is proud of the Port. Ms. Williams said the Auxiliary is not just a social group. The group is very active with writing letters, contacting senators and congressmen. She said in May the organization is having a convention in Coos Bay with women coming from different areas. They have invited Senator Merkley to be a speaker, and if not himself, his labor liaison. Ms. Williams invited anyone to contact the group if they needed something done such as letters written or phone calls made. She said they are available to support all labor, not just unions. Ms. Williams said the Auxiliary is very thrilled with the new ore dock. Her organization is available for assistance by phoning the Longshore Hall.

Marvin Caldera

Mr. Caldera said he was president of Local 12 of the ILWU. He said a long time ago Local 12 voted to support the Oregon International Port of Coos Bay in its efforts to bring jobs to this community. He said they are very glad the Port is here. The Longshoremen fully support everything the Port has been doing, including the rehabbing the rail line and what is taking place on the North Spit. He said the Longshoremen also wrote a letter of support to Oregon Resources Corporation for bringing jobs to Coos Bay. The Longshoremen are starting to get some work with logs and there is talk about wood pellets. Mr. Caldera said ORC may be shipping ore through either Ocean Terminals or Roseburg Lumber, which will give them work. He repeated that the Longshoremen fully support all of these efforts and these companies and organizations.

Richard Chasm

Mr. Chasm said he was from Roseburg. He said Martin Callery made a presentation to a group of realtors at a Commercial Exchange Conference in Canyonville last week. He said he might have misunderstood what Mr. Callery said about future plans for vessels of the post-Panamax size for the new locks being constructed in the Panama Canal and future visits of those vessels to the Port

of Coos Bay. Mr. Chasm said he wanted to know if this was true and would that involve further dredging and widening of the bar for these huge vessels.

Mr. Chasm said he also wanted to comment directly to Mr. Williams and to the Longshoremen. He said he was glad that they had work, but he is from Douglas County and mills there are shutting down because they don't have logs. The Chinese are buying the logs from underneath the mills. He said C & D Lumber is working one week on and one week off. He said the jobs here are causing a lot of people one county over to be out of work, because they cannot get logs. He said the environmental groups have been meeting in collaboration with loggers and landowners and one thing that comes up, aside from arguing about logging practices, is the mills are actually pretty clean. He said these are friends and neighbors and people need to figure something out. The big issue to them is log exports and it hurts them a lot. Someone in the audience suggested that he talk to the Forest Service and BLM about logs. Mr. Chasm responded that they have been talking to both agencies. He said there has been ongoing dialog and they are now trying to get it together to address some of these issues but right now, mills are not running in Roseburg and in Douglas County because they cannot get logs.

Mr. Chasm asked again if the Panamax vessels were a real possibility with vessels that size in the Port of Coos Bay. Mr. Bishop responded that the Port has been engaged in what is called a Section 203 feasibility study since 2008. He said the EIS is expected to be released in March 2012. Mr. Bishop said it contains two alternatives that have been proposed for the EIS with one of the alternatives accommodating that type of a ship. Mr. Chasm asked if it would require widening the jetties. Mr. Bishop responded that the jetties are sufficiently wide but it would require widening and deepening of the channel.

Mr. Williams asked to speak and said this area could be putting out a ship a week of lumber if there were a lumber dock. He said that not having a lumber dock is one of the problems. There could product from Roseburg coming here, as well as the mills locally exporting if there was a lumber dock. Commissioner Kronsteiner thanked Mr. Williams for his comment.

Dana Gaab

Mr. Gaab said he had a couple of comments and was sorry that he would be unable to attend the public hearing on the exemption of the competitive bids but in lieu of attending he wanted to go on record saying he believes Mr. Kronsteiner and West Coast Contractors should exempt themselves from the bidding process because of the appearance of impropriety. His second point concerned Mr. Bishop's comment about alternative energies and that one of the negative aspects of it was that they generally require subsidies. Mr. Gaab said he felt Jordan Cove was getting plenty of subsidies so he felt the comment was border line hypocritical.

Al Pettit

Mr. Pettit said he owned the Harley Davidson shop and is one of a handful of businesses still surviving in Coos Bay. He said he has lived and worked all over the world and came to Coos Bay in 2006 because he wanted to be a Harley owner and he felt that Coos Bay held a lot of promise. Mr. Pettit wanted to touch on a few things that Mr. Bishop had touched on. He said if he looks at the bigger picture in Coos County today, the county has had zero population growth over the last 10 years. He said he had seen a statistic that stated every person over 40 years of age who moves into Coos Bay, someone under 30 years of age moves out. The community is

figuratively and literally dying. This county is dying from an age standpoint. It is falling behind in the state average per capita income. Coos County residents make about \$10,000 less than the average person in Oregon. Unemployment is higher here than statewide or nationwide. In tracking school testing for Coos Bay and North Bend last year, out of 200-plus school districts, North Bend came in at 134th and Coos Bay at 135th. Both are underperforming and in the lower 75 percentile. When you see the state's high school dropout averages, this county underperforms in the state averages in advanced degrees. He said it stands to reason why kids go off to college and don't return because there is no reason to return.

Mr. Pettit said this county leads the state in certain cancer categories. An article came out today stating that Coos County is one of the unhealthiest counties in the state. It exceeds the state and federal percentages for households at the poverty level. As Mr. Bishop pointed out, the area far exceeds the state average for behavioral crimes. It exceeds the state average in child abuse per capita. Mr. Pettit said Fedoras, which is the bible for international travelers, had negative comments about Coos Bay. These are people who don't have an axe to grind, he said. They have never lived here. They simply visited here and that is their perception. He said the region is not rebounding to anything from an economic standpoint. There is no Fair Housing Act. People basically need to rebuild this county, this state and this nation. The area has lost manufacturing jobs and needs to rebuild. Mr. Pettit said there is a lot of opportunity here that a lot of other counties and states don't have. LNG is an opportunity and there are other opportunities for this Port that people need to take advantage of. It represents jobs. Mr. Pettit said at his business downtown, every day homeless people come in for coffee. Some days the stench of urine and alcohol is so strong that it is nauseating. He said he has meth addicts come in. He said last year two came in with weapons in their coats. This is what he deals with as a business person in Coos Bay. His display flags outside his store have been stolen and the back of his building has been vandalized for the third time in a year. Mr. Pettit said it doesn't have to be this way and that jobs fix a lot of social ills. He hoped that the community would take advantage of the Port.

Jody McCaffree

Ms. McCaffree said she didn't know what the Weyerhaeuser information was on the agenda because it was a "walk-on" and there was no way for her to comment on it specifically without seeing the information. She showed a petition that she said had been signed by thousands of people who did not approve of the Jordan Cove LNG project. She said the Port never did listen or consider these people or ask why they had a problem with the project. She said it's not true that some people don't want jobs or a cargo terminal. She said that if the Port allows the Jordan Cove facility to come here it will endanger the ability to do the cargo terminal. She said there are zones around an LNG facility and if the Port would have done as the city of Long Beach did and hired a consultant to look into these issues, the Port would understand. She said there is no market for LNG. The LNG export facility in Alaska is closing and a lot of people are going to lose their jobs. There is plenty of supply. The market is weak and there is a glut of LNG, and even though Japan may need additional gas, the Alaska facility is closing. Ms. McCaffree quoted an Oct. 10, 2010, Register-Guard article in which Mr. Braddock said, "There is no one there. There is no one that is knocking on our door." She said there is no market for LNG even if Jordan Cove gets its permits. She said a few years back the Washington Public Power Supply System said people need nuclear power and started building nuclear power plants. Now there is one that is fully built and has never operated one day and cost \$2.6 billion. She said the Port doesn't do land use planning or any kind of planning. It doesn't have meetings where people can

come and give input. The Port just explains what it is doing and people can come and talk, but the Port doesn't have to listen. She said it is frustrating.

Ms. McCaffree said she had contacted wind turbine producer Vestas and it is willing to work with anybody who wants to build offshore or onshore wind. She said she didn't think the Port had contacted them. She said she had contacted Horizon, which is one of the top wind turbine companies. A person can see wind turbines all across the country, but there aren't any here because the Port is stuck on this one detrimental boat. An LNG facility limits what you can do adjacent to the facility. That means the Gateway cargo terminal is in jeopardy if this facility comes in. Opponents have submitted much information to FERC on this. Opponents have legitimate concerns and are not against jobs. That is how they have been labeled and that is not fair. Ms. McCaffree said she has a business that has been hit. She would like to be more prosperous. Other communities are pursuing alternative energy industries. It's happening in the unions in other places. This Port needs to broaden its horizons. The South Coast Development Council did a wonderful thing, bringing in the American Institute of Architects to lay out recommendations. Ms. McCaffree recommended the Port look into this because there are solutions for development. The Port developed the T dock and the barges that were supposed to create all of these jobs and they didn't do it. The Port needs to quit repeating the same things of the past. Ms. McCaffree said she is for creating jobs and would love to be on a team that was progressive and considered 21st century jobs and brought them here.

Jan Dilley

Ms. Dilley said that at the last meeting, Mr. Bishop had a stellar presentation on all of the things the community is losing because of not having LNG. He named 600 jobs. By the time it hit the paper a couple of weeks ago, it was 800 jobs. She said she could understand that promoters would exaggerate and mislead but she felt it was very irresponsible for the Commission to name 600 jobs. She said she assumed the Port had not read the Jordan Cove EIS, but that is what Jordan Cove has promised in the EIS. In the final EIS, it says on April 8, 2012, operations of the proposed LNG terminal would require an estimated permanent staff of 56 employees. As many as 70% or 39 employees could be hired locally. She said that's all the whole big Jordan Cove Pacific Connector project would entail – bringing in 39 jobs. Small businesses are bringing in numbers like that or even more. The 600 or 800 jobs are temporary imported labor and that does not add to the economy, because all of the taxes and money go out of the state. The LNG crew is an international crew, so it won't pay federal taxes because the money will go out of the country. Ms. Dilley said she didn't understand the logic of comparing companies built on bedrock in Japan to a plant built on sand at the North Spit. She said she knows they consulted with tsunami people, but a 9 point earthquake would liquefy sand and if engineers can do it safely, how would they respond to a plant that is five feet in quicksand? When the power is out, how would they turn off everything or keep the gas cool? She said they can't. Japan had trouble with the radioactive material. What happens when it's not super cooled anymore? Kaboom, and that is the only scenario that can come from this, she said. Ms. Dilley said she feels the Commission has made a concerted effort to avoid public confrontation or public information. Ms. McCaffree showed how many people are against LNG and they were written off like a few crazies. She felt it would behoove the Port to use the public to check things out and gain a lot of free research.

Commissioner Kronsteiner asked Ms. Dilley to complete her comments. Ms. Dilley said with if Jordan Cove had been above board, people could have known that the EIS must show a need before it can use eminent domain to take property from people. She said Mr. Braddock is right; it

is crazy to consider export because he would have to do the EIS again. The current EIS doesn't show a need for import and certainly doesn't have a public need for export. Commissioner McKeown wanted to clarify that the way some of the conversation was going people are assuming this is the Port's permit, when it is Jordan Cove's permit. Commissioner McKeown said it is not the Port's permitting process and there seems to be some confusion over it. It is Jordan Cove's job to prove its project is worthy and FERC will award a permit. The Port is not involved in that process. The Port was involved in having an option on a piece of land. Commissioner McKeown felt a lot of the comments were coming to the Port inappropriately because it's not the Port's process; it's Jordan Cove's process. Commissioner Kronsteiner commented to Ms. Dilley that she was stating assumptions the Commission doesn't consider public input and comment. He wanted her to know that the Commission does consider all of it and when there is valuable information the Commission does pursue it. Ms. Dilley commented said that because the Port had spoken for the Jordan Cove project it is not out of it. Commissioner McKeown said the Commission has a different perception than she has but it's still not the Port's process. She wanted to make sure that everyone in the audience understood that.

8. ACTION ITEMS/REPORTS:

A. Revised Local Public Contracting Rules and Resolution No. 10/11 – 3 Adopting Public Contracting Rules & Prescribing Rules of Procedure.

Mr. Stebbins said this request is to adopt new and revised public contracting rules. The action requested is Commission approval of Resolution No. 10/11 – 3, adopting Public Contracting Rules and Prescribing Rules of Procedure for Public Contracting. The Port adopted the current rules in 2005. The rules are based on Oregon law, which calls for a sound and responsive contracting system allowing impartial, meaningful and open competition and discouraging favoritism. That policy was based on a combination of state statutes, Oregon attorney general's rules and local rules. Since that time, there have been significant changes in the state statutes governing public contracting and in the Oregon attorney general's rules interpreting those statutes. There has been obvious change in the Port's needs to have more comprehensive rules governing public contracting. This has especially become evident with the increased activity involving opening the Coos Bay rail line. Work to update the rules began in July 2010. The updated rules are a combination of state statute, attorney general rules and local rules. The Port's local rules take advantage of options provided by the state statutes and administrative rules, and provide rules in areas where there is no guidance from the state statutes or administrative rules. Some of the more significant changes in these local rules allow the Local Contract Review Board (LCRB, the Port Commission) to grant the staff more latitude in soliciting and awarding contracts. State Statute and Section 4 of the local rules deal with intermediate procurements defined as any procurement of goods or services exceeding \$5,000, but not exceeding \$150,000. Under these rules, the Port CEO, or his designee, can solicit and award a contract for goods and services less than \$150,000 without prior authorization by the Commission. Section 5 deals with personal services contracts and designates certain service contracts as personal service contracts, allowing them to be administered under these rules.

This section also gives the CEO, or his designee, the authority to determine whether a particular contract for service falls within the definition of a personal services contract. Mr. Stebbins said that becomes important in deciding whether it's a personal services contract or a public improvement, which can, for instance, help differentiate hiring people to work on the rail

crossing versus hiring someone design it. If someone comes to build it, it becomes a public improvement. Section 5.2 deals with the procedure for soliciting offers for personal service contracts less than \$250,000. If the Port has budgeted the funds, and Port staff has authorized the solicitation, personal service contracts involving an anticipated fee of less than \$250,000 may be solicited and awarded by the CEO, or his designee, using whatever solicitation process is practically convenient. For all personal services contracts in excess of \$50,000 per fiscal year, or more than \$250,000 where funds are not budgeted, the LCRB must award the contract at a meeting, following the solicitation of the contract based on procedures and selection criteria adopted by the Board prior to the solicitation.

There will be two meetings of the LCRB for contracts that have not been included in the budget: 1) to adopt the procedures and selection criteria and, 2) to award the contract after solicitation. Section 8 deals with public improvement contracts where there is an exception to the competitive bid requirements contained in Section 8.6.4. This section allows the Port to use procedures other than a competitive bid for contracts that do not exceed \$100,000. The Port can solicit and award contracts by seeking oral or written quotes. Mr. Stebbins apologized for the lengthy presentation but he wanted to explain the more important changes that were in the document. These include examples of contracts that the Port weren't included in the local or state rules, including property and equipment disposal. In summary, the new rules are designed to assist Port staff in securing goods and services and contracting for public improvements. They are also designed to continue the policy of open and competitive bidding. The Port is requesting from the Commission approval of the Resolution 10/11 – 3 Adopting Public Contracting Rules and Prescribing Rules of Procedure for Public Contracting. Commissioner McKeown commented that she had read the information and said it was complicated and lengthy and understood the need for the changes. Mr. Stebbins thanked Port staff for their help in preparing the documents.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the Revised Local Public Contracting Rules and Resolution No. 10/11 – 3 Adopting Public Contracting Rules & Prescribing Rules of Procedure. Motion carried.

B. Ratify Declaration of Emergency Related to Rail Road Emergency Repair Contracts and Adopting Resolution 10/11 – 4 Ratifying the Emergency Declaration by Port Staff for Emergency Repairs to the Coos Bay Rail Line

Mr. Bishop discussed the history of funding for improvements to the rail line, starting with October 2010 when USDOT awarded the Port a Tiger II grant and the Port's challenges in obtaining funding commitment due to the budget discussions in Washington, D.C. As a result of the delay, the Port is just now getting to the point of receiving notices to proceed from the USDOT. Staff had intended to be out to bid in January and would have followed the normal contract process to have met the target date of June. Those matters were out of the Port's control and it wasn't until mid-April that the Port received the final financial terms allowing it to move forward. Mr. Bishop said as of April 6, 2011, circumstances have developed that require immediate emergency repairs to the rail line. The Port has been approached by a substantial business with commercial interests in the Coos Bay area with a request that rail service between Eugene and Coos Bay be resumed no later than June 20, 2011. If the line can be opened by then, this business can take advantage of an economic opportunity for itself and for the Coos Bay area. Unless the Port is authorized now to make at least the first stage of the necessary repairs to

reopen the rail line, the business will not be able to take advantage of the opportunity that has been presented. The Port needs to solicit potential contractors and enter into rail line repair contracts on an emergency basis to accommodate a schedule that will get the rail line open by June 20. An example of the contracts that likely would be negotiated under this emergency clause are those for tunnel repair, which are necessary before other work can be done on the rail and railroad bed; geometry testing, which involves essential measurements such as the distance between rails to determine that they are properly configured; vegetation and weed spray along the tracks; and work to clear sand deposited on the tracks since the line has been inactive. Mr. Bishop said the action requested of the Commission is motion to approve Resolution No. 10/11 – 4, ratifying the Emergency Declaration of the CEO and exempting a series of contracts from competitive bidding requirements for Emergency Repairs of the CBRL and authorizing Port staff to solicit quotes and/or proposals for the repair projects. Mr. Bishop said he had asked Mr. Lovelady to give a quick presentation on the work the Port is proposing that would be covered by this action. Mr. Bishop said the repairs are just a fraction of the total work that will be performed.

Mr. Lovelady said the major rehabilitation work would be ongoing once rail service is started. The repairs will continue while working around the trains that are running. He said with this new opportunity carloads will begin at 200 per month and eventually grow to 500 a month. The emergency work is to the North Spit. The Port will entertain an opportunity to transload on the other side of the bridge for shippers south of the bridge. Port staff is working with this potential customer to finalize commitments and schedules and is hoping to be open for service at the end of June or early July. Service will be determined by the number of weekly carloads. Initially, the line would serve about 40 carloads per week requiring two trains a week, until it grows to 500 carloads a month. Currently, all of the stations on the line are embargoed or closed. Union Pacific has an embargo and will need to lift it. The Port will need to embargo the stations south of the rail bridge until the bridge has been repaired. Commissioner McKeown asked for an explanation of an embargoed station. Mr. Lovelady said an embargoed station is a restriction that is put on the line that no shipments can go to or from that station by rail. Mr. Lovelady explained some of the administrative duties required to get the line reopened by the end of June including:

- Notify Union Pacific and complete UP cooperative marketing and interchange agreements, with waivers to interchange with partners Portland & Western and CORP.
- Notification to Federal Railroad Administration and ODOT Rail.
- Selection of Rail Line Operator – operations start-up plan. (Locomotives, personnel, rules and communication systems required to run a rail road, etc.). Mr. Lovelady said discussion of the rail line operator would occur later in the meeting.

Once there is a commitment from the shipper, Port staff would notify all of the other shippers and discuss their plans. In addition, Port staff would need to notify the public of the date the line is reopening, because there are a lot of cars parked on the rail track and a lot of people walk on the rail tracks. Mr. Lovelady said the Port will enlist the services of Operation Lifesaver in making the public aware of the start of rail service.

Mr. Lovelady said the list of emergency work is not long when you look at it in the context of all of the work that is going to be done. He said he had spoken to the track inspectors today and they felt it would take 2,000 emergency ties, while the major rehabilitation plan calls for 120,000 ties overall. Mr. Lovelady said when the rail line opens the track speed will be at Class 1 or 10 mph but the hope is to eventually operate it at Federal Railroad Administration (FRA) Class 2 which is 25 mph. Some of the emergency work includes the following:

- Replace crossties to meet minimum Federal Railroad Administration standards for Exempt Track (10 mph), Class 1 (10 mph), or Class 2 (25 mph). Includes replacing defective track in Tunnel #15.
- Replace defective rails identified during rail-flaw testing.
- Repair wide gauge identified in geometry car tests (standard is 56 ½”).
- Repair cross level surface issues identified by geometry car tests (includes some ballast rock).

Commissioner Kronsteiner asked if the defective rails were still considered to be in the curves where they weren't oiled. Mr. Lovelady said they would be rails with internal defects that were identified by a rail X-ray machine. Some of the curve rail needs to be changed, but at a speed of 10 mph it will be adequate. That work will be done in the major rehabilitation.

Mr. Lovelady continued with the additional emergency work that had been identified including:

- Inspect and repair all switches that will be used.
- Repair critical drainage issues including those in Tunnels #15 and #19.
- Repairs to Tunnel #13 (fallen sets) and Tunnels #20 and #21 (spalling shotcrete). Inspection this week to identify any additional issues.
- Bridge repairs between Danebo and Cordes (swing bridges at Siuslaw and Umpqua are critical). The bridge inspections have been partially completed and will need to be finished.

Mr. Lovelady said the non-emergency repairs that will be done with the normal bid procedure include:

- Remove large amounts of sand between Hauser to Cordes.
- Vegetation management program - topical program only with a fall follow-up program.
- Put at-grade crossing signals into service.
- Geometry test to identify wide gauge and surface problems.
- Replace missing signage – stop signs, crossing signs, mileposts, etc.
- Execute track lease with International Paper for service to American Bridge.
- Set track speeds. Most will be at 10 mph but it would enhance the operator's ability to operate in some areas at 25 mph.

Mr. Lovelady said there are some challenges to opening the line by the end of June including:

- Identification of required structural repairs to one or more bridges that cannot be performed in time may delay opening.
- In-water work that would require environmental permitting for a bridge or track repair that cannot be obtained in time.
- Contractor availability and scheduling.
- Operator ability to obtain locomotives and hire crews on time with rules and regulations in place.
- Administrative requirements with UP such as interchange and cooperative marketing agreements that cannot be obtained on time.
- Customer's ability to secure necessary cars for shipments.

Commissioner McKeown asked if the Port goes through the emergency repair process, which is a very small piece of the overall rehabilitation, whether it is an advantage or disadvantage to local contractors if they want to be involved in this process. Mr. Lovelady said he didn't feel it

would change much and it might even be a little bit of an advantage, because there is less of a requirement for bid bonds that some smaller local contractors can't meet. He said for the most part, this type of work – such as putting in ties, changing out rails, and repairing tunnels – requires specialized equipment and the companies that are here don't do that type of work. Mr. Lovelady said contractors that do this specialized work will be directed to hire as many local people as possible. These outside contractors will buy all of their fuel, hotel rooms and meals locally as well. Commissioner McKeown asked where the transload site was located. Mr. Lovelady said one doesn't exist but discussions have taken place with American Bridge and Southport Forest Products to see if they would be interested in one at either of their facilities to provide service for customers south of the Coos Bay Rail Bridge. Commissioner McKeown commented as this process unfolds and the full rehabilitation begins, there will be a lot of opportunity for local contractors. She asked if Port staff could host informational meetings for the public and interested parties so they can learn about the process as the opportunities present themselves. Mr. Lovelady said he has been directed by the Port Chief Executive Officer to hold public meetings. He said he will be meeting on Monday with the engineering firm to establish a date and time for a public meeting.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve Resolution No. 10/11 – 4, Board of Commissioners Acting in its Capacity as its Own Local Contract Review Board, Ratifying the Emergency Declaration by Port Staff For Emergency Repairs to the CBRL, Exempting a Series of Contracts for the Repair of the Coos Bay Rail Line from Competitive Bidding Requirements and Ratifying the Solicitation of Quotes and/or Proposals for the Repair Projects by Port Staff. Motion carried.

C. Termination of the Weyerhaeuser Land Option and Amendment of the Jordan Cove Option

Mr. Bishop said the action requested is authorization for the Chief Executive Officer to execute a termination agreement with the Weyerhaeuser Company N.R. for an option for land on the North Spit of Coos County and an amendment of the Jordan Cove Option. Over the term of the business relationship, Jordan Cove Energy Partners has paid the Oregon International Port of Coos Bay between \$11 million and \$12 million. This does not include money paid directly to Coos County, other agencies or private firms in the area. From the money paid to the Port on just the real estate portion of the business deal, Weyerhaeuser, the State of Oregon and Umpqua Bank have made nearly \$3 million each, not to mention the time value of money advantages that Weyerhaeuser had for having possession of the original option, which was \$25 million and was refunded and paid back to the state and Umpqua Bank. The Port has used the proceeds from these funds to pay for consultant fees, lobbyists, studies, recruitments, marketing and legal fees. This enabled the Port to use non-tax dollars to work on a number of special projects that it would probably have never been able to pursue. Mr. Bishop said there is a saying that all things that cannot go on forever must come to an end and it is therefore time for the property option to come to its end.

Mr. Bishop said the Port would execute an agreement that would terminate the Weyerhaeuser agreement. The Port's exit from this transaction will be done in a manner to preserve respective parties' bundle of rights. Jordan Cove, which is entering into an agreement with Weyerhaeuser directly, has agreed to offer excess property to the Oregon International Port of Coos Bay. The

new option with Jordan Cove will be to purchase three separate parcels. One parcel is the Lagoon on the North Spit for a purchase price of \$1. Second is for the purchase of the proposed slip on the North Spit for the price of \$1. Third is the purchase of the Henderson Ranch property for the price of \$1. The fourth option is a complicated option for the mill site. The Port will have the option to market the site for development at a set price, with terms and conditions set by Jordan Cove. The Port also will have the option to acquire the site from Jordan Cove at the effective price paid for the site but the Port is not required to do anything in that regard. Staff is requesting a motion to authorize the Chief Executive Officer to execute a termination agreement with the Weyerhaeuser Company N.R. for an option for land on the North Spit of Coos County and to amend the Jordan Cove Option.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel), the Board of Commissioners voted unanimously to approve termination of the Weyerhaeuser land option and amendment of the Jordan Cove option. Motion carried.

C. Selection of a Preferred Operator for the CBRL and Authority to Begin Negotiations

Mr. Bishop said the Port was pleased to request Commission approval of the selection of a preferred operator for the Coos Bay Rail Link and authorization to begin negotiations. The Port published a request for Qualifications (RFQ) for the selection of the Coos Bay Rail Link operator in July 2010 and received twelve (12) Notices of Intent in August. Staff received ten (10) RFQ responses by September 17, 2010. Port staff, rail consultants and shippers evaluated responses and invited five firms for an interview. The interview phase concluded in January 2011, with participation by the ODOT Rail Division. The operator will provide all train service and maintenance under a contract or lease or other arrangement with the Port. At this time Port staff is pleased to announce the preferred operator is the ARG TRANS of Benson, Arizona. Mr. Bishop said ARG TRANS is the former owner and operator of the Puget Sound and Pacific line, which is the rail line that went to the Port of Grays Harbor, Wash. It is the developer of the unit train grain terminal in Grays Harbor. Unlike any other grain operation there are no silos and there are no elevators. It is unloaded directly from the rail to the shipping site. Mr. Bishop said the company has experience in developing and building port rail systems and has a very successful track record. Commissioner McKeown commented that this has been a long and laborious process and that it is nice to finally be at this point. Commissioner Kronsteiner said he had not heard any ability for this operator to do maintenance and wondered if this was one of the strong points. Mr. Bishop said the ability to do maintenance is a strong point and that ARG TRANS has a long track record in that effort. Mr. Bishop said this is one of the few operators that incorporated a brand image into its approach and it intends to brand the line as the Coos Bay Rail Link and not as a division of their railroad. The locomotives will have a distinct image on the sides and the company will maintain an office here and in Eugene, rather than operating out of a corporate presence somewhere else. Commissioner McKeown asked if there was any idea as to how many jobs would be generated. Mr. Bishop responded that it will depend on the amount of rail traffic and that Port staff will be busy working on securing more traffic.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve selection of a Preferred Operator for the CBRL and authority to begin negotiations. Motion carried.

E. Financial Pledge to the Coos Historical and Maritime Museum

Mr. Bishop said staff was asking for Commission authorization of a financial pledge to the Coos Historical & Maritime Museum. The Museum is attempting to construct a facility on the Coos Bay Waterfront. The Port in 2006 pledged a contribution toward that facility. The Port's mission is primarily focused on maritime commerce, thus the Port is an appropriate contributor. Staff's recommendation is a pledge of \$250,000 with contingencies. First, the money must be paid over no less than two fiscal years. Second, no funding shall be provided until such time as a contract for construction is issued by the Museum. Mr. Bishop said the source of the funds will come from proceeds from the Jordan Cove option. This pledge is in addition to any future "in-kind" contributions from the Port of Coos Bay. Staff is requesting a motion to authorize approval of a financial pledge of \$250,000 (subject to conditions) to the Coos Historical & Maritime Museum as presented by the Chief Executive Officer. Commissioner McKeown commented that Museum Executive Director Anne Donnelly was at tonight's meeting if anyone had questions for her.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel), the Board of Commissioners voted unanimously to approve a financial pledge of \$250,000 to the Coos Historical and Maritime Museum. Motion carried.

Ms. Donnelly expressed her appreciation to the Port for its support of the project and said it comes at a critical time because the Museum is eligible for grants on May 1. This pledge from the Port provides enormous leverage value in addition to its apparent value. Ms. Donnelly said they are excited about the project because of its enormous economic impact in this area by improving people's initial impression of this area as they drive down U.S. Highway 101. Commissioner McKeown thanked Ms. Donnelly for her hard work on the project and hoped to see construction under way by spring 2012.

F. Port Purchase of Real Property in Charleston

Ms. Nichols said the action requested was Commission approval of the Port purchasing real property in Charleston. She said Stephen W. Merrifield and Diane L. Merrifield desire to sell to the Port their property located on Charleston Avenue in Charleston, with all improvements for the sum of two hundred seventy thousand (\$270,000). An earnest money deposit of \$1,000 has been accepted by the Merrifields and will be applied to the purchase price. The Port's obligation to purchase the property is contingent upon satisfaction of approval of physical inspections of the property, which may include, but it not limited to, structural and pest inspections. Closing is scheduled to take place on or before May 31, 2011. Port staff is seeking a bank loan from Oregon Pacific Bank in the amount of \$270,000. The sale agreement has been reviewed by Port's legal counsel. Ms. Nichols said this property has value for the Port's long-term strategic development. She said the Port is not in the business of residential renting so this is an investment property. The action requested of the Commission is approval of real property in Charleston.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the purchase of real property located at 63301 Charleston Avenue in Charleston from Stephen W. Merrifield and Diane L. Merrifield for the sum of two hundred and seventy thousand and 00/00 dollars (\$270,000). Motion carried.

G. Loan Approval from Oregon Pacific Bank for Real Property Purchase in Charleston

Ms. Nichols said Port staff was seeking Commission approval of a bank loan from Oregon Pacific Bank and authorization for Chief Executive Officer and Commission President to sign required and associated documents. Commissioner McKeown asked if the Commission could go ahead and approve the action as they all knew what it was about. Ms. Nichols commented that the Port was looking at a low interest rate at 4.5% and a fee of \$1,350 and a five-year term with monthly payments. The debt will be paid through the property reserve fund.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel), the Board of Commissioners voted unanimously to approve a loan from Oregon Pacific Bank in the amount of \$270,000 for the purchase of real property in Charleston.

H. Citrus Dock and Dolphin Terminal RFP Process

Ms. Hamner said staff was bringing a request to the Commission to evaluate the Citrus Dock and Dolphin Terminal. Port staff would like to seek proposals from qualified firms to evaluate the condition of both facilities in the Upper Bay, including Commission approval of the selection criteria. Ms. Hamner gave background on the facilities, saying that Citrus Dock was the home base for the U.S. Coast Guard Cutter Citrus from 1982 until the vessel was decommissioned in 1995. The building on the site was used for equipment storage and as a crew gathering/socializing area and has basically been unused since that time. The Dolphin Terminal served as a log ship mooring/loading facility until the mid-to-late 1990s. Neither has had consistent commercial use since then, and the Port has not continued to invest in maintenance and upkeep of the facilities. One of the Port goals approved by the Board of Commissioners in November 2010 was to develop a plan for the Upper Bay. The Upper Bay includes both of those terminals. The facilities are north of the proposed historical museum development and north of the current U.S. Coast Guard and U.S. Army Corps facilities. Ms. Hamner said Port staff is hoping to determine whether it is practical to rehabilitate these facilities or whether they should be dismantled. She said there is no one on Port staff who has the ability to evaluate these facilities above and below water, which is the reason staff wants to seek proposals to hire a consultant qualified to assist in the evaluation of the infrastructure and in understanding the costs and alternatives. The Port would be allowed to act as its own LCRB and has created procedures for screening and selecting these consultants. Port staff is asking in a motion to approve the RFP for a qualified firm to evaluate the condition of the Citrus Dock and Dolphin Terminal in Upper Coos Bay, including approval of the selection criteria. Commissioner McKeown said she was excited about this because the buildings aren't very appealing in their current state. With development of the museum, she felt it was appropriate for the Port to take a good look at these facilities to see what could be done with them.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel), the Board of Commissioners voted unanimously to approve the RFP process for Citrus Dock and Dolphin Terminal. Motion carried.

I. Bid Award for Geometry Testing

Mr. Lovelady said Port staff was asking for Commission approval to award the Geometry Testing bid. The Oregon International Port of Coos Bay/Coos Bay Rail Link went out to bid for geometry testing, which is a test to measure track gauge, the distance between the rails, the cross level and the site. He said the cross level are the curves banked for the specific speed that a train would run. The RFQ was for testing from the beginning of the line at Danebo Road in West Eugene to Coquille. There was an alternate deduct on the RFQ to look at the price to determine if the Port could do the entire line. The price came in low enough to pay for the entire line, including the line out on the North Spit. He said there were two bids, with one at \$92,250 and the other at \$40,711. The higher bid included the lateral force testing with hydraulic units that put pressure on the rails and simulate a train lateral force. Staff did not ask for that test in the scope of work. Mr. Lovelady said the action requested is for the Commission to award the Geometry Testing bid with signature authority for the Chief Executive Officer to execute the contract to ENSCO in the amount of \$40,711. Commissioner McKeown asked if the lateral testing would need to be done later. Mr. Lovelady said he didn't think so because of the amount of new ties to be installed. The lateral force test shows where there are weak spots and where you need ties. There have been track engineers out walking the track and identifying tie locations. There are 3,200 ties in a mile and the project will install 800 ties per mile or approximately replacing 25% of the existing ties. Commissioner Hampel asked how long the testing would take. Mr. Lovelady responded it would take approximately three days. The test needs to be done before the emergency work is started.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel), the Board of Commissioners voted unanimously to approve the bid award to ENSCO in the amount of \$40,711 for geometry testing of the CBRL. Motion carried.

J. Hydraulic Hy-rail Equipment Purchase

Mr. Lovelady said this was a request for the Commission to approve the purchase of a hydraulic hy-rail inspection vehicle. The Port had purchased a 1997 hy-rail Ford pickup for \$1,000, which has come in handy and has been used by all of the contractors that have come for various reasons. This vehicle holds two people comfortably but the Port would like a vehicle that can be used for inspecting the rehabilitation work, take Port staff, Port Commissioners, state and federal officials out on the rail line, and for Port business requiring transporting large groups of people for non-rail projects instead of renting a vehicle. Mr. Lovelady said he was looking at a ¾ ton 4-wheel drive Suburban. The Port became a member of the Oregon Cooperative Procurement Program. Port staff would use this program to purchase a vehicle at a substantial savings. Mr. Lovelady said online vehicle prices are around \$42,000. He has checked with a couple of companies who participate in the OCPP. Mr. Bishop asked that Mr. Lovelady refrain from saying the price, because he wanted to suggest an addendum to Mr. Lovelady's proposal. Mr. Bishop said the state contracts are negotiated, a dealer that has the contract is selected, and neither of those dealers is located in Coos County. Mr. Bishop said the Port would like to provide an opportunity for the local dealerships to provide a quote on a vehicle. Port staff has prepared a bid specification that is identical to the state contract so local dealers can provide a quote to the standards. He said if Mr. Lovelady doesn't say the price, then there won't be a public record, so these dealerships can have an opportunity to sharpen their pencils and submit a bid. Mr. Lovelady said the hy-rail equipment will be hydraulic and will be operated from inside of the vehicle rather than manually from outside of the car. There is only one company in the Pacific Northwest that provides that service. The company is located in Vancouver, Wash. It

does hydraulic hy-rail installations, repairs and inspections for both the Burlington Northern Santa Fe and Union Pacific railroads. If the Port is allowed to purchase a vehicle, it would be a single-source procurement from this company. The vehicle would be taken up to Vancouver to have the equipment installed. Mr. Lovelady said \$105,000 has been budgeted to purchase vehicles. Port staff is recommending approval of an expenditure of up to \$70,000 to complete this purchase. The action requested from the Commission is a motion to approve the purchase of a hydraulic hy-rail inspection vehicle and equipment.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the purchase of an inspection vehicle and hydraulic hy-rail equipment not to exceed \$70,000. Motion carried.

K. Intergovernmental Agreement Between the city of Veneta and the Oregon International Port of Coos Bay/CBRL

Mr. Lovelady said this is an intergovernmental agreement between the city of Veneta and the Oregon International Port of Coos Bay. There is rail right-of-way property in Veneta. The City approached the Port because the property is overgrown with blackberries and brush, and there are vagrants. The City would like to have an intergovernmental agreement with the Port and the CBRL for cleaning the property, planting trees and shrubs and provide ongoing maintenance. Mr. Lovelady showed a map of the area and said the railroad right-of-way is about 200 feet on the side of the track. The City would not encroach on the 25-foot area adjacent to the centerline of the track where it could not work without written consent from the railroad. The City has agreed not to plant trees with 50 feet of the track. Port attorneys have reviewed and approved the agreement and both parties have mutually agreed to indemnify, defend and hold each other harmless against any and all claims, demands, liabilities and costs incurred by either party including their commissioners, councilors, employees, officers, directors and agents. Either party may terminate this agreement at any time by delivering a 30-day notice. The agreement will remain in effect until terminated by one or both parties. Mr. Lovelady said the action requested of the Commission is a motion to approve the intergovernmental agreement between the city of Veneta and the Oregon International Port of Coos Bay/CBRL, with signature authority for the Chief Executive Officer to execute the agreement. Commissioner Kronsteiner commented that this will be a mutually beneficial move. Mr. Lovelady said the area is a mess and it will look very nice. He said there is a new road and a new park there, so it will really help the look of the area.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel), the Board of Commissioners voted unanimously to approve the Intergovernmental Agreement between the city of Veneta and the Oregon International Port of Coos Bay/CBRL with signature authority for the Chief Executive Officer to execute the agreement. Motion carried.

9. OTHER:

10. INFORMATION ITEMS:

- A. April Business Center Newsletter
- B. AAPA Commissioners Seminar
- C. PNWA Thank You Note

11. COMMISSION COMMENTS:

Commissioner McKeown said there was an article in the Commission packet on the Port's best practices green terminal design and construction. She wanted to continue to bring attention to the fact that one day hopefully the Port will build a terminal and will send staff and Commissioners to a conference so they could remain focused on the fact that we can do a project in an environmentally friendly way. She felt the article was very interesting and she appreciated receiving it.

12. NEXT MEETING DATE: Thursday, May 19, 2011

13. ADJOURN:

The regular Commission meeting adjourned at 8:50 p.m. Commissioner Kronsteiner recessed the regular meeting to the public hearing. Mr. Bishop said he did not anticipate any action out of the executive session, which would follow the public hearing.

14. PUBLIC HEARING ON EXEMPTION FROM THE COMPETITIVE BIDDING REQUIREMENT TO SOLICIT DESIGN-BUILD PROPOSALS FOR CBRL.

A. Open Public Hearing

Commissioner Kronsteiner opened the public hearing on exemption from the competitive bidding requirement to solicit design-build proposals for the Coos Bay Rail Link at 8:51 p.m.

B. Call for Comment

Mary Geddry from Coquille said she felt it was very inappropriate for the CEO to engage in name calling in his public presentations and referring to people as NIMBYS. Commissioner Kronsteiner asked Ms. Geddry if her comments had to do with the public hearing. Ms. Geddry responded yes they did and suggested the CEO read the materials that are presented to him. She felt his behavior was indicative of his not reading the information. She encouraged him to invite some of the NIMBYS to have dialogue. She said regarding the non-competitive bidding she wanted to go on record and say she didn't believe in catering to the needs of a private company's theoretical emergency and asked if they had a contract yet or were they going out to bid. She didn't feel it qualified as an emergency.

Jody McCaffree

Ms. McCaffree asked if this was just for certain small projects or whether it was going to be from now on for everything. Mr. Bishop said it would be for a very limited duration and a one-time option for a very small segment of work. He said the rest of the work would fall under the normal bid process.

Mr. Lovelady said the public hearing was for a design-build project that is going out to bid for railroad train detection. He said design-build requires a public hearing. The reason the Port is going to bid this as a design-build is because it is basically a replacement of signal parts that are already there. It is an upgrade to train detection electronics, in addition to an upgrade to the lights and wiring and, in some cases, to the signal cases. There will be new bells and new signal plans that will remain in the signal cabinets. Mr. Lovelady said by doing this, it gives maximum flexibility and the biggest bang for the Port's buck. Whoever is selected to do the work will do the design also. Staff will take the design and have an engineering firm review it and then review

the work once it has been completed. Commissioner Kronsteiner asked how long the design firms will have to respond with a proposal. Mr. Lovelady said the information has not yet been sent out for bid and typically it is two to three weeks. Mr. Stebbins said as a point of clarification this avoids the necessity of having to go out to bid twice. He said when the Port does this it will be a regular request for proposals and competitive bid process. This is just an alternative way of doing that. Mr. Bishop said this is not abbreviated; this is just a different process. Commissioner Kronsteiner asked if there were any other comments. Hearing none he closed the public hearing.

D. Close Public Hearing at 8:55 p.m.

Commissioner Kronsteiner adjourned the meeting to executive session at 8:55 p.m.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary