

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
REGULAR COMMISSION MEETING MINUTES
Thursday, May 19, 2011
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 – ABSENT; Jerry Hampel, Commissioner – ABSENT.

Staff: Jeffrey Bishop, Chief Executive Officer; David Koch, Chief Operating Officer; Martin Callery, Chief Commercial Officer, ABSENT; Donna Nichols, Chief Financial Officer; Kathy Wall, Harbormaster; 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: Jan Dilley, Jody McCaffree, Carol Sanders, Jessie Higgins, Scott Parkinson, Carole Knapel, Richard Dybevik, Christine Dybevik, Larry Moore, Clair Farnsworth, Mark Wall, Sarah Wall, Katelyn Wall, Jack Jones, Janet McNew; and Port Staff Leslie Farnsworth and Frank McNew.

1. Call Meeting to Order: Commissioner Kronsteiner called the meeting to order at 7:01 p.m. He said Commissioners Scott and Hampel would be absent this evening as they were out of town.
2. Introduction of Guests:
3. Adjourn to Executive Session: Commissioner Kronsteiner said the Executive Session will be moved to the end of the meeting tonight.
4. CONSENT ITEMS:
 - A. Minutes: Approval of April 21, 2011 Minutes
 - B. Approval of Invoices through May 12, 2011 Totaling \$810,838.25
 - C. Approval of Sale of Real Property to Southport ChipCo, LLC
 - D. Ratification of Supplement to License Agreement for Southport ChipCo, LLC
 - E. Formal Ratification of FEMA Contract to Receive Federal Relief Funds

Upon a motion by Commissioner Smith (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the minutes of April 21, 2011, invoices through May 12, 2011, totaling \$810,838.25; sale of real property to Southport ChipCo LLC; ratification of supplement to license agreement for Southport ChipCo LLC; and formal ratification of FEMA contract to receive federal relief funds. Motion carried.

5. MANAGEMENT REPORTS:

A. Chief Executive Officer – Jeff Bishop
Mr. Bishop did not have a management report to present this evening.

B. Chief Operating Officer - David Koch
Mr. Koch said the Port had recently received the report on the appropriations for the U.S. Army Corps of Engineers (ACOE) work plan for the remainder of fiscal year 2010/11. The President's budget originally slated \$4,697,000 million for dredging Coos Bay. However, the final ACOE budget came in at \$5,472,000. Mr. Koch said he believed it was because dredging had been added back in for the Charleston Marina leading into the channel. Mr. Koch said that was very good news based on the report received last month from the

ACOE's John Craig about shoaling at Point Adams and he expected the additional appropriations will help take care of this issue.

Mr. Koch said last month the CEO reported the Port would obtain an updated economic study on the financial impacts of the LNG project to be submitted to the Division of State Lands (DSL) as part of the permit review for the Oregon Gateway Terminal slip application. The Port received the report dated April 27, 2011, from ECONorthwest. Mr. Koch said he would walk the Commission through the study. He said the report covered two main topics, including an overview of the Coos County economy and a discussion of the economic impacts of the proposed Jordan Cove LNG project, including a summary of past and recent research and net changes in jobs and earnings. He said the report was prepared by Robert Whelan, a senior project manager with ECONorthwest who has been with the firm since 1996. Mr. Whelan specializes in this type of market research as well as strategic planning, feasibility analysis and economic forecasting. He has successfully used his skills to advise Indian tribes, local governments, nonprofit organizations and businesses on strategies, new developments, expansions, and social/economic assessments.

Mr. Koch started with an overview of the Coos County economy, saying the historical foundation includes forestry, fishing and coal mining. There has been a decline since the mid-20th century in those industries, along with stagnant total employment and declining per capita income for at least 35 years. He said there has been increasing dependence on tourism as a main source of exporting, including the Bandon Dunes Golf Resort and The Mill Casino-Hotel as the two drivers of the tourism industry. There also has been an increase in dependence on government employment and the transfer base in Coos County, including both Social Security and welfare payments. The report indicates that these shifts show a structurally weak economy. This is reflected in the comparatively high unemployment rate for Coos County. The average unemployment rate over the past two years has improved, but Coos County's rate still is higher than Oregon's jobless rate two years ago. The county's numbers are consistently higher than the statewide average, which is consistently higher than the U. S. average.

Looking at an overview of the economy and the sources of per capita income in 2009, \$933 million per capita income in Coos County was working wages; \$520 million was from retirement, Social Security, pensions and other retirement funds; \$438 million from investments; and \$94 million was from welfare, Social Security other retirement plans. Another weakness that was identified in the report for the county economy is the percentage of jobs in government employment as opposed to private employment. Statewide, 18.7% of Oregonians are government employees, whereas in Coos County the number is 29%. Mr. Koch said 47 % personal income in Coos County is derived from payroll compared to 60% statewide. In addition, welfare, retirement and Social Security transfer payments that come into the county represent a higher percentage than statewide. Mr. Koch said labor earnings lag in Coos County because there is no job growth in Coos County. In Coos County, there are fewer jobs today than there were in 1978 compared to statewide, where the report shows there is 56% additional employment. Tourism has grown in Coos County as related to employment, but that is not enough to overcome the weaknesses of the other sectors particularly when comparing the average annual wages associated with those sectors as follows:

- Tourism-related clerks: \$21,000.
- Lumber-related manufacturing workers: \$26,000 - \$47,000.
- Metal workers: \$35,000 annually.
- Railroad workers: \$42,000 - \$51,000.
- Straight-time wage for Longshore workers: \$66,000.

Mr. Koch said this demonstrates that all employment is not created equally when it comes to the impact on payroll and the economy.

Mr. Koch said the report goes on to evaluate the economic impact of the proposed liquefied natural gas (LNG) project. He said as he goes through the presentation he would talk about the assumptions that went into the

study. He said the study solely evaluates the LNG project as an import terminal and does not factor in any additional economic impact from doing a dual import-export facility. It assumes an average of 80 LNG tankers deliver annually. The facility stores and converts LNG into natural gas for delivery through a pipeline. It has a capacity to deliver 365 billion cubic feet (BCF) via pipelines annually, but would average input and output of 292 BCF. It would be a \$1.2 billion facility with a 42-month construction schedule.

The study evaluates direct impacts as measured by jobs and earnings at the upland terminal and berth, in addition to non-direct impacts resulting from local purchases of goods and services multiplied as dollars spent throughout the county. It relies on the 2010 IMPLAN economic model for Coos County.

The terminal construction over 42 months indicates the following:

- \$259.5 million in total labor earnings
 - \$192.7 million at the construction site
 - \$66.8 million in the countywide supply chain
- 989 jobs per month during construction added to the economy
 - 430 jobs at the construction site
 - 559 jobs from non-direct economic activity

The economic impact of the 18-month construction of the slip and berth additionally add:

- \$26.3 million in total labor earnings
 - \$18.1 million at construction site
 - \$10.3 million countywide supply chain
- 271 jobs per month during construction
 - 75 jobs at construction site
 - 196 jobs from non-direct economic activity

Mr. Koch said the study also evaluates how the jobs would be spread in the economy. It identified direct jobs related to LNG terminal operation, indirect jobs in the area and the savings in utility bills for both residential and business customers. The savings dollars would be freed up to be spent in businesses in the community, as well as further investment for the businesses that were saving money through utility savings. The impact is nearly \$14 million annually just from the LNG operations. Additionally, there is more than \$2 million in additional spending related to residential energy costs and business energy cost savings.

Mr. Koch said looking at the slip in addition to the terminal, there is an additional 26 direct jobs with \$2.2 million in annual payroll and non-direct impact of 62 jobs with \$2.5 million in annual payroll. He said the report concludes by evaluating the other facilities that have been and are being evaluated for Coos Bay in addition to LNG. These are facilities that are deemed to be not an either/or proposition, but could be located on the bay in addition to the LNG project and could be facilitated by the development of the slip and the economic benefits that come from co-locating facilities on the slip. Mr. Koch said a bulk mineral export terminal could result in 453 direct and non-direct jobs and an additional \$26.7 million in annual payroll. A 725,000 TEU container terminal could add more than 1,400 direct and non-direct jobs with \$83.8 million in annual payroll. Mr. Koch commented if he drew a conclusion from the report, it would be that any job is a good job and some jobs are better than others. Commissioner McKeown asked if there was an assumption that this is just an import facility. Mr. Koch responded that the LNG numbers are based on only an import facility because that is all that has been applied for at this point. Commissioner Kronsteiner asked if the construction numbers were only for the terminal and not the pipeline. Mr. Koch responded that was correct.

C. Chief Commercial Officer - Martin Callery - ABSENT

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

Mr. Lovelady said he had submitted a written report and would be happy to answer questions. He gave an update on the proposed temporary service, saying the proposed timeline for repairs on bridges might slow the opening date. An inspection of all of the bridges from Danebo to the North Spit has just been completed. The preliminary report is very favorable. With minor work, the line should be able to open for 10-mph service during weekdays. The major bridge rehabilitation would be able to continue while running trains.

Mr. Lovelady introduced Scott Parkinson, President of ARG Trans, who's Arizona-based company was selected to operate the Coos Bay Rail Link (CBR). Mr. Parkinson said his company offers rail and rail-related transportation services focusing attention in the greater West. He said rail activities are in Arizona and the company owns and operates the San Pedro and Southwestern railroad, which is a freight railroad serving agriculture, mining chemical and mining oriented commodities in Arizona. His strategic focus looks to bringing ARG Trans' management team and experience to select properties. He said they were very excited to be selected to operate the CBR and look forward to working with the Port. Mr. Parkinson gave background on his company saying it was the successor company to a previous company called the Park Sierra Rail Group, which operated three short line railroads, one of which was the Puget Sound Pacific Railroad in Washington serving Grays Harbor. He said a lot of the information included in ARG Trans' proposal to the Port focused on that experience, when his company improved an underperforming short line branch railroad serving a port facility. He said some the experience he and his team bring to the Port is business development. He said his company is excited about the opportunity of returning rail service to the region, linking to the general system and to the rest of the Country to enable development of the Port. Commissioner McKeown said the Commissioners were very pleased at the progress and asked about the line in Puget Sound. Mr. Parkinson responded the line was similar in scope to the CBR and that it ended at a port. He said that line was underperforming and lacked demand from existing customers. He said his company brought in good customer service and was very aggressive in developing new business for the rail line, which ultimately tripled in volume. He said that rail line continues to be very profitable. The company name changed from Arizona Railroad Group to ARG Trans, so people would know it had expanded from Arizona.

E. Chief Financial Officer - Donna Nichols

Ms. Nichols said she had provided a written report and would be happy to answer questions. She added that the Business Center's Bay 3 has been filled, bringing business incubator tenancy back to 100%. In an unrelated issue, Commissioner McKeown asked why FEMA only provided a 75% payment on tsunami damage and the Port's insurance would not cover the other 25%. Ms. Nichols explained it was because the Port did not have flood insurance. All of the damage was on the Charleston Marina docks and the Port did not have insurance on the docks. She said she had spoken to Becky Bryant, the Port's Business Oregon contact, who told her the State has some FEMA grant money that can pay for the Port's remaining 25% match.

F. Harbormaster - Kathy Wall

Ms. Wall introduced Frank McNew, who is the new maintenance supervisor for the Charleston Marina Complex. Ms. Wall said staff is continuing to work on the Ice Dock rehabilitation and on the storage unit siding project. She had submitted a written report and asked if there were any questions. Commissioner McKeown said it was nice to see the Ice Dock making money. Commissioner Kronsteiner asked about repairs to the shipyard ways and if in-water work could be done in October. Ms. Wall said she was talking to a couple of engineering firms to see what options were available for repairs. She said a temporary repair had been made so that Giddings Boatworks could work through its May schedule.

6. PUBLIC COMMENT:

Jody McCaffree from North Bend asked if the ECONorthwest study was new. Mr. Koch said it was a newly updated report from a previous one that had been done. She said the information sounded very similar to what had been provided before, which was debunked in comments to the Federal Energy Regulatory Commission.

She said it sounds good but there are a lot of negatives they don't talk about. She said there is absolutely no need to import LNG, because there are all kinds of issues with it, including the 234-mile pipeline that would have extreme impacts on landowners and businesses. She said the report did not cover the exclusion zone issues. Ms. McCaffree asked for a copy of the ECONorthwest study, the Bruce Facility study that is either done or is being done, and the Parsons Brinkerhoff study.

She said she hadn't come to talk about the studies, but wanted to distribute a handout on renewable energy fairs in the Northwest. She said those include on July 16 the Northwest Soul Fest in Washington, on July 29-31 a Southwest Renewable Energy Fair in John Day, and on August 13 an event in Alaska. She said the bigger event for the pros was on July 12-14 at the Inter-Solar North America Fair in San Francisco. She said this fair is organized by Freiberg Green City. She said Freiberg was started by a group that campaigned against a proposed nuclear power plant. The group was started by visionaries and artists 30 years ago. From this, they created 200,000 jobs. Their city isn't just about solar, but it's about sustainability. Ms. McCaffree said the community is not much different than this community – if people here could see the vision and try to go forward, rather than staying stuck in the past. She encouraged the Commissioners to look at the energy fairs and consider attending one. She said the Port spends a lot of money doing a lot of things and she didn't know why the Port couldn't spend money to bring in experts for public meetings on wind, solar and biomass. She felt people should be educated about these things and try to locate those kinds of industries here because she felt this region has the ability and potential. It is being done all across the United States and people should be doing it here.

Jan Dilley wanted to respond to Commissioner comments from the previous month's meeting. She apologized to Commissioner Kronsteiner for offending him by implying the Commission was avoiding public input. She said if it is not deliberate than the fault must lie in the procedure. She said repeatedly decisions are rushed through without any public input. The public comment ends up either being praise or a gripe session. She felt the Commission was operating in a vacuum from the public. She urged the Commission to re-exam the process and consider how new ideas are introduced so people can have their say before decisions are cast in stone and communication becomes confrontational. Ms. Dilley said when she comes to the meetings she feels frustration from the public. Ms. Dilley said she wanted to respond to Commissioner McKeown's comments that the public has the wrong idea about the Port and Jordan Cove relationship and how this was a real estate deal; that the environmental impact statement (EIS) is Jordan Cove's project not the Port's. Ms. Dilley said when the Commission sanctions and pays with public funds for a name calling, rabble rousing misinformation campaign to promote Jordan Cove, it appears the Port is in bed with and a strong arm for Jordan Cove. Ms. Dilley said she wanted to know why the Port Commission hasn't read the EIS. When the Port is bringing in a business, it wants their business plan. The EIS is just stating to the Port what it signed on for, she said. The Port is here to protect the community from bad deals, as well as getting good opportunities. Ms. Dilley said an LNG terminal will pollute and endanger people, especially children. She is concerned about education, but this is more basic than that. It will threaten existing oyster businesses and fish habitat. It requires 234 hazardous miles of high volume gas through public forests and roughly two-thirds, or 151 miles of the 234 miles, goes through private property facing eminent domain provided that Jordan Cove can prove there is a public need. Ms. Dilley said the pipeline is crisscrossing rivers, some of them multiple times, affecting 379 or 383 (pending whether it's Jordan Cove or Pacific Connector Pipeline's numbers) bodies of water. She said she has wondered from the beginning why it's needed to take natural gas to California, which has shut LNG out of its own ports and keeps saying no to LNG. She said she took exception to requests that are talking about imported labor and calling it jobs. With imported labor, the taxes go out of the area and there will not be 2,000 local people or even 600 local people benefiting from this. At the last meeting, Mr. Bishop had in print a scheme to increase school funding by giving Jordan Cove a 15-year tax abatement. She said that was a good trick and thought something doesn't come from nothing. It's just stealing from someplace else. She said no matter how it's dressed, a toad is a toad and Jordan Cove is a toad.

7. ACTION ITEMS/REPORTS:

A. Commission Approval of Railroad Train Detection Electronic Update, Design-Build Solicitation

Mr. Koch said this action item was a follow-up to the April public hearing for the railroad train detection electronic update design-build solicitation. The action requested of the Commission is approval of the railroad train detection electronic update design-build solicitation. The Port has received federal and state funding for the upgrade of crossing signal electronics at seven highway-rail crossings in Coos, Douglas and Lane counties. The solicitation of the upgrade work is required to comply with Public Contracting Laws related to Public Improvement Contracts. For Public Improvement Contracts with an estimated cost in excess of \$100,000, the law requires the Port to utilize a standard Invitation to Bid process for awarding the contract, unless an alternative solicitation process is approved. In the present case, the utilization of an Invitation to Bid process would require the Port to first solicit design services to develop the engineering specifications and scope of work for the project, before advertising a subsequent Invitation to Bid. An alternative process known as a Design-Build solicitation is being proposed by Port staff. It would involve a single solicitation for a firm to provide both the design and construction services associated with this project. Before the Port can authorize the use of a Design-Build solicitation process, it must first hold a Public Hearing. The Port conducted the required Public Hearing at the April 21, 2011, Commission meeting. The Port Commission did not take action, therefore this matter is being brought back for a motion to approve the use of the Design-Build Solicitation process for the Railroad Train Detection Electronic Update project. Mr. Stebbins commented that this is a statutorily approved process for going through an alternative process but there still will be competitive bids and requests for quotes to each of the responding contractors. Commissioner McKeown asked if the hearing needed to be re-opened. Commissioner Kronsteiner responded that it was not necessary and called for a motion for approval.

Upon a motion by Commissioner McKeown (second by Commissioner Smith), the Board of Commissioners voted unanimously to approve the railroad train detection electronic update, design-build solicitation. Motion carried.

B. Basin Tackle Property Sale

Mr. Koch said the Port has offered to purchase the Basin Tackle building in Charleston from Dan and Donna Morris, who have accepted an offer to sell the building for the appraised value of \$107,500. The sale includes a 1,620-square-foot wood-framed structure, retail area and work shop, along with a 375-square-foot garage and storage space, and a 1,071-square-foot covered concrete slab used for storage. The Morrisses have had a ground lease with the Port since 2004. They will continue to operate the tackle shop with a new long-term lease. Port staff requests a motion to approve the purchase of the Basin Tackle building. Ms. Nichols said the purchase will be funded through the Property Reserve Fund.

Upon a motion by Commissioner Smith (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the Basin Tackle property sale. Motion carried.

C. Basin Tackle New Long Term Lease

Mr. Koch said the next item was the companion to the last item for a long-term lease for the Basin Tackle shop. With the Port's purchase of the Basin Tackle Shop building, Dan and Donna Morris wish to continue leasing the facility with a new long-term lease. The sale will change the lease from a land lease to a commercial building lease that will include two separate rates, one for the building at market value and the second for the covered concrete slab area, which will be an adjusted land value. The lease terms allow for a two-month transition by maintaining the previous lease rate during the months of June and July, assuming the transaction closes by the end of May. The new lease rate will take effect August 1, 2011. The proposed lease agreement is for a period of five years, commencing on June 1, 2011. The lease allows for one additional five-

year option. The lease has an initial lease rate and includes annual CPI adjustments. Mr. Koch said Port staff is requesting a motion to approve a new long-term lease with Basin Tackle Shop.

Upon a motion by Commissioner Smith to approve the modification of the long-term lease for an initial five-year term with one five-year option (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the Basin Tackle new long term lease. Motion carried.

D. Authorized Signers for Oregon Pacific Bank Account

Ms. Nichols said Port staff was asking for Commission approval of Commission President and Chief Executive Officer as authorized signatories for the loan documents. The Port purchased a piece of property in Charleston for \$270,000. Instead of depleting the Property Reserve Funds, the Port applied for a loan from Oregon Pacific Bank. Since this is the first time the Port has conducted business with Oregon Pacific Bank, Oregon Pacific Bank requires that minutes reflect the authorization of the loan as well as authorization for signatory approval. The Commission President and Chief Executive Officer are authorized signatories for Port legal documents. The action requested is motion to approve Commission President and Chief Executive Officer as authorized signatories for the loan documents. Commissioner Smith asked Ms. Nichols what piece of property this was. Ms. Nichols responded it was located at Charleston Avenue just behind the Portside Restaurant.

Upon a motion by Commissioner McKeown (second by Commissioner Smith), the Board of Commissioners voted unanimously to approve the authorized signers for the Oregon Pacific Bank account. Motion carried.

8. OTHER:

Ms. Nichols discussed the picture of Mike Stonesifer at the Ice Dock on the first day of ice production at the newly rehabilitated facility. Commissioner McKeown commented that it was nice to read that vessels were actually looking to relocate to the Charleston Marina because of the Ice Dock.

9. INFORMATION ITEMS:

- A. May Business Center Newsletter
- B. Coos Historical & Maritime Museum Thank You

10. COMMISSION COMMENTS:

Commissioner Kronsteiner asked if they would be returning to the meeting after the Executive Session. Mr. Koch responded that he didn't believe there would be any decisions that would need to be made after the Executive Session.

11. NEXT MEETING DATE: –Thursday, June 16, 2011.

12. ADJOURN: Commissioner Kronsteiner adjourned the meeting at 7:46 p.m. to Executive Session and read the reasons for Executive Session.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary