



OREGON INTERNATIONAL PORT OF COOS BAY

Coos Bay, Oregon

REGULAR COMMISSION MEETING

Thursday, June 12, 2008

7:00 p.m.

Port's Commission Chambers

ATTENDANCE

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

Staff: Jeffrey Bishop, Executive Director; Mike Gaul, Deputy Executive Director; Martin Callery, Director of Communications and Freight Mobility; Donna Nichols, Director of Finance and Administration; Aaron Simons, Marina Facilities Manager; Andrea Wall, Executive Assistant

Media & Guests: Alexander Rich, *The World*; Gordon Young, Channel 14; Ken Messerle, Coast Consulting, Jody McCaffree.

1. The meeting was called to order at 7:08 p.m.

2. **PUBLIC HEARING for FY08/09 Budget**

The Public Hearing was opened at 7:10pm. There was no Public Comment. The Public Hearing was closed at 7:11 p.m.

3. **CONSENT ITEMS:**

Upon a motion by Commissioner Scott (second by Commissioner Smith) the Board of Commissioners approved the May 15, 2008 Meeting minutes and the May/June 08 invoices totaling \$764,571.30.

4. **MANAGEMENT REPORTS:**

A. **Executive Director, Jeffrey Bishop**

Jordan Cove Update: The Regulatory Commission has issued the Notice of Schedule of Environmental Review of the Jordan Cove LNG project. A notice of the availability of final EIS is February 13, 2009, with the 90-day Federal Agency action decision part May 14th of 2009.

Railroad: Mr. Bishop has an action item which is authorization to file a Feederline Application with the Surface Transportation Board (STB). Some months ago, staff came to the Commission looking for an authorized budget of \$250,000; Mr. Bishop is asking for an increase to \$500,000. It is due mainly because the Port has encountered some additional expense as a result of a show-cause hearing issued by the STB, requiring a legal response. The proposed budget includes \$50,000 from the State of Oregon; \$131,000 from the Port (it does not include the \$70,000 already spent on the spur line lawsuit); \$119,000 in a grant from EDA; and the Port is seeking \$200,000 from Coos County Urban Renewal Agency.

In the Feederline Application, the STB requires the applicant to show in the application, sufficient financial resources to acquire and operate the subject railroad. The Port's STB Counsel and the

business consultant have recommended a Letter of Credit in the amount of \$12,500,000 to augment the Port's existing financial resources. That does not mean that the Port will be offering \$12,500,000 for the acquisition of the railroad. The actual price will be determined by the STB after the process; this is merely a threshold requirement of the STB. The actual purchase price will be presented to the Port Commission in conjunction with a business plan to own and operate the railroad or with a recommendation that the price is too high.

The Letter of Credit will cost \$62,500 with a good faith deposit fee of \$5,000. These costs are part of the proposed Feederline Application Budget.

Staff is requesting Commission authorization of the Feederline Application Budget of \$500,000 and authorization for the Executive Director to enter into a Letter of Credit in the amount of \$12,500,000 and authorization for filing the Feeder Application with the STB in order to acquire the Eugene/Coquille line of the Central Oregon and Pacific Railroad.

Discussion: Commissioner Scott asked Mr. Bishop a question about the Coquille Mill/Roseburg Forest Products Mill and the media report of their loss of \$3,000,000. Do you know if it is a loss for some given period, or a loss in revenue, or if it was an increase in cost or a combination of all? What was the significance of that number? That was a big number. Mr. Bishop said that it was hard to answer for two reasons; 1) the opinion on how the STB rules in a show-cause order, there may be a subsequent damage petition from the shippers on the line. 2) The number that appeared in the article could have had something to do with the added cost of trucking, opposed to use of rail. It may not have any relationship to what the actual losses were because of the loss of rail. So it is very hard to give an answer, however, there has been a substantial hardship to not only Roseburg but Georgia Pacific, American Bridge and our own Southport Lumber.

Commissioner Scott said with a commitment like this, we have to remember what we are talking about; there are four businesses and well over 700 people involved.

Upon a motion by Commissioner Smith (second by Commissioner Scott) the Board of Commissioners authorized the Feederline Application Budget of \$500,000; authorized the Executive Director to enter into a Letter of Credit in the amount of \$12,500,000 and authorized the filing of the Feeder Application with the STB to acquire the Eugene/Coquille line of the Central Oregon and Pacific Railroad.

B. Deputy Executive Director, Michael Gaul

Every other year the Port does a depth survey in the Marina Complex to check how much water there is and to get ready for the next dredging project. The survey was completed in May by Marzet. The depths in the Marina are still in pretty good shape. There is some yardage building up but we are probably 1-2 years away from having to do another dredging project. There are copies of the report in Mike's office as well as the facility manager's office.

Engineering proposals were due April 28th for the engineering services for Phase II of the Rail Bridge. There was only one respondent, David Evans and Associates. These are Federal dollars and for that reason the Oregon Department of Transportation manages the project. ODOT sent a selection letter

to David Evans; they will now provide a scope of work, schedule a budget and deliverables and then ODOT, the Port and David Evans will sit down to negotiate an agreement if we can find an agreement everyone agrees with. If not, ODOT will go out for a full blown process. The final line to get the project going is probably about three months out yet, but the process is ongoing.

The purpose of due diligence in looking at the Weyerhaeuser property with a Phase One environmental assessment is to document and assess the environmental conditions that may pose potential liability to a prospective purchaser. The environmental assessment was conducted by Landau & Associates and Mr. Gaul has a draft copy. It is not a public document yet. The scope of the work includes a review of the previous report and documents concerning the property; the review of the property history; review of agency information; interviews with Weyerhaeuser personnel; and observations of current land use activities and environmental conditions. This document pretty much confirms what we already knew. It did not show anything new on the site. This report is on the full 1300 acres.

C. Director of Communications and Freight Mobility, Martin Callery

Most of Mr. Callery's time has been spent on rail issues and a couple of other transportation related projects such as Oregon Freight Advisory Committee. Then Mr. Callery provided input on Senate Bill 566. This bill is looking for projects of statewide significance and specific projects in the five ODOT regions that can address freight mobility and congestion and safety. Mr. Callery says his group has come up with a letter in support but it stipulates within the letter that while we believe this project is representative of the infrastructure gaps in the system, it is not completely representative of the overall system needs. It does not represent the funding gaps both at the State and Federal levels. That may not have been what they were looking for, but it is what Mr. Callery's group chose to focus on.

Mr. Callery said he would also be participating in an Oregon Rail Users meeting on Tuesday in Portland. They will have some preliminary discussions about what may come out of the next Session as far as a transportation package. Some say it won't be much; some say it will be a significant push by the Governor and ODOT and the Legislature. It will probably depend on where the County is at the time.

Thanks to the hard work of Aaron and his crew out in Charleston, the pad is poured for the Bob Laird bench and bronze plaque. The family will be having a private memorial ceremony out there later this month.

President Kronsteiner asked Mr. Callery if the funding gaps were State budget or Federal budget. Mr. Callery said that his group focuses on the funding gaps which they see filling in the infrastructure gaps in the city system, knowing that the funding package is going to have to be a combination of Federal and State funding. For example, the Highway Trust Fund is just about played out because the Bush Administration has chosen to take funds out of the Highway Trust Fund and use them for other things and also to divert some revenue that would normally go into that fund into other activities. If there is not an infusion of funds within the next three to six months, some of the commitments that were made, for example, our bridge project under SafeTea-Lu, will not get the final push of money that it is due through that program. Senator Max Baucus, Montana and Senator Grassley, Iowa have proposed a package that is tied to a Federal Aviation Administration funding bill. It would revitalize the Highway Trust Fund at least long enough so that when Congress comes in for the next session, they

can try and take a longer term look at the funding out of the Highway Trust Fund and into the Highway account. This is getting very critical. The State could lose its normal allocations from U.S. DOT of about \$235,000,000 in the next Federal budget. As a result several advocacy groups have come up with the letters to the Legislators.

D. Director of Finance and Administration, Donna Nichols

Ms. Nichols had nothing to add to her report.

E. Marina Facilities Manager, Aaron Simons

Mr. Simons added that Phase I of the Charleston Master Plan is winding down. They have completed the paving on Eel Avenue and a silcoat is being added today. There is a bit more striping to do and some of the curb stops need to be put in and they will be done.

6. PUBLIC COMMENT:

Jody McCaffree: She went to a showing of the film Building a Local Economy. The City of Bellingham was transformed over 5 years with smaller businesses built around the elements of what is in this film. There is going to be another showing and she thinks the Commissioners should attend if possible. Her concern is the Port is going after big companies and in the history of the Port these efforts never come through.

Jody then went on to talk about the container terminal and she thinks we are out of the running and the terminal went to Vancouver. She thinks the Port is moving forward with something that is not going to happen. A lot of money is being spent and she is afraid it will have to be paid back to the State.

Her other concern is the fact that the Port has Bob Braddock come talk and she thinks others people should come and talk also to present other sides of the story.

7. ACTION ITEMS/REPORTS:

A. Resolution 07/08-10 Adopt 08/09 Budget – Donna Nichols

The Port's Budget Committee approved the draft FY08/09 Budget after its first meeting on April 30, 2008. Following the Budget Committee's approval of the budget, the Commission is required to hold a public hearing to allow public comment. The hearing was held tonight and now the Commission can consider approval of the Resolution FY07/08-10 adopting the budget.

The Port's auditor suggested a couple of changes to the Draft Budget.

- Account numbers in relation to Capital Outlay projects should be changed to correspond with their number range in the Chart of Accounts.
- The adjustment to the land lease payment from the Business Center to the Airport District should reflect the entire true amount with a current year repair shown as a reimbursement under miscellaneous income
- The Draft Budget shows a new amount instead of the detail breakdown.

Special Projects Fund

Capital Outlay	\$ 6,250,000	
Debt Service	11,033,450	
Transfers	<u>40,000</u>	
TOTAL SPECIAL PROJECTS FUND		\$ 17,323,450

Property Reserve Fund

Materials and Services	\$ 100,500	
Capital Outlay	<u>1,597,824</u>	
TOTAL PROPERTY RESERVE FUND		\$ 1,698,324

Depreciation Reserve Fund

Capital Outlay	\$ <u>801,909</u>	
TOTAL DEPRECIATION RESERVE FUND		\$ 801,909

Personnel Reserve Fund

Transfers	\$ <u>55,914</u>	
TOTAL PERSONNEL RESERVE FUND		\$ 55,914

Revenue Reserve Fund - General Fund

Debt Service	\$ <u>150,000</u>	
TOTAL REVENUE RESERVE FUND - GENERAL FUND		\$ 150,000

Rail Bridge Special Revenue Fund

Capital Outlay	\$ <u>12,272,500</u>	
TOTAL RAIL BRIDGE SPECIAL REVENUE FUND		\$ 12,272,500

Debt Service Reserve Fund

Debt Service	\$ <u>0</u>	
TOTAL DEBT SERVICE RESERVE FUND		\$ 0

TOTAL APPROPRIATIONS \$ 39,504,993

Non-Appropriated Budget Requirements

\$740,560

TOTAL NON-APPROPRIATED FUNDS \$ 740,560

TOTAL \$ 40,245,553

APPROVED and ADOPTED by the Board of Commissioners of the Oregon International Port of Coos Bay this 12th day of June 2008.

David Kronsteiner
President

Daniel Smith
Secretary

B. Grant Agreement with Ford Family Foundation Marina Restroom Project – Donna Nichols

Included in Phase II of the Charleston Marina's Master Plan is the replacement of the inner basin restroom facility. It is budgeted for FY08/09. The total project cost including demolition and the installation of the kit building is \$152,000.

At a Marine Board meeting on April 7, 2008, Aaron Simons and Donna Nichols received a grant award in the amount of \$60,800 for the project. They have received other letters of funds commitments from the following:

- \$1,000 – Charleston Merchants Association
- \$1,000 – Bay Area Sportsmen's Association
- \$ 500 – Charleston Community Enhancement Corp

The Port also applied for a Ford Family Foundation grant and received \$50,000. The Port will provide the difference of \$38,700 as well as staff time.

Staff has scheduled the construction in September after the summer events. Port's Legal Counsel has reviewed the agreement. Commission approval is required for the Executive Director to sign the agreement.

Commissioner Smith said kudos to staff for their work on this project.

Upon a motion by Commissioner Smith (second by Commissioner Scott) the Board of Commissioners approved the Grant Agreement with the Ford Family Foundation for the new Marina Restroom Facility Project and approved the Executive Director signing the agreement.

C. Grant Agreement with USDA Rural Development for Phase I - the Business Center Remodel Project – Donna Nichols

The Business Center facility has been a success by providing professional business management and technical assistance to small and entrepreneurial businesses. It provides the opportunity of a one-stop facility that provides everything a new business needs to grow and be successful. Approximately 500 jobs have been created since its inception in 1996 and over 55 businesses have graduated and expanded into our region and beyond.

Over the last two years a waiting list was established for new businesses that want to locate here. Currently there are ten on that list, including auto repair, furniture and cabinet woodworking, fishing lures, quads for kids, retail and manufacturing.

The Port took over management of the facility in February 2000. At that time some remodeling was completed to improve the conference room and reception area. During FY 2005/2006 the elements of expansion and remodeling were discussed and design-level plan drawings, including cost estimates, were completed. The plan was divided into two phases, the lower floor remodel and the upper floor expansion.

Improvements were budgeted in past year's budgets, but until this year, funding has been difficult to obtain. Port staff applied and has received preliminary approval from USDA Rural Development, Rural Business Enterprise Grant program for a \$10,000 grant. This would be for the engineering and architectural portion of the project.

The original architect, Rich Turi, is retiring and is not interested in the current project. The plans and costs need to be updated. Staff plans to use a portion of the grant funds to acquire new information that is needed. Staff is also applying for funding support through the Coquille Tribal Community Fund, U.S. Economic Development Assistance Programs, the State's Special Public Works Fund program and the Regional Investment Board.

With the facility at capacity and a waiting list, a portion of the Phase I remodel could be paid for through a loan. New revenues created with the remodel could support some debt service. The Port's Legal Counsel has reviewed the agreement. Commission approval is required for the Executive Director to sign the agreement.

An extension date for response was requested and approved from June 9th to the 13th.

Commissioner Scott said he is very proud of what has been done through the Business Center project.

Upon a motion of Commissioner Scott (second by Commissioner Smith) the Board of Commissioners approved the Grant Agreement with the USDA Rural Development, Rural Business Enterprise Grant Program for the Business Center Phase I - Incubator Remodel Project and gave approval for the Executive Director to sign the Agreement.

D. Approval of donation of property to the Port - Mike Stebbins

The Port has had a long term ground lease for the property known as BJ's Aloha Café in the Charleston Marina Complex. The building was formerly known as the Lunch Box and Willets Café before BJ's Aloha Café; then Janet Jester entered into an Assignment of Lease Agreement and she became the tenant on the property. Ms. Jester would like to donate her right, title and interest in the property to the Port and the Port would like to accept the donation.

An appraisal performed by a certified general appraiser determined a value of \$125,000 and this property would complete number 8 of the FY07/08 Port wide Goals which said "increase value of Port asset base through real estate transactions".

Commission approval is required for the Executive Director to sign the documents.

Upon a motion by Commissioner Smith (second by Commissioner Scott) the Board of Commissioners approved the donation of Property known as BJ's Aloha Café to the Port and approved the Executive Director signing the documents.

E. CPI increase to Pay Plan – Jeffrey Bishop

The Port's FY08/09 Budget was approved tonight. It included a Consumer Price Index adjustment to Port wages of 4%, effective July 1, 2008. (This adjustment excludes the Executive Director who is evaluated by the Commission separately.)

Discussion: Commissioner Scott asked if this was in line with the general trend. Mr. Bishop said that he has some concerns because he expects to see a dramatic change next quarter in the CPI. But we have Merit Pools as the next item on the agenda and there is a sizeable adjustment to the pay scale. Mr. Bishop would like to reserve the opportunity to come back and talk to you next quarter when we see where we are.

Upon a motion by Commissioner Scott (seconded by Commissioner Smith) the Board of Commissioners approved a 4% Cost of Living Adjustment to Port wages effective July 1, 2008.

F. Approval of FY07/08 completed Port goals – Jeffrey Bishop

The Commission approved the Port's ten Merit Pool Goals at the September 20, 2007 Commission meeting. A Personnel Reserve Fund was created in the FY06/07 Budget for the Pay Plan Merit Pool and funds were transferred from the General Fund. The funds were set aside to cover the costs associated with the Star Award program as well as the end of the year completion of goals met.

Star Awards were given to those employees recognized for exceptional performance in February of 2008. Commission authorization is required for dispersal of the merit pool to all employees in the form of a proportionate annual increase. \$73,914 was budgeted for the Merit Pool. \$15,000 was used by the Star Award program. There is a balance of \$58,914 to be evenly distributed for the ten goals so each goal is worth \$5,891.40. The funds not disbursed will roll forward to the next year based on new goals and additional transfers.

Five of the goals were completed.

1. Creation and Distribution of Port Newsletter – e-report and newspaper insert
Two per year – may include biennial report
This goal was not met. Subject matter and conceptual design have been established. This goal will be recommended to complete in the next fiscal year.

2. Measurable improvement over base maintenance plan
Structure plus projects over and above
This goal was not met. Port staff changes, available staff, unforeseen damage repair greatly cut into general maintenance time this year (i.e. December storm damages and Ice House rehabilitation). This goal will be recommended to complete in the next fiscal year.

3. Port Emergency Plan (Internal for Employees) – to sample drill
This goal was met. Sample drills were conducted at both the Marina and Administration offices. Annual and on-going drills will be conducted with staff and Charleston Fire.

4. Completion of 'Clean Marina Program' for Charleston Marina and Best Management Practices (BMPs) for Charleston Marina – each go hand-in-hand
This goal was met. Port received certification for the Clean Marina Program and the Commission approved BMPs are currently being distributed to Marina customers.

5. Vision and Master Plan for Charleston Marina Complex – Phase II
Capital Improvements Financial Plan
This goal was met. Plan was approved by Commission May 2008.

6. Substantial reduction in accounts receivable.
This goal was met. Accounts receivable balance has averaged well over \$100,000. Because of the salmon deferral program it had climbed to \$150,000+. With the deferral program complete and all past payments made, staff is encouraging customers to pay in advance for their moorage and storage services. Nearly half the annual moorages are billed in June which creates a spike; however over 64% will be paid by end of month. The last six months average has been \$50,000 which is mostly current.

7. Measurable Improvement on non-tax revenues – increased cash carry forward for next year.
This goal was not met. Budgeted cash carry forward in the last three years has been less than \$200,000. The General Fund cash balance at May 31 is less than \$200,000.

8. Increase value of Port asset base through real estate transactions.
This goal was met. The approval of the donation of the Aloha Café increased the Port's assets by \$125,000. This is more than the existing value of the Personnel Fund.

9. Recruitment of 50 jobs in the Port District.
This goal was not met. Criteria included that the businesses must have a direct connection with the Port. The Port hired 2 employees; Business Center and its graduates provided 10 new jobs during the fiscal year; Southport Forest Products did a lay-off and have re-hired to last years numbers; ACS provided no response to our request.
Donna commented that we did hear from ACS this week and their numbers are down from last year.

10. "Grow the Business Financial Plan" – Explore new business revenues – Primarily in Charleston.
This goal was not met. With the lack of a salmon fishing season, moorage revenues have decreased. New business ventures in available buildings in the Marina's facilities are in negotiations, but not finalized at this date.

Discussion: Commissioner Scott asked Mr. Bishop how he felt the Pay Plan was working. Mr. Bishop said that he sees a lot of attention to detail; for example, the issue of Accounts Receivable. This required a lot of people working together to make those results happen; it was a lot of teamwork. Mr. Bishop said that he was concerned the first year because he thought staff met too many goals; he thought maybe the goals weren't high enough. This year he feels

they were just about right. Next year he is going to get more creative and really challenge staff to come up with some more “out of the box” thinking and he thinks they are capable of doing it. Mr. Bishop thinks there will be more emphasis on the Star Award program next year; this year the grand prize winner was Sue Smith from the RV Park. We think this program is a good program.

Commissioner Smith asked for clarification. A little less than \$30,000 would be distributed among all employees for the Merit Pool, is that right? Mr. Bishop said that was correct. President Kronsteiner wanted to commend Mr. Bishop for the effort he has put forth to make this program work. He is very impressed with it.

Upon a motion by Commissioner Smith (seconded by Commissioner Scott) the Board of Commissioners approved the Executive Director’s recommendation to award all employees a proportionate increase to salary effective July 1, 2008 on the completion of five of the ten goals.

G. TransPacific Realignment “Public Road at-Grade” Crossing Agreement – Mike Gaul

The last hurdle before this project can go to bid is the approval of the New Public Road at-Grade Crossing Agreement between the Union Pacific Railroad, Oregon and Pacific Railroad, Coos County and the Port. It identifies each agency’s obligations to the Rail Crossing during and after construction. The agreement must be signed by all parties and forwarded to the Oregon Department of Transportation-Rail Division for approval prior to going to bid. In April 2005, the Port and the State of Oregon entered into a Cooperative Improvement Agreement relating to the realignment of the County Road north of the rail spur and construction of access improvements to the North Bay Marine Industrial Park. In June 2005, the Port and Coos County entered into an Intergovernmental Agreement for the TransPacific Realignment which in essence assigns the Port as the County agent for this project.

The Crossing Agreement is available in the office for review. Port and County Counsels have reviewed the agreement. The County Counsel has recommended approval and the County Board of Commissioners will make their decision at their June 11, 2008 meeting.

Upon a motion by Commissioner Smith (seconded by Commissioner Scott) the Board of Commissioners approved the TransPacific Parkway Realignment “Public Road At-Grade” Crossing Agreement with authorization for the Executive Director to sign the documents.

8. **OTHER:**

9. **INFORMATION ITEMS:**

- A. Business Center Newsletter - May
- B. Letter from Robert Buckley to Harbormaster

10. **COMMISSION COMMENTS:** There were no comments from the Commissioners.

11. **NEXT MEETING DATE** -Thursday, July 17, 2008

12. ADJOURN: The meeting was adjourned at 7:55 p.m.