

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
REGULAR COMMISSION MEETING
Thursday, June 16, 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; Jerry Hampel, Commissioner.

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

Media & Guests:

Tom Foster; Gail Elber; Al Pettit, Linda Andersen, Carole Knapel; Marvin Caldera; Ken Messerle, Richard and Chris Dybevik, and Jack Jones.

1. The meeting was called to order at 7:00 p.m. by Commissioner Kronsteiner.

2. PUBLIC HEARING ON FY 11/12 BUDGET:
 - A. Open Public Hearing:
Commissioner Kronsteiner opened the public hearing at 7:01 p.m.

 - B. Call for Comment:
Commissioner Kronsteiner called for public comment. There was no public comment on the FY 11/12 budget.

 - C. Close Public Hearing:
Commissioner Kronsteiner closed the public hearing at 7:02 p.m. and opened the regular commission meeting.

3. Introduction of Guests:
Tom Foster, ARG Trans; Gail Elber, the World Newspaper; Ken Messerle, Coast Consulting; Al Pettit, Hwy. 101 Harley Davidson; Carole Knapel, KPFF Consulting Eng.; Richard and Chris Debevik; Marvin Caldera, ILWU; Linda Andersen, Our Ocean; Jan Williams; and Jack Jones.

4. Executive Session was moved to the end of the meeting as there would be no action taken.

5. **CONSENT ITEMS:**
 - A. Minutes: Approval of May 19, 2011, Minutes
 - B. Approval of invoices through June 3, 2011, totaling \$600,448.69
 - C. Ratification of Property Management Agreement with Interstate Management Group (IMG) for the Coos Bay Rail Link Leases
 - D. Ratification of Work Order for Shutter Creek Pursuant to an Existing Agreement Between the Port and Oregon Department of Corrections

Upon a motion by Commissioner Scott (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the minutes of the May 19, 2011, regular commission meeting, invoices through June 3, 2011, totaling \$600,448.69, ratification of Property Management Agreement with Interstate Management Group (IMG) for the Coos Bay Rail Link leases and ratification of work order for Shutter Creek pursuant to an existing agreement between the Port and Oregon Department of Corrections. Motion carried.

6. MANAGEMENT REPORTS:

A. Chief Executive Officer: Mr. Bishop did not have a management report to present and was a member of the audience.

B. Chief Operating Officer: David Koch
Mr. Koch said he had no special report for this evening.

C. Chief Commercial Officer: Martin Callery
Mr. Callery said most of his time has been spent on the railroad and on legislative issues in Salem. He had the opportunity two weeks ago to represent the Port at the American Railway Development Association meeting in Seattle, where he made a presentation on the Coos Bay Rail Line. Next week he travels to Savannah, Georgia, as part of the American Association of Port Authorities conference to give a presentation on the Port's purchase and progress restoring the rail line. Mr. Callery said he has been asked to serve on the Lane Commission on Transportation to represent the rail sector. He currently serves on the Southwest Area Commission on Transportation for Coos, Curry and Douglas counties.

D. Chief Operating Officer – Coos Bay Rail Link: Dan Lovelady
Mr. Lovelady said he had submitted a written report. Also, ARG Trans' Tom Foster and he will be taking the Union Pacific Railroad western region operations manager, western region track manager, several other people in the western region, and Kelly Taylor and Bob Melbo from ODOT rail division, on a hy-rail trip on the rail line on Monday. He said he wasn't exactly sure why they requested this trip, but he expected it might be they are looking at the rail line for potential bulk commodity unit train movement and wanted to see the condition of the line.

Mr. Lovelady said he met with Roseburg Forest Products, which is having a lot of activity but difficulty putting contracts together for early opening of the rail line. Mr. Lovelady said they compared schedules and had planned for a September 1, 2011, opening date but it looks like it may be pushed back to October 1 before the company will be ready. This will give the Port a little more time to get things accomplished prior to opening. Commissioner McKeown asked if customers were amenable to moving the date back to October. Mr. Lovelady said the main customer is American Bridge. He has been in contact with company officials making sure they don't have any immediate needs.

E. Chief Financial Officer: Donna Nichols

Ms. Nichols said she did not have anything to add to her written report but would be happy to answer questions from the commissioners.

F. Harbormaster: Kathy Wall - ABSENT

Mr. Koch said Ms. Wall had submitted a written report.

7. **PUBLIC COMMENT:**

Coos Bay business owner Al Pettit said he was here for the second time in three months. He said that two months ago he spoke publicly and was crucified in some local blogs following his comments at the Port Commission meeting. Mr. Pettit said a local activist leader was quoted as saying Mr. Pettit had not done his homework before he ranted at a recent Port meeting, showing how out of touch he was with the facts. The individual wrote that Mr. Pettit should wake up, get the facts and stop following all of the rhetoric spoon-fed by the Chamber of Commerce and other misguided individuals in the community. Mr. Pettit said, ironically, a week following those comments, another bank was robbed at gunpoint and Coos Bay schools announced they were going to a four-day week. Mr. Pettit said a couple of weeks ago he expanded on his Port comments and made a formal presentation at a Chamber of Commerce meeting, as well as at a Coos Bay Lions Club meeting. He said another local activist responded to those presentations by stating “clearly what all this means is it attempts to reduce very complex problems facing our nation and our region down to simplistic causes, it’s childish, ill thought and irresponsible. Serious critical thinking is required to make this community self-sufficient.” Mr. Pettit said he wanted to respond to those comments and simply say, “You can crucify the messenger all you want, but it doesn’t change the content. The sooner we own up to the problems we have in our county and area, the faster we can get on to fixing them.”

The incidence of child abuse in Coos County is much higher than the statewide average. He said people might have read about the little girl who died last year at the hands of her mother. Mr. Pettit wondered how many local children are being subjected to this same level of abuse. He said another comment was made about him, suggesting he was totally wrapped up in the GOP dogma and he wasn’t sure what that referred to. He said he is worried about unwed teenage mothers. He is the father of two girls who are attending North Bend High School, and when his oldest daughter came home and told him that one of her classmate’s only aspirations in life was to be pregnant before she was 16, he felt it made him entitled to worry. He said as a member of this community he has an obligation to worry. Forty-four percent of the births in Coos County last year were to unwed mothers. He asked how many of those families are going to be a burden to this county and to the state, adding to the growing debt. He said the 2009/10 OAKS tests scores in local schools are disturbing. Marshfield High School 10th graders ranked at 207 out of 300 high schools in Oregon. North Bend High School 10th graders ranked at 225 out of 300. Mr. Pettit said Bob Whelan’s ECONorthwest report last month was quite good. He said someone else had commented at that meeting on the LNG plant in Nikiski, Alaska, closing due to no demand for natural gas. He said the plant was built 46 years ago as a joint venture between ConocoPhillips and Marathon Oil Corporation. A company spokesperson two months ago said they were moth balling the plant due to its age. When the plant was built, it was providing Japan with 100% of its natural gas requirements and two months ago it was providing less than one-half of one percent. The plant could simply not keep up with the growing demand by Japan, he said. Natural gas consumption forecasts to meet this country’s energy needs were just raised again and are now estimated at between 30 – 35% by the year 2030, less than 20 years away. Globally, natural gas consumption is forecast to increase by more than 50%. Emerging markets such as India and China are going to put massive pressure on energy globally. LNG has increased at a 7% annual

rate over the last decade. The only year natural gas actually dipped in the United States was in 2009, but so did oil and everything else because of the recession. Gas is back on track and increased consumption is forecast. Mr. Pettit said he wanted to emphasize that the Port, Coos County Commissioners, city of Coos Bay, the Bay Area Chamber of Commerce and many people in this community are attempting to save the community. He said the Chamber heard from Astoria officials yesterday on how they have rebuilt their community. They had a plan and they stuck with their plan. They have done a lot of work but still have a lot of work to do. Time is of the essence and the time to get started in Coos Bay is here now. He thanked the Port and said to keep up the good work.

8. ACTION ITEMS/REPORTS:

A. Resolution No. 10/11 – 5 for Approval of Budget FY 11/12

Ms. Nichols said the Port's Budget Committee had approved the draft of the FY 11/12 budget after its first meeting May 4, 2011. Following approval by the Budget Committee, the commission is required to hold a public hearing to allow public comment. After the Public Hearing tonight, the commission can consider approval of the Resolution adopting the budget. The motion is for approval of Resolution No. 10/11 – 5, a Resolution adopting a budget, making appropriations and imposing and categorizing taxes combined for the FY 11/12.

Upon a motion by Commissioner McKeown (second by Commissioner Smith), the Board of Commissioners voted unanimously to approve Resolution No. 10/11 – 5 for approval of the budget for FY 11/12. Motion carried.

B. Approval of IMG Rail Fee Schedule

Ms. Nichols said the Port has contracted with Interstate Management Group Inc. (IMG) for property management and new installation agreement processing for rail-related activities including public, private and utility agreements. When the Port acquired the rail line from Cordes to Danebo in March 2009, it also took over management of approximately 271 various land, property, and utility crossings and agreements. IMG will include the agreements for the line from Coos Bay to Coquille. Port staff and IMG estimate an annual income of \$100,000 from the agreements. No billings have been generated since the Port acquired the line. Since IMG managed these agreements through RailAmerica, the information on file is as current as possible. Port staff realizes that some of the annual fees increased substantially through the RailAmerica billing process and port staff wants to adjust them to a more logical fee schedule. She said she and Dan Lovelady have worked with Mr. Buddy Angel at IMG to come up with a fair and equitable fee schedule. Staff is recommending approval of the RailAmerica Transportation Corp. 2007 fee Schedule as the 2011 fee schedule for rail-related activities. These rates were in effect prior to the Port's acquisition of the line. IMG will provide the Port with a listing of all accounts for review and approval prior to billing. The action requested of the commission is motion to approve Interstate Management Group Inc. 2011 Fee Schedule for rail-related activities. Commissioner McKeown thanked Ms. Nichols for considering lowering the rates as opposed to raising them. Ms. Nichols responded that there likely will be some adjustments due to many unknowns but IMG has worked with all of the customers previously.

Upon a motion by Commissioner Scott (second by Commissioner Hampel), the Board of Commissioners voted unanimously to approve Resolution No. 10/11 – 6 for approval of the IMG rail fee schedule. Motion carried.

C. Approval of Participation in the Oregon Department of Administrative Services

(DAS) Central Purchasing System (CPS) Program, Signatory Authority of the U.S. Bank Corporate Certificate of Authority and Resolution No. 10/11 – 6.

Ms. Nichols said the Port of Coos Bay became a member of the Oregon Cooperative Procurement Program, which allows qualified agencies and organizations access to state contracts to purchase goods and services using state pricing agreements resulting in substantial cost savings. One of the programs that will benefit the Port is participation in the DAS Central Purchasing System Program and U. S. National Association ND, which will allow use of the Central Travel System Program (CPS Program) for the purchase of airline tickets and lodging at government pricing. Participation in the CPS Program requires a US Bank credit card that will be used exclusively for purchasing travel arrangements. The Corporate Certificate of Authority requires authorized persons for this commercial card program and for extending credit and providing related services to the port. The Corporate Certificate of Authority must be signed by the commission secretary and commission president as officers of the Port of Coos Bay. A resolution is required to process the Corporate Certificate of Authority. Port staff is asking for a motion to approve Resolution No. 10/11 – 6 for participation in the Oregon Department of Administrative Services (DAS) Central Purchasing System (CPS) Program Participation Addendum and Signatory Authority of the US Bank Corporate Certificate of Authority. Commissioner Scott asked how much savings was anticipated. Ms. Nichols explained that staff had used the program to plan an upcoming complicated European trip. She said staff would be happy to track the savings.

Upon a motion by Commissioner Smith (second by Commissioner Scott), the Board of Commissioners voted unanimously to approve participation in the Oregon Department of Administrative Services (DAS) Central Purchasing System (CPS) Program, Signatory Authority of the U. S. Bank Corporate Certificate of Authority and Resolution No. 10/11 – 6. Motion carried.

D. Approval of Resolution No. 10/11 – 7 for Amendment of Public Contracting Rules
Mr. Koch said the action was for approval of Resolution No. 10/11 – 7 for amendment of Public Contracting Rules. The Oregon International Port of Coos Bay adopted a policy on June 16, 2005, for a sound and responsive public contracting system allowing impartial, meaningful and open competition. That policy was based on a combination of state statutes in effect at that time, and since 2005, there have been significant changes to the statutes governing public contracting rules as well as the attorney general’s rules. In addition, we found that the Port needed to have more comprehensive local rules governing our public contracting process particularly because of the increased contracting activity involving opening of the Coos Bay rail line. Staff started work on updating those rules in July 2010, and recently completed those revised rules, which continue to be a combination of state statutes, attorney general’s model rules and a local version of the contracting rules. In particular, local rules take advantage of options provided in the state statutes and administrative rules, and they provide rules in areas where there is no guidance in state statutes and administrative rules. The rules were drafted as a result of research of the statutory and regulatory changes. The new rules were adopted at the May 18, 2011, regular commission meeting. As sometimes happens, staff noticed some inconsistencies in the newly adopted May rules so brought a housekeeping measure before commissioners in an amendment to Section 2.8.1, Authority of the Contracting Agency and delegation to the Chief Executive Officer, that needs to be revised to indicate that the CEO has authority to solicit, award and execute contracts, leases, bids and quotes without specific Local Contract Review Board approval in amounts up to \$150,000. The CEO may only award and execute contracts, leases, bids and quotes up to \$150,000 without LCRB approval – if the project was previously authorized by the budget and the award amount does not exceed the contracted and

budgeted amount. The difference is the port has the authority to solicit for bids, quotes and proposals, and the other is the authority to actually award the contract on the basis of that solicitation. As the rules were written and adopted in May, there was an inconsistency that could be interpreted as indicating the CEO would have had to come to the commission for approval before Port staff could go out and solicit for bids, quotes or proposals on projects that were ongoing. That would delay the operation of the Port with the commission only meeting once a month. Mr. Koch said the authority is there for the CEO to go out to solicit those things. Staff also included the authority for the CEO on personal services contracts in the May rules to award a contract up to \$150,000 if it was for a project that the commission had already reviewed and approved as a part of the annual budget process, and if the project was within that budgeted amount. Anything beyond that would need to come to the commission for approval. This requires a Resolution as did the original rules. Port staff is asking for a motion to approve Resolution No. 10/11 – 7, adopting Revision to Public Contracting Rules and Prescribing Rules of Procedure for public contracting.

Upon a motion by Commissioner McKeown (second by Commissioner Scott), the Board of Commissioners voted unanimously to approve Resolution No. 10/11 – 7 for Amendment of Public Contracting Rules. Motion carried.

E. Approval of Prequalification Process for a Small Works Roster for Contracts and Resolution No. 10/11 – 8

Mr. Koch said this item is an add-on to the public contracting rules. It is not required by law, but staff has been working to create small contractor pre-qualification rules and seeks commission approval of Resolution No. 10/11 – 8, establishing a small Contractor Prequalification Rules and Structure associated with the Port's Local Contract Review Board rules. One of the merit goals for the current fiscal year was to set up a small works roster or prequalification of prospective bidders, along with proposer's rules and structure for the Port's small public improvement and public work contracts. Port staff used Washington State's program as a model, and with the assistance of Port's legal counsel, set up the resolution that is required to tie the program to the Port's Local Contract Review Board Rules and Regulations. The goal is to have a prequalified list of contractors that Port staff can use for small public work or public improvement contracts including design, emergency work, minor repairs or maintenance projects necessary to maintain Port facilities. A copy of the Small Contractor Prequalification application, instructions and resolution are included in the packet.

Mr. Koch went on to say that currently, if the port has smaller projects it is not required by law to put out to bid or advertise, staff contacts three vendors in the area to get written or verbal quotes depending on the dollar amount. He said contacting contractors staff knows or has used in the past is not always the most open and competitive process. The small works roster process is opening it up for contractors to qualify to be on the list. As the port has projects come up through the course of the year, staff will have a database to notify contractors who have provided information, including expertise, insurance and licensing proof. Port staff is asking for a motion to approve Resolution No. 10/11 – 8, establishing small contractor prequalification rules and structure associated with the Oregon International Port of Coos Bay's Local Contract Review Board. Commissioner McKeown asked how small projects were defined. Mr. Koch said they were predominantly defined by dollar amount because that is the break in statute beyond which the Port would have to formally advertise for bids. For public works it would be up to \$100,000 where staff can solicit by informal quote rather than having to advertise and get bids making it a more streamlined process. Anything over \$50,000 does require prevailing wage to be paid. Commissioner Kronsteiner commented that the documents looked good. Commissioner Smith commented he felt the small works roster was a great idea.

Upon a motion by Commissioner Smith (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the prequalification process for a Small Works Roster for Contracts and Resolution No. 10/11 – 8. Motion carried.

F. Approval of Completed Merit Goals FY 10/11

Mr. Koch said staff was asking for approval of completion of four of the ten Merit Goals for FY 10/11. The commission approved the Port's ten Merit Pool Goals late in the fiscal year at the November 18, 2010, regular commission meeting. With other projects taking precedence, the goals were not submitted until later in the year when typically they would have been put in place within the first or second month of the new fiscal year. Mr. Koch said it was staff's goal to bring them to the commission at the July meeting for fiscal year 11/12. He said the Personnel Reserve Fund was created in the FY 06/07 budget for the Pay Plan Merit Pool. Based on budgeted calculations, funds are transferred into the Personnel Reserve Fund from the General Fund. These funds are set aside to cover the costs associated with the Star Award program, as well as the end of year completion of goals met. Star Awards were given in February to those employees recognized for exceptional performance. With the completion of the year's goals, commission authorization is required for dispersal of the Merit Pool to all employees in the form of a proportionate annual increase, or based on where an employee is on the pay scale, a one-time adjustment in pay. A total of \$69,579 was budgeted for the Merit Pool in the Personnel Reserve Fund, of which \$16,500 was used for the Star Award program leaving a balance of \$53,079 to be evenly distributed for the ten goals. Each goal is worth \$5,308. The funds not dispersed will roll forward to the next year based on new goals and additional transfers into the fund. Four of the ten goals were completed this year as follows:

1. Completion of the Ice Dock project by June 30, 2011 (the internal goal was April 1, 2011).
2. Operation Lifesaver (rail line safety program for public education).
3. Rewrite of the existing railroad leases for private and public crossings for revenue generation by June 30, 2011.
4. Preliminary Qualification for Contractors (small works roster) for projects (vendor list/written roster using Washington State as a sample).

Mr. Koch said the vendor list and program approval of the Preliminary Qualification for Contractors are the rules the commission adopted tonight. The six remaining goals which were not met are:

5. Create 50 new jobs in the Port district. This is a goal we continue to work on and while we can claim some role in the creation of new jobs we don't believe we did enough to merit justifying 50 new jobs.
6. Develop a plan for the Upper Bay (Citrus and Dolphin Terminal Docks rehabilitation. Staff came close by letting a contract for the evaluation of both docks but has not completed the plan.
7. Coos Bay Rail Link operation by June 30, 2011.
8. Comprehensive review and update of the Communication Model Strategy Plan. This is still in the works but not completed.
9. Explore, examine and recommend planning implementation for a Geographic Information System. With other priority projects this has been pushed back but remains a goal. Staff is having discussions with other agencies on how the Port can integrate with their systems to create a better regional GIS system.

10. Make a decision and recommendation on relocating the Port District office. There are several options that have been contemplated with active options under consideration.

Mr. Koch told the commission to expect many of the remaining goals to be met before the end of the calendar year. He said Port staff is asking for a motion to approve the Chief Executive Officer's recommendation to award all employees in the form of a proportionate annual increase, or based on where an employee is on the pay scale, a one-time adjustment in pay effective July 1, 2011 based on the completion of four of the ten budgeted Merit Goals.

Upon a motion by Commissioner Scott (second by Commissioner Hampel), the Board of Commissioners voted unanimously to approve the four completed Merit Goals for FY 10/11. Motion carried.

9. OTHER:

Commissioner Kronsteiner said given the fact that Mr. Bishop is going to be out of the office for several weeks he was asking the commission to consider a motion to appoint Mr. Koch as the acting CEO in Mr. Bishop's absence until July 11, 2011. Commissioner McKeown commented this was a very appropriate move to make considering the fact that Mr. Bishop is going to be out of the country and Mr. Koch is here to step into those shoes.

Upon a motion by Commissioner Smith (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the appointment of Mr. Koch to acting CEO until July 11, 2011. Motion carried.

10. INFORMATION ITEMS:

- A. June Business Center Newsletter

11. COMMISSION COMMENTS:

Commissioner McKeown said she had a suggestion that the commission consider meeting in the capacity of a retreat or strategic planning session between now and the end of this year. She said she had been thinking about the last time commissioners had sat down to reflect on where they had started, where they currently are and where they want to be with respect to the Port. It has been several years since the last planning session and a number of things have changed not only in the current economic situation and current projects, but also with new staff. She felt it was appropriate to have another session to revisit the Port's vision and mission and make sure that the goals the commission is setting are appropriate to where the Port wants to be in the future. She asked Commissioner Kronsteiner to determine the appropriate time to meet taking into consideration that staff is very constrained right now with projects. Commissioner Kronsteiner thanked Commissioner McKeown for bringing it up and felt it was very important to have a planning session.

12. NEXT MEETING DATE: July 21, 2011

13. ADJOURN: The Regular Meeting adjourned at 7:39 p.m. to Executive Session.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary