

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
REGULAR COMMISSION MEETING
Thursday, November 19, 2009
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, 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; Kathy Wall, Business Development Manager; Aaron Simons, Marina Facilities Manager; Mike Stebbins Port Counsel; Andrea Wall, Executive Assistant

Media & Guests: Gordon Young, Channel 14; Dan Smith, ORC; Erica Rush, KCBY; Jody McCaffree, Ken Messerle, Coast Consulting; Alexander Rich, The World; Marvin Caldera, ILWU; Dana Gobb

1. The meeting was called to order at 7:03 p.m. and then recessed to Executive Session at 7:05 p.m.

The Commissioners returned to the Regular Meeting at 7:25 p.m. The President said that Commissioner Hampel was celebrating his anniversary and would not be attending tonight's meeting.

2. The President asked for introductions of the audience.

3. **CONSENT ITEMS:**

A. Minutes: October 15, 2009 Regular Commission Meeting and Special Meetings of October 22 and 30, 2009.

B. Approval of October/November 2009 invoices totaling \$ 1,012,537.98.

Upon a motion by Commissioner Smith (second by Commissioner Scott) the Board of Commissioners approved the October 15, 2009 Regular Meeting minutes and the October 22 and 30, 2009 Special Meeting minutes and the October/November 2009 invoices totaling \$ 1,012,537.98.

4. **MANAGEMENT REPORTS:**

A. **Executive Director:** Jeffrey Bishop

Mr. Bishop said he had one item only, a request from the City of Coos Bay to have two Port Commissioners meet with two City Council members regarding the Eastside property. The city would like to develop the property for recreational purposes. Mr. Bishop felt that it would be prudent for two Commissioners to have a conversation with the City. Commissioners Scott and Smith volunteered to meet with the two City Council members.

B. **Deputy Executive Director:** Michael Gaul

Mr. Gaul said the USCOE Federal Maintenance Dredging project was completed at the end of October. Roseburg Forest Products, Oregon Chip Terminal and Georgia Pacific were able to take advantage of the mobilized clamshell dredge; they had their docks dredged under the Port's Unified Dredging Permit.

A conditional acceptance of a property sale to Southport Forest Products was authorized at the October 22nd Special Meeting. The Commission authorized staff to work on a Sale/Purchase Agreement. Port Counsel will be working on this agreement with Southport's Counsel. A property survey is complete and there are 31.6 acres. A preliminary property line adjustment application went to the County this week; the County looks at what needs to happen and makes sure it is correct and guides us on how to proceed on the property line adjustment. Staff hopes to have the Sale/Purchase Agreement back for the next Commission meeting in December.

A 90% financial plan was submitted to ODOT on November 9th on the TransPacific Realignment and ODOT finished their review on November 13th. The draft PSE Final Package went to ODOT his week and we are on schedule for a February bid date.

At the October meeting of the PNWA, Kathy Wall, our Business Development Manager, was elected to replace Mr. Gaul on the Association's Board of Directors.

C. Director of Communications and Freight Mobility: Martin Callery

Mr. Callery's report included Mr. Lovelady's activities with his own. Mr. Lovelady is finalizing the ConnectOregon III application for the Prineville Railroad; staff here is also finalizing the Port's application; tomorrow is the deadline.

Mr. Callery is still doing quite a bit of marketing for the Charleston Marina and RV Park. The Port promotes launch ramp passes for next year as stocking stuffers. The World is doing a special page for Charleston and Empire which the Port participates in. Mr. Callery's time however, over the last 45 days has been railroad related.

Staff is working with ODOT and Oregon Bridge Railway Partners (OBRP). They are rebuilding the overpass above the rail line on Hwy 126. Mr. Lovelady met with them and then sent plans to Mr. Callery. ODOT has proposed moving the bridge opening to the center of the span which would save them having to build a much longer span. It still gives the Port enough room on both sides to put in either a siding on both sides or whatever the Port needs - it is still a 64' span, but it saves OBRP quite a bit of money. OBRP intends to start work on it in early December. ODOT is working with David Koch on a CMA (Construction Management Agreement) and it is almost completed. The CMA is a contract between the Port and Oregon Bridge Railway Partners for work above the rail line and as soon as the CMA is done, they will move forward; plans and specs are already being worked on. The Port will be providing flagging and we are charging for that service. The property sale agreement is done and we have received the money.

President Kronsteiner asked if we needed two maintenance agreements - one for construction and one permanent. Mr. Callery said it was being drafted into one agreement.

In September HDR Engineering and R.L. Banks & Associates and some of the other sub-contractors that have been working with the Port did a one week long high rail inspection of the line. The draft report is complete; they provided three different scenarios in support of our ConnectOregon III application. Staff picked one between scenario one and two in relation to the amount of money we think can be obtained from the ConnectOregon program. The report will be made available to you as soon as it is finalized.

Tunnel Repair: LRL Construction has completed the repairs on tunnel #13 which is closest to Vaughn and tunnel #18 which is at the south end of Tahkenitch Lake. LRL then went back to tunnel #15. Tunnel #15 was skipped the first time because the steel supports ordered for replacement of the wood sets were delayed; instead tunnel #18 was completed. The ditching is done and looks good. At tunnel #15 LRL has installed more than 80 steel sets to replace the old tempered sets. They have not had any significant material come down from the walls or roof of the tunnel but there are some problems with settling in the bottom which will need to be addressed. Once all of the steel sets are in place they will start pulling the wood sets which will cause material to come down; however, the steel sets are anchored by rebar so it will not be a problem. Good progress is being made and there are fewer problems than were expected. Tunnel #15 will be finished in early to mid-December and then LRL will go to tunnel #20 on Black's Arm of Ten-Mile Lake. If there is any budget and time left on the contract, there are some priority two and three small projects at tunnel #13 which they can catch on the way out. These small projects are nothing that would cause a FRA safety issue, just things that can be done. We are on budget and within the timeline.

Mr. Callery took a high rail trip with one of the ODOT engineers and the chief infrastructure engineer for one of the regional shortlines. The trip started at Vaughn and went all the way to Houser. When it was done, the engineer said he did not think there would be any problem operating a train between classifications one and two (10 - 25 miles an hour). There are some soft spots which need to be dealt with; the engineer was impressed with the bridge at Siuslaw and the condition of the trestle on the south side of that bridge. There was only one trestle across one lake where one part dropped about six inches and it requires new piling.

Staff submitted TIGER grant applications in September and we should hear something by February 17, 2010. Tomorrow is the deadline for the ConnectOregon III applications. Steve Kale, a former ODOT freight planner, is working on our application with Mark Hemphill of HDR, Dan Lovelady and Mr. Callery. Mr. Bishop will sign it in the morning and Mr. Callery will take it to Salem.

Mr. Callery will then start work on a RFQ for an operator of the line.

The Port continues to work with the Watershed Councils, Long Tom and Siuslaw; they have identified some federal funding for water quality and fish passage and some culverts that are not functioning the way they should. We have Memorandums of Agreements with those two entities and told them that we would provide transportation where we could. Doing these projects prior to starting up the rail line service is easier to do and more safe.

Mr. Callery said that there are some new rules on grade crossings and grade crossing inventories coming up. Crossings will all have to be numbered, users identified, and locations identified by GPS.

Dan and Martin will start working on this project after the first of the year. Any grade crossing not in use will have to be totally taken out, approaches removed, totally decommissioned.

D. Director of Finance and Administration: Donna Nichols

She has been working through the audit process for the year end report and working with Mr. Callery on the railroad reimbursement report. Kathy Wall and Donna are working on the Boat Basin Drive Improvement Project and are hoping to get construction going in 2011; however, it is scheduled for 2012. If all the documents are in place, the project may be moved up.

Ms. Nichols is looking at loan refinancing to bring costs down and she is working with the railroad leases. She will be working with Mr. Lovelady and Mr. Callery after the first of the year to create a new rate structure for the railroad leases.

E. Marina Facilities Manager: Aaron Simons

Mr. Simons added to his written report that the third parking lot has been striped and the stop signs have been put in on the paving project. The COE have completed the dredging of the Charleston Channel.

F. Rail Operations Manager: Dan Lovelady.

Mr. Lovelady was absent and Mr. Callery covered his report for the Commissioners.

5. PUBLIC COMMENT:

Jody McCaffree: She does not think the Port should go forward with the Jordan Cove/Weyerhaeuser project. She also does not think the Weyerhaeuser property is worth \$25 million. She feels even if FERC approves Jordan Cove it could still be tied up in litigation for a long time. She thinks we are betting too much on that one industry and are probably losing out on other things.

She talked about an article in Scientific American about getting all of our power from sustainable energy of solar, wind and water and she talked about another article that said that all states could meet their energy demands with renewable energy found in their own states.

Much of the information Ms. McCaffree talked about was submitted to FERC and you could go online and read the reports. www.FERC.gov ; Docket numbers for Jordan Cove are CTO7-441-900 and CTO7-444-000.

Ms. McCaffree went on to say the spending in travel for six of the last years starting in 2000 for Coos County alone was over 1 million dollars. Last year the direct employment from tourism was 2,820 jobs. She feels tourism basically sustains us.

She brought in an article from the World on Globalization vs. Americanism which she said should be reread by the Commission.

6. ACTION ITEMS/REPORTS:

A. Officially hire Sandra Brown at her new firm.

Sandra Brown was the attorney of record for the Port's Feeder Line Application before the Surface Transportation Board. At that time Ms. Brown was a partner in Troutman Sanders who also represented the Port in FERC matters. Ms. Brown has moved employment and is now with Thompson Hines.

If the Port wants to continue to use the services of Ms. Brown, it is necessary to sign an engagement letter with Thompson Hines. The agreement is for services "as needed" and no retainer is required. If approved, Thompson Hines would represent the Port in matters concerning Coos Bay Rail Link and Wave Energy.

Upon a motion by Commissioner McKeown (second by Commissioner Scott) the Board of Commissioners approved authorization for the Executive Director to sign the letter of engagement with Thompson Hines

B. Agreements on the Jordan Cove/Weyerhaeuser Project

What was the deal?

- Port entered into an option agreement with Weyerhaeuser in 2006.
- Option was two-years in length but Jordan Cove possessed a six month extension option, which it exercised.
- Option price was the purchase price of \$25 MM - Weyerhaeuser was required to repay purchase price if option was cancelled.
- Port had two-years to perform due diligence and did complete it.
- Port indemnifies Weyerhaeuser from future clean-ups.
- Port purchases insurance to pay for that clean-up in the event it happens.
- Port will negotiate PPA with State of Oregon.
- Port borrowed \$10MM from a bank.
- Port borrowed \$15MM from the State of Oregon.
- Both of these loans had debt service.

Who paid for it? Jordan Cove paid 100%. The Port entered into an option agreement with Jordan Cove Energy Partners and the option had three sections:

- An option to buy 147 acres
- An option to lease a berth area
- A non-binding exhibit to serve as a guide to future negotiations.

The monthly charge for the option was \$120,000 in the initial term and was \$160,000 for the extension. The Second Extension was for \$480,000 per quarter. The Port's Option with Weyerhaeuser is for approximately 1,300 acres. Jordan Cove Energy Project has an option to acquire 147 of those acres - this leaves an approximate net balance of 1,153 acres. The net balance of the Weyerhaeuser portfolio, if the deal is exercised by JCEP, would be 1,153 acres. Jordan Cove Energy Project has an option to lease an area to build a berth on 48 of those acres which leaves a net balance of 1,105 acres.

The Jordan Cove fee purchase will now cost \$7.35 million. Jordan Cove prepaid bare land lease will cost \$3.65 million (plus additional charges yet to be assessed once negotiations are completed regarding improvements.) The total pre-payment by Jordan Cove would be \$11 million. The Port will have a remaining real estate portfolio of 1,105 acres. The Port will have to now finance the remaining \$15 million (\$13,575 per acre) of the purchase price as both outstanding loans are to be retired. The Port has two options for paying for the remaining balance:

- From the proceeds of leases/land sales
- From the property tax paid and guaranteed by Jordan Cove Energy Project via Interlocal Agreement with the County Urban Renewal Agency

The Jordan Cove Energy Project terminal is expected to cost between \$750 million and \$1.5 billion and the associated pipeline an additional \$1.5 billion. At the existing tax rate of \$15 per \$1,000 the project would produce about \$10 to \$15 million annually in property tax. The project rests wholly within the county's urban renewal district. The urban renewal district has pledged approximately \$1.5 million annually toward the financing of the remaining portfolio, which would meet the debt service and debt coverage ratios. The remaining \$7.5 million can be spent on infrastructure to create new employment opportunities. The net effect of the Weyerhaeuser purchase to the existing Coos County Taxpayer remains \$0.

The new Weyerhaeuser Option Extension terms are non-cancelable, for a term of one year with an additional automatic six month extension upon six months notice from Jordan Cove. The option fee is \$450,000 per quarter. \$150,000 per quarter is to be applied to purchase price if closed.

The new Jordan Cove Option Extension is non-cancelable. The extension is for a term of one year with an additional automatic six month extension upon six months notice from Jordan Cove. Jordan Cove agrees to pay quarterly option payment of \$480,000 to the Port of Coos Bay and an additional option payment of \$100,000 per month for the first six months of the extension. Fort Chicago will guarantee payment of the option. The \$10 million Umpqua loan is retired and the \$15 million State loan is retired.

The new extension takes a resolution. Resolution 09/10-2 amends Resolution 08/09-2 to reflect the extensions.

Discussion: Commissioner Scott asked "financially, what is the worst that could happen?" Mr. Bishop said that would be if Jordan Cove defaults, however the extension would be covered by Fort Chicago

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners moved to approve Resolution 09/10-2 and to authorize the Executive Director to execute the extension agreements with Weyerhaeuser and Jordan Cove as approved to form by the Port Counsel.

C. Approval of Port Goals for FY 09/10

The Port wants to recognize the exceptional performance of its employees through a competitive compensation system. The system consists of four major components:

1. Market Comparability
2. Cost of Living Adjustments
3. Merit Pool
4. Star Award

Annually the Executive Director shall budget and recommend formation of the Merit Pool line item. The amount of the pool is determined on the basis of the Port's financial capabilities and performance at that particular point in time. The Executive Director submits to the Port Commission ten goals to be accomplished in the current fiscal year. Each goal, if successfully met or exceeded will represent 10% of the merit pool established in the budget. Staff is requesting a modification to the program this fiscal year from ten goals to five - five goals for 50% of the merit pool. The reason is two fold:

- Staff is delayed in presenting the goals to the Commission and we are half-way into the fiscal year.
- Budget constraints limit goal activity.

Upon acceptance of the Executive Director's recommendation to award merit funds, the Port Commission shall authorize the dispersal across the board of the merit pool to all employees in the form of a proportionate annual increase. For FY09/10, Port staff recommends the following five goals:

1. Increase Port Assets - increase the Charleston footprint with new property acquisition and/or grow new business.
2. Expansion of prior year's green policy - incorporates research of costs versus revenues for the next fiscal year budget recommendation. Examples: LED lighting to replace mercury vapor lighting; fuel/diesel costs versus electric for maintenance and security vehicles at Marina Complex facilities; fresh water conservation - there are currently hoses on docks that don't get shut off.
3. Full Computer System backup recovery plan - evaluation and recommendation for the next fiscal year. All servers with programs are in the Administration office and daily, weekly and monthly backup tapes are kept off site. Because we are linked through the internet to the Marina, what would it take to have a Virtual Private Network (VPN) with fully operating servers at both locations so that in case of a disaster to one facility, we could be fully operating in a matter of hours versus days or weeks?
4. Information Infrastructure - evaluation and recommendation for next fiscal year budget year. Complete evaluation of current software programs and how they all interact.
5. Research potential cost savings /or not of bringing Port's equipment maintenance in-house for recommendation to next fiscal budget year.

Upon a motion by Commissioner Scott (second by Commission Smith) the Board of Commissioners approved the five goals for FY09/10 each valued at 10% of the merit pool.

D. Port/County IGA for Boat Basin Drive Improvement Project

The Port partnered with Coos County on a Transportation Enhancement Grant submittal for improvements to Boat Basin Drive in Charleston. The Port pledged a match of \$43,000 which was budgeted. Coos County pledged in-kind assistance. We were successful in the grant request. The Port Commission accepted the grant at their October 1, 2009 Regular Commission Meeting. The Coos County Board of Commissioners accepted the grant at their September 23, 2009 meeting. The amount of the Transportation Enhancement Grant for the Boat Basin Drive Improvements is \$1,107,000. The State of Oregon, acting through the Department of Transportation, has agreed to fund the grant. Boat Basin Drive is part of the County Road System under jurisdiction and control of Coos County. An Intergovernmental Agreement with Coos County is required because they are the property owner.

Upon a motion by Commissioner McKeown (second by Commissioner Scott) the Board of Commissioners approved signature authorization for the Executive Director to sign the Intergovernmental Agreement between Coos County and the Port of Coos Bay for Boat Basin Drive Improvements.

E. Local Agency Agreement – Transportation Enhancement Program – Boat Basin Drive Improvement Project.

The Port and Coos County are the recipients of a Transportation Enhancement Grant for Boat Basin Drive Improvements in the amount of \$1,107,000. The County Board of Commissioners and the Port Commission have both accepted the grant at their respective meetings.

One of the State requirements of this grant is for the Port and Coos County to enter into a Local Agency Agreement with the Oregon Department of Transportation. This agreement will define the obligations of each party and is incorporated into the IGA between the Port and Coos County for project management.

A draft copy of the agreement provided by ODOT is in the Commission packet. As you are aware, most sections of the State's agreements are not negotiable. Port and County counsels are working out the final details with the State. Most blanks in the agreement will be governed by the requirements of the Transportation Enhancement grant.

Upon a motion by Commissioner Scott (second by Commissioner McKeown) the Board of Commissioners approved signature authorization for the Executive Director to sign the Local Agency Agreement between the Port, Coos County and the Oregon Department of Transportation.

F. Jack Hampel Lease – Chuck's Seafood Lease

Chuck's Seafood has been in a month to month lease arrangement with the Port for the former Ocean Proteins building in the Charleston Marina Complex. Both the Port and Chuck's Seafood wish to make this lease a more permanent relationship. The lease includes a one-year term and two one-year renewal options.

The building is approximately 9,425 square feet – a new property description will be included in the final lease document. The initial lease rate is \$1,000 per month and includes annual consumer price

index adjustments. The building will be used for seafood processing, storage and related purposes. It is a Triple-net lease.

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners approved the new long-term lease to Chuck's Seafood Lease. (Commissioner Hampel was excused from this meeting and did not vote on this item.)

7. OTHER:

8. INFORMATION ITEMS:

- A. Letter from Kenneth H. Parnell, Jr.
- B. Letter from Jeff & Carole Ann Clague, Slip #2
- C. Kudos to Marina Staff - Mickey & Richard
- D. Kudos to RV Camp Host & Staff
- E. B.C. News letter - October 2009
- F. SDAO Information
- G. TWIC Information
- H. STEP Program Information

9. COMMISSION COMMENTS:

Commissioner McKeown said that she did not think the Executive Director had been thanked enough for his efforts on the Weyerhaeuser project.

Mr. Bishop said he would not been able to do it without his excellent staff.

President Kronsteiner commented that there were a lot of "Kudos" letters in the packet regarding staff - please don't miss reading them.

Commissioner McKeown asked Aaron Simons to again thank all his staff from the Commission.

10. NEXT MEETING DATE -Thursday, December 17, 2009

11. ADJOURN: 8:15 p.m.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary