

OREGON INTERNATIONAL PORT OF COOS BAY  
Coos Bay, Oregon

SPECIAL COMMISSION MEETING

Monday, February 9, 2009

3:30pm (after Executive Session)

Port of Coos Bay Conference Room, 125 Central Ave, Third Floor, Coos Bay OR 97420

**ATTENDANCE:**

**Commission:** David Kronsteiner, President; Caddy McKeown, Vice-President; Dan Smith, Secretary; Commissioner Jerry Hampel; Brady Scott, 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; David Koch and Mike Stebbins Port Counsel; Andrea Wall, Executive Assistant;

**Media and Guests:** Gordon Young, Channel 14; Alexander Rich, The World; Erica Rush & Kortney Potts, KCBY; Rick Elliott, K-Dock Radio; Andy Nasburg, North Point Realty; Kathy Muscus, Rep. Verger/Roblan; Chris Claflin, OECDD; Marvin Caldera and Jennifer Gumm, ILWU; Ron Kreskey, Rep. DeFazio; Jan Dilley; Donna Rabin

**CALL TO ORDER:** The President called the meeting to order at 3:35 pm and immediately recessed to an Executive Session.

The Commission returned to Open Meeting Session at 4:17 pm.

The President dispensed with introductions today.

**2. ACTION ITEM:**

A. Second Reading and Adoption of Ordinance 144, the forming of an Export Trading Corporation.

The President asked for the second reading of Ordinance 144 to be by title only. Mike Stebbins, Port Counsel read the Ordinance 144 title. The Commission did not have any questions.

Mr. Bishop said that the exact benefits of forming this Export Trading Corporation were somewhat questionable now because of the loan but he had hoped that the Port could still use it in the future. He was mainly concerned with keeping the employees of the Port and the proposed employees of the rail line separate as far as retirement benefits. Mr. Bishop said that after review, he finds that the separation can be done by Fund.

Upon a motion by Commissioner McKeown (second by Commission Hampel) the Board of Commissioners approved and adopted Ordinance 144 allowing the Oregon International Port of Coos Bay to form an Export Trading Corporation.

B. Resolution 08/09-8 Approval of Special Public Works Fund Loan for the Railroad.

The Port submitted a Feeder Line Application to the Surface Transportation Board (STB) to purchase approximately 111 miles of railroad currently owned by Central Oregon and Pacific Railroad (CORP)/Rail America for the amount of \$16,605,987. The STB granted this purchase opportunity on

November 10, 2008 with the sale to be completed by February 18, 2009. If the Port is unable to purchase the line then CORP will be granted the right to abandon the line. If the line was abandoned, it could result in removal of all rail infrastructure, including bridges, and the sealing of the tunnels.

ODOT previously awarded \$4 million in ConnectOregon I funds to the Port and they have approved the change of scope to the funds can be used for acquisition of the rail line. The agreements have been completed and the funds were received by the Port on February 3<sup>rd</sup>. An additional \$8 million is pending Congressional approval to allow for redirection of federal transportation funds from the Coos Bay Rail Bridge projects toward the acquisition of the rail line. These funds should be available within the first half of 2009; however, it is likely the Port will only receive \$7.2 million of the \$8 million due to project administration costs.

The State of Oregon's Special Public Works Fund has approved a loan for \$12.6 million to provide funding for the acquisition. This loan will consist of two components:

1. A short-term loan of \$7,200,000 with an annual interest rate of 1/10 percent (0.1%) and a term of 24 months with the option to prepay at any time without premium or penalty.
2. A long-term loan for \$5,400,000 with an interest of 1% during the "payment deferral period" as defined and thereafter at the annual interest rate of 5% until paid.

A resolution is required for the Board to authorize the Port's execution of the financing documents.

David Koch, Port Counsel said that he now had the exact figures for the loan. The total maximum loan would be \$12,615,987; the short-term loan would be \$7,200,773 and the long-term loan would be \$5,415,214. He said the motion should include the correct figures.

Upon a motion by Commission Smith (second by Commissioner McKeown) the Board of Commissioners approved Resolution 08/09-8, with the corrected figures as stated above, authorizing the Port to execute financing documents to accept a loan from the State of Oregon's Special Public Works Fund in support of the Coos Bay Rail Link Acquisition.

Commissioner McKeown said that the Port had many people to thank who worked on getting this loan. Some of the people she mentioned were Senator Verger, Rep. Roblan and their staffs, Chris Claflin with OECDD, Governor's staff, Ron Kreskey and Congressman DeFazio and many others who worked tirelessly to get this done. She expressed much gratitude from the Port and from this community; this is a very important endeavor. The Commissioner also said her thanks again to Port staff for all of their work.

## **OREGON INTERNATIONAL PORT OF COOS BAY**

### **RESOLUTION NO. FY 08/09 - 8**

#### **A RESOLUTION AUTHORIZING A LOAN FROM THE SPECIAL PUBLIC WORKS FUND OF THE OREGON ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT FOR THE ACQUISITION OF THE COOS BAY RAIL LINE**

**BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE OREGON INTERNATIONAL PORT OF COOS BAY AS FOLLOWS:**

Section 1. **Findings.** The Board of Commissioners (the "Board") makes the following findings: The Oregon International Port of Coos Bay (the "Port") has filed with the State of Oregon, acting by and through the Oregon Economic and Community Development Department (the "Department") an application for financial assistance from the Special Public Works Fund (the "Fund") under the provisions of ORS 285B.410 through 285B.482 (the "Act"); and said application has been approved, and is subject to a Financing Contract; two Promissory Notes; Trust Deed, Security Agreement, Assignment of Leases and Rents, and Fixture Filing; and Certification and Indemnification Regarding Hazardous Substances (the "Contract Documents") with the Department for Project Number L--- for the acquisition of the Coos Bay Rail Line (the "Project"). Said Contract Documents, together with their attached exhibits, are hereby incorporated in this Resolution and made a part hereof.

Section 2. **Loan Authorized.** The Port is authorized to borrow from the Fund to finance the Project a maximum of \$12,600,000 consisting of two components; a short-term loan in the maximum amount of \$7,200,000 from the Special Public Works Fund with an annual interest rate of 1/10 percent (0.1%) and a term of 24 months or two years with the option to prepay at any time without premium or penalty; and a long-term loan in the maximum amount of \$5,400,000 from the Special Public Works Fund with an annual interest rate of 1% during the Payment Deferral Period as defined and thereafter at the annual interest rate will be 5% until paid. The Commission President of the Port is authorized to execute on behalf of the Port said Contract Documents; and the Executive Director of the Port is authorized to execute such other documents as may be necessary to carry out the provision of this Resolution and said Contract Documents.

Passed and adopted by the Board of Commissioners of the Oregon International Port of Coos Bay this 9<sup>th</sup> day of February 2009.

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President

ATTEST:

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Secretary

C. Discussion of IGA between the Port and the City of Prineville

Mr. Bishop said that staff has been engaged in discussions with the City of Prineville about the Port and the City of Prineville would share an employee, Dan Lovelady, who is currently the General Manager of the City of Prineville Railroad. He was formerly the General Manager of the CORP. The Port and the City would split the cost and he would be the Director of Railroad Operations if we do it by fund or if we do it by Export Trading Corporation, he would be Chief Operating Officer. Mr. Lovelady has two years before retirement and he could provide the Port with two years of expertise specific to this rail line. Mike Stebbins, Port Counsel, said that he has a draft agreement now with Prineville that they are working on.

The Executive Director and the Director of Marketing and Freight Mobility will provide additional background information for possible action at the next Regular Commission meeting.

D. Level I Environmental Assessment of the rail line - Kennedy/Jenks

Mr. Bishop said that as part of the ongoing discussions with RailAmerica on the purchase and sale agreement, we want to have a Phase I Environmental Site Assessment done on the line from Coquille to Eugene for potential environmental problems. This should take about four weeks for a cost, not to exceed, \$34,000. We are asking for an extension to closing to complete this work.

Upon a motion by Commissioner McKeown (second by Commissioner Smith) the Board of Commissioners approved the proposal with Kennedy/Jenks Consultants to conduct a Phase I Environmental Site Assessment on CORP/RailAmerica for the Coquille to Eugene rail line and authorization for the Executive Director to sign the documents when funding is identified.

E. Coos Bay Rail Link Acquisition documents.

Mr. Bishop said that the last item was the purchase and sale agreement/the asset sale agreement between the Oregon International Port of Coos Bay and Central Oregon & Pacific Railroad/RailAmerica. As briefed in Executive Session, there are multiple challenges left on this document. We are requesting authorization for the Executive Director to execute that agreement as proposed to RailAmerica. In the event that the document changes again, it will be brought back to the Commission.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the documents and signature authorization for the Executive Director to execute the contract.

3. **COMMISSION COMMENTS:** President Kronsteiner said that he had the opportunity to travel with the Port staff on some of this work and he wanted to confirm the amazing level of effort that is going into this project. He is very grateful for the people we have working for us.

4. **NEXT MEETING DATE** - Thursday, February 19, 2009

5. **ADJOURN:** The Special Meeting was adjourned at 4:30pm

By: \_\_\_\_\_  
David Kronsteiner, President

By: \_\_\_\_\_  
Dan Smith, Secretary