

OREGON INTERNATIONAL PORT OF COOS BAY  
Coos Bay, Oregon  
REGULAR COMMISSION MEETING  
Thursday, March 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; Jerry Hampel, Commissioner; Commissioners Brady Scott and Dan Smith were 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; Mike Stebbins Port Counsel; Andrea Wall, Executive Assistant; Kerry Lewis, Receptionist

**Media & Guests:** Gordon Young, Channel 14; Erica Rush, KCBY; Brad Kennedy; Steve Pickering; Don Peabody; Ken Messerle, Coast Consulting; Dave Lacey, Our Ocean; Marvin Caldera, ILWU; Jennifer Groth, Coos Waterfront Walkway; Jan Dilley; Jody McCaffree; Tasha Myers; Jami Doyle, Oregon Sea Grant;

1. The meeting was called to order at 7:05 p.m.
2. The President asked the audience to introduce themselves.
3. **CONSENT ITEMS:**
  - A. Minutes: February 19, 2009 Regular Commission Meeting
  - B. Approval of February/March 2009 invoices totaling \$ 335,011.27

Upon a motion by Commissioner Hampel (second by Commissioner McKeown the Board of Commissioners approved the February 19, 2009 meeting Minutes and the February/March 2009 invoices totaling \$335,011.27.

4. **MANAGEMENT REPORTS:**

A. **Executive Director: Jeffrey Bishop**

Mr. Bishop said that from some of the questions he has received, he needed to review the presentation he gave in the last meeting in a more simplified manner.

The Surface Transportation Board (STB) set the purchase price of the rail line at \$16,585,760. It was a "take it or leave it" proposition. The price consisted of the value of real property and the associated rights, plus the value of the line if liquidated, less the costs associated with the liquidation. RailAmerica and the Port both submitted appraisals to support their individual positions. The STB adjudicated the value using their expertise and the price was set. While we disagree on the cost, it is not that far off. The major differences were the value of the real estate and the cost of liquidating the asset. The Port maintained that bridge removal should be deducted; RailAmerica indicated that the

bridges could be reused as a trail. The STB agreed with RailAmerica and did not deduct the value of the bridges.

#### Value Assumptions for the Risk Model:

The purchase price was \$16,585,760 and did not include the cost of bridge removal. Using the same formula price in February 2009, today's price would have been \$17,562,897 (due to scrap price increase) which is almost \$1 million. The Port estimated that bridge removal costs were \$7,758,400 although it could be made into a trail. Today's value would be \$9,804,497.

#### Basis of Risk Model (Worst case exposure)

The law requires the Port to own the asset for three years. At the end of that time, if compelled to do so, the Port can liquidate the asset. This serves as the base for the risk model - what the cost to the Port is at the end of that three years; investment risk, operational losses and cost of disposal.

#### How did the Port pay for the acquisition?

The purchase price again was \$16,585,760. \$4 million was awarded to the Port from ConnectOregon to finish the rehab of the Coos Bay Rail Bridge. \$7.2 million is from the 2006 Safe-Tea-LU legislation; and \$5.4 million was a loan from the State of Oregon; the loan is deferred beyond the Risk Model so there is no debt service until after the 3-year period is up. This means there is \$11.2 million in grants with no repayment obligation leaving \$5.4 million in long term debt which must be paid back at some point.

Going back to disposition assumptions for the Risk Model, there is a mortgage balance of \$5.4 million which is likely recoverable from the liquidation, especially if the line were turned into a trail and the cost of removing the bridges were avoided.

#### Operations and Potential Operating Loss

The Port hired industry consultants to prepare a business plan and they were charged with developing a conservative plan. So far we are on the 8<sup>th</sup> draft of this plan. The Preliminary pro-forma financials assumed Port operates the railroad as a base case because we have not contracted it out yet; we don't know what that business model looks like yet. Our assumption was that theoretically the private sector should be able to do it cheaper than the public sector. So the question is, what would it cost the public sector to operate a railroad; that is how we developed the business case. As a result of that conservative approach, the preliminary pro-forma identified a substantial operating loss to be absorbed by the shippers in a per car surcharge. The Port will issue a RFQ for a multi-year contract for an operator on the line and proposals will be evaluated against the base case business plan and the risk model. Evaluating the proposals against the risk model gives us the opportunity to make sure that the proposals received don't make the situation worse for the Port than the base case. Right now we are clearly leaning toward an outright lease of the line; basically we will just be leasing a piece of real estate to someone else and they can assume the operational duties and the potential for losses.

When the performa analysis was done, it was two fold; one with LNG and one without. There is no special significance of LNG; it is just to show the effect of more business on the asset.

Mr. Bishop showed the two graphs he used at the last meeting. In the performa analysis, we assume that the Port is operating the line (because we have not contracted it out yet and don't know what those costs will be). It also assumed the disposition of the line at the end of ten years. Disposition

means sale; sale of the line or liquidation of it. That is a standard assumption for investment of real estate, but it does not require disposition. That will be up to whoever is sitting in the Commission chairs at the Port at that time. The analysis does not include shipper surcharges which mitigates negative cash flows.

The whole process was done on the view of time value and money concept which assumes that the value of a dollar today is different from the value of a dollar in the future. An asset's value today is its present value and its value in the future is its future value. You can go back and forth in time to determine and understand an investment's value. Mathematical models are used to evaluate and compare the time value of money, most notably are Net Present Value and Internal Rate of Return.

The Net-Present value describes what you can pay for an investment in order to meet your desired yield. Internal Rate of Return is a method of expressing the yield from cash flows that are unequal.

Mr. Bishop showed the two graphs again from the last meeting. These are based upon what the Port has invested. It shows what we have spent out of pocket on the feeder application and consultants; netted out against our partners; it was \$736,633.73. The business plan projected a net loss of \$562,000 the first year, rising to \$1,029 million the second and gradually tapering off by the end of the 6<sup>th</sup> year and showing positive cash flows in the 7<sup>th</sup> through 10<sup>th</sup> years. This is based upon only the existing customers on the line. These include, Georgia Pacific, Roseburg Forest Products, Southport Lumber, American Bridge and some small propane companies in North Bend.

With the disposition in year 10, we show a positive Net Present Value of \$1.3 million. This means you could have spent \$1.3 million which is double what you actually spent, and still come up with a 5% return which is generally your cost of capital. There was an Internal Rate of Return of 9.11%.

We wanted to show the second perform, because we wanted to show the positive impact of increasing the business on the line. With more customers than you have now, the change is quite dramatic. In this example, it is assumed that LNG came on line on the 5<sup>th</sup> year of the perform. The operating loss jumps from a negative \$642,739 in year four to \$1,671,591 positive in year five and gradually increases over the term of the study period. Mr. Bishop commented on the disposition value. In the other perform, the disposition value was the liquidated value of the asset, not its current market position. If you were producing a net operating income of anything at that time, it is going to have value as a going concern. You will have a different market value at that point in time. With just the addition of LNG, the new present value jumps to \$11 million which is close to what we have invested in the line today if you rule out the cost of the ConnectOregon funds we received.

Last week the staff was asked if the shippers did not come back to the line, would the Port incur a loss. Mr. Bishop said his answer last week was vague and he wanted to clarify it. If you do not operate the asset you will not have an operating loss. You may have some non-operational expenses, but if you don't initiate service, you won't have cost for that service. Mr. Bishop was not addressing the initial investment or any subsequent capital investment in the asset. He explains it as follows:

Risk Model Revisited: If the line is not used, what happens to the value of the initial asset. At the end of three years, the Port can liquidate the asset and not lose money. It would sell the steel. We would attempt to avoid the cost of bridge removal. Even though we would attempt to avoid removing the

bridges, we have included the cost of removing them in the analysis. The Port would retain the right-of-way for future use, which is critical for the viability of the Port. It was reiterated by APM during their process with us, it didn't matter if it was operational, the right-of-way was what was important since the line had to be almost completely rebuilt anyway.

Why would someone invest this kind of money in this asset? There are over 700 people employed by the shippers on the line. We know this because we contacted all the shippers and asked them how many people were on their payroll. (We are in the process of updating it to see how much it has gone down.) When you use industry standard multipliers (we used the forest products multipliers) 2,000 jobs are directly affected in this area and those 2,000 jobs represent 2,000 families of 4 people per household, then there are over 8,000 people affected. It is a major impact if those jobs go away. Mr. Bishop was not saying they won't be affected by the economy by the Port buying the railroad, but it is a contributing factor to the cost associated to these operations. Mr. Bishop had a meeting with one of the shippers yesterday and he reiterated that the margins are slipping more in this tight economy than they have in the past. Logistic costs are a substantial element of their costs. The loss of that kind of employment base in this size community is significant. It affects us all in different ways. Even if you don't have any direct income coming from that asset, it affects the local real estate market; it affects the amount of equity you have in your own home; it affects the availability of services in the community. Vendors that provided a service may not be able to provide that service any more. Maybe it is a restaurant you like, or a coffee shop, or a dry cleaners or clothing stores. Those businesses all depend on a certain economic base and if that base goes away often the service goes with them.

It is not uncommon for government to invest in economic development as a matter of policy, often in the form of incentives to new companies. Since Mr. Bishop has been here, the State and Federal partners have put a lot more incentives on the table to lure new business here and often for only 200 jobs instead of the 700 we are talking about. It is definitely not a stretch to say that our partners have deemed that to be an important reason for them to be investing in the reinvestment of this line. The investment by our partners in the line is about these jobs and the ability to attract new jobs in the future.

Opportunity Costs: The process of deciding whether or not to reinvest in this asset is a decision to be made by other parties, who will either agree that job retention or the ability to attract future jobs is worth the investment of those funds versus their use somewhere else. These are not decisions that the Port will make. We will request the funds and will request opportunities for funding but we will not be making these decisions on our own because we do not have the financial capability to do so. We don't have the debt capacity nor do we have the cash to make this kind of investment so we will have to ask others to participate with us.

Stimulus funds were intended to initiate economic activity by immediate employment opportunities and not necessarily whether the asset had a long term return on the investment; they were public investment works geared toward creating employment which was the focus. Mr. Bishop said that the Port did not get as much as hoped; we were able to get about \$2.5 million which has us coming up about \$8 million shy of enough capital. We will be pursuing other funds with the Economic Development Administration and there are some other angles we will be working on also.

Mr. Bishop also said that these funds used to purchase the line were already appropriated to the Port; they were just being diverted from the initial project. It was not new allocations as reported in some press.

In August of 2008, the Port disclosed that the business plan for the operation of the line called for capital re-investment in the line of \$20 - \$50 million dollars. This fact was considered and evaluated by all the parties involved, and the decision to move forward still went ahead. The decision was made collectively with our partners, the State, our other sister governments, the Federal government, the Shippers on the line and we have had a very productive relationship with Union Pacific who has been very cooperative and has aided us in the whole process.

Further, in the former presentation, the Port outlined that in order to improve the line to handle double stack containers; the cost was in excess of \$275 million. None of the money we are working with our partners on or asking for was designed to accommodate that project. That project would be totally done on an income basis.

Decisions could still be made not to make any of these investments in the line. Those decisions will not be made by the Port, but by our partners. The decision made by the Port was to acquire the asset with the resources available in contrast to the risk to the Port.

Basis of Risk Model Recapped: The Port is likely to recoup its initial Port investment. The Shippers have agreed to pay for operational losses in the event they occur. If there is no business on the line there will be no operational losses - non operational losses to be recouped through liquidation. The line has been used for the past 20 years with little reinvestment in the line and it has not lost liquidation value, (as evidenced by the price set by the STB) therefore the potential for significant degradation in three years of non-use is highly improbable.

Final Decision: The risks explored, compared to the alternatives, were preferable to doing nothing. This concluded Mr. Bishop's presentation.

Mr. Bishop added on a different subject, that he had distributed some paperwork to the Commissioners on a consultant Jim Bruce, whom he worked with when he was with the Port of Pasco. Mr. Bruce has worked for companies who have done a lot of site selection work. He is now in his own business doing analysis of economic potential. Mr. Bishop wanted the Commissioners to review Mr. Bruce's qualifications because he may want to use him with some conceptual things where he thinks the Port could assist the economic impact from the Oregon Institute of Marine Biology. We have been working with the Oregon Solutions Group and at one time thought about some type of Bio-Tech Incubator in association with the research that is going on at OIMB, but now at the rate that program is advancing, it is likely we will not be involved in the building. Mr. Bishop thinks it is still worthy to get a handle on what it means to have a University facility in our community and what economic impact it presents. Mr. Bruce has done some work at similar facilities and he has done a lot of analysis for universities throughout the country. He has a sizable renewable energy background. Mr. Bishop provided this information so the Board could review it since it is quite extensive.

Commissioner McKeown thanked Mr. Bishop for the detail and was sure that everyone learned quite a bit.

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

Mr. Gaul and President Kronsteiner went to Washington DC in early March for a very busy PNWA Mission 2009. Mr. Gaul provided the Commission with a packet of information of the schedule for Sunday, Monday and Tuesday. On Wednesday, they spent their time with the Northwest delegation from the House of Representatives and on Thursday from the Senate.

While they were there, Mr. Gaul and President Kronsteiner met with Congressman DeFazio and Alison Dane, his Chief Staffer on the Transportation Infrastructure Committee. They met with staff from Senator Wyden's office; they met with Senator Merkley and Jeremiah Bowman who is the Senator's Washington DC Coastal Representative and they also had a meeting with MARAD. Yesterday staff provided an orientation tour of the Port facilities for Amy Amaheim who is the Southern Oregon field representative for Senator Merkley. She spent a lot of time with staff and had a nice tour by Martin; she commented that her eyes were enlightened to what we were doing here and what our needs were.

In January Mr. Gaul told the Board that the ammonia compressor system on the Ice Dock had failed and the plant was not operational. Staff had attempted to complete repairs using the maintenance line item but Mr. Gaul also mentioned that he may come back before the Commission for additional funding from one of our reserve funds. As with any old system, additional problems came up when they were doing repairs so staff will be bringing a request for more funds from some of the reserve accounts to the April Commission Meeting. There is one more thing to be done, but we hope to be up and operational by next week.

Thanks to Peter Friedmann and Ray Bruhager, we met with the senior officials at MARAD in D.C. They have a program called section 3508 which is assistance to small shipyards and maritime communities. It appears that the Port of Coos Bay qualifies as the Charleston Shipyard. Grants were called for last week for which they have \$100,000,000 in funding. By April 20<sup>th</sup>, staff will have a grant request in for \$3.6 million dollars. The need for that is to rehabilitate the 200 ton marine ways at the shipyard that is operated by Giddings Marine. Only one vessel can come up out of the water right now and Giddings has a huge waiting list. If we can move vessels around and bring three or four up, it will greatly enhance Mr. Giddings business and create additional jobs, additional revenue for the Port and the operator so staff is moving as fast as they can to try to secure those funds.

Mr. Gaul met with the Port of Umpqua and the Umpqua Economic Development Corporation and with Chris Claflin and Becky Bryant. We are looking at applying for a Port Planning and Marketing Grant together. By working with the Port of Umpqua we could join and double our grant authority. The reason for the grant is to develop a reasonable renewable energy development strategy. There are a lot of questions for which we need answers. This funding would bring on a consultant to look at the property on the North Spit and the IP property in Reedsport and two other properties in Douglas County. Mike said he would probably be back in April as the Port of Umpqua approved moving forward with this process. In April Mr. Gaul will probably come back with a recommendation and an IGA between the two ports. The grant amount will be \$75,000 with a \$25,000 match. PacifiCorp is the other piece of the puzzle and they have agreed to provide the match money. The grant has to come through the ports.

At this time of year, staff tracks a number of Legislative bills. House Bill 3012 is requested by the Port of Portland and some other ports and is sponsored by the Oregon Public Ports Association. The bill removes clean dredge materials from the Department of Environmental Quality's solid waste program. We are moving forward to try to remove that from law right now.

The other bill is HB3013 which Mr. Gaul is watching. This bill changes the makeup and responsibility of the Ocean Advisory Council and makes legislative funding on wave energy and provides renewable sustainable energy for the Oregon Coast; no one knows the origin of this bill. On the last day, it was dropped on Rep. Roblan's committee and as of yesterday, we still haven't found out who originated it. The Coastal caucus opposes this bill and what it does. It does not appear this bill will get out of committee, but we are going to track it pretty closely to make sure we don't have to get involved in testimony in Salem.

President Kronsteiner asked Mr. Gaul if he knew if Senator Merkley and Congressman Schrader wrote letters or made phone calls on our behalf. Mr. Gaul said the Congressman DeFazio and Schrader and Senator Merkley were going to make phone calls on our behalf but he hasn't followed up yet to see if they followed through.

President Kronsteiner continued and said the Peter Friedmann was to follow up on the funds for the ship repair program to find out how much of that money might be available. Do you know if he ever tracked that down? Mr. Bishop said that he had a meeting with MARAD on Tuesday for that purpose.

### **C. Director of Communications and Freight Mobility:**

Martin's report was an update to the Commissioners on things he has been involved in during the last month. At the February meeting of the Oregon Transportation Commission (OTC), they have approved a list of stimulus projects on the State highway/roadway system which totals about \$122 million. That list was pared down from a list of about \$180 million. One of the reasons for doing that is they were trying to set aside some of the Federal stimulus money for discretionary purposes, meaning transportation modes outside of the road and highway system. This was done by an application process; it is the fastest application process Mr. Callery has ever seen the State of Oregon run. HDR Engineering was engaged to help us with our application and it was submitted March 9<sup>th</sup>. On March 11<sup>th</sup>, Mr. Callery went to testify on behalf of the Port's application and he was asked to prioritize what the Port thought the top projects were that were needed for rehabilitation of the rail line. There is a scope of work in the application that has 5 or 6 projects in the bridge category, several in the tunnel category, one in the track and one in the signal category. We prioritized two out of the bridge and two out of the tunnel units, totaling \$10.5 million. It was made very clear to the OTC that these projects would go a long way toward rehabilitating the line and sooner than later restoration. Yesterday, Ken Messerle was at a meeting and said that we were awarded \$2.5 million. We will put that money to use, but we will go after funding to continue the rehabilitation.

One of the things that HDR has made us aware of is that if we can do as much as possible while the line is down our costs will basically be cut in half. Once you have to plan around rail traffic, then your cost just about doubles. Mr. Callery said that he is looking at several other funding possibilities and he will be pursuing what he can.

Commissioner McKeown asked if the funding of \$2.5 million was designated to one of the four prioritized projects. Mr. Callery said that he could not tell yet. They just awarded \$2.5 million but did not tag it to anything in particular. Two of the projects were actually \$2.5 million, one in the tunnel category and one in the bridge category. We will probably go with the tunnels situation since we are coming up on a construction season and that would make the most sense.

This whole issue of rehabilitation and acquisition of the rail line has received a lot of attention and Mr. Callery has been invited to speak to a lot of groups over the last two weeks. He just came back from a Roseburg Rotary meeting where he spoke and also had a meeting with the editorial board at the News Review. Both events went quite well.

The Port is still looking at alternative energy projects. A letter was written to Weyerhaeuser asking to site two 100' towers on the property we are in the process of acquiring and they said it sounded good to them. Mr. Callery said that we would be moving forward with getting the towers up and the instrument packages mounted on the top and they will be in place for 12 - 15 months. That is enough time to give the researchers enough data for one full wind year. There are still some issues with the FAA and we have to go through some processes, but no one thinks either of the sites would cause any problems.

Mr. Callery than presented to the Commission a photo of the Cape Arago Lighthouse, donated by a friend of Martin's, Mr. Gary Clay, who is a professional photographer.

President Kronsteiner said Congressman DeFazio's staff was looking into the language of the reauthorization of the Transportation Trust Fund Bill, when is that due? In theory it is reauthorized every six years and Mr. Callery said it is actually one or two years behind cycle. The Congressman would like to see the reauthorization occur during the current congress. There is a lot of discussion at the Federal level because of the amount of funds being invested in Federal stimulus that the reauthorization may slide to the next congress after 2009. We are hoping it will be on or close to cycle as it can. We believe the same arguments that we used to justify bridge rehabilitation to keep trucks off of the highways and better uses of the transportation system will bode well for rehabilitation of the rail line.

President Kronsteiner said he and Mr. Gaul noticed when they were in D.C., that the present budget included the highest amount ever for the Corps of Engineers and they are also receiving some stimulus money. Usually we have to go to our Congressional group to find some funds.

#### **D. Director of Finance and Administration: Donna Nichols**

Ms. Nichols said there was a Safety Meeting today and we were notified by Special Districts that we were awarded the \$3,000 Safety and Security Grant and it will go toward the solar light in the shipyard. It will be put at the entry gate where we also have a camera. It's a pilot project, one of our merit goals.

We just finished an energy audit on all port properties. We should be getting a report in another couple of weeks on recommendations for energy efficiency.

Commissioner McKeown asked if this was our third safety grant. Ms. Nichols said yes; the Commissioners all congratulated her.

**E. Marina Facilities Manager: Aaron Simons**

Mr. Simons said staff was trying to modify a filter to fit 30 year old equipment at the ice dock. Once that is done next week, they will be pumping ice.

Commissioner Hampel asked when the float in front of the ice dock would be installed. Mr. Simons said that it was all done, completed today.

**5. PUBLIC COMMENT:**

Don Peabody: Mr. Peabody presented the Commission with a plaque in honor of their sponsorship of the Oregon Tuna Classic last year. He followed that by saying that the Tuna Classic is scheduled again for this year. Early estimates say probably 50% more boats and we are looking for a wonderful time. It will be the same weekend as the Charleston Seafood Festival. The Casino will be sponsoring an awards banquet and Mr. Peabody extended an invitation to all Port staff to come down for the dinner.

Commissioner McKeown asked about how much tuna and money were contributed last year. Mr. Peabody said about 13,000 pounds of tuna and about \$46,000 in cash went to the food bank. With the rates that the food bank has, it worked out to nearly one quarter of a million pounds of food.

Mr. Bishop said that Hogquest filmed the Tuna Classic and the Port's Harbormaster and foreman were on the show. Mr. Peabody said that Hogquest would be back again this year. Mr. Bishop said it was a great event and staff had a blast.

Mr. Peabody continued and said HB3013 is a big deal. That bill came out of the house committee on rules and they are the sponsor. Arnie Roblan chairs that committee. Rep. Roblan might be a place to start to find out who wrote the bill. The bill drastically changes the makeup of the Ocean Policy Advisory Committee (OPAC) and takes it back to how OPAC operated before Rep. Krieger and John Griffith helped them rewrite the laws a number of years ago. What it does among other things is designate the Governor or his designee as the chairman of that committee. It gives all government agencies that sit on that committee a vote. Those government agencies answer directly to the Governor's office and that automatically gives the Governor the majority vote. It takes nominating authority away from local groups; formerly, local groups (such as counties) would put up their nominees and the Governor would choose among them. This bill takes that away and the Governor can choose whoever he wishes. It removes Senate confirmation. It places far more responsibility on committee action with the LCDC. Members serve at the Governor's pleasure on that committee. This bill will allow the Governor to completely reconstruct that committee. As the Port is starting a process with your own Marine Reserves Committee and community dialog, passage of this bill will render that process mute because the Governor will be able to control the makeup and voting of that committee. This is a bill that really bears watching for both this Port and our community.

Jody McCaffree: Ms. McCaffree wanted to know if there was a public version of the Business Plan available to the public. Is there any way the public can oversee that plan? How much does it cost? Do we need to sign a non-disclosure?

She also has a concern with the Navy draft environmental statement, involving testing. They want to do games off of our coast. They have had meetings everywhere else but in Coos Bay. Their closest draft environmental statement is in the Florence library. She does not think it is fair to the people of this area. She has tried to comment on their comment line but she doesn't know if they are receiving it. Ms. McCaffree feels that the only way we will get a meeting here is if somebody like the Port asks for one. This community needs to at least know what is happening and what they are proposing to be fair. It may affect the fishermen and may be detrimental to some of the coastal animals.

Mr. Bishop made the comment that the Port is actually on draft version eight of the Business Plan we are hoping to have a version that can be shared soon.

Mr. Gaul commented regarding the Navy project. The Navy has a small training area off of the coast of Washington and they want to expand that to take up all the coast of Washington and most of the coast of Oregon. It was a pretty much "under the radar" process they used. They had one meeting in the Tillamook area and it was not very well publicized. The public comments were going to close earlier this month. All the coastal communities and ports are involved in writing comments. The Port of Coos Bay has provided comments to the Navy requesting the extension of the public comment period and also requesting meetings here in Coos Bay and other places on the coast. We have an extension until April 6<sup>th</sup>. The Navy has not responded about additional meetings. Commissioner Jerry Thompson, County Commissioner in Garibaldi, is trying to work with them to get at least one more meeting in Newport which is centrally located so we can all attend. Senator Ron Wyden has been very involved trying to convince the Navy they need to extend their process and give us time to evaluate the situation. All the coastal ports communities are heavily involved and we are pushing as hard as we can to get them to come down here.

Mr. Gaul made one other comment. The Seafood Festival and the Oregon Tuna Classic are on August 15<sup>th</sup>. Our Harbormaster has been meeting with the planners of both groups and working it out so there will be "smooth sailing" for that weekend.

## **6. ACTION ITEMS/REPORTS:**

### **A. List of Appointees to Marine Reserve Committee**

The Ocean Policy Advisory Council (OPAC) recommended that interested parties in the Cape Arago and Seven Devil's areas, led by the Port of Coos Bay, be encouraged and supported in further discussions of the Marine Reserves. At the January 22<sup>nd</sup> Commission meeting, the Board approved staff recommendations for the process to select and appoint members to the new Marine Reserve Recommendation Committee. The following individuals have been selected by their identified segments of the community for appointment to this committee:

South Slough, Mike Graybill; OIMB, Alan Shanks; Seven Devils, Jan Hodder; Our Ocean, Dave Lacey; Surfriider, Gus Gates; SOORC, Rick Goche; Port Technical Advisory, Dr. Steve Rumrill; Port

Charleston Advisory, Mike Helfrich; Commercial Crab Fishing, Devin Hockema; Commercial Salmon Fishing, James Moore; Commercial Trawl Fishing, Steve Bodner; Commercial Tuna Fishermen, Mark Snyder; Recreational Fishing, Jim Pex Sr.; Charter Fishing, Wayne Butler; Oregon Sea Grant, Jamie Doyle; City of Coos Bay, Chuck Freeman; City of North Bend, Larry Garboden; City of Bandon, Mike Lane; City of Reedsport, Keith Tymchuk; Coos County, Bob Main; Tribes, John Schaefer; Charleston Merchants, Margie Whitmer; Charleston Enhancement Corp, Bill Poppe; Port of Coos Bay, Dr. Steve Shimotakahara; Port of Bandon, Reg Pullen, Port of Umpqua, Barry Nelson; Bandon Chamber, Bart Stein; Reedsport Chamber, Dean Warner; CB/NB Chamber, Matt LeDoux; Public at Large - #1 John Griffith; #2 Valerie Pena; #3 Bill Russell; #4 Donald Peabody; #5 Don Ivy; #6 Mike Boehme.

Following Commission appointment, Port staff will facilitate the first organizational meeting and will be assisted by staff members from the Oregon Department of Fish and Wildlife.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners appointed the above listed individuals to the Port of Coos Bay's Marine Reserves Recommendation Committee.

#### **B. MOU - Waterfront Walkway Partnership Project**

The Coos Waterfront Walkway Partnership is a collaborative effort of the Cities of Coos Bay and North Bend, the Port of Coos Bay, Coos County, SCDC, the Coquille Indian Tribe along with CEDCO, the Coos Historical and Maritime Center and interested Coos Bay waterfront landowners.

Jennifer Groth, chair person of that committee, was at this meeting to provide more information. This partnership was formed a little over a year ago. Our central goal is to reinvigorate the waterfront, spur economic development and foster community pride through the development of the Waterfront Walkway. The common goals that they have outlined are to look for ways for people to stop and get out of their cars, interact with the waterfront. We think the walkway is a way to visibly improve the quality of life in our community as you drive down Hwy 101 and to also make the waterfront more of a destination. To meet those goals we think we need to maintain a mixed use on waterfront activities including industrial activities. We think that is part of the draw of the water or bay, the interesting things that go on in a waterfront economy. We also think a walkway will connect interesting stops along the way. There are a number of development projects in various stages along the waterfront and that is how this group came together. We understand that this is a long term endeavor and we are going to try to prioritize what to connect first, second etc. and according to the availability of funding that we are able to secure.

The Memorandum of Understanding (MOU) is a good first step to help formalize the relationship as we seek grants from State and Federal entities. It is an important demonstration of our commitment to the project and the fact that this group is working together.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved authorization for the Executive Director to sign the MOU for the Coos Waterfront Partnership project.

Commissioner McKeown thanked Jennifer for being here. This organization started as a loosely knit organization and as time goes on and projects are prioritized, it is gelling quite nicely. We are lucky to have Jennifer leading this group.

### C. Railroad Engineer Selection

In early December 2008, the Port staff put out a Request for Qualifications (RFQ) for engineering services coordination/project management that was provided to a lengthy list of engineering firms throughout the Pacific Northwest and beyond. It included local firms here in the Southwest region, firms in Portland and in Northern California and up into Puget Sound area. There was a vigorous response; there were a number of firms who called for additional information. We received eight proposals at the deadline (extended for 1 week due to bad weather).

The proposals received were distributed to our evaluation team; each member read the proposals and looked at all the issues and then met to discuss the information in the proposals. We finally came up with three that we asked to come to Coos Bay for interviews. This was a very open type of interview process; a list of questions was not prepared. We wanted a very open process specific to the issues of this rail line.

HDR Engineering was selected. The three firms were HDR, David Evans and Associates and URS. Any one of those firms would have done a good job for us but we felt that the qualifications of HDR really met our needs a little better than the other two. It was very close.

One of the first things we did was to ask them to help us with the application for the stimulus funding. That was a separate work order that is not part of the contract we are currently negotiating.

Mr. Bishop commented that staff would bring back each scope of work and the associated price to the Commission as they go through the project. He also said that it was a consortium of engineers who would be working, not just HDR. They would use specialists in tunnels or geo-tech services etc. Mr. Bishop and Mr. Callery named some of the specialists that they would be using. It would also include local talent as required in the RFQ and people that understand the land ownership involved; it will be a very comprehensive group. Mr. Bishop also said that there may be a couple of ratifications along the way. The process would be a Task Order process.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown) the Board of Commissioners approved the recommendation from the evaluation team for the firm of HDR Engineering and authorization for the Executive Director to execute a boiler plate contract to cover the basics of the scope of work using the Task Order system to accomplish the work.

Mr. Callery commented that while he was in Roseburg today, Dan Lovelady was over here changing the locks on switches and utility buildings; getting a refresher course from the bridge tender on how to operate the bridges; some of the things have changed since Dan was General Manager of CORP. Dan also brought a very large bundle of charts and maps to the office that are on loan from CORP to Dan so we can have the opportunity to photocopy them and they will give us that much more data.

Commissioner McKeown asked if we had the keys to the rail line. Mr. Callery said we had the keys, buttons and they even want to sell us a tie rail vehicle.

Mr. Callery commented that he has already been working with Dan Lovelady. They were contacted by ODOT and ODOT's bridge delivery team is working on a series of bridges in the Eugene area. There is a project to rebuild the overpass on Highway 126 that crosses the rail line west of Eugene. There was a phone call from that team asking Mr. Callery and Mr. Lovelady to meet with them. Then Mr. Callery received another phone call from another member of that team who is working on the appraisal because they will want to acquire a small portion of the rail right-of-way to build the new bridge. Mr. Lovelady and Mr. Callery are already involved in things they didn't anticipate. In answer to some questions, Mr. Callery said the bridge on Hwy #126 was a new bridge but it would have the ability to expand as traffic warranted it. Mr. Callery says that his concern is if needed in the future, we could run double tracks through there and that the clearances above top of rail will clear all types of rail. We have already had that discussion with their rail person and they are very aware of what our needs are so it should go smoothly.

#### D. IGA with City of Prineville for Dan Lovelady

Port staff has been working closely with Dan Lovelady, City of Prineville Railway General Manager. He was the former General Manager with Central Oregon & Pacific Railroad and has 40 years of railroad management experience. He is familiar with the operation of the Coos Bay line from Eugene to Coquille and has a good working relationship with the shippers on the line. The Port is in need of management assistance for the operation of the Coos Bay line. With the economic factors and budget considerations, the City of Prineville is willing to share Mr. Lovelady through an Intergovernmental Agreement (IGA). The agreement will terminate in December 2010 unless written notice is provided by one party to the other not less than 90 days prior to the termination date.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the Intergovernmental Agreement between the City of Prineville and the Port of Coos Bay for the job sharing partnership of Dan Lovelady and signature authority for the Executive Director to sign the IGA.

#### E. Port Pest Management Policy

The Charleston Marina Facilities attract nuisance animals including sea-lions, seals, cats, dogs and ocean birds, especially seagulls. Port staff utilizes the resources of the Oregon Department of Fish and Wildlife and the Oregon State Police for guidance in dealing with the problem animals. Staff makes an effort through different rotations of methods for deterrence.

Staff feels it would be in the best interest of the Port and its customers to have a plan in place to reference for prevention, deterrence and distraction of nuisance animals. They are also networking with other marinas for other methods and input to the problem.

In the packet is a Draft Management Plan for "Pest Species" at the Marina facilities. It is a work in progress, open for new ideas and updated guidelines. The plan was included in the FY08/09 annual merit pool goals.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the submitted Management Plan for “Pest Species” in the Charleston Marina Facilities.

F. Resolution 08/09-9 ID Theft Policy

Holly Tavernier went to a Special Districts conference and they had a separate session on Identity Theft Prevention Program. After talking to Port counsel after she got back, Mr. Coffey suggested that we were about a year behind in instituting a program.

Port legal counsel and staff have developed an identity theft prevention program following the Federal Trade Commission’s Red Flags Rule. Under that rule, every financial institution and creditor is required to establish an Identity Theft Prevention Program and tailor it to its size, complexity and nature of its operation.

Identity theft is defined as fraud committed using the identifying information of another person. The Port maintains customer accounts for billing and other purposes that meet the definition of “covered accounts” in the federal administration rules governing identity theft. Port finance staff from all locations met with Port legal counsel to review the policy and discuss requirements.

The new policy makes everyone aware of the potential exposure and illegal use of personal information. It was recommended that a line item be added to all forms used at the Marina Complex for customers to permit or not permit phone numbers and addresses to be shared. We want to provide customer service but also respect customer confidentiality.

Included in the Port’s Policy Manual, Chapter 12, Financial Management, internal controls are addressed, but identity protection is not. This new policy will serve as a specific supplement that will be attached as Chapter 12 (A). The Director of Finance will act as Program Administrator and the program will be reviewed and updated at least once a year. Legal counsel suggested a resolution be approved for all new Port Policy Chapter revisions.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown) the Board of Commissioners approved Resolution FY08/09-9 adopting an Identity Theft Prevention Program for the Port of Coos Bay.

**OREGON INTERNATIONAL PORT OF COOS BAY  
RESOLUTION NO: FY08/09 - 9**

**A RESOLUTION ADOPTING AN INDENTITY THEFT PREVENTION PROGRAM FOR  
OREGON INTERNATIONALPORT OF COOS BAY**

**WHEREAS**, The Oregon International Port of Coos Bay (“Port”), is an Oregon Port organized and operating pursuant to ORS Chapter 777 and has the authority to adopt resolutions; and

**WHEREAS**, the Port maintains customer accounts for billing and other purposes that meet the definition of “covered accounts” in the federal administrative rules governing Identity Theft, 16 CFR Section 681.2; and

**WHEREAS**, pursuant to Section 114 of the Fair and Accurate Credit Transactions (FACT) Act of 2003, and the Federal Trade Commission’s Red Flag Rules, 16 CFR Section 681, and ORS 646A.622 the Oregon Consumer Identity Theft Protection Act (OCITPA), the Port is required to develop and implement an Identity Theft Prevention Program to ensure confidentiality of the personal information held by the Port for customers who maintain accounts for doing business with the Port; and

**WHEREAS**, after consideration of the size and complexity of the Port operations and account systems, and the nature and scope of the Port’s activities, the Board of Commissioners has determined that the Program attached hereto as Exhibit “A” is appropriate for the Port.

**NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:**

1. The above recitals are accurate and are incorporated by reference in this resolution.
2. The Port’s Board of Commissioners of the Oregon International Port of Coos Bay hereby adopts the Identity Theft Prevention Program, identified as Exhibit “A” and incorporated herein by this reference.
3. The Identity Theft Prevention Program is effective as of April 1, 2009.

**Adopted by the Board of Commissioners this 19th day of March 2009**

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David Kronsteiner, President

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Attest: Catherine (Caddy) McKeown, Vice President

7. OTHER:

8. INFORMATION ITEMS:

A. Memo from SDAO regarding services.

9. COMMISSION COMMENTS:

There were no other comments by the Commissioners.

10. NEXT MEETING DATE -Thursday, April 16, 2009

11. ADJOURN - The meeting was adjourned at 8:30 pm.

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

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