

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
REGULAR COMMISSION MEETING
Thursday, August 19, 2010
7:00 p.m.

Port Commission Chambers, 125 Central Ave, Suite 230, Coos Bay OR 97420

ATTENDANCE

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

Staff: Jeffrey Bishop, Executive Director; Martin Callery, Director of Communications and Freight Mobility; Donna Nichols, Director of Finance and Administration; Dan Lovelady, Rail Operations Manager; David Koch, Port Counsel; Donna Scholl, Executive Assistant; Kathy Wall, Port Staff; Elise Hamner, Port Staff; Leslie Farnsworth, Port Staff.

Media & Guests: Gordon Young, Channel 14; Clair Farnsworth; Ken Messerle; Scott Frasier, Jody McCaffree, Steve Pickering, Marvin Caldera, Paul Krotts, Jan Dilley, Brie Thiele – KCBY TV

1. The meeting was called to order by President Kronsteiner at 7:00 p.m.
2. Introduction of Guests: President Kronsteiner dispensed with guest introduction in order to recess to executive session.
3. Recess to Executive Session: 7:01 p.m.
Return from Executive Session: 7:45 p.m.
5. CONSENT ITEMS:
 - A. Minutes: Approval of Minutes from the June 24, 2010 Commission Meeting
 - B. Approval of the June 2010 invoices totaling: \$250,669.12
 - C. Approval of the July/August 2010 invoices totaling: \$294,961.05
 - D. Port of Coos Bay's LB-1 Notice of Budget Hearing Correction

Upon a motion by Commissioner McKeown (second by Commissioner Smith) the Board of Commissioners approved the Minutes from the June 24, 2010 Commission Meeting, the June 2010 invoices totaling \$250,669.12, the July/August 2010 invoices totaling \$294,961.05, and the Port of Coos Bay's LB-1 Notice of Budget Hearing Correction .

6. MANAGEMENT REPORTS:

- A. Executive Director: Mr. Bishop

Mr. Bishop talked about his summit with the Assistant Secretary of the U.S. Army Corps of Engineers at the agency's headquarters, where he discussed the ongoing relationship between U.S. ports and the Corps in relationship to dredging activities. He said the discussion was broken down into two different categories with one about maintenance dredging and the other about projects. The effort came under way mainly because of delays with WRDA, the Water Resources Development Act, which is supposed to be passed every two years by practice. Over the past ten to fifteen years, it has crept to a seven-plus year process. The last WRDA legislation passed in 2005. As the new one is

being drafted, there are only six to eight chief engineers' reports being produced for the entire country. He said from a practical standpoint it's a bit alarming in relation to the number of ports throughout the country that have capital needs. He said these are not just maintenance dredging projects but there are also new capital projects. There is some concern about the timeline getting through some of these projects. Mr. Bishop commented that the Corps' basic bottom line is that there is not enough money to do all projects and the Corps would either like to be funded sufficiently or allowed to limit projects to the funding available. The Corps went so far as to propose that the capital projects be limited to the top fifty ports in the country based on tonnage. By Mr. Bishop's calculation, the cutoff for the top fifty would be at 14 million tons, which would ports such Coos Bay at a disadvantage. It is not a tonnage heavy petroleum port. The top ten ports are either in Texas or Louisiana or somewhere along the Gulf Coast, where there are heavy amounts of petroleum.- Mr. Bishop commented that not all of the container ports are even in the top fifty. He said the consensus in the port industry is that the Corps proposal is very unlikely to happen, but it is likely there will be a prioritization process similar to what takes place with the federal highway program. Mr. Bishop felt it would be a long time before the policy would be put into place. He said it was very important for the Port to become very conscious about its tonnage and where this port fits in the scheme of things. He said while this discussion had nothing to do with maintenance dredging, there are many who feel that this will be the next step for prioritizing allocation of maintenance money. Dredging money comes from user fees. The Harbor Maintenance Trust Fund fees are paid by shippers who bring in goods. The federal government only appropriates half of that Fund. There has been much discussion of whether all of the funds should be dedicated to the purpose for which they were intended, which would solve the maintenance dredging issue. Mr. Bishop found the situation to be disconcerting, with the attitude of the Corps that the agency is going to continue to under deliver. He said there hasn't been any effort for the Corps to get creative and work with the ports.

Mr. Bishop said he had an opportunity recently to meet with the engineering firm Reid Middleton in Everett, Wash., to have an ongoing dialogue about evaluating the Port's Eastside properties. He said much of the land is former dredge material that was not compacted when it was applied, and thus has load-bearing issues. Prior to moving into part of the Port's work plan for this year, the Port needs a good baseline study, including updated geotechnical analysis and wetland delineation, so those items are currently underway. Mr. Bishop said he is working on getting a proposal together to bring back to the Commissioners.

Mr. Bishop talked about the dredging mid-point review with the Corps on the Section 203 project, which is on schedule. He said Kathy Wall participated in the discussion in Portland. He said the end analysis was productive, screening has taken place and things are moving along to where work can begin on an actual environmental document.

Mr. Bishop said the presentation on the agenda for Economic Gardening was postponed to the September meeting due to computer issues experienced by the graduate student who was doing the analysis.

Mr. Bishop said there the Port property sale to Southport ChipCo LLC agenda item was cancelled. During preparation of the documents, a flaw was discovered in the legal description, causing problems with the title report that will need to be reordered. Mr. Bishop said there would most likely be a special meeting on this item. He said very little substance would change from the agreements that were distributed. This concluded Mr. Bishop's report.

Commissioner Kronsteiner commented that he had heard the Harbor Maintenance Trust Fund could be wholly allocated to harbor maintenance and asked if this was being worked on. Mr. Bishop responded that there is current legislation proposed and that lobbyists have high hopes. He said there is belief that the legislation will be worked out this year. Mr. Bishop also said there is realization of how serious the situation is becoming in some ports. Previously, some ports were not supportive, because they competed with ports across the border, mostly Canadian ports, which do not charge the fee. Mr. Bishop felt that opposition was beginning to evaporate, because there are some flexibilities being discussed. Those included not limiting the money to dredging, because there are other port related infrastructure items that it could fund. Ultimately, it is a user fee being paid by users of the facility and if everyone agrees that if it is going to be collected it should be spent. Commissioner Kronsteiner commented that since he has been involved, this is the first time federal officials have even been willing to consider it. Mr. Bishop responded that he felt in the past there was always someone willing to sponsor legislation, but this is the first time there have been enough sponsors to constitute an affirmative vote. Commission McKeown asked who the sponsors were. Mr. Bishop responded that he thought there were currently fifty sponsors and that they included all of the Oregon's delegation.

B. Director of Communications and Freight Mobility: Martin Callery
Mr. Callery talked about recent visitors to the Port including Senator Ron Wyden. He said Port staff facilitated meetings with commercial fishermen, in which the Senator had an opportunity to speak with them about salmon issues. Mr. Callery said he had a follow-up conversation with Molly McCarthy from the Senator's office. One of the Senator's staff members is dedicated to fishery issues and that staff member will do a series of follow-ups with fishermen in Coos Bay, as well as other parts of the Oregon coast. Mr. Callery said there is a broad spectrum of opinions on salmon issues. For example, he had spoken to one of the fishermen who contended the scientists are all wrong. He then spoke to a scientist who said the fishermen know a lot, but they are not out there doing research. Mr. Callery said Port staff also had the opportunity to meet with Allison Dane from Congressman Peter DeFazio's office. There was a lengthy conversation about infrastructure including rail infrastructure and efforts in Washington, D.C. It is still very much up in the air as to the priorities of the next Congress.

Mr. Callery said he was not at liberty to announce an upcoming event, but he could say there will be a news release coming out of Governor's office regarding an event in Reedsport on Wednesday that involves American Bridge Manufacturing.

Mr. Callery said a staff member from Senator Wyden's office will be coming for a visit on either August 30 or 31. He works on infrastructure issues for the Senator. Senator Merkley will be in town over the Labor Day weekend.

Mr. Callery said Port staff had been working very hard on Tiger II applications. Staff filed three pre-applications, with one for track structure rehabilitation on the Coos Bay rail line. He said that in September 2009 the Port went after Tiger I, scoring very high but not high enough for funding. He said Mr. Bishop and Ms. Wall had a briefing from USDOT which said the Port did a good job with the application. The Tiger II program is much more structured, asking for extensive cost benefit and financial impact analysis. He said the firm HDR is contracting with the Port and has done a great job on the drafts. The primary application will be for the rail line rehabilitation. In addition, the Port is asking for two planning grants. One analyzes the cost structure benefits and feasibility of some type of a regularly scheduled rail passenger service possibly between Coos Bay/ North Bend and Eugene,

to include Reedsport, the Cushman area outside of Florence. The second planning application is in response to community activist requests seeking a pedestrian-bike path in the railroad corridor between Coos Bay and Coquille. The planning grant would look at environmental and use issues. This work would need to be done for the Port to know whether it's feasible and open opportunity to pursue other grants.

Mr. Callery said he had an opportunity to talk with one of the stevedores today about the log ship that was here this month. The log ship employed all of the Class A Longshoremen local, several casuals and some travelers who came from other ports. Stevedores are expecting from four to six more log ships over the winter and spring, which will have a big impact on local maritime traffic. This concluded Mr. Callery's report.

C. Dan Lovelady: Rail Operations Manager

Mr. Lovelady provided a written report but was at the meeting to answer questions. The Commissioners complimented Mr. Lovelady on providing such a complete written report. Mr. Bishop pointed out that there had been an aggressive response to the initial RFQ for an operator of the line. Mr. Bishop asked Mr. Lovelady how many responses there were and Mr. Lovelady responded that twelve responded with an intent to submit a proposal to the RFQ. Mr. Lovelady said he had a good feeling about the responses and that they were from some of the best operators in the country. Mr. Lovelady said there were a couple that he had expected a response from but hadn't received. One of them had just purchased the Weyerhaeuser rail lines, in addition to another line in North Carolina, so he felt the operator was tied up with that purchase. Mr. Lovelady felt there would be a good group of operators to consider. This concluded Mr. Lovelady's report.

D. Director of Finance and Administration: Donna Nichols

Ms. Nichols had no additions to her written report but was happy to answer any questions. Commissioner Kronsteiner commented that it was also a good written report.

E. Marina Facilities Manager: Aaron Simons

Mr. Simons submitted a written report.

7. PUBLIC COMMENT:

At 8:01 p.m. Mr. Scott Frazier said he had been living on Cypress Point for 15 years and that the property is adjacent to Port property. Mr. Frazier expressed his concern about the fuel for fire from the trees and shrubs that continue to grow on the Port's property and that there had already been one fire. He said he is seeing more transients on the property who are starting campfires. Mr. Frazier said a fire did start on July 2 and that the fire department would not respond unless the fire was out of control. Mr. Frazier said he later talked to the fire chief who said they should have checked it out. Mr. Frazier said he wants the Port to place signs indicating no camping and no camp fires on Port property. Mr. Frazier said he had also talked to the fire chief about the fire department's responsibility for that property but he was told that it was under the jurisdiction of Coos Forest Protective Association, which had the means and training for better response. He said the Coos Bay fire department's engines were too heavy to go out to that property. Mr. Frazier wanted to know if in the meantime the Port would allow CFPA to create firebreaks on the property. He felt it would be an advantage for the neighborhood in addition to a great training experience. Mr. Bishop responded that the Port did not currently have a policy on the books that would prohibit camping on that particular property. Mr. Bishop said that he had looked at the current policy manual regarding Port property but had not found anything that would allow the Port to post the requested signs from a policy standpoint.

He said there would need to be something on the books approved by the Board of Commissioners, and would ask the Port attorney to draft something for the September meeting. Commissioner Kronsteiner asked if at least the “No campfire” signs could be posted. Mr. Bishop responded that he wasn’t sure whether Port had the regulatory authority to post “No trespassing” signage. The Port hadn’t taken that step because the public likes to walk on that property. Commissioner Kronsteiner felt that CFPA could let people know that they can’t have a fire on that property since it is the agency that issues permits. Mr. Bishop said from a regulatory standpoint the Port doesn’t normally regulate fire-related issues. Mr. Bishop asked Mr. Callery about a conversation that had taken place with an agency previously regarding fire training. Mr. Callery said the agency had chosen not to go out for training. Mr. Bishop said the Port had made an effort and could certainly do that again.

At 8:05 p.m. Jody McCaffree said she wanted to thank the Port for comping the yurt for Margo Pellegrino’s canoe trip. Pellegrino visited Charleston to raise awareness of ocean issues, which are important and need to be taken note of because things that go into the water affect fishing, crabs and clams, which are all vital industries. She said those things have impacts not just to us but also to our livability. Ms. McCaffree wanted to thank the Port again for stepping up and showing support.

8. ACTION ITEMS/REPORTS:

A. Economic Gardening Presentation by Bradford McKeown - CANCELLED
This presentation was canceled and will be rescheduled to another meeting.

B. Port Executive Staff Title Changes
Mr. Bishop said he approached the Commission some time ago about staff title changes with the reorganization in job responsibility specifically as referenced in the policy manual. The changes include the following: Executive Director becomes Chief Executive Officer; Director of Communications and Freight Mobility becomes Chief Commercial Officer; Director of Finance and Administration becomes Chief Financial Officer, the Deputy Executive Director would become Chief Operations Officer. Mr. Bishop said this is a business trend in the port industry and primarily concerning travel internationally. Mr. Bishop said at the last American Association of Port Authorities meeting, where port directors were introducing themselves, he was one of only two with the title of Executive Director. All the others had already made title changes to CEO. He said the new titles provided for more of a private sector feel so accordingly staff is requesting the changes to these new titles. This does not change any other duties or responsibilities.

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners approved the title changes for Port Executive Staff members.

C. Port Property Sale to Southport ChipCo LLC - CANCELLED
This item was pulled and will be rescheduled for presentation at another meeting.

D. Charleston Crab Shack Lease Amendment
Charleston Crab Shack, located in the Charleston Marina Complex, has been in a month-to-month lease arrangement with the Port. Both the Port and Charleston Crab Shack wish to make this lease a long-term relationship.

The initial lease rate will be \$767.70 per month and includes annual consumer price index adjustments. The building will be used for seafood processing, retail sales, café and related purposes. This is a triple-net lease.

Commissioner McKeown commented that the business looked wonderful and that it was a nice addition to the Marina.

Upon a motion by Commissioner McKeown (second by Commissioner Scott) the Board of Commissioners approved the lease agreement between the Port of Coos Bay and Charleston Crab Shack.

- E. Reappoint Commissioner Scott and Alternate Kathy Wall to the Oregon Coastal Zone Management Association (OCZMA) and Reappointment of Commissioner McKeown to the Coos County Urban Renewal Agency (CCURA) Board.

As a member of the Oregon Coastal Zone Management Association, the Port annually selects a designated representative and designated alternate who will represent the Port throughout the fiscal year. The designated representative must be an elected or appointed official; the alternate may be an elected or appointed official or a member of staff. The designated representative will attend OCZMA meetings and functions during the fiscal year, typically quarterly. In the absence of the representative, the selected alternate will assume the duties. Commissioner Scott currently serves as the designated representative and Kathy Wall is the designated alternate to OCZMA. Their appointments ended June 20, 2010. Membership dues in OCZMA for FY 2010/11 are \$800. Ms. Nichols commented that the dues have been \$800 for the last four years.

In addition, Coos County assigns two representatives from the City of Coos Bay, the City of North Bend, the County, the Port of Coos Bay and two at-large members to serve on the Coos County Urban Renewal Agency Board (CCURA). The terms of the CCURA Board are for two years. Commissioner McKeown's current term will expire on Dec. 31, 2010 and she has agreed to serve another two-year term.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners approved the reappointment of Commissioner Scott and Alternate Kathy Wall to the Oregon Coastal Zone Management Association (OCZMA) and Reappointment of Commissioner McKeown to the Coos County Urban Renewal Agency (CCURA) Board.

- F. Resolution 2010/2011 – 1 Authorization for Expenditure of Funds from the Depreciation Fund.

Staff has been remodeling the Seahawk Seafood building to re-lease and there are multiple people interested. The work includes new paint, sheetrock, upgraded lighting (Oregon Energy Trust funded), and a new roll-up garage door.

The existing freezer unit was not in working condition. Major component parts were missing and it was not cost effective to repair. Harbormaster sold the unit shell for \$50 and it has been removed by the customer. The replacement freezer/refrigerator unit will complete the remodel.

The harbormaster found a unit in Southern California that can be shipped with another order that will negate shipping and freight costs. The unit will have a one-year warranty after installation.

Total cost for the unit is \$7,900. These funds were not scheduled in the Marina Cost Center's current year budget, and staff is requesting that the funds come from the Depreciation Fund, which is an appropriate expenditure. Ms. Nichols said staff hoped to have the unit installed by the end of the month with a lessee in the building by September 1.

A resolution is required for the unscheduled expense from the Depreciation Fund.

Upon a motion by Commissioner Scott (second by Commissioner McKeown) the Board of Commissioners approved Resolution 2010/2011 – 1 Authorization for Expenditure of Funds from the Depreciation Fund.

OREGON INTERNATIONAL PORT OF COOS BAY
RESOLUTION - 1
FISCAL YEAR 2010/2011

WHEREAS there is a need for formal Commission authorization for an expenditure of funds from the Depreciation Fund not scheduled this budget year; and

WHEREAS there are sufficient funds in the Depreciation Fund for the expenditure; and

WHEREAS the purpose of this expenditure is to purchase a freezer/refrigerator unit for the Seahawk Seafood building in the Marina facilities; and

WHEREAS the need for this purchase is to complete the remodel so that the building is ready to lease; and

WHEREAS the total cost for the unit is \$7,900; and

WHEREAS staff is requesting the expenditure from the Depreciation Fund because there will not be enough funds in the General Fund Marina Cost Center.

THEREFORE BE IT RESOLVED by the Board of Commissioners of the Oregon International Port of Coos Bay, under the terms and conditions of Section 294.311 of the Oregon Revised Statutes, that the Chief Financial Officer of the Oregon International Port of Coos Bay has approval to spend funds in the amount of \$7,900 from the Depreciation Fund for a freezer/refrigerator unit at the Charleston facilities.

APPROVED and ADOPTED by the Board of Commissioners of the Oregon International Port of Coos Bay this 19th day of August 2010.

David Kronsteiner, President

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Daniel Smith, Secretary

G. Ice Dock Grant Award with Signatory Authority for Executive Director

The Port of Coos Bay received federal stimulus grant funds from the U.S. Department of Housing and Urban Development in the amount of \$340,900 for the rehabilitation of the Charleston's Ice Dock equipment. These funds will be used for the purchase and installation of critical Ice Dock equipment.

The Port took over full ownership and operation of the ice dock in January 2010. Portland-based Knox Refrigeration and the Port's maintenance staff repaired the equipment for the start of crab season April 1. The equipment has consistently provided ice to fishing vessels during the season, which ends September 30. The Port will shut down the Ice Dock operations on October 1 to begin the rehabilitation. Revenues from April through July totaled \$62,625 with expenditures, utilities and estimated payroll totaling \$47,357 reflecting a net profit of \$15,268. Once new equipment and energy-efficient systems are put into place, monthly maintenance and utility expenditures should be substantially reduced.

Legal counsel has reviewed the documents. Signatory authority is required for the Executive Director to sign contract documents.

Commissioner McKeown commented that she had been down to the ice dock last week and had witnessed the operation. She said it was fun to talk to the fishermen who use it and how excited they are to have it not only available but also available in large quantity with a significant improvement in the quality of ice. Ms. Nichols also commented that the fishermen have been very complimentary about the quality of the ice. Commissioner McKeown complimented staff on a job well done.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners approved the Ice Dock Grant award and signatory authority for Executive Director to sign documents.

H. Oregon Department of Transportation, Rail Division Rail-Highway Crossings Project No. RR1675

The State of Oregon, acting through the Oregon Department of Transportation (ODOT), Rail Division has agreed to fund the replacement of signal electronics at seven (7) mainline rail crossings to improve crossing safety.

ODOT and the Port agree to upgrade the electronic crossing signals at seven highway-railroad crossings in Lane, Coos and Douglas Counties. The total estimated cost for the work to be completed is \$528,000. The project will be conducted as part of the Highway-Railroad Crossings Program under Title 23 of the Code of Federal Regulations (CFR). ODOT will be responsible for the match of federal funds. The Port will be responsible for costs of any railroad portion of the Project which is not covered by state or federal funds. The federal funds should cover the scope of work. If the Port decides to make improvements outside the scope of work, the HB5054-A Transportation Lottery Funds the Port received can be used for the Port's portion.

The agreement has been reviewed by Port's attorney.

Commissioner McKeown asked if there were the potential to go beyond the scope of the work. Mr. Lovelady said there isn't and referred to an estimate that says that ODOT has the authority to increase

the funds by \$75,000. Mr. Lovelady said he felt the work would not go over that amount and that it was his understanding this is a pass-through, where the Port pays for the services and ODOT will make a reimbursement.

Upon a motion by Commissioner McKeown (second by Commissioner Scott) the Board of Commissioners approved the signature authorization for Executive Director and Port's legal counsel to sign ODOT funding agreement #RR1675 on behalf of seven Rail-Highway Crossings in Lane, Coos and Douglas Counties between the State of Oregon, ODOT's Rail Division and the Oregon International Port of Coos Bay.

I. Fisherman's Wharf Lease Extension

Ms. Nichols said she had a housekeeping item regarding the lease extension for Fisherman's Wharf .

Under a Conditional Assignment of Lease Agreement dated February 8, 2007, the Fisherman's Wharf lease transferred from Jon and Helen Goudeau to the Ledoux Family Trust, which was originally set to expire on May 1, 2008, with an option to renew for two additional terms of three years each through May 1, 2014.

Due to an oversight, the lease was inadvertently not extended from May 1, 2008, until May 1, 2011, when it is set to expire. As a housekeeping measure, with an extension all other terms and conditions of the lease would remain the same.

Ms. Nichols commented that Fisherman's Wharf was in operation and agreed to the lease extension.

Upon a motion by Commissioner Scott (second by Commissioner McKeown) the Board of Commissioners approved the extension to the Fisherman's Wharf Lease Agreement set to expire May 1, 2011.

9. OTHER:

10. INFORMATION ITEMS:

- A. July and August Business Center Newsletters
- B. Coos County Urban Renewal Agency Board Meeting Minutes June 18, 2010
- C. Emerging Technology, July 2010 Report

11. COMMISSION COMMENTS: Commissioner Kronsteiner thanked Commissioners Scott and McKeown for their willingness to continue serving their positions on their committees recognizing that they both have very busy schedules.

Mr. Callery said he had made a comment during his presentation about all of the work that had been going into the applications and wanted to recognize and thank some other staff members, including Kathy Wall, Elise Hamner, and Donna Scholl for their help in getting information for HDR. He also wanted to recognize the hard work that Dan had done on the crossing signal program. Mr. Callery said he had no idea the program was out there and that Dan went looking for it. This will improve safety on the rail line.

Mr. Bishop commented that he had reviewed the draft of the Tiger II grant that staff prepared and said he hadn't read a better document and that he was quite impressed with it. Mr. Bishop

encouraged people to look at the cost analysis that was published and if they ever had a question as to why the Port wanted to re-open the line all they needed to do was look at the cost savings between running the rail versus truck. It was quite remarkable. He also said that the Port will be developing a web site that would be available for everyone to look at. Mr. Bishop wanted to echo Mr. Callery's comments on a job well done.

Commissioner Kronsteiner welcomed David Koch to Port staff. He is scheduled to start in October.

12. NEXT MEETING DATE: September 16, 2010

13. ADJOURN: The meeting adjourned at 8:21p.m.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary