

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
REGULAR COMMISSION MEETING
Thursday, November 18, 2010
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; Secretary; Brady Scott, Treasurer; Jerry Hampel, Commissioner; Dan Smith, Excused Absence

Staff: Jeffrey Bishop, Chief Executive Officer, Absent; David Koch, Chief Operating Officer; Martin Callery, Chief Commercial Officer; Donna Nichols, Chief Financial Officer; Kathy Wall, Harbormaster; Dan Lovelady, Rail Operations Manager; Mike Stebbins Port Counsel; Donna Scholl, Executive Assistant

Media & Guests: Mike Babcock; Jim Bunch, Bridge Access Specialties; Bob Hirth, BAS/Hamilton Construction; Ken Messerle, Coast Consulting; Robert Taylor; Gordon Young, PEG Broadcasting; Frank Williams

1. The meeting was called to order at: 7:02 p.m.
2. Introduction of Guests: Ken Messerle, Jim Bunch, Bob Hirth, Robert Taylor, Mike Babcock, Frank Williams

3. **CONSENT ITEMS:**

- A. Minutes: Approval of September 16, 2010 regular meeting minutes.
- B. Minutes: Approval of September 24, 2010 Special Meeting Minutes.
- C. Approval of September through October 5, 2010 invoices totaling: \$1,800,213.00.
- D. Approval of October/November invoices totaling \$405,511.89.
- E. Approval of Ratification of Task Order for Don Braezeale.
- F. Approval of Ratification of ACS Call Center Lease.
- G. Approval of Ratification of Cooperative Agreement and Task Order #1 Between South Slough National Estuarine Research Reserve and Oregon International Port of Coos Bay.

Commissioner Kronsteiner commented that the executive session would be moved to the end of the meeting tonight. Mr. Koch said the approval of ratification of the ACS Call Center lease had been stricken from the agenda as the new lease paperwork had not been received.

Upon a motion by Commissioner McKeown for approval of all the consent items with the exception of ratification of the ACS Call Center Lease (second by Commissioner Scott), the Board of Commissioners voted unanimously and approved the minutes of the September 16 and September 24, 2010 meetings; September through October 5, 2010 invoices; October/November, 2010 invoices; ratification of Task Order for Don Braezeale; and ratification of Cooperative Agreement and Task Order #1 between South Slough National Estuarine Research Reserve and Oregon International Port of Coos Bay.

4. **MANAGEMENT REPORTS:**

A. Chief Executive Officer: Jeffrey Bishop
Mr. Bishop was absent from the meeting due to illness.

B. Chief Operating Officer: David Koch
Mr. Koch had two updates for the Commissioners, with the first being the Ice Dock rehabilitation. The Ice Dock will stop operating on December 1, 2010 and is scheduled to reopen by the second quarter of 2011. Some grant compliance requirements still need to be completed and the lead time for ordering the equipment for the rehabilitation has put the Port behind on its timeline. He said the \$340,900 HUD grant will fund the bulk of the equipment replacement and fixture rehabilitation, but those funds cannot be committed to until the compliance requirements are met. Mr. Koch said the Port had been hearing from suppliers that a delay in ordering parts might delay re-opening the Ice Dock until May or June. Ice sales typically pick up in July. The plan is to make sure fishermen are aware of when the Ice Dock would reopen, which hopefully will be before the peak of the commercial fishing season.

Mr. Koch said the Port is going through the process of tasking out the work for the Tiger II grant for the railroad rehabilitation. HDR Inc. engineers who had done tunnel work are now working on the rail rehabilitation. He said MARAD is the federal agency at the U.S. Department of Transportation administering the grant and the goal is to have a signed grant agreement in place prior to the end of the current calendar year. Mr. Koch said he hoped to have the grant agreement for the Commissioners' approval and signature by the December meeting to hit the target for reopening the line.

C. Chief Commercial Officer: Martin Callery
Mr. Callery said the Port had primarily been working with HDR and other members of the consulting team and that he and Mr. Lovelady spent three days with them. Mr. Callery said he also had been working on a \$2.5 million SAFETEA:LU grant application with the Oregon Department of Transportation Federal Affairs director. The meeting with the engineers had given him the rest of the information he needed to complete the application and mail it back to ODOT in hope of having the grant agreement in place prior to end of the calendar year. He said there was an 11% cost share requirement in the grant, which will come out of House Bill 5054 funds of \$3.5 million approved in the 2009 legislative session. Mr. Callery said the Port had originally wanted to reopen the rail line early in the second quarter of 2011. He said with the additional TIGER II funds that timeframe would slide into the second quarter in order to get much more work done at the lowest possible price while the tracks are closed. Mr. Callery has spoken with American Bridge and will be meeting with the shippers. Mr. Lovelady and Mr. Callery will be meeting with Rail Division Administrator Kelly Taylor from ODOT, and others in Salem, to update them on how the funds will be divided between *ConnectOregon III*, TIGER II and SAFETEA:LU. Mr. Callery said he and Mr. Lovelady toured one of the processing plants that treats railroad ties. There are a lot of railroads ordering ties right now, which may prove the biggest challenge and delay the Port in the ordering and insertion of ties in the rail corridor. Commissioner Scott asked what was behind the delay. Mr. Callery explained that the mills are down on stud lumber production so they are currently gearing up and railroads are taking advantage of low prices, which is creating a supply shortage. Commissioner McKeown asked what the cost comparison was for concrete ties. Mr. Callery explained that concrete ties are expensive and overkill for this particular rail line. They are typically used for continuous welded rail. Concrete ties also require additional types of hardware and that the Port is attempting to use as much of the existing rail as possible. Commissioner Kronsteiner asked about the grant application funding and if those

funds were originally designated to go elsewhere. Mr. Callery explained the funds were part of a pilot program within the U.S. Department of Transportation. Congressman DeFazio's staff was going through what was left of SAFETEA-LU because the program was at its end and this money was leftover so the Port is competing for it. Mr. Callery felt the Port had a very good chance of getting the money.

D. Dan Lovelady: Rail Operations Manager

Mr. Lovelady submitted a written report but wanted to add additional information on the railroad ties. He explained the ties are cut from the heart of logs so mills need a market for the remainder of the wood. One thing that makes it difficult for the mills is that the Port needs 8-foot, 6-inch ties, because engineers believe that dimension contains more bearing surface and that length tie is more stable. He said raw logs are typically 16 feet long, making it difficult to get two ties from one log.

Commissioner McKeown asked if a standard tie was 8 feet long. Mr. Lovelady explained that short line railroads use 8-foot ties, class one railroads use 8-foot, 6-inch and 9-foot ties. Mr. Lovelady said there had been a lot of discussion about the ties and with the tonnage the Port hoped to have going forward, the larger ties would provide for better surface holding. Mr. Lovelady explained the other issue with the TIGER II funds is that it will require permitting and the best estimate on completing permitting is April 1, 2011. Ties cannot be put down until the Port gets the permits. Mr. Lovelady said next week he would be putting together a bid package for the ties. He wants to get it out so the successful bidder will have the opportunity to order ties. He said typically a company can install between 1,000 – 1,200 ties a day and between yard and switch ties, the project will require approximately 130,000 ties.

Mr. Lovelady said the brush cutting is ongoing and started in Mapleton. As of Nov. 17 they had made it down to Canary Road. There are two projects: One is mowing weeds growing inside and outside of the rails, and the other is tree cutting to create an envelope, required by the FRA and ODOT, which has to be 12 feet each side of the track and twenty feet above the top of the rail. The Port received bids on Tuesday for the rail flaw detection work, which came in much lower than expected. The bid will be awarded on Nov. 19. Once the brush cutting is done, Mr. Lovelady said he hoped to have the rail flaw detection completed prior to inspection, which is scheduled for the second week in December. Mr. Lovelady said there would be two weeks of inspections with one week focusing on ties and rail, and the second on bridges, culverts and road crossings to identify which will be included in the scope of work.

E. Chief Financial Officer: Donna Nichols

Ms. Nichols said she had nothing to add to her report but was happy to answer any questions the Commissioners might have.

F. Harbormaster: Kathy Wall

Ms. Wall started her report with a Marine Reserve discussion and explained that the Committee was planning three town hall meetings in December. The first meeting will be in Bandon on December 8, then in Charleston on December 9 at OIMB, and Reedsport on December 13. She said the monthly meeting Nov. 17 was spent creating handouts and visuals for the meeting, talking about meeting set up, and committee member assignments. She explained that the public would be attending to give either written or verbal comment. Information will be available on the web sites for the Port and ODF&W. There will be advertisements and press releases making people aware of the meetings. She said the Committee is anxious to share their work to date and take more input from the public.

Ms. Wall said the RV Park has been busy and referred the Commissioners to a thank you letter in their packet that was received from a patron. There have been a lot of compliments on the grounds maintenance. She said the crab cookers had been replaced and the customers were happy with that. This week there was a group of 17 recreational vehicles that stayed at the Park.

Ms. Wall said the Marina administration staff worked through the recent server upgrade to confirm accuracy of their reports for data transfer and they were still able to mail billing statements on time. She said Marina maintenance has a new experiment for dealing with bird droppings on the launch ramp. They installed flashing ribbons from the pile caps on the docks to see if it would keep gulls from perching and it seems to be working well. Staff is monitoring customer input to make sure it doesn't create some other nuisance but so far there have been positive comments. Commissioner Scott commented that the flashing ribbons are used in vineyards. Ms. Wall said the ribbons don't create any other problems staff will put ribbons on another dock eventually installing them on all three.

Ms. Wall reported that staff had replaced 16 deteriorated planks on the Ice Dock driveway. Renovations have been completed to the former Seahawk Seafood building with the exception of a short list of items. The commercial freezer was installed, is operating well and is now stocked with product. Materials are on order for dock repairs which should be here the second week of December. Materials are being prepped for the storage unit fascia replacement.

Ms. Wall said two employees went to the North Star mechanical training in Seattle on the ice equipment. Because one participant canceled, the Port employees received one-on-one training and the employees felt it was a very valuable.

She reported there has been a lot of activity with the crab fleet for the upcoming season. In the short-term moorages in the Shipyard, people were vying for the last two spots, with 11 open as of Nov. 18, which means boats are getting back into the water. The Shipyard has enjoyed several months of activity with washings and lots of boats on the work docks.

The Security department has been doing a great job monitoring vessels and identifying boats taking on water and executing response with pumps and Coast Guard reporting. They also have made good contact with the owners and have provided good customer service. Commissioner Hampel asked about the 100-yard cable that was buried underground in the Shipyard. Ms. Wall said the electrical and phone portions have been completed and they are currently waiting for the overhead poles to be removed. Trenching still needs to be done for the electrical shed that will be installed for a future trash compactor. In addition, concrete pole barriers still need to be installed around the vaults. Commissioner Kronsteiner said it was great to see the thank you letters, thanked Ms. Wall and asked her to relay the Commissioners' thanks to staff.

5. PUBLIC COMMENT:

Mike Babcock of Lakeside commented about commercial moorage in Charleston. He said it was his understanding that there are a limited number of slips set aside for annual moorage, but yet there seemed to be plenty of room for higher-priced transient moorage. He said from his perspective it seemed the Port was happy to lease the slips to year-round fishermen at transient rates in annual spots. He said he fished a little out of Charleston last year but couldn't get a slip so he rented a transient moorage part time in addition to having a spot in Florence. He said he has a boat captain who lives in Charleston and wants to fish out of Charleston full time. He said unfortunately he did

not get on the moorage list last year. He is on the list now but wanted to know why, as a commercial fisherman making a commitment to fish out of Charleston with spots available, he has to pay a transient rate if he is willing to commit to an annual moorage. He felt he was being penalized. Mr. Babcock also said he didn't understand why the Port was paying so much for the rail line and was amazed the Port took on the project when private enterprise couldn't keep the line running from here to Eugene. Yet, the Port was spending millions of dollars for repairs with just a few customers. He asked if he committed to an annual moorage whether he could he put his boat in a transient moorage spot and pay the annual rate. Ms. Nichols told him she would get together with him and that it would depend on the size of his boat and the size of the available slips.

Frank Williams, vice president of the retired Longshoremen from Coos Bay, spoke on behalf of Marvin Caldera who wasn't able to make the meeting. He commented that in the paper he read there was going to be a 3-mile Marine Reserve along the shipping lane and in his personal opinion it was nothing more than a seal feeding ground. He said he counted up to 3,500 seals in one day. He felt there were too many male seals that were not needed for a breeding program. He said he was in a restaurant in Charleston and heard two men from Washington talking about crabbing here. Mr. Williams said he asked them why they were coming to Charleston from Washington to crab, and the men responded that so much of the Washington Coast had been cut off due to restrictions and it cost less for the permits here. Mr. Williams said he felt there shouldn't be a 3-mile Marine Reserve next to a 10,000-acre estuary where they are raising salmon. He asked if it made sense to have a seal feeding ground next to the estuary. Also, on the north side of the Bar, there is talk about a wave energy park that could impact the crabbing grounds. Mr. Williams commented "it's all about economics and you are cutting off your hand to spite your face." He said there are already between 17 and 19 existing reserves or set-asides and he didn't feel there was a need for any more. He said the Longshoremen wanted to go on record against the Marine Reserves and the wave energy parks. He said he had not heard anyone speak against having an electrical park in the ocean. Mr. Williams asked the Commission to imagine a wagon with people stacked like wood on the wagon, calling them government, with a few taxpayers pulling the wagon. He said a lot of the taxpayers don't have jobs. He felt people should think about jobs and the economy and what the reserves could do to the local business community. Mr. Williams thanked the Port for its work. He said he had a contact for rail road ties in the Eugene area and would make a contact for the Port.

6. ACTION ITEMS/REPORTS:

A. Encapsulate Tyree Oil Tank Field

Mr. Koch said Tyree Oil leases its facility from the Port. As part of its operations, the company had been under a notice of violation from EPA based on a 2009 facilities inspection. He said the company had made progress but in a follow-up report to Tyree concerning non-compliance, the EPA said Tyree needed to have the dike storage area around the tanks encapsulated with an impermeable surface. The cost of the project will be substantial for Tyree, however the improvements will be a benefit to the Port's facility. He explained as a tenant, Tyree would generally be responsible for the cost of the improvements but Mr. Bishop and Ms. Nichols have been working on a proposal. He said Tyree has requested the Port to help fund the project in the form of rent abatement of an amount not to exceed \$117,000. Mr. Koch said the total cost of the project will be in excess of \$200,000. He said the Port felt it was an improvement necessary for Tyree to continue operations and to be in compliance with the EPA regulations, but it would ultimately benefit and protect the area and environment in the event of a spill. Mr. Koch felt it would be beneficial for the Port to assist with the project and asked for approval for financial support for Tyree Oil by lease abatement up to the

amount of \$117,280. Mr. Koch explained that Tyree is funding the engineering for the encapsulation project plan. The Port will look at the plan and bring in a consultant on a limited basis to make sure it's in compliance with the EPA. Commissioner Scott asked what the monthly lease rate was. Ms. Nichols explained it was \$3,500 a month and, depending on the product Tyree put through, there was a 1% payback to the Port. Commissioner McKeown asked about the longevity of the improvements. Commissioner Kronsteiner said it was a 20-year lifespan. Mr. Koch felt it would be a long-term capital improvement investment. Commissioner Kronsteiner asked if the encapsulation would be done in concrete. Ms. Nichols said it would and that the tanks were sitting on concrete pads. Commissioner Kronsteiner then asked if they had to increase the height of the dikes as well. Ms. Nichols responded the requirement for the walls had been increased so Tyree will be adding 3 to 4 feet in height to the walls.

Upon a motion by Commissioner Scott (second by Commissioner McKeown) the Board of Commissioners voted unanimously to approve financial support to Tyree Oil Inc. to comply with US EPA requirement to encapsulate tank storage yard not to exceed \$117,800 through monthly lease abatement.

B. Riley Ranch Park County Right-of-Way Easement

Mr. Koch said the action was for an easement for a railroad grade separation structure for Coos County. This would allow the County to construct a bridge across the rail line to connect Riley Ranch to the Oregon Dunes National Recreation Area. The County has received all federal approvals. He said the Port has prepared an easement document for a public crossing, which is necessary for the County to get the approval for access to U.S. Forest Service property. The Port is providing the easement at a no-cost annual fee but is requiring the County to have the project contractor enter into a separate entry agreement with the Port and the Coos Bay Rail Link in order to manage the contractor's access to the rail corridor. That agreement is a separate standard form document with insurance requirements that will not come before the Port Commission. Commissioner McKeown asked what the bridge would look like. Mr. Callery explained it was a steel truss bridge in concrete abutments on each side, wide enough for a jeep or small pickup but primarily intended for ATV access to the Riley Ranch property.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners voted unanimously to approve the Riley Ranch Park County Right-of-Way Easement to allow for the construction and maintenance of a grade separation structure (bridge) across the railroad right-of-way.

C. Port Goals FY2010/2011

Ms. Nichols said it was that time of year again for the annual merit pool goals. The Port wants to recognize the exceptional performance of its employees through a competitive compensation system. The system consists of four major components: Market Comparability, Cost of Living Adjustments, Merit Pool and Star Award. In conjunction with the annual preparation of the fiscal year budget, the Chief Executive Officer budgets and recommends the formation of the Merit Pool line item. The amount of the merit pool is determined on the basis of the Port's financial capabilities and performance at that particular point in time. Typically, the Chief Executive Officer submits to the Port Commission 10 goals for the Port to accomplish in the respective fiscal year. Each goal, if successfully met or exceeded, represents 10% of the merit pool established in the fiscal year budget. Upon acceptance of the Chief Executive Officer's recommendation to award merit funds, the Port Commission authorizes the dispersal across the board of the merit pool to all employees in the form

of a proportionate annual increase. For the FY2010/11 Port staff recommends the following 10 goals:

1. Create 50 new jobs in the Port district.
2. Develop a plan for the Upper Bay (Citrus and Dolphin Terminal Docks Rehabilitation).
3. Completion of the Marina's Ice Dock project by June 30th, 2011 (Internal goal of 4/1/11).
4. Coos Bay Rail Link operation start by June 30th, 2011 with at least one freight car on the Cordes to Danebo line.
5. Comprehensive review and update of the Communication Model Strategy Plan.
6. Operation Lifesaver (Rail line safety program for public education).
7. Rewrite of existing railroad leases for private and public crossings for revenue generation by June 30th, 2011.
8. Small Works Roster for projects (vendor list/written roster using Washington State as a sample).
9. Explore, examine and recommend planning implementation for a Geographic Information System.
10. Make a decision and recommendation on relocating the Port District Office.

Ms. Nichols said the action requested was for Commission approval of the 10 Merit Pool Goals for FY2010/11 for the annual merit pool.

Commissioner Scott asked about goal number 9. Ms. Nichols explained that Coos County and the cities of Coos Bay and North Bend all had GIS systems and that the Port would like to put together some kind of information system that could be utilized countywide. Mr. Koch said it would be used in partnership with the other local government agencies and municipalities. He said the Port sees a need to have a GIS database and GIS capabilities for a number of projects it undertakes. In terms of efficiencies, the Port recognizes developing its own GIS department is not the most efficient use of public funds so the Port is looking at opportunities that might exist to partner with other local government agencies that are each maintaining some form of a GIS system.

Commissioner Kronsteiner asked how many rail crossings need to be negotiated. Ms. Nichols explained there were 271 crossing agreements. Mr. Koch explained there were several different types that exist including both public and private at-grade crossings, public and private overpasses, and wire line utility crossings both above and below ground. He said one of the goals is cataloging and categorizing the different types of agreements and developing a more uniform crossing agreement. The uniform document will now be used to convert the old easements/licenses into the new license agreement form. Mr. Koch said with all of the different types of crossing agreements there are many different ways the agreements came into existence, whether they were reservations of easements, entire deeds or they may have been negotiated up to 50 years ago. Commissioner Kronsteiner asked if rewriting meant implementation. Mr. Koch responded that it does. Ms. Nichols said there are a lot that are perpetual with no fee but there are others that have fees associated with them, meaning they can generate revenue on behalf of the railroad fund.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown) the Board of Commissioners voted unanimously to approve the 10 goals for the annual merit pool for FY2010/2011.

7. OTHER:

8. INFORMATION ITEMS:

- A. November Business Center Newsletter
- B. Emerging Technology Newsletter
- C. Charleston RV Park Thank You Letter
- D. Charleston Marina Complex Thank You Letter

9. ADJOURN:

Commissioner Kronsteiner adjourned the meeting at 7:50 p.m. to Executive Session. Executive session adjourned at 8:25 p.m.

10. NEXT MEETING DATE: Thursday, December 16, 2010

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary