

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
REGULAR COMMISSION MEETING
Thursday, February 18, 2010
7:00 p.m.

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

ATTENDANCE

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

Staff: Jeffrey Bishop, 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; Dan Lovelady - Absent

Media & Guests: Gordon Young, Channel 14; Marvin Caldera, ILWU; Ken Messerle, Coast Consulting; Steve Pickering; Jody McCaffree; Dan Smith, Oregon Resources.

1. PUBLIC HEARING on Port's Supplemental Budget opened at: 7:05 p.m.

- A. Open Hearing
- B. Call for Comments- There were no comments
- C. Close Public Hearing: Hearing closed at 7:06 p.m.

2. The Regular Commission meeting was called to order at: 7:07 p.m.

3. Introduction of Guests: The President dispensed with introductions.

4. CONSENT ITEMS:

- A. Minutes: Approval of minutes from the January 21, 2010 Regular Commission meeting.
- B. Approval January/February 2010 invoices totaling: \$ 410,854.00

Upon a motion by Commissioner Scott (second by Commissioner Smith) the Board of Commissioners approved the minutes from the January 21, 2010 Regular Commission Meeting and the January/February 2010 invoices totaling \$410,854.00.

5. MANAGEMENT REPORTS:

- A. Executive Director: Jeffrey Bishop

Mr. Bishop reported on the Port Directors Meeting with the U.S. Secretary of the Department of Transportation, Secretary LaHood in San Diego. It was an invitation to all port directors to have a dialog with the Secretary regarding how the department interacts. He said that the nexus between Ports and the Department of Transportation is in two areas. One is through MARAD which is the Maritime Administration and the other is through the Transportation Bill which is sometimes a funding mechanism for transportation funding.

Mr. Bishop said that there were several themes running throughout the meetings. One was that ports in general feel that there is a lack of advocacy for them in the Federal Government. Many agencies that have had roles supporting ports now have taken on regulatory roles. It is sometimes hard to work with people who have been working through problems with you and now they are regulating you. As a result, there were some discussions on trying to enhance the role of MARAD to become more of a voice for the ports, especially in policy related issues.

The other issue is that it is time for a new Transportation Bill at the Federal level. There is a draft put out from the House which we will be keeping track of but the Secretary was also seeking input from the ports.

At the end it was decided that a smaller group of port directors would be formed by the American Association of Port Authorities to continue an ongoing dialog with the Department of Transportation. It would be specifically targeting the Transportation Bill and things that could be included in that bill for ports.

Mr. Bishop continued his report and said that he was sorry to say that we did not receive one of the TIGER grants. Ports did not fair very well in the TIGER program— there were only seven nationwide that went to ports. One grant was awarded in Oregon and it was in Portland for streetcars. The comment we got back from MARAD was that the economic impact of the projects submitted by the ports did not fare as well as the transit agencies and Metropolitan Planning Organizations (MPO) who seemed to have bigger economic impacts.

Mr. Bishop continued his report and acknowledged Dan Smith in the audience and commented that we have been working with Oregon Resources on their permits. The Port has received word that the majority of the permits are issued; only one is outstanding and it should come through shortly. Pile is being driven at the site and by next spring employment should start from an operational standpoint.

The Section 203 process is moving along and the consultant has produced a number of draft technical reports. They are starting to vet them with the Army Corps of Engineers. Per the requirements of the NEPA process for the environmental impact statements, alternatives will have to be designed to the standard design that will be in the effort and as a result the numbers have changed from the beginning. Staff will probably come back to the Commission with a suggestion of a workshop this summer with the consultants.

Continuing, Mr. Bishop said that we are beginning to see signs that there will be no commercial salmon season for 2010. As a result, Mr. Bishop's recommendation is that we again look at a deferral program for the fleet. Staff will put together a recommendation for your next commission meeting. It will be talked about at a Charleston Advisory meeting next week. This is the sad news; the good news is that the crab season has been good.

B. Director of Communications and Freight Mobility: Martin Callery

Mr. Callery gave a joint report from Dan Lovelady and himself. Mr. Lovelady is in Salem serving on the rail review committee for the Department of Transportation for the ConnectOregon Program.

There is a change order in place and that will extend the timeline for work on the tunnels to April 29th and which will also allow us to expend the full amount in that ARRA grant. Staff built a sizable

contingency fund because we did not know what we would run into in those four tunnels. LRL has done such a good job with the critical work (the work that has to be done to satisfy FRA) they are coming in under budget; they are past time but there are no safety issues; and we will be able to complete a lot of Priority I work. This is work which has to be done within the first two years of resumption of operations. Priority II work is 3-5 years and Priority III is 5-8 years.

All of the critical work will be done; between 60-80% of the Priority I work will be done. If we are successful in the ConnectOregon application, it is likely that all of the Priority I and II and a significant portion of the Priority III work will be completed. It will give us some breathing room before we have to come back and worry about additional work in those tunnels. If it is all added up, \$2.5 million from the ARRA grant, and approximately \$500,000 from the ConnectOregon grant, we will have done all the tunnel work that CORP claimed couldn't be done in the winter; and that they said would have taken between \$9 and \$12 million. We are very pleased with HDR; they have had great oversight. Jacobs Associates, the tunneling engineers, have stayed on top of the project and LRL has done a good job. We are very pleased with how the work has gone.

Hwy 126 overpass project: It is now underway and the Port has been providing flagging.

Hwy 38 upgrade at Reedsport: The City of Reedsport has asked to piggyback on our RFP so we will be doing some work on HWY 38 at-grade crossing but also further down on Winchester Ave. There will be new surfaces at-grade crossing plus sidewalks. The RFP will be sent out in the next couple of weeks.

One of the things the Port had to change when the technical review took place on our ConnectOregon application was that we had to remove some signal work which we included in the application. It was preferred that the signal work fall under a different category. The ODOT rail folks have come up with some money from a program that is federally funded for upgrading old signals into new electronics. They will pay for the bulk of the electronic work and the Port pays for the labor.

The Coos Bay Swing Bridge: There was an allision on December 29th. We now have repair cost estimates. The problem was that the Port asked for a permit to drive one pile; the permit was received on Thursday of last week and they wanted us to drive pile on Monday. That wasn't going to happen as we had to order a pile and have it welded together. We will put it off to possibly do outside of the normal work window.

Mr. Callery continued his report saying he was invited last week to speak to the Rotary in Reedsport and Fred Jacquot from American Bridge asked Martin to come out to his plant. American Bridge is getting ready to bid two projects. They wanted to see if there is some way we can schedule a special train from the Eugene Yard to their plant. Dan Lovelady thinks that we can do a hauling contract with a carrier that would bring a 5-6 car train with one engine. American Bridge has agreed to unload the plate steel when it gets there and then the train would go back to Eugene and there would not be any demurrage charge of the cars. When American Bridge gets flat stock steel in, it is shipped from the Midwest; there is not a reload in Eugene where they can transfer it to truck. It has to be transferred in Portland and that drives the cost up by 50% of the overall transportation costs. This is an Oregon project on I-84 and if they fabricate the material here and get some kind of break on shipping, they think they have a good chance of getting this job. It would be about a 6-7 month job. American Bridge is down to a crew of 19 and they will probably hold at that. If they then get another

job they are looking at, it will also be 6-8 month job. Mr. Callery thinks that we will find a way to handle those trains. Part of it will be on how the steel gets to Eugene.

One of the last things that Mike Gaul had been working on was repairing the at-grade crossing at the Coast Guard Cutter Orcas. It is an old timber crossing and some of the timbers had become pretty weak. Some of the personnel got wood spikes driven up through their tires. We have received quotes from two suppliers and we think we can repair that at-grade crossing with asphalt. Dan Lovelady has also looked at it and no one thinks any of the ties have to be replaced. They will probably put in about a 30' layer of asphalt to improve the crossing.

ConnectOregon: Mr. Callery has been spending one day a week in Salem because he chairs the project policy subcommittee for OPAC. He says that our project faired very well in that committee. Yesterday Mr. Callery testified at the rail committee on our project and Mr. Lovelady said that our project faired very well there also. We feel that we are in a good position to get the full amount that we requested; we are requesting almost 10% of the total budget, about \$8 million dollars.

The Charleston Merchants annual Crab Feed was last weekend. There was a good crowd but it was down some. The Port helps with the marketing on that project.

Commissioner Scott: You said CORP said that tunnel project couldn't be done in the winter and they would cost \$9-12 million. Mr. Callery said that was based on a presentation that they gave at both the Senate Transportation meeting in Salem and at a meeting of shippers in Eugene. They put information up on a power point which said that you can't work on tunnels in the winter because it is too wet; and here is what they thought it will cost to do both the drainage and the repairs to the tunnel. Mr. Callery said that our work will come in at less than \$5 million.

One last thing is the Port does have some issues with CORP; Mr. Bishop feels there is still a valid lease in place for the railroad bridge. CORP has not responded to any of our communications. Port Counsel, Stebbins and Coffey, is preparing letters for the breach of contract.

C. Director of Finance and Administration: Donna Nichols

Ms. Nichols said that she has been working with Scott Adams on the TransPacific Realignment Project in completing the documents, working with the construction engineers, and filing the documents. It will take 6-8 weeks to get it going. She thought construction would be completed by May, but now it probably won't be until November because of the timeline of ODOTS process and the construction.

Ms. Nichols continued her report and said that she attended a CCD Regional Investment Board meeting- she is Chair this year. The Port was hoping to do an application to EDA for the Business Center Extension and Rehabilitation but EDA is taking no new applications at this point.

The Port applies every year for a Safety Grant from SDAO. The Port applied for a grant for a fire safety system on the Ice Dock and have been approved for the \$3,000 grant.

Seahawk Seafoods in Charleston closed their doors effective February 10th. They have been in the Marina Complex since 1991.

D. Marina Facilities Manager: Aaron Simons

Mr. Simons referred to the photos on the back of the Commission packet with the Sea Lions on the dock and the Port's skiff. He is working with ODFW to resolve this issue and we are going to try some pest management deterrents. Mr. Simons said that by the next Commission meeting he will let you know how the deterrents work.

Someone asked if the skiff was salvageable. Mr. Simons said that it had floatation in it and it did not sink all the way; also our brand new motor did not get wet.

E. Dan Lovelady: Rail Operations Manger - Absent

6. PUBLIC COMMENT:

Dan Smith, Oregon Resources: Mr. Smith said he wanted to publicly thank the Port Commission and staff for their support. They had issues with DEQ and Mr. Gaul helped them tremendously. Mr. Bishop worked with the US Army Corps of Engineers (COE) and according to Mr. Smith's counsel, they would still be in a heated debate with COE if it wasn't for Mr. Bishop.

7. ACTION ITEMS/REPORTS:

A. Amendment of IGA between Port & CCURA

As background Mr. Bishop said that the Port has been in negotiations with an option to purchase approximately 1300 acres of land from Weyerhaeuser. Because of what is going on in the banking industry, both lenders have been paid in full and now there is no debt.

The original IGA pledged, providing there is enough income, revenues from the new terminal sufficient to cover debt service for the Port's refinancing mechanism to secure long-term financing of the loans. The new agreement restates the same terms and conditions, but there are two new scenarios.

- ◆ One is that it is not refinancing – it is take-out financing.
- ◆ Two, it provides the opportunity that there will be a cash investment for a temporary period of time for the rest of the money. In other words, if the developer chooses not to build right away (if the markets are not ready) it provides them with an opportunity to hold the property by making cash investment of their own. Later they can request that we take out that investment with financing.

The Amended IGA was included in the packet. Legal counsel for CCURA has provided an opinion that CCURA has the authority to approve the documents and transactions. CCURA met on January 28, 2010 and approved and authorized the document for signature. Jordan Cove made a proposal to change the IGA after it was presented and approved by CCURA. Port Counsel has reviewed the proposed changes and is recommending approval of the amended agreement provided by Jordan Cove. Both versions were included in your packet so the Commission had as much background information as possible.

The Agreement, if approved, will have to be remanded back to CCURA for ratification.

Upon a motion by Commissioner Smith (second by Commissioner Scott) the Board of Commissioners approved the Amendment of the IGA between the Port of Coos Bay and Coos County Urban Renewal Agency.

B. Approval of Supplemental Budget Resolution FY09/10-3

During the fiscal year or budget period, the governing body may find that an unanticipated condition requires adjustments to the budget. If the condition meets the requirements of ORS 294.480, the governing body may prepare a supplemental budget. A supplemental budget is required if the change will adjust a current budget fund by 10% or more of the expenditures of that fund or create a new fund.

The current year's budget reflects the payoff of the loan to Umpqua Bank on behalf of the option purchase of the Weyerhaeuser property. The budget also reflects a payment against the State's loan as well. Because of all that is going on in the banking industry, both lenders are being paid in full. A supplemental budget is required in the Special Projects Fund to reflect the increase in Transfer of Fund and Debt Service category of the Requirements.

Additionally, the Port is in negotiations for a new lease with ACS. The Port has the ability to pay down the outstanding loan principle through the use of Reserves Funds, thereby negotiating a lower lease rate. A supplemental budget is required in the Revenue Reserve Fund and the General Fund to reflect the increase in Debt Service Category of the Requirements.

A supplemental budget is required to authorize the transactions in the new fiscal year. The expenditures associated with the receipt of monies cause the Special Projects Revenue Fund, the Debt Reserve Fund and the General Fund to be adjusted by more than 10% in the Capital Outlay and Resource categories of the Fund.

A Resolution is required for the approval and adoption of the FY09/10 Supplemental Budget.

Upon a motion by Commissioner Scott (second by Commissioner Hampel) the Board of Commissioners approved the Supplemental Budget and Resolution FY09/10-3.

OREGON INTERNATIONAL PORT OF COOS BAY

RESOLUTION FY09/10 - 3

A RESOLUTION OF THE OREGON INTERNATIONAL PORT OF COOS BAY ADOPTING A SUPPLEMENTAL BUDGET AND MAKING APPROPRIATIONS

WHEREAS, the Oregon International Port of Coos Bay has complied with the provisions of ORS 294.480 providing for supplemental budgets including the publication and public hearing as required; and

WHEREAS, additional resources and requirements have been determined to amend the budget for payment of debt service associated with property transactions in the Special Projects Fund;

Unanticipated Revenues Received with Associated Expenditures

Special Projects Fund

Resources:

Option Payments \$15,000,000

Requirements:

Debt Service \$14,821,000

Transfer Out \$ 179,000

Revenue Reserve Fund

Resources:

Transfers In (\$ 100,434)

Requirements:

Debt Service (\$ 100,434)

General Fund

Resources:

Transfer In \$ 100,434

Transfer In \$ 179,000

Requirements:

Debt Service \$ 279,434

THEREFORE BE IT RESOLVED THAT the Oregon International Port of Coos Bay hereby adopts the FY008/09 Supplemental Budget as set forth above, and appropriates the sums as shown above.

APPROVED and ADOPTED by the Board of Commissioners of the Oregon International Port of Coos Bay this 18th day of February 2010.

David Kronsteiner, President

Daniel Smith, Secretary

C. Approval of Long-term Lease Agreement between the Port and Bandon Pacific Seafood.

Bandon Pacific Seafood has leased this building in the Charleston Marina Complex since 1994. The current lease agreement expired in May 2008. There were no remaining renewal options. Bandon Pacific Seafood has been on a month-to-month status since then. They stayed on a prolonged month-to-month lease while considering a lease on the Ocean Protein Building instead. The Ocean Protein Building lease is now finalized so Bandon Pacific Seafood would like to move forward with a new long-term lease on their current building.

The lease included in the Commission packet was drafted by Port counsel. It is for a period of three years commencing March 1, 2010. The lease allows for seven additional one-year options. The lease has an initial lease rate and includes annual fiscal year CPI adjustments.

***Commissioner Hampel declared a conflict of interest so he would not vote on this item.**

Upon a motion by Commissioner Smith (second by Commissioner Scott) the Board of Commissioners approved the long term lease agreement between the Port and Bandon Pacific Seafood.

D. Approval of Coos Bay Trawlers Extension of Lease

Coos Bay Trawlers has leased their office building in the Charleston Marina since 1998. The current lease agreement is for a period of one year beginning May 1 and includes additional 1 year terms with written notice. Coos Bay Trawlers has also leased the Pt. Adams building since 2006. This lease is for a period of one year beginning February 1 and includes additional 1 year terms with written notice. Coos Bay Trawlers has requested a 1 year extension on both of these leases. Both leases have an initial lease rate and include annual CPI adjustments.

Upon a motion by Commission Scott (second by Commissioner Smith) the Board of Commissioners approved the extension of the two leases, office space in the Marina Office and the Pt. Adams Building, for the Coos Bay Trawlers for another year.

7. OTHER:

8. INFORMATION ITEMS:

- A. Business Center Newsletter – Feb 2010
- B. Marine Reserves Minutes – November 18, 2009
- C. Marine Reserves Minutes – January 20, 2010
- D. CCURA Minutes – January 28, 2010
- E. Pictures of Sea Lions and Port's Skiff

The meeting was recessed to Executive Session at 7:35 p.m.

The Meeting returned to open session at 8:40 p.m.

The President said that in view of the fact that we have been operating with our Executive Director without an employment contract, we have before us a potential contract. The President asked for a motion to approve the employment contract.

Upon a motion by Commissioner Smith (second by Commissioner Scott) the Board of Commissioners voted to approve the new contract and to give the President authority to execute the contract with the Executive Director.

Comments: Dan Smith said he would like to take to time to say that he is very pleased with the performance of the Executive Director and his entire staff.

Commissioner Scott said that he was glad to have Mr. Bishop with us. Mr. Bishop has made the Commissioners lives easier and the Commissioner appreciates Mr. Bishop and his team. Thank you very much.

9. **COMMISSION COMMENTS:** There were no more comments.

10. **NEXT MEETING DATE:** Thursday, March 18, 2010

11. **ADJOURN:** The meeting was adjourned at 8:45 p.m.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary