

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
REGULAR COMMISSION MEETING
Thursday, June 24, 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 was excused

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; Mike Stebbins, Port Counsel; Andrea Wall, Executive Assistant; Donna Scholl, Executive Assistant; Kathy Wall, Port Staff; Elise Hamner, Port Staff; Holly Tavernier, Port Staff; Leslie Farnsworth, Port Staff

Media & Guests: Gordon Young, Channel 14; Claire Farnsworth; Keith Phillips; Paul Krotts, J H Baxter & Co; Larry Moore and Clint Reese, Cando Contracting; Dick Jamsgaard, Oregon Coast Historical Railway.

1. The meeting was called to order by President Kronsteiner at 7:02
2. PUBLIC HEARING: Budget FY 2010/2011
 - A. Open Public Hearing 7:03 p.m.
 - B. Call for Public Comment
 - C. Close Public Hearing 7:04 p.m.
3. Introduction of Guests: President Kronsteiner requested the audience to introduce themselves.

President Kronsteiner went on to acknowledged Andrea Wall in her retirement mentioning her communication skills, keeping Commissioners up to date, calmness, organization and always coming through for the Commissioners. Andrea has a great positive attitude, always smiling, dedicated, objective and thorough. He mentioned her encouragement to other Port employees to participate in the local Christmas fundraising project for Rotary. Andrea's departure will be a huge loss for the Port. President Kronsteiner thanked Andrea on behalf of the Board for her hard work and encouraged her to enjoy retirement.

4. Recess to Executive Session: 7:09 p.m.
Return from Executive Session: 7:45 p.m.
5. CONSENT ITEMS:
 - A. Minutes: Approval of Minutes from the May 20, 2010 Commission Meeting
 - B. Approval of the May/June 2010 invoices totaling: \$718,681.59
 - C. Ratification of UP Donation Agreement
 - D. Ratification of State Marine Board Grant Approval – G Dock pump-out & Replacement

Upon a motion by Commissioner McKeown (second by Commissioner Smith) the Board of Commissioners approved the Minutes from the May 20, 2010 Commission Meeting, the May/June 2010 invoices totaling \$718,681.59, the Ratification of the UP Donation Agreement, and the Ratification of the State Marine Board Grant Approval – G Dock pump-out & replacement.

6. MANAGEMENT REPORTS:

A. Executive Director: Mr. Bishop said staff recommends cancellation of the regular July Commission meeting and a special meeting would be called if necessary. Mr. Bishop reviewed his FY2010/11 work plan for staff through a PowerPoint. He reviewed the intended staff work plan to coincide with the budget.

The plan under rail includes selection of an operator. Mr. Callery is very close to having an RFQ completed. The process includes a request for specific qualifications and detailed information in order to short list potential bidders allowing them to avoid the cost associated with putting the information together. Then proposals will be requested from each of the successful firms from that process. The shippers will be actively involved in the process and we have had discussions with them regarding the possibility of resuming limited service this summer. Two other areas looked at will be:

- ◆ what kind of cost implications there are with working with a live train on the track and,
- ◆ discussions with some of the regulators

Rehabilitation work will continue through this fiscal year with a target for reopening spring 2011. In the fall we will begin work on a community event in order to give the public a firsthand look at what they bought. We will also be looking at the possibility of an excursion train.

In long term planning we will look at the possibility of including a bike path on the rail right-of-way from Coos Bay to Coquille. The funding of a bike path is supported by grant funding opportunities. There has been an official request from Lane County Commissioners to do some preliminary analysis regarding the ability to have passenger service on the rail line. When Mr. Bishop was in Washington DC earlier this year he had discussions with the Department of Transportation about the possibility of a grant to do a feasibility study on passenger rail. The Port will be submitting a Tiger Grant application for the feasibility study. Due to the interest in passenger service in the Florence and Eugene areas, Lane County Commissioners felt it was very appropriate for the Port to have detailed information and understand what it would take to provide passenger service.

Mr. Bishop went on to say we will be continuing with existing projects that are under way working to bring them to conclusion. We will also start a couple of new activities including Economic Gardening. Staff recently attended a conference on Economic Gardening and we have entered into an agreement with South Coast Development Council to study this concept. Economic Gardening involves creating small business opportunities in the community similar to the Port's incubator at the Business Center.

A video that deals with other emerging technology and industries, and the opportunities they create in the area of renewables was shown. It was specifically for energy generation, including anything in the sustainable environment. The video showed a zero emissions electric vehicle called the FCX Clarity by Honda which runs on hydrogen fuel. Mr. Bishop referenced the LNG facility in Japan the

Commissioner's toured where there was a hydrogen production plant co-located with the LNG facility since the most efficient way of creating hydrogen is deriving it from natural gas. He compared the rush to create a new more efficient and inexpensive way of producing poly silicone for photo voltaic technology to the same need for an efficient and inexpensive way to produce hydrogen. He also told about a professor from the University of Oregon who wrote an article on scalable alternatives to fossil fuels. The only thing that the professor could find in his analysis that would scale up to the current level of fossil fuel uses was hydrogen. Mr. Bishop felt the Port should continue to look at emerging technologies in that area taking advantage of the different traditional industries that have existed in Coos Bay by looking for bridge opportunities. Mr. Bishop said he would keep the Commissioners informed with a new quarterly newsletter called Emerging Technology which Elise Hamner is working on. He referenced the electric car manufacturers in China and keeping abreast of what was going on in that field. The next target of information for the newsletter would be on biomass.

Mr. Bishop continued his report on tourism and developing new opportunities in three different counties between Coos Bay and Eugene.

Mr. Bishop said the Port will resume strategy on developing the Eastside property in 2010/11. There will also be exploration of acquisition opportunities in Charleston and throughout the Port district. He suggested looking at opportunities between Coos Bay and Eugene because every additional customer on the rail line improves the financial performance of that asset.

Mr. Bishop is looking at other long term locations for the Port office and owning a location versus leasing. He said we will continue implementation of the Charleston Master Plan with major projects underway for this summer as well as looking for opportunities to expand.

On the Marine side Mr. Bishop spoke about continuing the Section 203 process and the inclusion of new cargo opportunities that consultants have come up with. He felt the most exciting element of it was how well the cruise industry scored in the economic analysis. Mr. Bishop clarified the differences between economic analysis and business models. Just because from a macro economic standpoint there appeared to be an unmet niche for a cruise line doesn't mean that Coos Bay would ideally fit that business model. But because the economic analysis indicates that there is an unmet need from a macro economic standpoint he was going to include it in the Section 203 process; in order to do this the Port must select a location. Tentatively and from a long term standpoint, the Hollering Place has been selected as the most logical location to evaluate as a potential site for a cruise terminal. Mr. Bishop went on to say he felt it was important to include it in the process since the economic analysis is so strong. Commissioner McKeown asked Mr. Bishop to explain the Section 203 process for the benefit of the audience. Mr. Bishop explained that Section 203 was the channel widening and deepening project that was initiated in response to a developer's interest in 2007 in building a container terminal in Coos Bay. We are currently in the middle of this multi-year process. The economic analysis is in the finalization stage with the container portion done and we are now adding additional cargo opportunities into the analysis. This summer will begin the preparation of the Environmental Impact Statement. The Section 203 process refers to the provision of the Water Resources Development Act of 1986.

Ocean policy

Mr. Bishop said that ocean policy is one of the Port's most important work products and that we would continue to work on it. The Port continues efforts to improve the dialogue on Marine

Reserves, wave energy and most recently the newly discovered potential for an ocean wind project. A great deal of staff time will be devoted to the process and to Port partners in conjunction with the process. We will continue working to advance the communities interest in the revision of the Territorial Sea Plan and further core business interests in promoting commercial and recreational fishing.

Administration

Mr. Bishop said the Port is going to take a hard look at the existing rate structures in the Charleston area without proposing an increase in rates but looking at the business process specifically as it relates to boat handling. We will explore alternatives to the annual moorage rate which is perceived by some as being exclusionary. Another large project we are going to work on concerns preliminary discussions with the City of Coos Bay regarding the feasibility of building a regional waste water treatment plant on the North Spit. There have been productive discussions with Weyerhaeuser about pulling out that piece of property from the existing real estate agreement. We will specifically target an economical way to perpetuate the wetland area associated with that property. The Port will be reaching out to the Audubon Society for strategies that will provide regional waste water treatment with the goal and focus on getting the affluent from the municipal waste water treatment out of the estuary by making use of the ocean outfall. That will be done by attempting to make use of the natural processes on the property. From the Port's perspective it also provides some opportunities to explore some clustering concepts on the North Spit if we are able to develop an industrial waste water treatment facility. Remember, the key to poly silicon manufacturing is the ability to handle salt in the affluent process. There are a lot of industries who have difficulty in dealing with salt and any community that is discharging into fresh water body is going to have some difficulty in salt treatment.

This concludes the work plan for 2010/11 and we are very excited at where things are. Even with the current economy we are seeing some sun breaks and we are very excited about the upcoming year.

B. Director of Communications and Freight Mobility: Martin Callery

Mr. Callery reported that the Port made it through the Connect Oregon process. The final review committee met in June in Portland where the Port had a total of 4 rankings. They included number two ranking in the state on the rail and freight advisory committee and number one ranking on the Southwest Area Commission on Transportation in Coos, Curry and Douglas counties.

In the combined review committee at Region 3 with Coos, Curry, Douglas, Jackson and Josephine counties, the Port came out with a number one rating. A problem was brought to his attention when he walked into the meeting regarding a bridge load rating on the Siuslaw and Umpqua bridges but he was able to resolve the issue to where Kelly Taylor from ODOT said the state was fully satisfied that the Port could get the scope of work through the process allowing the Port to remain in a good position. By the end of the afternoon the Port of Coos Bay rail project was ranked number three in the state. We are asking for \$7.8 million which is the single highest project request. On July 21 the OTC will have a public hearing on the 41 projects that the final review committee forwarded for approval. One of the things that came out of the final review group is their obligation from the OTC was to rank enough projects state-wide to cover \$94.5 million total of funds available but because of some lack of projects in ODOT Region 5, they had to come up with a few extra projects to bring it up to the 10% that each of the five ODOT Regions is guaranteed under the Legislation. The final list was for \$97.2 million. The proposal was that all projects state-wide take a 2.5 – 3% cut, which is not an issue for the Port, because prior to the application process the Port built in an extra 2% called the

intermodal fee. During the special session the Legislature negated that intermodal fee so if the Port has a 1% hit we are still good with the funding request. Mr. Callery will be attending the July 21 OTC meeting where at least two shippers will be testifying on behalf of the rail project. Mr. Callery feels confident that when the OTC meets in August to finalize the list of projects the Port will receive their full request. Commissioner McKeown congratulated both Mr. Callery and Mr. Lovelady for their hard work on the rail project. Mr. Callery has been asked to be on a panel at the July 21 OTC meeting to discuss transportation issues. He discussed yesterday's meeting with members of the Shippers Coalition. He said Mr. Lovelady worked hard on putting together proforma including cost, expense and revenue generation which was presented to the shippers as best, worst and middle case scenarios. The shippers were very pleased with the figures because the Port had originally felt there would be some heavy tariffs over and above the quoted rates from Union Pacific but with the Port's current indebtedness on the rail line it appears that the tariffs will be at a lower level. There are a couple of shippers who would like the Port to explore an interim service prior to completion of the RFQ process. Approvals will be needed from FRA and ODOT rail. One of the biggest concerns is submissions at the Siuslaw Bridge. If the Port can get to Bolon Island two forest products shippers would likely transfer their reload operations there instead of going all the way to Junction City, Eugene or Springfield. Other rail line individuals feel the line is in much better condition than they had anticipated. Mr. Callery spoke about a meeting he attended participating in the Sustainable Design Assessment Team process where discussions went very well. The rail project was brought up by many of the people in attendance who felt the project is very important to this community and others who would like to see the rail go away. He also attended last night's wrap up meeting where the comments were also positive.

C. Dan Lovelady: Rail Operations Manger

Mr. Lovelady submitted a written report for the Commissioners. Commissioner McKeown congratulated Mr. Lovelady on the Prineville rail ranking at number ten on the Connect Oregon list. Mr. Lovelady commented on the repairs in tunnel 13 where the project should be completed this week. The fire that occurred in this tunnel was extinguished with no damage. Repairs will begin in tunnel 15 next week. There are some smaller repairs to be done in the remaining tunnels. The entire tunnel repair project is expected to be completed by September 2010.

D. Director of Finance and Administration: Donna Nichols

Ms. Nichols showed pictures of the TransPacific project and commented that it is moving along. There have been a few change orders but none that were unexpected. The tracks have been removed and the road has been graveled. The contractors will keep an eye on the site with Sandfest this next week. Commissioner Kronsteiner asked if there were any issues with CORP. Ms. Nichols said that the Port has the right of entry permit.

E. Marina Facilities Manager: Aaron Simons

Aaron Simons submitted a written report.

7. PUBLIC COMMENT: There was no public comment.

8. ACTION ITEMS/REPORTS:

A. Amendment to 800 Support Loan from State of Oregon

The Port built the 800 Support Call Center through grant and loan funding from the State. It was built on airport property during FY99/00 and there was a long term lease signed for 10 years with a ten-year renewal option dated November 1999. The lessee paid month-to-month until July 2000 when the building was completed and the lease went into effect.

The Port pays the Airport a ground lease for the land the building sits on and the Call Center lease payments cover the annual debt service payment. The original lease has changed hands from 800 Support to Cyber-Rep and then to Affiliated Computer Services (ACS).

August of 2010 is the first opportunity to renew the lease for another 10 years. In December 2009, the Port was notified that Xerox was purchasing ACS and they were considering renegotiation of the current lease and/or evaluating other locations. The Port set aside Reserve Funds and paid down the principal on the outstanding loan reducing the annual debt service and monthly lease payments. A new 3-year lease with a 3-year renewal option has been renegotiated but it is not yet finalized. This lease will keep the Call Center operating locally and retain 400 jobs in our area.

Amendment #3 to the Loan Agreement with the State reflects a payoff of the principal in 5 years. The Port plans to pay off the loan in full ASAP within that period. The new monthly lease amount will cover the annual debt service payment. The Port's legal counsel has provided an Opinion Letter.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown) the Board of Commissioners approved Amendment #3 to the loan agreement with the State of Oregon on behalf of the 800 Support building and infrastructure.

B. Resolution 09/10-6 Adopting a Budget, Making Appropriations, Imposing and Categorizing Taxes-Combined for the FY10/11

The Port's budget Committee approved the draft FY10/11 Budget at the May 5th Budget Meeting. ORS 294.430 requires the governing body to hold a public hearing allowing public comment. The public hearing was tonight at the beginning of this meeting. The Commission can then consider approval of the Resolution adopting the Budget after the Public Hearing.

ORS 294.435 allows for adjustments of the approved budget with certain limitations which include:

- ◆ Governing body can increase expenditures of the total fund up to \$5,000 or 10% whichever is greater.
- ◆ Governing body can reduce expenditures of any fund without republishing the budget
- ◆ Governing body can adjust the other resources in each fund
- ◆ Commissioners can make adjustments prior to July 1.

Port staff recommends the following changes:

- ◆ A correction in the addition of the General Fund 1 Marina Cost Center Debt Service increasing the amount from \$30,986 to \$53,620 and decreasing the amount to be transferred to the Depreciation Fund from \$210,002 to \$187,368.

- ◆ Add a line item in the General Fund 1 Marina Cost Center Materials and Services in support of a Coos County Deputy in Charleston for \$80,000 and offset with Revenue shown as a miscellaneous grant for the same amount.
- ◆ Total proposed budget for the General Fund 1 would be \$9,371,984.

Discussion: Donna spoke about one correction to the resolution on the fiscal year beginning July when it should read July 2010. Commissioner McKeown asked about the support of the Charleston deputy and how long the Port was committing to it. Mr. Bishop responded that the Port was not making a commitment at this time but wanted to be sure it would be included as part of the budget. The Port is currently exploring some opportunities with the Coos County Sheriff's Department about a Charleston staffed deputy position. The Port was also looking at grants from the US Department of Justice. The Port is not proposing that this be a long term commitment on the part of the Port and that it would be cost shared with Coos County. The application would be an Inter-local Agreement with the County and would not require an amendment to the budget.

Upon a motion by Commissioner McKeown (second by Commissioner Smith) the Board of Commissioners approved and adopted Resolution 09/10-6 making appropriations, imposing and categorizing taxes-combined for the FY10/11.

RESOLUTION 09/10 – 6

A RESOLUTION ADOPTING A BUDGET, MAKING APPROPRIATIONS, IMPOSING AND CATEGORIZING TAXES-COMBINED FOR THE FISCAL YEAR 2010/2011

BE IT RESOLVED that the Board of Commissioners of the Oregon International Port of Coos Bay adopts the 10/11 fiscal year budget as approved by the Budget Committee in the amount of \$56,511,804 now on file at the Oregon International Port of Coos Bay.

BE IT RESOLVED that the Board of Commissioners of the Oregon International Port of Coos Bay hereby imposes the taxes provided for in the adopted budget at the rate of .6119 per \$1,000 of assessed value. These taxes are hereby imposed and categorized for tax year 2010/2011 upon the assessed value of all taxable property within the district as of January 1, 2010.

General Government

General Fund

Tax Rate = .0006119

BE IT RESOLVED that the amounts for the fiscal year beginning July 1, 2010 and for the purposes shown below are hereby appropriated as follows:

<u>General Fund</u>	
Administrative	\$ 1,711,066
Marina	4,974,144
RV Park	187,740
Shipyard	346,661
Upper Bay	19,000

North Bay	1,846,005	
Non-departmental:		
Transfers	187,368	
Contingency	<u>100,000</u>	
TOTAL GENERAL FUND		\$ 9,371,984
<u>Business Enterprise Center</u>	<u>604,133</u>	
TOTAL AIRPORT ENTERPRISE FUND		\$ 604,133
<u>Dredge Reserve Fund</u>		
Materials & Services	<u>\$ 472,500</u>	
TOTAL DREDGE RESERVE FUND		\$ 472,500
<u>Special Projects Fund</u>		
Capital Outlay	\$ 27,961,806	
Debt Service	1,350,000	
Transfers	<u>540,000</u>	
TOTAL SPECIAL PROJECTS FUND		\$29,851,806
<u>Property Reserve Fund</u>		
Materials and Services	\$ 20	
Capital Outlay	1,044,196	
Transfer	<u>350,000</u>	
TOTAL PROPERTY RESERVE FUND		\$ 1,394,396
<u>Depreciation Reserve Fund</u>		
Capital Outlay	<u>\$ 479,368</u>	
TOTAL DEPRECIATION RESERVE FUND		\$ 479,368
<u>Personnel Reserve Fund</u>		
Transfers	<u>\$ 20,000</u>	
TOTAL PERSONNEL RESERVE FUND		\$ 20,000
<u>Revenue Reserve Fund - General Fund</u>		
Debt Service	<u>\$ 450,000</u>	
TOTAL REVENUE RESERVE FUND - GENERAL FUND		\$ 450,000
<u>Rail Special Revenue Fund</u>		
Capital Outlay	\$ 11,612,375	
Transfer	<u>200,000</u>	
TOTAL RAIL BRIDGE SPECIAL REVENUE FUND		\$11,812,375
	TOTAL APPROPRIATIONS	<u>\$54,456,561</u>
Non-Appropriated Budget Requirements	<u>\$2,135,243</u>	
	TOTAL NON-APPROPRIATED FUNDS	<u>\$ 2,135,243</u>

TOTAL

\$56,591,804

APPROVED and ADOPTED by the Board of Commissioners of the Oregon International Port of Coos Bay this 24th day of June 2010.

David Kronsteiner
President

Daniel Smith
Secretary

C. Amendment #01 with Cooperative Improvement Agreement #22336 for TransPacific Parkway Realignment Project.

ODOT and the Port entered into an agreement on June 20, 1005 for the realignment project at TransPacific Parkway and Jordan Cove Road. The original agreement had a term of 5 years. The State and Port agreement needs to be amended.

Amendment #01 changes the language of the original agreement to reflect a 10-year term following the date of the final execution by both parties. Commission authority is required for the amendment

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners approved Amendment #01 with Cooperative Improvement Agreement #22336 for the TransPacific Parkway Realignment Project.

D. Lease Amendment to Swanson Superior Forest Products Group

The Port inherited railroad leases and agreements associated with the Coos Bay Rail Link acquisition March 2009. The Port has since been working to organize and update the agreements.

The Swanson Group leases land along the railroad in Noti to conduct operations and store lumber. The Swanson Group is in the process of working a term loan agreement with a third party lender. They are requesting landlord waivers from those parties they lease land with. This amendment modified the terms of the Easement Agreement by limiting the Port's rights of enforcement upon default. The most significant limitation is upon the event of an uncured default by Swanson Group, the lender has one year to remove the property (if they pay rent), before the Port can reclaim the site.

The Port's Legal Counsel reviewed the original Lease Agreement and the Landlord Agreement and okayed the changes.

A copy of the Lease Agreement and Amendment is in the Commission Packet.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners approved the Lease Amendment to the Swanson Group regarding rail leases.

9. OTHER:

10. INFORMATION ITEMS:

- A. Charleston Community Enhancement Corp Thank You Letter
- B. 2010 Annual Report – CCD Business Development Corporation
- C. Letter from Arnie Roblan Regarding \$42,000 Grant
- D. Letter from Governor on Marine Reserves
- E. DAS Grant Letter
- F. Jacobs Associates Project Update – Rail
- G. June Business Center Report

- 11. COMMISSION COMMENTS: There were no other Commissioner comments.
- 12. NEXT MEETING DATE: August 19, 2010
- 13. ADJOURN: The Meeting adjourned at 8:25 p.m.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary