

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
SPECIAL COMMISSION MEETING
Thursday, March 10, 2011
9:00 a.m.

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

ATTENDANCE

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

Staff: Jeffrey Bishop, Chief Executive Officer; Martin Callery, Chief Commercial Officer; Donna Nichols, Chief Financial Officer; Dan Lovelady, Chief Operating Officer – Coos Bay Rail Link; Mike Stebbins, Port Counsel; Donna Scholl, Executive Assistant; and Elise Hamner, Communications & Community Affairs Manager.

Media & Guests:

1. The meeting was called to order at: 9:06 a.m. by Commissioner McKeown who said Commissioner Kronsteiner would be about 15 minutes late. Commissioner McKeown then read the ORS 192.660 on executive sessions.
2. Introduction of Guests: Dr. Steve Rumrill; Dave Lacey; Ralph Petereit; Mike Zachary; David Petrie; Linda Anderson; and Jody McCaffree.
3. **CONSENT ITEMS:**
 - A. Minutes: January 20, 2011, Commission Meeting
 - B. Approval of invoices through February 27, 2011, totaling \$937,257.43
 - C. HDR Engineering Contract Ratification Task Order #7 Track Rehabilitation Plan Development
 - D. Americorp Construction LLC Contract Ratification for the Ice Dock Rehabilitation
 - E. Ratification for the Ice Dock Rehabilitation Change Orders from Americorp Construction LLC and Will H. Knox
 - F. Ratification of Tokeland to Bornstein Lease Name Change
 - G. Fiscal Year 2011/12 Budget Officer and Budget Calendar
 - H. Amendment to Port Personnel Chapter 14 for Family Leave
 - I. Rep. Peter DeFazio Lease Renewal Agreement
 - J. Port of Coos Bay and Oregon Institute of Marine Biology Charleston Sanitary District Easement
 - K. Ratification of Tiger II Grant Agreement

Commissioner McKeown asked for a motion to approve the consent items.

Upon a motion by Commissioner Scott (second by Commissioner Smith), the Board of Commissioners unanimously voted to approve the minutes of the January 20, 2011, Commission meeting; the invoices through February 27, 2011, totaling \$937,257.43; the HDR Engineering contract ratification Task Order #7 Track Rehabilitation Plan Development; Americorp Construction LLC contract ratification for the Ice Dock rehabilitation; ratification for the Ice Dock rehabilitation Change Orders from Americorp Construction LLC and Will H.

Knox; ratification of Tokeland to Bornstein lease name change; Fiscal Year 2011/12 Budget Officer and Budget Calendar; amendment to Port Personnel Chapter 14 for Family Leave; Rep. Peter DeFazio lease renewal agreement; Port of Coos Bay and Oregon Institute of Marine Biology Charleston Sanitary District Easement; and ratification of Tiger II grant agreement. Motion carried.

4. MANAGEMENT REPORTS:

A. Chief Executive Officer: Jeffrey Bishop

Mr. Bishop said he will be out of the office for two weeks and will be attending the American Association of Port Authorities meeting in Washington, D.C. He serves on the Board of Directors and anticipates this would be his last meeting in that capacity.

Mr. Bishop said there were two ships on berth at the same time and one just left Roseburg Forest Products. He said he couldn't recall the last time this had happened. He felt it was interesting that shipping volumes are almost back to pre-recession levels. There has been massive new interest from China with regard to wood chips and logs. He said Japanese trade has picked back up, too.

Mr. Bishop said he and Commissioner McKeown had traveled to Washington, D.C., with a renewable energy project client. He said they met with U.S. Department of Energy representatives. A grant program was initiated while he was there, but unfortunately it will not include funding for any demonstration projects on the West Coast and that most of grant program was going to be tailored toward improvement of existing technology. A program element focused on market barrier removal. One of the categories they explored was the possibility of funding due to of lack of infrastructure. There is no ability to launch any type of offshore wind development on the West Coast. Mr. Bishop said the Port will step up efforts in that regard and had launched a concept with the Department of Energy, which he would like permission to develop further. He said it is not a short-term but a long-term possibility in that Coos Bay could be designated as a preferred port for the launch of renewable energy projects, since the Port is located in a "sweet spot" for wind and logistically it makes good sense. Mr. Bishop said the Port would be stepping up efforts and will be lobbying in that regard. He said as a matter of disclosure and attempting to be as transparent as possible, he wanted to announce that at the regularly scheduled meeting in April he anticipated there would be a significant change in the Jordan Cove real estate agreement.

B. Chief Operating Officer: David Koch – ABSENT

C. Chief Commercial Officer: Martin Callery

Mr. Callery said the Port has finalized the contract with USDOT for the Tiger II grant funds amounting to \$13.5 million for rehabilitation of the Coos Bay rail line. The Port received notice to proceed March 9. He said the Port is working with MARAD, which is administering the grant and Ms. Nichols has started the paperwork for the reporting process. He said recently he testified in Salem in support of *ConnectOregon*. It looks like there will be a *ConnectOregon IV* program, although it will likely be funded at \$40 million instead of \$100 million. Mr. Callery said on March 9 he attended the second meeting of the Lane Area Commission on Transportation. The Port has been invited to apply for a position on this Commission because of the Coos Bay rail line. The application will be submitted by the end of this week. He said the Port is competing with Central Oregon & Pacific Railroad for the rail representative position on this Commission. Mr. Callery said staff is continuing to work with the engineering consultants on rehabilitation of the rail line.

D. Chief Operating Officer – Coos Bay Rail Link: Dan Lovelady
Mr. Lovelady said he had a couple of updates to add to his written report. The rail detector car started March 7 out of Eugene and the workers are having a difficult time because the rail is so rusty. He said in three days they have made about 30 miles, when they had anticipated making around 20 miles a day. He said the good news is they have found very few defects in the rail in the 30 miles they have covered. Mr. Lovelady said as Mr. Callery mentioned the Port had received the Notice to Proceed on the Tiger II grant, so work would really start moving now. Work had been delayed because the scopes of work are tied together with the different funding sources. He hoped to start getting some bid packages put together and sent out. The bridge inspection crew starts next March 14. Mr. Lovelady said he hoped to get out the first cross-tie bid for 42,000 ties next week. Finally, the Request for Proposal for train detection crossing upgrade was to go out on March 7, but has been delayed because it is a design-build project that will require a public hearing. He said it will be delayed until after the April Commission meeting. Commissioner McKeown asked for the definition of a bridge, saying under the scope of work there were a 119 bridges on 135 miles. Mr. Lovelady responded there is a new Federal Railroad Administration rule that is now in effect that defines a bridge as even a culvert. He said the bridges the Port was having inspected are as small as an 8-foot wooden span over a small waterway, but the majority are fairly good sized and worthwhile to inspect. He said there is a different scope of work for inspecting culverts.

E. Chief Financial Officer: Donna Nichols
Ms. Nichols said she and Ms. Hamner would be adding to her report. Because of the rehabilitation to the Ice Dock they had been putting some statistics together. There is only one year of revenue so far based on the Port's operation of the ice dock with the prior year was based on the previous lessee. Ms. Nichols said the Port had borrowed \$350,000 from the property reserve fund, but she felt the ice dock would generate good revenue allowing payback of the loan in three years. Ms. Nichols said statistics show that the North Star ice maker can make 60 tons of ice in 24 hours over 30 days, which equates to 1,800 tons. She said August is the peak month with tuna, salmon, and shrimp seasons. June, July and August are prime fishing months for salmon and tuna depending on the weather. Small trawlers typically need one to three tons per load; tuna fisheries need seven to eight tons per load; and draggers need eight to ten tons per load. The Port serviced more than 200 vessels last year with 42 tons of ice sold to local businesses, in addition to truck and tote sales. Last year, there was a total of 2,700 tons of ice sold, averaging 13.7 tons per vessel. Ms. Nichols said in the Port's accounts receivable system over the last two years shows 1,000 commercial vessels registered. News releases will be issued and correspondence sent to those commercial vessel owners letting them know when the Ice Dock is in operation.

Ms. Hamner said completion of the project on time is important because shrimp season starts in April. Last year, ODF&W biologists said that the South Coast predominantly caught the bulk of its shrimp fishery April through June, so there will be a heavy demand for ice during those three months. The fishery runs through November at least for the shrimp fleet. She said last year there were approximately 50 vessels shrimping on the Oregon coast, but she was unable to determine which ports they patronized. There are a lot of boats that have permits, but they don't all fish. Shrimp seasons are cyclical and over the last 50 years, the catch has followed an up-and-down curve. The industry is in the middle of an up-catch overall. Ms. Hamner felt the fishery should be good for the next few years and then the population numbers would go down if the 50 years of records holds true. She felt the Port would be very busy this year and in the next few years, which would bode well for repayment of the debt for the Ice Dock rehabilitation. Ms. Hamner said Charleston landings have

increased consistently over the last few years and it appears the shrimp fishery has moved farther south in Oregon.

Mr. Bishop said the Port has started to closely track the fishing seasons and has decided to approach the debt portion of the project internally as opposed to a financial institution due to an anticipated large demand at the front end and not the back end. He said the Port anticipates recapture within two years after which the Ice Dock becomes a net contributor to the financial statements. Commissioner McKeown said she understood the vast majority of the fishermen impacted are the commercial but wanted to know if it also impacted the recreational fisheries and where they purchase ice, too. Ms. Nichols said the recreational fishermen do purchase ice and businesses and recreational fisheries purchased 42 tons in the previous year. She said the Port is looking to provide ice holders or chillers of some type for the launch ramp so people don't have to go out onto the ice dock facility. She said there is a minimum ice purchase and the Port is currently selling ice so the recreational fishermen can fill their coolers.

F. Harbormaster: Kathy Wall provided a written report but was unable to attend the meeting.

Commissioner Kronsteiner apologized for arriving to the meeting late and thanked Commissioner McKeown for starting without him.

5. PUBLIC COMMENT:

Jody McCaffree of North Bend. McCaffree said she knows citizens are not supposed to ask questions but she was going to throw some things out that she had concerns about. She said on the agenda there is another study with Parsons Brinkerhoff. She said she has the highest respect for PB and it is nothing against them. She said back in September 2007 the Port Commission authorized a David Evans & Associates contract of \$1,551,950 to study the bay and at that same meeting there was \$102,100 allocated to study the Jordan Cove slip. At that time, the Port decided to let Jordan Cove pay 100% of the slip costs because they did not foresee a cargo facility on the other side. She said the Port was going to pay 15% of the cost of the study and would come back to revisit that. She said she wanted to know if the Port was going to go back and pay for some of the money that was spent to study the feasibility of the slip. Ms. McCaffree said the other issue is she has never heard back on the Channel Deepening/Widening Project, if the report has ever come back or if the report has ever been finished. She said there has been no follow up. She asked if there is a report she would love to be able to come and look at it. She said in August of 2008, the Port had authorized spending \$50,000 on Don Breazeale and Associates and then actually had more in extras. At the October 16, 2008, meeting the company lowered the estimate down to \$26,000 and gave an oral report. She said she never heard if there was a written report and if there is a written report she wanted to look at it. She said she thought a lot of the report had to do with feasibility of getting the railroad. She said in April 2009, there was \$200,000 allocated to HDR Engineering to look at the rail and she didn't know if there was a report done on that and whether they turned in something someone could read. She said the studies keep adding up and it is getting to be a lot of money. On October 1, 2009, Bruce Facility Planning Consultants were supposed to do an industrial cluster study. She said she asked about it once but was told it wasn't completed. She thought by now it would be completed. The cost of that study was \$40,000 and she has never heard that come back to the meeting or anyone talk about that study. She wanted to know if it was completed. Ms. McCaffree said she received the CCURA meeting minutes and there was talk in the minutes about doing another study by HDR Engineering on a wastewater treatment and biosolids management facility on the North Spit. The cost of that study is \$240,600.

Ms. McCaffree then said Jordan Cove did a tsunami study that showed what would happen to the North Spit if there was a tsunami, but the study did not consider subsidence, so there could be a good chance that the North Spit would be gone if there was a 9.0 earthquake. She said there has been a lot of money spent studying and she didn't know that the Port should even consider putting a sewage treatment plant out there where it is going to be going underwater for sure if there is a tsunami much less an earthquake. She said the Port is spending a lot of money on consultants when it probably has the answers to what the Port should or should not be doing on the North Spit. Ms. McCaffree said she hopes someone is watching the money being spent on these studies and that the Port actually is getting reports back. She said it's not just this Port, because she just did a talk in Eugene on another study that was done for Oregon. The report was a good study but shelved and no one looked at it or followed up. She said she didn't want to see the Port continuing to spend money on studies and never getting anywhere. She wanted the studies to mean something and have access to them for public input. She said the Port doesn't have public input and it should. There are a lot of people in this community who have some knowledge that could forego a study if the Port would seek their wisdom about the area.

6. ACTION ITEMS/REPORTS:

A. Year-end Audit Report for 6/30/2010

Mr. Bishop presented the fiscal year-end audit report for the fiscal year ending June 30, 2010. He said the action requested of the Commission is approval of the year-end June 30, 2010, audit. Scoville & Reiber CPA has completed the annual financial report on behalf of the Oregon International Port of Coos Bay for fiscal year ending June 30, 2010. The financial statements are presented in accordance with the financial reporting model in the Governmental Accounting Standard Board (GASB) Statement No. 34. There were no adjustments having a material effect on the Port's reporting process or any instances of non-compliance to the general purpose financial statements. A single audit report was required because of the Federal Stimulus ARRA funds the Port received, as well as smaller federal grant funds used on the TransPacific Project and Marina improvement projects. Mr. Bishop said the Port needs to be prepared for a single audit, which will be a federal requirement in the future due to the federal grants the Port has received. The Board of Commissioners may approve the financial report at this meeting or wait to approve the audit at April's Regular Commission Meeting. Mr. Bishop said staff is asking for a motion for the Board of Commissioners to approve the annual financial report for FY 2009/10. Commissioner Kronsteiner asked for a motion to approve.

Upon a motion by Commissioner McKeown (second by Commissioner Scott), the Board of Commissioners voted unanimously to approve the year-end audit report for June 30, 2010. Motion carried.

Mr. Bishop said Port staff has been monitoring for some time changes in accounting standards. He referred to the concept in federal law of Sarbanes-Oxley, which was brought about by the Enron situation. The standards and rules for conducting audits continue to change and it was Mr. Bishop's belief that they will continue to expand in the future. He said one of the products of that is the principle that there needs to be a CPA supervising the auditors, because during the Enron situation there were some issues about who was watching the auditor. He said most small organizations in governments do not have the ability to have a full CPA staff on board. He and Ms. Nichols have discussed this for some time and as the Port continues to grow, doubling revenue in the last five years, it will be in the long-term best interest of the Port to, at some point, bring a CPA on staff. In the meantime, to remain progressive and stay ahead of the curve Mr. Bishop said he was

recommending changes in how the audit is handled. He said he has hired Scoville & Reiber to as contract accountants. It is also time to re-bid the audit for next year. Mr. Bishop said Scoville & Reiber will be preparing quarterly financial statements for the Port Commission and will be working with the accounting department during the rest of the year. Their primary role will be to audit the auditor when the time comes adding a layer of protection. Mr. Bishop felt it was critically important looking at some of the Performa possibilities that the railroad will create from a revenue standpoint. He felt it would be a dramatic increase in the financial base of the Port. Mr. Bishop said he wanted to make sure that no one was opposed to making this administrative change to include some additional oversight in the Port's accounting process. Commissioner McKeown wanted to clarify that when Scoville & Reiber take on the new capacity that the Port will go out to bid for a different auditor. Mr. Bishop said the Port would not go out to bid on the audit until the appropriate time several months from now. Commissioner McKeown felt it was an appropriate time to change auditors. Mr. Bishop said the Port has been using the same auditors for the past five years and it was appropriate to rotate the audit. Ms. Nichols said the Port had an additional three-year contract with one-year renewals. The one-year renewals have now been exhausted.

B. PB Ports Preliminary Design of a General Terminal

Mr. Bishop said the action requested today is Commission approval of a conceptual alternative study for the development of a bulk export facility on the Coos Bay's North Spit. Mr. Bishop commented that the American economy is a dynamic model. He said it is difficult to predict change and if Port staff had all been sitting in this room in 2008 and tried to predict what was going to happen in the upcoming months and years ahead that it would have probably missed. He said there has been a large increase in the amount of material that is being exported. The Port of Coos Bay is an export port and has been. Mr. Bishop said President Barack Obama is encouraging and has initiated an effort to expand exports. He said he had the opportunity to testify in front of Congress several months ago about trade and continues to work on that. As a result of the market changes, the Port has been approached by a number of business enterprises interested in export opportunities. The Port has taken the next step at looking at some conceptual designs and layouts for a new bulk export facility. The property has changed as far as the target development for the facility and as a result it is necessary to revisit some of the previous efforts. The study will perform a high-level market overview and review of existing documentation, identify the facility requirements in relation to capacity analysis, road and rail connections and limited operational analysis, and development of a conceptual plan and recommendation for development. This is an appropriate expenditure for the Special Projects Fund and there are sufficient revenues in the fund. Mr. Bishop said the revenue in the Special Projects Fund is primarily from profits the Port has realized from the Jordan Cove transaction. The cost for this study is \$163,600. Mr. Bishop said representatives from Parsons Brinkerhoff were in the audience. He asked that they introduce themselves to the Commission.

Mike Zachary introduced himself as the senior principal at Parsons Brinkerhoff's strategic consulting group. His background has been in ports and maritime for more than 30 years. He served as the Port of Tacoma's Director of Port Planning and Logistics for five years under contract. His partner Ralph Petereit is the head of PB's Ports and Marine Division for the West Coast. Mr. Zachary said that Parsons Brinkerhoff is the consulting services of the professional services arm of Balfour Beatty. He said Balfour Beatty is a global construction infrastructure delivery firm that has about \$15 billion of revenues and offices in every country of the world with the exception of Libya, where that agent office just closed. He said PB is from the Pacific Northwest and he grew up here. His colleagues sold a lot of equipment to the timber industry back in the 1950s and 1960s in Coos Bay. Mr. Zachary said his side of the argument comes back to what Mr. Bishop was talking about regarding economics. He

said he served on two panels for the U.S. Department of Commerce and the U.S. Department of Transportation called Supply Chain Summits, which analyzed the industry in the United States in terms of exports and imports. He said the big item that came out of the Summits is that China is going to be importing more than it is going to be exporting in another year. He said the United States hopes to capitalize on that. He said this week he attended the Trans-Pacific Maritime Conference in Long Beach. He said he could echo Mr. Bishop's comments in terms of change.

He said 10 years ago, the Port of Shanghai was not a container port. It was doing about 4 million TU's but that was all in barges moving items within China. Today, considering Singapore and China, each is doing about 27 million in TU's with some barge traffic. There are 27 branded terminals each capable of doing 2 million TU's, so it's a 54 million TU terminal. He said all of this occurred within the last 10 years. The railroads are looking at different business cases both East Coast and West Coast. The entire maritime community must be dynamic. One of the things that came out of Tuesday's meeting was there is a lack of containers. At the beginning of the recession, China stopped making containers. Container costs have gone through the roof. There no longer are containers available for a lot of the dry bulk and break-bulk type of commodities that were starting to be containerized. He said a facility of this type if it's flexible, and it will be flexible, is able to roll with the tide and take advantage of those opportunities. Mr. Zachary said that Mr. Petereit will be the project manager.

Commissioner Scott asked Mr. Zachary to respond to the question of value that this kind of study brings to the Port, since some people would say the Port doesn't need a study and why doesn't it just ask around. He asked what Parsons Brinkerhoff brings in terms of the Port's ability to make decisions, and eventually if the opportunity arises, have the opportunity to build a terminal like this. Mr. Zachary said Parsons Brinkerhoff is currently under contract with the U.S. Maritime Administration to analyze the impacts of the Panama Canal on U.S. ports and inland infrastructure. He felt PB brings an opinion that is based upon fact, based on what is not only happening in Coos Bay and in Oregon, the Northwest and the West Coast, the United States and North America but globally. He said the trends will affect the Port of Coos Bay. What happens in Coos Bay is known throughout the world by the Internet. He said his firm is bringing information so the Commission as a leadership board can make key decisions. He guaranteed the Port would have a final report that will be given to Mr. Bishop for distribution. Commissioner Scott asked whether his firm did a study for the Port some time ago. Mr. Zachary responded it had. Commissioner Scott said some people would say the Port doesn't need a new one and that study indicates that the Port shouldn't be doing anything with a cargo terminal. Mr. Zachary said the previous study was done in 2003 and one of the issues stressed emphatically was the flexibility issue and the market at that time. He used his Shanghai example and also used an example that he had at the Port of Tacoma in terms of not being prepared. He said there has been a lot of change since then. The markets are completely different, the pricing is completely different, the ability and the fact that, as the Port's CEO mentioned, the Port has seen interest. The previous report was based upon no interest from business in terms of the Port building a facility or having someone who has some interest leading it. He said the previous report was very clear that the Port by itself without any kind of interest was taking a gamble. The Port is not now taking a gamble. The Port is in a completely different position than it was then.

Mr. Bishop said staff is asking for a motion to approve the conceptual alternative study for the development of a bulk export facility on the Coos Bay's North Spit in the amount of \$163,600. Commissioner Kronsteiner asked for a motion.

Upon a motion by Commissioner Scott (second by Commissioner Smith), the Board of Commissioners voted unanimously to approve the PB Ports preliminary design of a General Terminal. Motion carried.

C. HDR Facility Planning for Wastewater Treatment Facility on the North Spit and Resolution FY 10/11-2 WWTP Loan and Funding

Ms. Hamner said staff was asking for approval of a study on the feasibility of constructing a wastewater treatment plant and biosolids management facility on the North Spit. The city of Coos Bay had approached the Port of Coos Bay in mid-2010 about doing a study for a treatment plant on the North Spit. The City has two treatment plants out of compliance with Oregon Department of Environmental Quality regulations, so it had to come up with some alternatives. For the Port, it had some benefits on a couple of levels. Weyerhaeuser's former lagoon and associated wetlands remain on the North Spit, but the wetlands are starting to fill in. Should the Port become the owner of that property, it doesn't have a revenue stream for maintaining those wetlands and eventually, scientists have said, those wetlands will fill in. The Port doesn't want to lose that wetland capacity. The Port owns the outfall on the North Spit so it's important to maintain the infrastructure. Currently, there is no kind of wastewater treatment on the North Spit. That is something the Port is interested in investigating. She said another issue that is driving this is the local Audubon Society chapter has asked the Port if it could do something to maintain the wetlands, but there has been no revenue to do that. It has been a popular place for locals and people from out of town to come here bird watching. Ms. Hamner said the other issue is Coos Bay is the largest oyster-producing estuary in Oregon. The Port of Coos Bay owns the majority of those tide flats and would like to protect that industry. Eventually, the Port would like to see the effluent discharged outside of the bay. Currently, both the cities of Coos Bay and North Bend discharge their treated effluent into the bay and that has been fine to this point. However, when there are spills or large rainstorms, there can be treatment problems that reflect on the entire bay and shut down the oyster industry.

The Port contacted local engineering firms and put out information statewide asking for a Request for Proposals. There were several respondents, and the Port selected HDR Engineering to investigate. The Port is looking at three scenarios. One would consider biosolids treatment; one would consider municipal treatment, biosolids and industrial treatment; and the third option would be setting up an industrial treatment facility. Those are the most likely scenarios for future needs. North Bend's treatment plant is not over utilized and it has capacity. Coos Bay doesn't at this point but the city needs to move on in process. It doesn't have time to wait for a study and permitting issues. It makes sense to consider municipal use, however, while the Port is doing this study because 10 or 20 years down the road, the cities might be in the same position again. Potentially, they could expand into a facility on the North Spit. Ms. Hamner said when talking about the industrial aspect, HDR is going to look at six different possibilities. There is no point in doing a study that says "yes, you can put an industrial plant on the Spit," but not have that study look at what a plant can treat. No industry is the same and they have different needs in the way their byproducts need to be treated. The port will provide HDR with the most likely scenarios of facilities that can be built on the North Spit and what their needs would be. The Port also will have HDR look at management and governance scenarios. The Port doesn't want to be in the sewage treatment business, so HDR will look at opportunities to have it governed potentially by a board or whether it could be developed and run privately. The Port also has asked HDR consider ways to finance this project so if indeed there's a regional facility, all of the burden wouldn't go to ratepayers, or if there was an industrial facility how the Port could go about having developers pay for it. Ms. Hamner said the Port had never considered the biosolids issue, but when engineers heard the Port was considering this project several said that the study

should consider it. All of the cities on the South Coast have a problem with biosolids treatment. That is the material that is left over after treatment. Some communities are shipping it to the Medford area to make it into fertilizer and other products. Potentially, the Port could have the ability to save communities a lot of money by doing some kind of treatment on the North Spit. If feasible, it could be a revenue generator, which would help pay for some of the operations. Ms. Hamner said that HDR will also look at permitting. Ms. Nichols said because the project is on the North Spit it is appropriate that the Coos County Urban Renewal Agency fund the study. The agency met February 25 and approved the expenditure. She said additionally the Port had to do an intergovernmental agreement between the Port and CCURA, as well as a waiver of conflict with legal counsel because the same legal counsel represents both agencies. The CCURA approved all of this. Commissioner McKeown asked if "I's" were dotted and "T's" were crossed. Ms. Nichols replied yes. One additional piece is a resolution that both entities have to approve to OK the project, funding and administration. Commissioner Kronsteiner said he would entertain a motion for the Commission to approve the project in the amount of \$240,600 and approve the intergovernmental agreement between the Port of Coos Bay and CCURA contingent upon CCURA's approval, which puts the financial responsibility on the CCURA through a resolution.

Commissioner McKeown asked in the event in the future the DEQ or another oversight agency precludes the cities from discharging into the bay, what other alternatives would there be besides using the outfall which discharges directly into the ocean? Ms. Hamner said she couldn't answer the question. She said she assumed technologies might change but whether technology would change quickly enough to handle the mass of treatment needed seemed unlikely, but it was always a possibility. She explained it was her understanding there were only two outfalls on the entire Oregon coast with one on the North Spit and the other at Gardiner. She didn't feel it was feasible for them to transport it other places. The casino in Florence has a new wastewater treatment system that injects treated effluent into the ground so that might be a possibility. It is a much smaller scale facility than an entire municipal system. Mr. Bishop added one of the unique competitive advantages that Coos Bay and Gardiner would have with ocean outfalls is the ability to deal with total dissolved solids, which is primarily salt. He said if you are processing anything that produces any salt as a by-product it is very difficult to discharge that in a fresh water stream because it can have a radical impact on the ecosystem. In places such as Moses Lake, Wash., where there is a massive presence of polysilicone production, massive wastewater treatment systems had to be constructed to be able to deal with the salt. He said there are a lot of other industries that produce salt and the ocean is the best receptacle for TDS, so that is one of the aspects the Port wants to investigate whether there is a way to capitalize on that ability. He said from a permitting standpoint, the ability for anyone else to permit an ocean outfall is remote, which would be the same reason why the wave power industry and even the offshore wind project are very interested in the outfall as a conduit.

Mr. Bishop said the Port is very aware of the tsunami modeling and it is also aware of the fact that this is something that needs to be incorporated into the design standard. He said unfortunately people don't generally make long-term decisions based upon geological time. He said there are things that can be done that could mitigate and protect the site. Mr. Bishop didn't feel that should overrule the Port looking at a solution that benefits the community. Mr. Bishop said waste is a problem and waste has to be dealt with and trying to find the most responsible solution is the Port's obligation. That is part of what this study is going to consider, because clearly while discharging anything this is not ideal, discharging into the ocean has a larger mixing zone than the estuary. It is clearly a preferable choice and that is the basis of the Port's interest. Commissioner Kronsteiner asked what the percentage of capacity of the outfall was for any one of the three alternatives. Mr. Bishop responded

the capacity of the outfall is immense from a hydraulic standpoint. He said it was designed to handle multiple paper mills and the amount of volume of water that they would consume in the process is off the scale compared to what the wastewater treatment facility would be looking at. He said there has been some analysis done and it would indicate the Port could still use it as a conduit for some other projects and still be able to use it as an outfall. Commissioner Kronsteiner asked about additional outfall. Mr. Callery said the engineering design that was done at the time was in excess of 23 million gallons per day. Mr. Bishop said if the discharges reached that point, the Port would be talking about building something else. Commissioner McKeown asked Mr. Callery what they were putting through it now on a daily basis. Mr. Callery responded the only thing going through the outfall right now is just enough water to keep the diffuser heads open. Commissioner McKeown asked if there was water actively going through it on a daily basis to keep it operational. Mr. Callery said that Weyerhaeuser continues to maintain the NPDES permit, which is required. Mr. Bishop said building a facility like this is not going to be cheap. Ironically, this was looked at several years ago and the price tag at that time was considered to be too high. If you look at that price today in terms of today's dollars, it is obscenely low, he said. If the community continues to have dialog and discussion about these kinds of things, the only thing that it is guaranteeing is that it is going to be more expensive when faced with having to do it. If one looks at the cost estimates that Coos Bay is wrestling with on complying with permit restrictions in the plant it's a bit breathtaking based on today's dollars. If the community doesn't do something proactive about these common infrastructure items, it is perpetually going to have problems and it is always going to be radically expensive. From a historical standpoint, people often say, "why didn't we do it when it was infinitely cheaper." The reason why the Port has decided to push this forward is that first it has the interest in finding a way to provide a revenue source to maintain the environment that is so attractive to migratory birds and a way to preserve an asset that it could not duplicate if it tried, so this is the primary focus of this effort.

Dr. Steve Rumrill asked if the Port was aware that the Federal Drug Administration and the Oregon Department of Agriculture had just conducted a two-week study in February to look at the rate of movement of materials discharged from the wastewater treatment plants into the shellfish growing areas. A group of 10 people conducted the work and a report should be forthcoming to the Oregon Department of Agriculture. The coordinator is Alex Anderson from Tillamook. Dr. Rumrill felt the report would be looking at pathogens and the transport of pathogens and wastewater into the shellfish growing areas throughout Coos Bay. Mr. Callery responded that Port staff helped locate the best sites for the monitoring devices, which were put on the bottom of the bay so they would not be in the shipping channel. Mr. Callery said one of the things the Port asked for was that they share the report once they were finished.

Upon a motion by Commissioner McKeown (second by Commissioner Smith), the Board of Commissioners voted unanimously to approve the HDR Facility Planning for Wastewater Treatment Facility on the North Spit and Resolution FY 10/11-2 WWTP loan and funding. Motion carried.

D. New Port Budget Committee Member 2011/12

Ms. Nichols said the action requested is Commission approval of the appointment of William Delimont to the Port's budget committee. The Port of Coos Bay's Budget Committee is made up of the five Port Commissioners and five citizen members who serve for a term of three years. The current citizen members include Johanna Dillard, John Craig, Mike Helfrich, Louis Leberti and Grant Walding. Mr. Walding's term expired at the end of FY10/11, and due to increased work load, he chose not to renew for an additional term. Port staff advertised the vacancy and received five letters

of interest from the following Port District citizens: William Delimont, Marshall Beville, Scott Roberts DDS, Harold Bailey and Lonnie Mays. All provided qualifying letters and resumes of interest. Port staff is recommending the appointment of Mr. Delimont to fill the citizen member vacancy because of his “interest in the Port as it expands and prepares for new projects.” He will serve a three-year term beginning with the fiscal year 2011/12 budget and ending with Fiscal Year 2013/14. She said the action requested is appointment of Mr. Delimont to the Port’s budget committee.

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners voted unanimously to approve William Delimont as the new Port Budget Committee member 2011/12. Motion carried.

E. Charleston Advisory Committee Member Appointments and By-laws Amendment
Ms. Nichols said Port staff is asking approval of two re-appointments and two new appointments and an amendment to the Charleston Advisory Committee by-laws. The Charleston Advisory Committee was established by the Board of Commissioners of the Oregon International Port of Coos Bay on September 17, 2003, to serve in an advisory capacity to the Port Commission in developing strategies and guidelines for various projects and issues concerning the Charleston Marina Complex. The function of the committee includes but is not limited to:

- Review of proposed projects within or affecting the Charleston Marina, Charleston Marina RV Park and Shipyard.
- Review and monitor project progress.
- Monitor and make recommendations to the Port Commission regarding various issues. Any recommendations or proposals submitted by the committee shall be considered in an advisory nature, and shall be given due consideration by the Port Commission for feasibility and implementation.

Four terms expire March 2011 as follows:

- South Slough - Mike Graybill
- Recreational Boating – Ray Cox, Giddings Boat Works
- Marina Complex Lessee – Dan Morris, Basin Tackle
- Commercial Fishing – Rayburn “Punch” Guerin

Mr. Graybill and Mr. Cox have expressed interest to continue and are being recommended for re-appointment to additional two-year terms. Mr. Morris and Mr. Guerin do not wish to renew.

The Charleston Advisory Committee is recommending the appointment of Thomas Nowlin to fill the Commercial Fishing vacancy and Margery Whitmer for the Marina Complex Lessee vacancy. In addition, Port staff is recommending amending the current by-laws by increasing the number of committee members from nine to a maximum of ten. The additional recommended new public-at-large member is Mark Fleck, manager of Englund Marine. Commissioner Hampel serves as the Port Commission representative to the committee. With the approval of staff recommendations, the make-up of the committee would be:

- One position representing Commercial Fishing;
- Two positions representing Recreational Boating;
- Three positions representing Marina Complex Lessees;
- One position representing South Slough;
- Two positions representing the Public-at-Large.

The motion is for the Board of Commissioners to approve the two re-appointments, two new appointments and one additional member to the Charleston Advisory Committee, and amendment of the by-laws increasing committee membership from nine to a maximum of ten.

Upon a motion by Commissioner Scott (second by Commissioner Smith), the Board of Commissioners voted unanimously to approve the Charleston Advisory Committee member re-appointments of Mike Graybill and Ray Cox and new appointments of Thomas Nowlin, Margery Whitmer and Mark Fleck; and by-laws amendment increasing the number of committee members from nine to a maximum of ten. Motion carried.

F. Bid Approval of Shipyard Paddleboat Launch

Ms. Nichols said this was a fun project. Port staff is asking for Commission approval of bid award for a paddleboat launch at the shipyard. The Port partnered with South Slough National Estuarine Research Reserve on the development of a low-impact kayak launching area in Charleston. It will be constructed at the existing Distant Water Fleet parking lot at the Charleston Shipyard. South Slough received a \$25,000 grant from NOAA for the project. The Port set up its first ever cooperative agreement with South Slough's parent agency, the Division of State Lands, for this project. The agreement and task order were both ratified at the Port's November 18, 2010, Commission meeting. Bids were advertised and three responses received as follows:

- LTM Inc. dba Knife River Materials at \$25,461;
- Johnson Rock Products at \$29,834;
- Godfrey Yeager Inc. at \$29,841.

There will be approximately \$5,000 over cost to cover the engineering costs. South Slough and the Port are willing to split the difference in support of the project. Dyer Partnership will draw up the contract documents to be reviewed by Port's legal counsel. Port staff recommendation is to award the contract to LTM Inc. dba Knife River Materials at \$25,461. The Port staff recommendation is to approve the bid award to LTM Inc. dba Knife River in the amount of \$25,461 for the Paddleboat Launch Project. Ms. Nichols said the project is supposed to be completed by March 25, 2011, because the money needs to be used by March 31, 2011. Commissioner Kronsteiner asked for a motion for approval. Commissioner Kronsteiner asked if the date was achievable by Knife River. Ms. Nichols responded yes. Commissioner McKeown felt this was a great project.

Upon a motion by Commissioner McKeown (second by Commissioner Smith), the Board of Commissioners voted unanimously to approve the bid award to LTM, Inc. dba Knife River Materials for the Paddleboat Launch project at the Charleston Shipyard. Motion carried.

G. Change Order for Railroad Brush Clearing Project

Mr. Lovelady said the Port had received a request for a change order from the brush cutting contractor, Reforestation Services Inc. He said it was due to them encountering much more brush and trees than they anticipated along the rail line and the Port required they chip more of the limbs and trees that they cut than they had previously planned to do. In order to accomplish this additional work, they have hired three additional employees and have extended their planned work schedule by three weeks. The change order request was for \$47,377.17 and that request includes \$17,000 for overhead and profit. Mr. Lovelady said that he and Mr. Callery had met with Reforestation Services Inc. about the situation. Mr. Lovelady said they have done a very good job and Port staff felt good that they asked for additional funds rather than cutting back or cutting corners on the work they were doing in order to stay within the budget. Staff is recommending Commission approval for signature authorization to execute the change order in the amount of \$30,727.50. This amount will cover the out-of-pocket costs but will not cover the \$17,000 overhead and profit that they included in the request. Mr. Lovelady said there are adequate funds in the contingency of the account to cover this change order. The action Port staff is requesting is a motion to approve signature authorization for the

Chief Operating Officer to execute the change order in the amount of \$30,727.50 for Reforestation Services Inc. Commissioner Kronsteiner called for the motion.

Mr. Bishop said he would like to add that the Port's current purchasing guidelines do not provide for any administrative process for approving change orders. He said when he first arrived at the Port he did this intentionally because he felt it was appropriate in the course of most business that was being conducted at the time that any requests be brought back to the Commission because of the nature of the change orders. He wanted to submit today that as the Port is about to embark upon \$20 million in improvements in what will ultimately be dozens and dozens of contracts with contractors that, rather than delay decision-making for a month on each change order, Port staff intends to come back to the Commission sometime in April to change the policy to allow for an administrative process, where items like this can be taken care of clearly within the budgeted amount. He said because of the favorable nature of the original bid, it is well below the budgeted amount so from a no-net effect there is no actual cost increase to the Port. That would be the case of the \$20 million grants because there is only so much in grants and there is no provision for the Port to go back and ask for more. The Port wants to provide for timeliness as there is a self-imposed deadline to get the rail line back into service. Mr. Bishop said there are a number of similar situations on today's agenda and these changes could be done by ratification, but he would prefer not to do that given the frequency and the size of the anticipated change orders. Commissioner Kronsteiner agreed that the Commission needed to look at this recommended change in policy. Commissioner McKeown asked why they were asked to chip more. Mr. Lovelady said there were a lot of areas that were visible from the highway that staff felt needed to be cleaned up. Staff also wanted to make sure that all of the ditches and streams were left clear of debris.

Upon a motion by Commissioner Scott (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the Change Order request for Reforestation Services Inc. in the amount of \$30,727.50. Motion carried.

H. HDR Engineering Bridge Inspection and Rehabilitation Scope of Work Task Order #8 in the amount of \$600,000

Mr. Lovelady said staff had received a scope of work from HDR to do bridge inspections on 119 bridges. This is a change within recent months because of an FRA ruling that all bridges not only have to be inspected but they also need to have a load rating. In addition, there needs to be a bridge management plan. The initial fee the Port received from HDR was higher than what was anticipated and higher than what was budgeted for engineering work on almost all of the projects. Port staff went back to HDR and asked it to reduce the scope of work. This task order will include the inspection and load rating of the three major swing bridges and a cursory inspection of the remaining bridges. The remainder of the work needed for compliance with the new FRA bridge management plan will go out to bid for the remainder of the work, because Port staff feels it can get in compliance for a lot less money than originally estimated. Mr. Lovelady said Task Order #8 from HDR is budgeted not to exceed \$600,000. Funding from this task order will come from the *ConnectOregon III* grant for the rail fund. The action requested of the Commission is for a motion to approve HDR Task Order #8 not to exceed \$600,000 for bridge inspection scope and fee, including bridge inspection, load rating and repair recommendations. Commissioner Kronsteiner called for the motion for approval.

Upon a motion by Commissioner Smith (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the HDR Engineering Bridge Inspection and Rehabilitation Scope of Work Task Order #8 in the amount of \$600,000. Motion carried.

7. **OTHER:**

8. **INFORMATION ITEMS:**

A. March Business Center Newsletter

9. **COMMISSION COMMENTS:**

Commissioner Smith said he attended an AAPA convention a couple of months ago. He said there was a very interesting presentation by the executive director of the Port of Guam. He talked about how his country is an island and it will be transformed soon because of the federal government was going to spend \$9 or \$10 billion to build a new military installation there. In part of his presentation he said the country really needed to improve the container shipping infrastructure and it had submitted a grant bid request for Tiger II funds but lost out to some small port that was trying to rehabilitate a railroad. Mr. Smith said he went up to the executive director after his presentation and introduced himself and apologized. He said they joked around about the comments for the next few days. Mr. Smith said he was very amiable about the situation but he was disappointed his country lost out to a small port.

Commissioner Kronsteiner asked Mr. Bishop if he anticipated any further action with this meeting. Mr. Bishop responded no. Commissioner Kronsteiner adjourned the meeting to executive session.

10. **NEXT MEETING DATE:** April 21, 2011

11. **MEETING ADJOURNED TO EXECUTIVE SESSION AT:**

Meeting adjourned at 10:15 a.m. to executive session.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary