

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon

REGULAR COMMISSION MEETING

Thursday, February 16, 2006

7:00 p.m.

Coos Bay City Hall

Minutes of the Regular Commission Meeting of the Board of Commissioners of the Oregon International Port of Coos Bay, held Thursday, February 16, 2006, at 7:00 p.m. in the City of Coos Bay's Council Chambers.

ATTENDANCE:

Commission: David (Dave) Kronsteiner, President; Caddy McKeown, Vice President; Daniel (Dan) Smith, Secretary; and Jerry Hampel, Commissioner; Commissioner Scott - absent.

Staff: Jeff Bishop, Executive Director; Mike Gaul, Deputy Executive Director; Martin Callery, Director of Communications and Freight Mobility; Donna Nichols, Director of Finance; Don Yost, Harbormaster; Bob Thomas, Port Counsel; and Andrea Wall, Administrative Assistant

Media and Guests: Elise Hamner, *The World*; Gordon Young, Channel 14; Marvin Caldera, ILWU; Bob Braddock, Jordan Cove Energy; Tom Scheideman, Weyerhaeuser; Ken Messerle, Coast Consultants; and Jeff Hill, Sause Bros.

The meeting was called to order at 7:05 p.m. by the President of the Commission and he asked for those attending to introduce themselves.

3. PUBLIC COMMENTS

Marvin Caldera of the ILWU said that he and the longshoremen wanted to thank Jeff Bishop, his staff, and Martin Callery in particular, for the work they are doing. Marvin continued with a discussion on hog fuel. Some of the hog fuel is going to White City and they generate electricity with it. There is also a good size plant in Eureka, California. After talking to James Hill Trucking, Marvin thought that maybe there could be a hog fuel plant along side the cosmic burner on the North Spit. Hog fuel, garbage and natural gas seem like something that might work. Commissioner McKeown responded to this idea. She sits on the Board of the Energy Trust, a private non-profit in the State of Oregon. She said that bio-mass is very high on the radar. She was also in White City on Tuesday and saw the facility Marvin was talking about. This idea is moving up all the time as a way of producing energy. The Energy Trust and a number of different agencies in Oregon are looking at energy efficiency and those types of issues.

4. CONSENT ITEMS:

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board approved the January 26, 2006 Regular Commission Meeting Minutes; and the January invoices totaling \$45,244.89.

5. MANAGEMENT REPORTS:

A. Executive Director

The Executive Director and Commission President just returned from Washington, D.C. It was a very productive trip with a heavy agenda. They met with the Federal Energy Regulatory Commission (FERC) to discuss the LNG project. There were also opportunities to meet with Senator Smith, Senator Wyden's office and Representative DeFazio.

The most interesting meeting they had was with the U. S. Army Corps of Engineers (COE). They met with the Director of Operations, Gerald Barnes. There was a long discussion about the turning basin. (The turning basin we are going to need to accommodate the new berth on the North Spit is the same turning basin that Port has been trying to obtain for many years and has had some difficulties in getting approved and through the process.) A customer makes a big difference when dealing with the COE because the first thing out of Mr. Barnes' mouth was "Is this a build it and they will come or do you have a customer?" The Executive Director said they were in the process of sending contracts and Mr. Barnes said "get it done" and he left the meeting! After that the staff was very accommodating and the President and Executive Director were impressed progress is being made.

They did get a very rare meeting with the chief staff person of the Energy and Water Committee of the House. This is the group which handles most of the appropriations and authorizing language for anything related to energy and water – the oversight committee for COE. Unfortunately, the message received was that the budget is very strained, more so than it has been in many years. Katrina is going to continue to dominate budget issues as is the allocations for Iraq. In the President's budget, the only area that saw an increase in appropriations was for the Department of Defense. So we will again expect to see the same battles to get appropriations for dredging. The President's budget was released and we are in the budget for slightly more than last year which is a good sign, but we are far short of being able to accomplish our mission.

Jeff and Dave also had a very good meeting with United States Maritime Administration (MARAD) and discussed their short sea shipping program. They have lots of good intentions but no money; however, they visited about the pending land deal with Weyerhaeuser. To refresh the Commissions memory, one of the components of the deal was that Weyerhaeuser reserved the right to purchase back 20 acres in the vicinity of the dock that we are proposing. That came at the request of Westwood, which is a shipping subsidiary of Weyerhaeuser. Yesterday, in the Los Angeles Business Journal, Weyerhaeuser announced that they were starting regularly scheduled service between British Columbia and Long Beach, CA.; carrying primarily Weyerhaeuser cargo. That was an interesting development and the Executive Director will keep an eye on it.

The Port received a letter from Representative Susan Morgan of the Roseburg area, inviting us to participate in a task force that she is putting together. The subject is Strategic Intermobile Transportation Investment in Southwest Oregon. The Executive Director is excited to see there is some interest in the whole region to talk about the freight mobility movement. Oregon is behind our neighboring states of California and Washington in strategic planning concerns in the freight mobility area. The Executive Director was pleased to see that Stewart Foster and Ken Messerle are both on Ms. Morgan's list, in addition to our local representatives in the legislature.

The Executive Director asked to read a prepared statement:

PROPOSAL ON PUBLIC FORUMS TO STUDY THE PROS AND CONS OF SHIP RECYCLING

During the past several months, there has been a lot of attention focused on the pros and cons of proposed ship recycling – often called ship breaking – operations here in the Northwest. The most recent proposal, which generated a great deal of attention and controversy, was the Bay Bridge LLC proposal in Yaquina Bay at Newport, Oregon.

As you know, this proposal was ultimately denied by the Port of Newport. However, the conversation about the feasibility and advisability of ship recycling in the Northwest is far from over.

MARAD, the U.S. Maritime Administration, currently has more than 150 decommissioned ships that must be disposed of; at least one-third of these ships are located in Suisun Bay near San Francisco. A mandate from the U.S. Congress, which has already been extended once, requires that these ships be disposed of by the end of 2006. Clearly this will be difficult for any firm to achieve. However, ship recycling companies are urgently scouting potential sites in the Northwest. The Oregon International Port of Coos Bay, along with other ports and communities throughout the Northwest, including in some cases private property owners, has been approached by various ship recycling companies.

In the Port's limited role as a regulatory body, we can play an instrumental part in helping to educate communities and residents throughout Oregon; weighing environmental issues against the potential economic benefits of ship recycling operations. Through information provided by scientists and other third-party experts, we will explore ways to help mitigate environmental hazards and discuss the viability of safely handling and disposing of potentially contaminated materials.

Additionally in our role as an economic development entity for the bay area, we will also assess how our communities and the region could benefit from a significant number of well-paying jobs, if it can be demonstrated that ship recycling can be done in a safe and responsible manner by a firm committed to meeting the standards all Oregonians would demand for protecting coastal estuaries and the environment.

It will be incumbent on Port staff to provide the community and the Board of Commissioners the information needed to have an open and balanced discussion of all the issues associated with ship recycling; from a broad analysis of possible environmental impacts to a critical look at the opportunity to create local jobs.

Consequently, I would like to propose that we bring together, in a public forum, several third-party unbiased experts to begin the education process. We would like to pursue an initial forum in partnership with the Oregon Institute of Marine Biology – O.I.M.B. and South Slough National Estuarine Research Reserve and we have talked with the directors of those institutions about working together. In early March we may have the opportunity to hear from Jim Carlton, one of just a few specialists in estuarine ecology in the country, so we would like to schedule our first forum while Mr. Carlton is visiting the area.

I believe that a public forum such as this will be a solid platform for a community-wide, and even a statewide, discussion of ship recycling. Our intent is to have the first forum launch a series of similar events, each focused on a different aspect of the overall discussion of ship recycling and protecting our multiple-use estuary.

Although we have been approached by a number of ship recycling companies, we as a port and as a community do not have enough information to make a sound judgment. I believe this process will help facilitate a solid decision-making process. By taking this approach we are not endorsing or

criticizing any efforts. We believe that we all need to learn more about this issue. We need to learn what are the assets and liabilities. From that we can establish an open process for assessing whether or not the Port of Coos Bay should, and if so how to, entertain any ship recycling proposals.

Statement by Jeff Bishop, Executive Director
Oregon International Port of Coos Bay
February 16, 2006 (at meeting of Port's Board of Commissioners)

With the Commission's blessing, The Port will start that process and notify the Commission of the dates that are available for that activity.

The Commission said to go ahead and as the process unfolds; they will probably have a lot of questions.

B. Deputy Executive Director

The good news on dredging is that we did receive more money this year in the President's budget than we did last year; approximately \$500,000. The bad news is that there is no money for River Mile 12 - 15 which is about \$2.1 million and there is no money, about \$756,000 needed, for the engineering of a permanent fix on the North Jetty. Your staff will be working with Peter Friedman and his staff and with the staff at Pacific Northwest Waterway Association in seeking appropriations to fill the voids. The Port did receive a 30 day extension on the in-water work window for the Charleston Marina Launch Ramp project.

Port staff met with ODOT, Stuntzner Engineering, Jacobs Civil Engineering and CORP in a planning session on the Railroad Bridge Phase II Rehabilitation and on the TransPacific Realignment Project. Because we were successful in receiving credible dollars for both of these projects, we will have added oversight from ODOT which will necessitate new project timelines. The current anticipated construction start date for the road realignment is now Oct. 2006. The anticipated construction start date of Phase II of the Rail Bridge is July 2007 if the Port is successful in the ConnectOregon grant. The Deputy Executive Director said he would provide a report of the required steps to Commission at the next meeting. He will list the hurdles and timelines for each project so Commission can track what is happening. Peter Friedman continues to work hard on our behalf at the Washington D.C. level.

Last weekend, the Deputy Executive Director attended the Oregon Special Districts Association 28th Annual Conference in Seaside with Donna Nichols and Don Yost. It was the largest conference that Special Districts has had. There was training sessions on continuing education; legislative updates; and the Special Districts Board of Directors Meeting was held. Next year the conference will be in Corvallis on the campus of Oregon State University.

On Monday the Deputy Executive Director was at the Pacific Northwest Waterways Association Regional Meeting in Portland. While he was there, he received an update on the Water Resource Development Act; and received information on the meeting in Washington D.C. in which he will be participating March 5 - 10.

The report ended with an email from David Stewart who is the Marine Board engineer on the Launch Ramp Project. It said:

On February 1st, Jeff Smith and I did a vertical curve & general form board inspection of the launch ramp. Here is some of the data:

Top of Ramp

Constructed Elevation - 14.28'

Design Elevation - 14.28' (Acceptable)

All other elevations were well within the required tolerance.

We are very pleased with the quality of work and the progress that West Coast Contracting is making.

C. Director of Communications and Freight Mobility

The Director of Communications and Freight Mobility said he was pleased to say that the ConnectOregon applications were mailed today at 5pm. There were two applications; one for \$4 million for the non-federal cost share on the Rail Bridge Phase II; and the second for \$500,000 for rehabilitation of the North Spit barge slip now operated by Southport Forest Products.

The Port received the Coos Bay Branch line report from HDR Engineering and after consultation with Steve Kale who is on contract to Oregon Ports for the ConnectOregon Project, he advised that the Port submit the project for the B list. The B list is a series of ConnectOregon projects that will move forward but are not for immediate funding. Adding up the projects that are known in Region Three (Coos, Curry, Douglas, Jackson and Josephine counties) there is no way that project would get any consideration at this point. So, it is on the back burner but it will be submitted with an unknown as far as cost share match.

The HDR report did point out some interesting things. Many of the rails in the Coos Bay branch line corridor are in pretty good shape; and the bridges are in good shape also. The barriers are tunnels, which need to be expanded. The estimated cost for removing the bottom of the tunnels to make them suitable for double stack cars is in the range of \$3-4 million. The other barrier in the corridor is inadequate siding for trains to pass; a built in specific dollar amount for creating a siding somewhere would be about \$1 million. This is a nebulous project because you also have to decide where to put it. It was encouraging that an assessment of the line from the south side of the bridge to Coquille said that though lighter weight rail, it was not in bad shape; the line could be brought up to a higher standard for maybe less than \$1 million. You have to remember though, this report is not really an analysis, it is more of a cursory review.

The Director of Communications and Freight Mobility helped the Executive Director in preparing a slide presentation for his Washington D.C. trip. The Commission President said the presentation was used often.

Martin is one of the Port's representatives on the Master Plan for the Charleston Marina. There was a public meeting last night; and the turn out was good; good feed back; and several directed comments about what people would like to see. This will all go into the process of formulating a Master Plan.

Marketing: The Charleston Crab Feed was on the 11th and the Port shared marketing for this event with the Charleston Merchant's Association. Mel Campbell said it was the best feed they have had; and there were maybe as many as 1200 people served. Martin is also helping the Merchant's Association in upgrading their current brochure.

Don Yost and Martin went to the Sportsmen Show in Eugene and Don is also taking on two other shows by himself; this weekend in Roseburg and next weekend in Medford.

The Director of Communications and Freight Mobility went to a rail bridge scoping meeting so he could stay updated on rail information. The Freight Mobility Project Committee continues to have meetings. In March they will start with the ConnectOregon applications. Martin's committee will only be looking at marine applications; ODOT rail division will be looking at rail; Aviation will be looking at aviation; there is a special group for transit; It was asked if it was a conflict of interest if you had a project. The Attorney General said no, you just have to declare that interest stating you have a project in the queue and you can't vote on it.

Martin did an hour long coastal Port project report update on Bi-Coastal radio and he stepped in for the Executive Director and spoke at Kiwanis yesterday.

Discussion: The notification time frame for ConnectOregon will come out of the Oregon Transportation Commission on ConnectOregon in July. It will be a grant and loan combination. A minimum of 20 % cash match is required and in the Port's case the rail bridge is a great example. We have \$8 million in SAFETEA: LU money. We are able to use it as the match for ConnectOregon; and we can use ConnectOregon as the non-federal match. The Federal match was 20% in the past; SAFETEA: LU is only 10.7%. We are asking for \$4 million because the cost of Phase II is at \$12 million. The engineer came back to us with Option A), Option B), Option C). We would like to go with option A which is about \$12.5 million; so we changed the ConnectOregon application at the last minute from \$3 to \$4 million.

Martin shared that the lowering of the floors of all tunnels would be necessary. The tunnels were built in 1914 to 1917; they are all cut through rock; were all timber shored with white cedar. Two of the tunnel fires in the past totally destroyed all of the cedar and they had to be rebuilt with steel.

A report from an engineer shows the rail numbers seem pretty optimistic. Trestles across some lakes show they are in good condition because they are in fresh water; the wear doesn't show that much. Cosmetically, two bridges which look bad are the Cushman Bridge and Reedsport Bridge but from a structurally steel pin standpoint they are in much better condition than the bridge across Coos Bay. Martin said that the railroad is allowed to have an "X" number of rotten ties for so many feet of rail and three sections were identified that over time, if you do the work, you would be able to increase speed limit to 40 mph in one; 30 mph in two. CORP only operates at about 17 mph max; 10 mph in mid sections. One of the biggest problems is there is not enough capacity in the UP yard in Eugene. A normal trip from Coos Bay to the UP yard in Eugene is 8 hours; Martin said that the only place the train could stop, without causing crossing problems, was outside of Noti. They have to stop because they cannot get into the UP yard; sometimes as long as four hours.

Jeff Bishop complimented Martin on the work he did on the ConnectOregon projects. He also commented that Martin worked with Marvin Caldera of Local 12, in putting together some letters of support which the Executive Director took to Washington D.C. He appreciates the relationship the Port has with the ILWU.

D. Harbormaster

Don Yost showed some pictures of the Launch Ramp Project which were taken in January. He will have a compete presentation at the next Regular Commission Meeting. He stated that the quality of work is very good and the project is ready for paving; asphalt on will be put in on Monday; and the State Marine Board final inspection is on Wednesday.

The Harbormaster also gave an update on the Marina office remodel project. This was the project which was rejected because of a single bid we received in December; approximately 2 ½ times over budget. The Deputy Executive Director asked him to look at how the project could be completed. He did a materials take-off; there was some work to complete the drawings; permits; asbestos abatement in the restrooms; floor removal; normal plumbing and electrical; and then some new carpets and vinyl. The Harbormaster feels the total cost of materials would be about \$14,000. The other component is labor; an estimate for a union carpenter from a shop in town for about 22 days is approximately \$11,000. A small contractor in town estimated about \$10,400. The project total was just under the \$25,000 budget and with a 10% contingency is around \$ 27,000. If there are no objections, the staff will proceed with that concept. The Commission stated they thought it was a good direction to go.

There was some discussion on the Sport/Trade shows. The Harbormaster said that Eugene is a good venue and the Port's presence there is very positive; Roseburg is a captive market but it is also important to have a presence; and the Medford show is also a good market for our area. Our presence there is very productive.

D. Director of Finance

The Director of Finance made the budgeted fiscal year transfers; she waited until she received most of the property tax revenue. On the Cash on Hand report it shows little money in the General Fund because we have a lot of money waiting for grant reimbursement. We are in good shape in the cash flow area; and all the cost centers are within budget.

She attached a memo showing the projects we are involved with and we are getting involved with in the Connect Oregon and the SAFETEA: LU. Some of the numbers have changed, for instance on page 23 the TransPacific Hwy project was increased by \$350,000; on page 24, the Rail Bridge Rehabilitation Phase II, the ConnectOregon portion increased.

The Director of Finance attended the Special Districts conference in Seaside. She attended sessions on a Merit Pay Plan and Health Insurance; and a presentation on Health Reimbursement and Health Savings account; and a PERS update. Tier 1 received their fixed 8 % rate; Tier 2 got the flexible interest. The next goal for the agency is to get the deficit paid so the rate can fall. They are saying that that may happen. What the Port did was hold their rates for two years so we won't have an increase for next year.

The Executive Director complimented Ms. Nichols and Mr. Gaul. He said, if you will notice, every project came in under budget.

Commissioner Hampel asked if we had a full crew for the budget process. Two members re-upped and we do have a full committee.

Commissioner McKeown complimented Donna on successfully completing the Ford Family Foundation Institute Leadership program. It takes a lot of time and she was willing to put the time into it. She appreciates Donna being involved and she hopes it was an enjoyable worthwhile

experience. Donna commented that it was very enjoyable and worthwhile. Their project will be painting fire hydrants and as they develop their project, she will bring in another report.

7. ACTION ITEMS/REPORTS:

A. Policy Manual Update -Review Only - Chapters 12 & 13. This manual update will be considered for approval at March 16, 2006 Regular Commission Meeting.

There is no action requested of the Commission; this information is for review of Chapter 12 and Chapter 13 only.

During the fiscal year 1996/1997, the Port's Policy Manual was review and updated. Since that time, Chapters 1 through 11 have been brought before the Board of Commissioners for approved revisions and changes. The updated and revised versions of Chapters 12 and 13 are included in the packet. The outdated areas have strikeouts through them; the highlighted areas reflect suggested changes. Staff is proposing a title change on Chapter 12 to *Financial Management* and it will include general financial management criteria and internal controls. The surplus property section will be moved to Chapter 13. The Chapter 13 title will be changed to *Real Estate and Asset Policies*. Staff proposes to remove the policies on real estate brokers and log raft leases, which have been discontinued by the State and are no longer exercised by the Port. The real estate broker's agreements are operational and agreed upon on a case by case basis. Port Counsel has reviewed both chapters.

B. Request to Sell Surplus Equipment

The Port advertised in the *Western Maritime*, the *Equipment Trader* and on the Port's web site to sell the shipyard's Bucyrus Erie pedestal dock crane and the Bantam rough terrain crane. The pedestal dock crane occupies the center of dock #1 and renders a portion of the dock unusable. The Bantam crane is a 15 ton all-terrain mobile unit. It was used extensively in the past but since Giddings Boatworks purchased a second crane, the demand for our unit is near zero. An offer was received from Jerry White, a private party, to purchase the Bucyrus Erie pedestal dock crane for \$1,500.

Port Policy 12.7 requires the Executive Director's approval for the disposal of surplus property and further states that property with an estimated value of \$500.00 or more shall be submitted for approval to the Board of Commissioners. Further, policy requests the following:

- a. Date of acquisition is late 1980's, actual surplus records are not available.
- b. Original cost to the Port is unknown.
- c. Estimated value is based upon research in the crane market and is valued from \$1,000 to \$3,000.
- d. Lack of use and taking up valuable dock space is the reason for the surplus.
- e. Plan of disposition - it was advertised in the appropriate equipment publications.

The staff recommendation is to proceed with the sale to Jerry White.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Commission Board approved selling both the Bucyrus Erie pedestal dock crane for \$1,500 and the Bantam 626, if and when a reasonable offer is received as surplus property.

C. Launch Ramp Project Change Order

Commission President excused himself for conflict of interest on this item. Vice President McKeown led the meeting for this item.

During construction, unforeseen pile obstructions were encountered. These obstructions required removal before grade and level work could be completed. Port staff provided immediate authorization to the contractor for the removal of the obstructions so no additional delay would occur in the project completion date within the authorized in-water work window. Port budget is \$648,000 and the original project contract price is \$576,716. This change order will increase the contract price to \$582,252.49. The Oregon State Marine Board has approved this change order.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Commission Board approved change order number one to the Charleston Marina Launch Ramp Project in the amount of \$5,536.49.

D. Change Order Number 2, Automated Pay Station for the Charleston Boat Launch Ramp..

At the time of the design and engineering of the Charleston Boat Launch Ramp, the replacement of the pay station wasn't considered. A new pay station with a credit card option is something that needs to be reviewed. The Oregon State Marine Board stated verbally that they would accept another change order on this project to add a pay station. They have not given us a written order but indicated they would accept one.

The Harbormaster contacted about 10 vendors of automated pay stations but received only two quotes as follows:

1.) Northwest Parking Equipment Company	
Standard system VI	\$12,394
System VI with credit card module	\$16,089
2.) MITI Manufacturing	
MV-1	\$19,500
MV-2	\$17,500

Northwest Parking Equipment Company sells a unit from Ven-Tek International; and both the Ports of Garibaldi and Newport have that System VI. Sunset Bay State Park has one on order. Both of the Ports highly recommend the unit and neither have had any problems. Mike Gaul's recommendation is to purchase this unit with a credit card module for approximately \$16,000. This may happen as part of the OSMB grant but if not, perhaps it can go through the normal budget process.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Commission Board approved Change Order Number 2 pending written approval by Oregon State Marine Board.

8. OTHER:

9. INFORMATION ITEMS:

10. COMMISSION COMMENTS:

The Commission President said he wanted to recognize Peter Friedman and his staff's efforts. They did a good job getting Dave and Jeff Bishop in to see a lot of people while they were in Washington D.C. Dave said they are doing a terrific job and it seemed that the Port received preferential treatment.

11. NEXT MEETING DATE - March 16, 2006

RECESS TO EXECUTIVE SESSION: 8:05 p.m.

RECONVENE OPEN SESSION: 9:07p.m.

Upon a motion of Commissioner McKeown (Second by Commissioner Hampel) the Commission Board stated "In light of the exemplary performance review that has been done on the performance of the Executive Director in the past year, we move that we increase his salary by 10% and increase his car allowance by \$3,000".

Commissioner McKeown stated for the record the following comments: Mr. Bishop is doing an exemplary job for the Port of Coos Bay. We hope he will be here for a long time working for us and continue on the path toward the goal that he has set; and that this working relationship continues to bear fruit, not only for the Port of Coos Bay, but for the region, in the form of jobs and growth and all the good things that the Port can bring to the city of Coos Bay.

We are delighted you are here - it is a great relationship and we want to keep it going.

12. ADJOURN: 9:12 p.m.

BY: _____
David Kronsteiner, President

BY: _____
Daniel Smith, Secretary