OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
MINUTES
REGULAR COMMISSION MEETING
Thursday, February 15, 2007
7:00 p.m.
Coos Bay City Hall

Attendance: Commission: David (Dave) Kronsteiner, President; Catherine (Caddy) McKeown, Vice President; Daniel (Dan) Smith, Secretary; Jerry Hampel, Commissioner; and Brady Scott, absent
Staff: Jeffrey Bishop, Executive Director; Mike Gaul, Deputy Executive Director; Martin Callery, Director of Communications and Freight Mobility; Donna Nichols, Director of Finance and Administration; Bob Thomas, Counsel; and Andrea Wall, Executive Assistant.
Guests/Media: Elise Hamner and Susan Chambers, The World; Gordon Young, Channel 14; Ken Messerle, Coast Consulting; Paul Sorensen, BST Associates; Katherine Hoppe, Executive Director of BACC; Marvin Caldera, Local 12; Dick Leshly, Yellow Cab; John Hill, ORCA Divers; James Martinez; Drew Emmett, Coos Bay Towboat Co; Mary Margaret Muenchrath; and Jody McCaffree

The President called the meeting to order at 7:05pm and asked the members of the audience to introduce themselves.

CONSENT ITEMS:

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the minutes of the January 18, 2007 Regular Commission Meeting and the December 06/January 07 Invoices Totaling $321,902.00

The President asked the Executive Director to introduce Paul Sorensen from BST Associates. Mr. Bishop reminded the Board that they had authorized the Port to enter into a contract with BST Associates to develop an impact study on the proposed Oregon Gateway project. Mr. Sorensen is well suited to do these impact statements as he does them up and down the west coast for a variety of ports. Mr. Sorensen has done work for the Port of Coos Bay in the past.

Mr. Sorensen started with the cargo markets of the last several years. BST did a study for the Port in 2002. They were asked to look specifically at what the markets were for breakbulk cargos and for dry bulk cargos. At that time, that marketplace was saturated; it was heavily dependent on forest products; there were some small opportunities. It was BST's estimate that there were not any golden opportunities. BST was not asked to look specifically at containers in great detail or at liquid bulks and energy products.

BST does a lot of studies on the west coast; forecasts for the Ports of Los Angeles, Long Beach, San Francisco, Sacramento, Humboldt Bay, the Ports on the Columbia River, Seattle and Tacoma. For the last 20 years, they have done the forecast for the Washington Public Ports Association. Fundamentally for container cargos, there was a change in 2002 with the ILWU walkout in Los Angeles and Long Beach. These ports have continued having difficulties bringing facilities on line. It has taken ten years to develop a new intermodal yard, if they are allowed to build one. At the same time, there has been double digit growth from China and other trading partners. As a result, the ability and availability of cargo facilities along the west coast has been stretched. The shippers and ocean carriers realized this so they are looking for new opportunities. What we know now is different from what we presented in 2002 when we took a very brief look at containers and suggested it may not be the best opportunity for the Port. So much has happened to the industry in the intervening 5 years; we admit that we missed that one. Container cargo is driving investment in Prince Rupert, British Columbia, Tacoma, and Mexico.

When the Port asked us to take a very recent look at the economic impact they did not want pumped up numbers; they wanted a very realistic approach. The study was for the people that process and handle the cargo, pilots, tug boats, longshoremen, stevedores, truck drivers, draymen, warehousemen and people working in distribution centers locally.

We looked at the construction and the annual operations in 2006 dollars. What happens in Coos County; what happens in the State of Oregon.

BST did this study through review of other similar impact studies. They looked at Los Angeles, Long Beach, Oakland, Tacoma, Seattle, Vancouver, British Columbia, Prince Rupert and others which give you some idea of the number of jobs that are created per 1,000 units of container handling. The secondary source of information for Coos County and the State of Oregon comes from the State and the U.S. census bureau, Dun and Bradstreet and what we call the direct impact. BST used a model called the Implan Model, which is one of the nationally recognized models for doing economic impact studies.

Mr. Sorensen displayed a flow chart showing container terminal operations and jobs. All of those operations create a stream of business revenue. This revenue goes to three different places; to payroll, to create jobs; retained earnings, dividends and investments; and a portion goes to local purchase of goods and services, legal services, accounting services, office supplies, gasoline. There is also a category of indirect impacts; businesses purchasing supplies from other businesses. Payroll creates direct jobs and those receiving families re-spend their money on groceries, transportation and housing which creates induced jobs. The economic total, the direct, indirect and induced impacts, is calculated by the Implan model; the total economic impact. BST also made an estimate of taxes. A group called the Tax Foundation annually looks at each state and figures out the state and local taxes that are generated and ties it to income. In Oregon, approximately 10% of income goes to pay state and local taxes. BST used that as an estimate.

In looking at construction, Mr. Sorensen said we are not sure exactly what it will cost, as there are still some uncertainties; but it will be between $400 and $700 million. A direct impact will create a range of payroll from $95 to $162 million during construction; approximately 3100 jobs to 5300 jobs over the course of construction; these jobs only occur as the construction process is happening and then they cease. In terms of total employment, there will be about 4800 jobs to 8200 jobs, so construction alone will have a very significant impact in the County.

The real benefit from the Gateway operation is the annual impact. Rail, trucking, maritime services, terminal employees, longshoremen, pilots, surveyors, warehousemen, container repair and storage, a variety of government services and barge operations are all related to this operation. Many containers go to distribution centers where services are involved also. Start-up has been estimated at 500,000 TEUs (a 20' equivalent unit); most of the containers now are 40', two TEUs. The full build out would be 2 million TEUs. Employment would be about 304 full time position jobs directly created in Coos County; the study shows the multiplier of induced and indirect jobs; about ½ of these jobs would be located in Coos County. Total jobs with the multiplier applied would be approximately 1100 jobs; State and local taxes in Coos County of $2-$3 million. For Oregon as a whole, the impact would be $32 million rising to $52 million with the multiplier effects. This is at start-up.

The Executive Director asked a question about state and local taxes. When you talk taxes, are those taxes that are being paid by the income of the employees? Mr. Sorensen said these are not direct property taxes from the facility. They are primarily income driven but do include some property taxes for the income earners, but not from the businesses.

Mr. Sorensen went on to describe the direct, indirect and induced effects at full build out; these figures show a good employment base with good wages.

The Implan Model: It was developed over 20 years ago by university professors at the University of Minnesota and is used widely by State government, Federal government, port authorities, cities, counties and the private sector. The model tries to look at how the matrix of expenditures runs through the economy.

MANAGEMENT REPORTS:

A. Executive Director

Mr. Bishop added his standard disclaimer to the above report by Mr. Sorensen. "This project is still a frog"; the purpose of the study was to explain why we are looking at Project April.

The Executive Director (ED) started with a recap of the deferred moorage issue from the January 18, 2007 Regular Commission Meeting.

The Commission requested an end to the 2006 moorage deferment program. In early 2006, the National Marine Fisheries Service shut-down of commercial salmon harvesting along 700 miles of California and Oregon coastline. Port staff recognized that many salmon fishers would have difficulty meeting their financial obligations so staff recommended that 2006 annual moorages for qualified salmon trollers be deferred until the outcome of the Federal Disaster assistance was known and in May of 2006, the Commission passed that motion. This program was designed to provide short term relief until other assistance became available. The Port was one of the first agencies to offer assistance to this industry. The State of Oregon funded two rounds of financial assistance totaling $1 million for the salmon trollers who were deemed eligible in the state process. Many local commercial trollers received financial aid from the state and many of those same trollers paid all or part of their moorage; some worked out arrangements with the Port to catch up payments of the deferment. The last of the relief funding from the State was disbursed and currently there is no more financial assistance expected from them. The outcome of the Federal response is still uncertain. The total value of the annual moorages for the Port's fleet of 103 salmon trollers is $102,665. Of that number 41 moorage deferments were requested and approved for a value of $38,996. Of those deferments, 23 paid in full and 3 others have made partial payments for a total of $22,000. As of December 31st, there was still an unpaid balance of $17,519, about 45% of the amount deferred. Four applications were disapproved because they did not meet the Port's established qualifications which mirrored the qualifications of the State. The Port's deferment program also included accrued interest on unpaid moorages. The ED pointed out that we are talking about moorages, which are the fees that are charged for actually storing your boat in the water on the dock. The total amount of interest that was written off and not charged to any of the customers was $2,327. This was authorized by the Commission. The deferment program provided assistance for the commercial salmon trollers before any other form of relief was available. The effort was lauded by the local salmon industry and the Oregon Salmon Commission. It exceeded staff's expectations and provided a much-needed temporary relief. The program was designed to assist with 2006 moorages only. It did not deal with delinquent 2005 moorages. President Kronsteiner inserted that in fact, 2005 moorages did not qualify. Staff committed to bring back a proposal at the end of the season and at the meeting in January, it was their recommendation to terminate the program. As a result of that action, those moorages that were yet unpaid would be due and any financial charges on unpaid balances would begin accruing as of February 1, 2007. No interest accrued on any of those balances during the deferment period; they did not start accruing until February 1st of 2007. Once the 2007 commercial salmon season is known and project impacts evaluated, staff may bring a 2007 program recommendation to the Commission.

Based on the intelligence that we have, there may be severe impacts to the salmon season next season and we would like to start looking at and analyzing what the impact will be to the Port's moorage operations because we did have a number of vessels unable to catch up. There have been a couple of impoundments which occurred on charges that were outstanding prior to the deferment program or were related to other Port facilities, not as a direct result of moorage. Contrary to some of the rumors, we have not confiscated the salmon fleet nor do we have any intention of confiscating the salmon fleet. We continue to work with our customers as best as we can and continue to work with our governmental partners to try to find some way out of this morass. This information was to refresh, for everyone's edification, what the program was, what the intent behind the program was and how it worked.

The ED continued reporting on some of the activities the Port has been engaged in to develop alternate energy. He presented some basic information on this industry; why we believe it has potential and what we have been doing in that vein.

His first topic was Biomass. Biomass is organic compounds that are formed by growing plant life. Basically it is carbohydrates and is also considered to be garbage and manure. This product is processed into fuel primarily by combustion. It is used in boilers; hog fuel has been used for many years for creating electricity; creating steam for generators; home heating – firewood and pellets; digesters and landfill gas. In Oregon about 75 trillion Btu's of useful energy from a biomass category was used in 2004, primarily in the industrial/home heating of wood and pulp industries. There are 49 industrial sites with wood fiber biomass combustion boilers; ten are steam driven generators producing electricity; six pulp mills are operating chemical recovery boilers; one solid waste energy facility in the state; nine wastewater plants that generate electricity; two manure into electricity operations and 2 landfills that generate electricity. The Port is currently in discussions with a couple of industries that are looking at either combining biomass into their operations to use as cogeneration opportunities or a stand alone generation.

Later in his presentation, the ED will detail what the state of availability of electrical power is from an industrial standpoint, showing any biomass generation is more than welcome.

The other area that the Port has been actively involved in with a couple of leads is in the area of biodiesel, although it has cooled some. Biodiesel is a cleaner burning diesel replacement fuel. Its physical properties are closely similar to petroleum based diesel. It is usually blended with conventional diesel and there are two main industry standards. B20 is 20% biodiesel; and B85 which is 85% biodiesel. Neither of the blends requires retrofitting of an engine; any diesel engine can utilize this fuel. The ED shared his past experience of working to site a biodiesel plant on the Tacoma tideflats. He said there were samples from the by-products of biodiesel and it was pretty amazing that glycerin by-products were used in a multitude of materials used in everyday life. The fuel is made from new and used animal fat and vegetable oils. He stated Tacoma did have a rendering plant in the tideflats which made biodiesel very attractive by utilizing some of the by-products from things like restaurant fryers. Some of the best sources are from the french fry industry. The process is called transesterification, which is a process that uses lye as a catalyst and takes the alcohol out of the product. The lye breaks the bond holding the fatty acid chains to the glycerin, the glycerin falls away, the fatty acid chains then bond with the methanol creating methyl ester molecules. The point the ED wanted to make is that the process is very similar to the refining process for any fuel.

Oregon has developed a plan to encourage the development of renewable energy; particularly in the form of biodiesel. The goal is that 5% of all biodiesel would be at a blend of 5% by 2010 and to 20% by 2025. B20 will be recommended for all state vehicles by 2025. Even President Bush in his State of the Union, suggested that there be a national agenda for 35 billion gallons of renewable and alternative fuels by 2017. Washington State recently passed a law which requires all diesel sold in Washington State be at least 2% by 2008; the European Union is expected to increase their use of this energy by 20% by 2020.

Statistically, the increase of biodiesel from 1999 when there was 500,000 gallons has risen to 75 million gallons by 2005. If you track that trend you can see why there is more and more business interest being expressed. There is only one facility in Oregon and that is the SeQuential Biofuels facility in Eugene which produces 1 million gallons per year; it is very small. They are in the process of trying to upgrade the facility to 5 million gallons by November 2007. The price per gallon is $3.29 which, based on recent fuel prices, is not unattractive as far as a market standpoint. When more capacity is required, it will have to be imported from the Midwest because there is not enough production in Oregon. In the Port's conversations with the State Department of Energy, the State has recommended a holistic plan for development that not only provides for the production of the biodiesel but also for the production of local feedstock. However, the State does not support the imports of palm-oil because palm-oil is produced as a bio-product of clearing of rain forests in Central and South America. The Port based opportunity in biodiesel, unfortunately is predominately the palm-oil business because of logistic models.

The Imperium Renewable facility which is at the Port of Grays Harbor in Washington will be the largest facility in the US when it is completed. It is costing $40 million to build. It is on 12 acres producing 100 million gallons annually. There are eight 40' tanks. A construction window of 6-7 months is anticipated. There will be 250 – 350 construction jobs and about 50-65 permanent jobs. Unfortunately, the facility must initially import feedstock which is the palm-oil. A local tie in is Sause Bros. who is bidding on that business. There have been significant tax exemptions so it is expected to produce very little State and/or local revenue. The ED showed a picture of the facility which is right next to the new grain unloading facility. Grays Harbor had an innovative idea of creating a unitrain loop around their dock facility for the unloading of grain for export. The concept was "just in time" delivery; the train would come in; it would have sufficient volumes on it that they would unload directly from the train cars to the ship; there would be no storage and no elevator on site. That system has worked fairly well with some challenges however. It has probably played a big role in the decision of Imperium Renewable to build the facility there, because there would be a source of feedstock in the future.

There was discussion on what do they anticipate, after the initial build-up using the palm-oil for feedstock, as their source? The ED said palm-oil from an environmental standpoint is an environmentally friendly product that has some negative connotations but unfortunately from an economic standpoint it is the cheapest source. The concept is that you would start growing more crops; there is a lot of agriculture in Washington and Oregon in the eastern part of the state. Once the market develops, if the farmers can find a market, they will grow. It takes time to put those crops into circulation and create a consistent state of demand for it. Unfortunately, huge productions of either of these substances in either state would require more material. In Grays Harbor where the source of material is coming in and from the railroad standpoint, you can look at the model they are using in Puget Sound and Washington; the railroads bring out loaded grain and they use a lot of power; then those same trains go back empty which doesn't require as much power. The surplus power is used to pick up the intermodal trains at the container terminals to go back. As long as that stays balanced, it works well. Biodiesel is better for the environment because the emissions are much better from automobiles.

The third area is Ethanol which is the automobile gasoline alternative. It is high octane compared to diesel and reduces emissions by up to 20%. Of particular interest for our area is that up to 80% of the emissions are reduced to using wood feedstock. It is produced from renewable sources and ethanol is grain alcohol. Similar to the biodiesel, there are two varieties. E10 which is a mixture, sold in many places and E85 which does require a switch to a different engine. The primary feedstock for ethanol is sugar, starches and cellulose. The feedstock is ground up, fermented and distilled.

Of interest is the fact that the construction standards are different from the petroleum industry. There was no environmental impact study required for permitting the facility in Grays Harbor and there doesn't appear to be very much oversight in their operations. Wood based ethanol technology is in its infancy; it hasn't been proven yet to be a commercially viable alternative, but they are working on it. The Port is excited about the opportunities it may create as it gets to the point where it is producible. With all the wood chip export facilities we have and the production of wood materials here, there are definite potentials for it. Ethanol cannot be transported in pipelines; it has to be trucked. As the demand goes up, the prices go up. Palm oil has increased by 13% in just the last three months; we have seen some of the demand for biofuels increasing the price of crops which could have a consequence on food supplies and prices. Any product on the market will face the effects of supply and demand. The ED had an article from MSNBC about the impact to farm economy which could have some positive impacts because the farm industry is one of the heaviest subsidized industries in the U.S. However, renewable fuels unfortunately do depend on oil prices. Ethanol import prices have dipped below domestic prices. The opportunity we looked at is a concept that demand in Japan for ethanol was going to escalate and there would be the potential for exporting the ethanol as opposed to the feedstock. Logistics is a big issue; with ethanol, we are finding that it is primarily used and produced in the Midwest close to the feedstock. Logistic costs dramatically impact the production costs. The by-products from ethanol and biodiesel production are generally used for cattle. The question becomes what you do with the residuals from the wood produced production. It is not an

edible product; there may be some potential for other building materials, but that hasn't been resolved yet. Ironically, the process does require natural gas for its production. Biodiesel has a six month shelf life so it is not storable in huge amounts for long periods of time. It will require 2 million acres of seed crop to supply the Imperium plant alone and currently there is only about 7800 acres available.
The ED went on to talk about the supply chain management and the business model and what he refers to as the 'potato chip paradigm'. The logistic costs will usually determine the site selection and Government policy and consumer behavior impacts the business model. The 'potato chip paradigm' came about when he was working in an area producing a lot of potatoes. He was very successful in recruiting french fry plants or any kind of potato processing plant, but not producing potato chips. When you look at a potato, it has mass and when you look at shipping it you fill up the truck with potatoes and there is air between the potatoes. But when you slice the potatoes into french fries and pile them into a truck, there is much less air. So it becomes more economical to put your factory close to the potato because you get a denser product that you then ship to your market. The potato chip on the other hand, is more economical if you send the potato to the factory and then process the chips and transport them a much closer distance to market. There are always exceptions to this model, like labor costs or operating costs, so when you look at opportunities for Coos Bay, being where we are, if you look at us being on the very end of the U.S. logistically we are about as far away from the productions areas of the feedstock that we can get. The competitive advantage we would have in recruiting or working with these industries is something in the area of a niche. Palm oil is such a niche because it isn't grown here or produced here; it has to come from somewhere else. Being close to a port like Grays Harbor is a definitive advantage for palm oil. The difficulty here in Oregon is that the State is discouraging the use of palm oil in production because of the rainforest deforestation. It is very difficult for us to look at it; but, if there is an ethanol demand, we might have a place in that market. When the gasoline prices were peaking, that is when we saw the highest activity. The Port was getting lots of calls and that activity has dropped off remarkably with the lowering of gas prices. It reminds us that the viability of those alternatives is closely tied to the consumer; the consumer continues to follow the path of least resistance and will apply the cheaper products. Until fuels prices equalize with the cost of production of these alternatives, it is going to be difficult to get a sizeable business interest interested in developing here. Because of the commitment of our Governor, who has directed us to also be committed, we continue to work and look for opportunities. We have developed a site concept for the property that we have on the North Spit – the property that is just south of the Southport Forest Products and north of DB Western. We are working on a concept for a combination breakbulk /bulk facility.

As everyone knows, the Port was actively involved and remains actively involved in the recruitment of polysilicon production for photovoltaic cells. Photovoltaics are part of the semi-conductor industry that converts sunlight directly into electricity without moving parts, noise or pollution. This is a very efficient technology that has already exceeded the efficiency of photosynthesis by 15 times and recoups 10 times the energy used in the production over 30 year+ component life expectancy. Polycrystalline silicon is what is used to produce photovoltaic cells and that was the industry we were targeting. It is also used for solar cells and semi-conductor chips. The chain of processing starts with a high grade of silicate sand, which is converted into silicate metal, which is further purified by conversion into polycrystalline silicon. The polysilicon is then grown into crystal "ingots", sliced and polished. At present, both semi-conductors and solar cells use the same sources of polysilicon and ingots and compete for the global polycrystalline silicon capacity; this makes it very expensive to develop solar power. There is a global shortage of polysilicon and the photovoltaic industry has been unable to compete with the semi-conductors sector. In Oregon alone, the SumCo facility in Salem, which employed 1,100 at its peak, remains closed and Project Sol, a European photovoltaic module manufacturer, canceled plans for a factory in Grants Pass due to the shortage of material. The global shortage of polysilicon has already cost Oregon over 1,300 family wage jobs.

The project we were working on was called Project TK, which was a processing plant intended to produce solar grade Polycrystalline silicon. The plant would have employed about 200+ people with an average annual salary of $50,000. There were many what we called 'white coat' positions because of the technical knowledge involved. The site selection criteria they used were primarily focused on electrical power costs. 40 megawatts used in Phase I and an additional 40 megawatts in Phase II. They needed access to the ocean outfall wastewater disposal (1.7 million gallons a day). The primary waste product produced by the production of polysilicon is saltwater, which is extremely difficult to deal with inland where there is no saltwater bodies to discharge into. They need fast time-to-market site development and regulatory process. This company was very keen on the community support for their facility. The site that we submitted was 120 acres, had rail service and it was easy access for trucks. It had an existing electrical sub-station on site and it had the capability of being able to produce 3 million gallons of water a day of non-potable, and was also a potable source. The electrical sub-station on site was designed for 40 megawatts which perfectly fit their needs; there is an existing 20 megawatt transformer and all that would have been needed to handle the initial load was to install another 20 megawatt sub-station. When they got to the 80 megawatts it was more difficult. An engineering study was done by PacifiCorp which indicated substantial power line improvements were done - replaced but no new line was needed. Eventually the project grew to the point where they were looking at a scenario that would have required them to be able to use 160 megawatts of power; this would have required an additional line. The site does have an existing ocean outfall line – one of the few on the west coast, which currently has a capacity of over 20 million gallons per day. There are no current users on it other than the Weyerhaeuser Corporation who continues to pump water through it. The TK wastewater stream was much more attractive than the previous user. It met Federal and State permitting requirements, with very little cost for a convenient system. The other area of our competitiveness was related to electrical power. PacifiCorp has a Certificate of Service for the communities of Oregon's Bay Area. It is regulated by the Oregon Public Utility Commission (PUC) so there is no negotiable rate between the utility and the business. The PUC has been very effective in keeping the cost of power down. The ED's presentation showed a graphical representation of our power costs compared to many of our competitors. Only PacifiCorp in Utah is cheaper than PacifiCorp in Oregon for the industrial rate. What is missing is Grant County and we don't talk about them – they own several hydropower dams in the Columbia River and they have a ridiculously low price. Grant County was one of our competitors for this project. PacifiCorp's power mix is primarily 68% from coal projection; 4.1% from natural gas; 5.4% from hydro; less than .2% from wind; and they purchase on the open market 21.9%. The next graph showed that the PacifiCorp rate increases have lagged behind the CPI. PacifiCorp is technically loosing ground on their production costs and their industrial rate. Rate changes have been very stable.

At the end of a recruitment, we like to come back and do a 'lessons learned'. One is that while Oregon power costs are very cheap by U.S. standards, they are still lagging globally. The international competitors we have, Montreal Quebec, Melbourne Australia and the other U.S. competitor in Mississippi – all of these areas have lower rates than we did. The lowest was Melbourne Australia where they have a huge supply of coal that generates their power. The other issue we ran into is that the Bay Area power system reliability, from an industrial perspective, was and remains an issue and it is very costly to remedy. There is only one single feed-in which does not give you any redundancy. If you lose feed from one end and you are in a batch process, polysilicon is a batch process, then everything that was in production at that moment, is lost; you have to start over. Community support for industrial uses was an issue for TK also. We thought we handled this; we went over and over our history of industrial uses, but it kept coming back and they kept asking questions. "Are we welcome? Do you welcome Japanese companies? We kept saying yes and showed them pictures of Choshi Gardens and talked about our relationship with Choshi. They never came back and said anything outright, but it just kept coming up again.

The ED said the State of Oregon was an outstanding economic development partner. The Governor was very committed to renewable energy sources and in developing this industry in the State; the incentives were significant. We were very pleased with that partnership.

Another issue TK came back to was whether or not there was an appropriately skilled workforce here given the 'white coat' type positions in chemistry and in technicians that would work and maintain the facility. This became a very big issue which the ED was not sure we ever adequately handled.

The Port will not close the book on this – you do not know what may happen two years down the pike. This concluded the ED's comments on trying to recruit alternative energy sources.

Commissioner McKeown commented that it did not look like we had a fatal flaw; it was not that they located someplace else. The ED responded that they chose to expand at the current location in Japan; it does not mean they won't choose to do a new siting later. He continued saying the issue may actually have been because TK has never had an international site. They have their own power plant at their site in Japan and it is powered by imported coal.

The ED continued his report: At the last Commission meeting we promised to come back with some new perspectives on the New Carissa and specifically the settlement that was obtained and what the State intends to do with the settlement. In February 1999 the New Carissa ran aground. The State of Oregon filed a lawsuit in October 2001 to force the removal of the remains. Oregon State prevailed in that lawsuit in 2004. In May 2006, the State settled the case which was on appeal. The parties agreed that of the $27.1 million held by the Department of Justice that had been required in the original trial, $5 million would be released to Green Atlas Shipping who was the shipping owner; the State of Oregon received $22.1 million. A balance of approximately $18 million was left after taking out overhead. Some sectors of the community continue to postulate about whether there is a better use of the money. Coos County remains distressed; there is still significant unemployment; there is still massive underemployment and there is loss of family wage jobs. Timber payments have been lost; Salmon season has closed with a significant impact and a multitude of other important programs that have suffered, not of least which could be our school system. Louise Solliday, State Lands Director with Department of State Lands (DSL) in response to the concerns regarding the best use of the settlement funds wrote that some Oregonians felt the settlement monies could be better spent. While it is tempting to envision how $22 million could be spent for things other than removing the New Carissa wreckage, it is vitally important for us to resist this temptation. She lists three reasons why:

- First and foremost, the jury's intent, after carefully considering the evidence in the trial, was to award monies to the State of Oregon to remove the wreck. It is important for the state to carry out this verdict so a precedent is established for any future shipwrecks that involve an owner unwilling to remove dangerous wreckage from our shores.
- It sends a strong message that Oregon cares about protecting our public coastline and preserving the natural beauty for our citizens and visitors alike.

- It brings closure to the state's potential liability for the remaining wreckage along the shore.

In response to the request from the Commission, staff has observed that the response of the State of Oregon was made prior to the loss of timber payments, which is still an ongoing problem. We question if the State's position is still the same. The other question is what if removal becomes impossible? Staff has invited a representative from the Department of State Lands to discuss the issue at the March Commission meeting and at that time staff will have a recommendation of what we can and can't do as far as suggesting, urging or hoping for an alternative.

Finally, the ED provided the Commission with information and a recommendation on the proposed dredging for the Oregon Gateway project. Coos Bay for many years was known as the world's largest forest products export port. Two years ago, the Port brought on Kevin Murphy to be our National Sales Representative. For 20 years he was the East Coast sales representative for the Port of Tacoma. For many years he told stories of his younger days at the Port of Tacoma where he suggested ways to increase business; he was repeatedly told don't bother, that's Coos Bay business, you can't get it. The ED showed pictures from Coos Bay's past; and a graph which tracks the yearly marine traffic in the Bay from the peak of over 310 vessels (only deep water vessels – not barge traffic) steadily declining over the years to 48 vessels. Each vessel call represents significant economic value to the community. Most of the activity from a historical standpoint has been in the upper bay, the dividing line being the McCullough Bridge. If you break it down from a statistical standpoint, almost every dock with the exception of the Roseburg Forest Products dock has traditionally been located in the upper bay from mile markers 10 – 15 on the channel. The channel itself is a little over 1100 feet wide at the entrance. The channel is 700 feet wide at the first turn and narrows at mile marker 2 to 300 feet. From there until you get to the upper bay, it is limited to 300 feet. Once you get past the bridge the channel widens to 400 feet and stays that for the duration of the upper bay. The channel is 37 feet deep from the end of the channel, mile marker 15, to mile marker 1 where it goes to 47 feet. It is plagued by lack of federal funding for maintenance. The Corps of Engineers (COE) utilizes tonnage and analysis to determine the cost benefit value of a dredging project; Coos Bay has successfully remained in the low cost category. In the last two years, we are finding it more and more difficult to keep that funding; and in fact, the COE has not received a full slate of federal funding since 2002. The bay was deepened from 35 to 37 feet in the late 90's and a few years ago, there was a breach of the North Jetty which instigated an emergency repair. The Port has tried for years to obtain federal appropriation for studying the jetties and what needs to be done to repair them. We were successful last year in getting a $500,000 appropriation into the budget; unfortunately the budget was never approved; elections took place; directional majority changed; and the new congress has determined that all earmarks will be overlooked. So even though we received an appropriation, it was thrown out. As Mr. Sorensen mentioned in his report, opportunities for growth are significant. There is a huge deficit of locations and ability to process trade by the year 2020. The result is that we need to move forward with the concept of the Oregon Gateway. To facilitate that project, the Port of Coos Bay needs a channel that is a minimum of 500 feet wide and 51 feet deep to handle the new generation of cargo ships which are currently drawing between 47 and 49 feet. This draft exceeds their ability to traverse the Columbia River and most ports on the west coast. The ED reviewed the various paths for the dredging project and potential pitfalls associated with them. The normal process, which is the process that was last used by the Port of Coos Bay, is commonly referred to as a general investigation. This is authorized by Section 216 of a WRDA bill. It is normally initiated by congressional resolution. There was a congressional resolution authorizing a general investigation in April of 2006. The first deliverable from that process is the funding and then the preparation of the recon study. The Port has been unsuccessful in getting the recon study appropriated from Congress (nobody has been successful in getting a recon study authorized from Congress). Congress has had a policy of no new starts nationwide for some time. The second deliverable is the national feasibility study. The third is the U. S. Corps of Engineers (COE) chief's report to Congress. The fourth deliverable is WRDA authorization which theoretically is passed by Congress every two years. Unfortunately, the last one passed was over seven years ago. The fifth deliverable is the actual dredging of the channel and the final is maintenance. It seems very straight forward, but on average these are taking about 20 years and the WRDA authorization was not available this year again.

The other spectrum is referred to as Section 509 and sometimes referred to as a 404 permit application. It is initiated by the sponsor, who prepares the draft statement of permit application. Next, either an environmental assessment or an environmental impact statement is prepared. It also requires you to get federal appropriations for each step. In the section 509 process, which we originally initiated all is paid for by the sponsor. It is done privately and by permit action and is submitted to the COE for regulatory review. The problem with this process is there isn't a guarantee of federal maintenance after the project is done. If our channel is currently authorized to 37 feet and if you got a permit to dig it to 51 feet, there is no guarantee that the federal government would provide any assistance in maintaining the channel at 51 feet. For this reason, staff recommends suspending that process. We do not want to continue down that path unless the Commission directs otherwise.

Commissioner McKeown requested clarification that Mr. Bishop was only talking about dredging in the lower bay. The ED responded yes, only the lower bay. It would be from mile marker 7.5 to the ocean, not the entire channel.

Because the general investigation has been taking 20 years, Congress has authorized a couple of alternatives for proceeding. Section 204 is a process similar to the 509. It is initiated by the sponsor; the sponsor prepares a feasibility study which doubles as an environmental impact statement. The feasibility study is submitted to the assistant secretary of the Army for approval; if approved, it secures federal maintenance of the channel. This option does require the sponsor to pay for the actual cost of the dredging.

The other alternative is a Section 203. It is initiated by the COE and the sponsor works in conjunction with them under their supervision. A feasibility study is developed which also looks at the environmental impacts and the engineering aspects of the channel improvement. It is submitted back to the COE at the sponsor's expense for their submission to Congress as acceptable. If it is deemed acceptable by Congress, and included in WRDA, it receives an appropriation and the Federal Government pays for the cost of the dredge.

Commissioner McKeown asked Mr. Bishop to explain what WRDA is. The ED responded that WRDA is the Water Resource Development Act. It is similar to the Highway Bill which is the funding and project authorization bill that Congress passes every six year cycle. WRDA is supposed to happen every two years but it has slipped to every seven years recently. This large project governs what the COE's budget will be in a given year, including flood projects, appropriations for Katrina, etc.

Continuing ED's report: When the project is dredged, through federal appropriation, the maintenance becomes part of the project. It is important to point out that by law the federal government will only maintain a channel to 45 feet at 100%. The increment from 45 to whatever is shared 50/50 between the federal government and the project sponsor. The difference is that it is the effective cost difference. If you have two feet of sedimentation in your channel in a dredge cycle, there is not much difference in maintenance cost between 51 and 37, because the same amount of sedimentation is coming down the river filling it in. Though the cost difference changes from an effective dollar amount, we don't expect it to be much. That is the part to study and analyze.

President Kronsteiner asked if anyone had gone through this process. The ED responded that there have been several started (the 203); only one has gone the whole route and this is the model we are following. It was done from the Port of Oakland but some other ports are working on them. The difference is that instead of 20 years, it only averages about seven. Oakland was a bit faster than that.

Staff recommends that the Commission authorize staff to initiate Section 203 and abandon the current private permitted action, subject to funding commitments.

Commissioner McKeown asked if WRDA was up for reauthorization and what were the odds. The ED said it was every year. It's not going to happen this year which will make it the eighth year. Even with that, seven years assumes you can get a WRDA Bill to line up with your project authorization. President Kronsteiner asked if the cost will still be a shared cost. The ED responded yes, but it is acceptable if the report is accepted by Congress and you can use it for part of your match. There is a 35% match for any dredge. President Kronsteiner asked how we expect to get the federal funds. Would it have to be some sort of an earmark? The ED said yes, but that would be several years from now or at least 2 years. If you are unsuccessful getting federal appropriation, you can, at that time, convert to a 204 process. If you have private sector opportunities or funding or state funding for the dredge, you can still get the ongoing federal maintenance for the project. The critical component is to not lose the federal maintenance which is $7 million every two years.

The ED said that he would come back at the next Commission meeting with a recommendation. But, in order to do that we need authorization to start the process of having a dialog with the COE on the Intergovernmental Agreement that we would draft. President Kronsteiner asked what the ED was looking for tonight and Mr. Bishop said he is looking for authorization to initiate a dialog with the COE in the form of a motion.

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners authorized the Executive Director to pursue Section 203 of the 1986 WRDA Bill as amended subject to funding.

B. Deputy Executive Director

There is a cathodic protection system at Pt. Adams which protects the water, sewer and fuel tanks at the refueling station. There is a long standing agreement with the Water Board for the maintenance that is split 47% to the Water Board, 38% to the Port and through our lease with Russell Marine they pick up 15%. The Port was planning to budget next year for replacement of the ground bed. All of our tests show it has been going out little by little. Mike was notified by the Water Board recently that the ground bed has failed; the Water Board needs to move forward. The estimated cost to replace ground bed is $13,000 and the Port's share would be $4,900. We have authorized the Water Board to get moving on it because it is our protection system. It is going to be funded out of the marina cost center.

There may be a time later in the year that if the cost center gets stressed, we may have to come back and ask for a transfer to put more money in it.

Also at Point Adams, last September, John Craig, the COE representative, reported to the Commission about the lack of a dredging project. They typically dredge the Charleston Channel every one to two years. The COE put a bid on the street last year but they did not award a contract; the first bid had no takers; the 2nd bid had one bidder which was 40% over Government estimates. That area did not get dredged. We continue to have a sand build-up in that area and need to remove approximately 25,000 cubic yards of material. It is starting to impact K-Lyn Fisheries, Russell Marine, and shortly will impact our transient dock moorage. It will also impact the channel to Bandon Pacific in the inner basin. John Craig is working hard to get a COE bid package out in the next 4-6 weeks. Mike is also working to get the COE Regulatory authorization to dredge outside the work window which is October 1st. He thinks he will be successful. At this point Mike is not ready to make a recommendation to the Commission on this.

The Finance Director and Mike attended the annual SDAO conference February 8 – 11th on the Campus of Oregon State University. This is a premier get together and is full of continuing education and training and general all around enlightenment.

At the end of June, Mike will move into the role of immediate past president on the Board of Directors of SDAO and he is happy to announce that the Port of Newport's General Manager, Don Mann was elected to the Port seat on the Board.

Lastly, at the last Marine Board get together, the Port of Coos Bay was recognized for an outstanding project for our launch ramp. It was the best large project during the biennium and he presented the Commission with the plaque.

C. Director of Communications and Freight Mobility

Martin has been spending time in Salem testifying on behalf of the successes of ConnectOregon and hopefully the success of getting a second package called ConnectOregon II. He testified twice at House committee meetings; with Stuart Foster, Chair of the OTC and Matt Garrett, Director of ODOT at a Senate Trade and Transportation meeting. There are some suggested changes in the language which are very minor and there is also discussion of increasing ConnectOregon II to a figure above $100 million which was the cap on the first one.

Martin is staying active with the Oregon Rail Users League and Southwest Oregon Trade and Transportation Task Force. The Task Force report will be coming out shortly and it will be presented at the Legislature within the next two weeks probably.

Martin said that there was a Town Hall meeting last night for the Charleston Master Plan. He is the Port's staff representative to the steering committee for the Charleston Master Plan. The process started back in September, 2005. There have been three Town Hall meetings and numerous steering committee meetings. There has been a lot of community input and support and last night was the community's opportunity to make comments on the final draft. About 25 people came in addition to the facilitator and our consultants from Dyer Partnership and Shoji Planning and Development. Overall the comments were very supportive. This plan is for the Port's facilities and properties, and we want it to be something that is doable but also for the rest of the community, whether Coos County or private businesses, they can dovetail to inspire additional development which retains the "fishing village" ambiance. All of the material will be on the Port's web site in a PDF format; people can read it, pick out the chapter and section they want to comment on and send us an email, or a letter. We will incorporate any comments that are applicable into the final draft. The Final Draft will be presented to the Commission in April. The Commissioners will have a chance to give input and then it will come back to the May meeting for adoption.

Commission Smith commented that he attended the Town Hall and was impressed – the plan is well thought out. He thought staff did a great job. It was a very good session.

D. Harbormaster

Don Yost was not in attendance. His management report was included in the packet.

E. Director of Finance and Administration

Donna did not have any additions to her report. However she did comment on the SDAO Conference by saying she will probably get more involved in Special Districts next year. Mike has been mentoring her to get involved after his term and she has been on the conference committee for the last two years.

5. PUBLIC COMMENT:

Dick Leshly: Jordon Cove project is a good project economically if the process allows it to go forward; if it is environmentally sound; it's not going to blow my cabs off the road. If it is passed, then he thinks it is a great project. He thinks the community at large owes the Commission a little bit of an apology of not getting involved and expressing support earlier. Mr. Leshly continued saying you mentioned underemployment and that is something many don't understand. 45% of the children in North Bend schools qualify for reduced lunches. That is staggering that we live in a community where almost ½ of the children in the school district have to get help getting food. In Coos Bay 70%, 7 out of 10 children, need help with food. At Madison Elementary School, on Friday afternoons the staff is putting food in the backpacks of the children to send home for the weekend. So we owe you an apology for not supporting you more because the process that you're going through means so much to the 3300 children that need help to eat. That is what you are doing. He also commented to Commissioner Smith; in charity care at the hospital in 2002, the hospital spent $660,000; in 2007 it is $7,628,000; think about that.

Mary Margaret Muenchrath: She commented on the LNG pipeline going through her property and close to her home. She also believes that are a lot of jobs in the area; the people not working just don't want to work; they are not ambitious; young people are not preparing to work. She does not think we need these jobs in our area. She thinks the majority of citizens do not want this business.

6. ACTION ITEMS/REPORTS:

A. Economic Impact Study Container Operations

This action item is referring to the Economic Impact Study of Container Operations given by Mr. Paul Sorensen, BST Associates. (See above in these minutes)

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners accepted the Economic Impact Study of Intermodal Container Operations – Final Report which was prepared by BST Associates.

B. Amendment to FY06/07 Budget due to Receipt of Unanticipated Funds and the Associated Expenditures

In a joint venture with Coos County in 2002, the Port purchased real property located in Charleston for $575,000. The fishermen's interest group paid the earnest money down payment of $15,000. The County and the Port each held 50% interest in the joint venture, each paying $200,000. The balance of $160,000 was financed with a note payable monthly at 7.5% interest. The property was sold in May 2003 to Oregon Brands Seafood (OBS) on a 20 year note of $575,000 payable monthly at 7.5%. There was a balloon payment due in ten years. The Port acted as administrator for the record keeping of the original lease, contract and debt service and they reported to the County annually. Recently OBS paid the loan in full through a title company and funds were disbursed to the Port, the County and Mr. & Mrs. Peterson (owner of the note).

The Port's current budget does not reflect receipt of the loan payoff amount or associated debt service. The Property Reserve Fund needs to be amended to reflect the unanticipated receipt of funds and expenditure of the note payment. For the adjustments to balance, based on the Port's portion, the following is suggested:

Resources – Contracts	$225,000
Capital Outlay	$175,000
Debt Service	$ 50,000

The cash received over the expenditures associated with the original lease, note and sale contract totaled $156,359.24. The County and Port each received $78,179.62, an estimated 6.5% investment over the period. An exception of Local Budget Law ORS 294.326(4) allows an amendment as long as the need, purpose and expenditures are stated. A Resolution is required to increase the affected categories of the current year's budget; the resolution as been reviewed and approved by Port Counsel and the auditor.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved Resolution FY06-07-5, Commission authorization to amend FY06-07 Property Reserve Fund Budget to change category amounts to reflect unanticipated and unplanned receipt of loan proceeds and associated debt.

OREGON INTERNATIONAL PORT OF COOS BAY

RESOLUTION FY06/07 – 5

RESOLUTION FOR COMMISSION AUTHORIZATION TO AMEND
FISCAL YEAR 2006/2007 PROPERTY RESERVE FUND BUDGET
TO CHANGE CATEGORY AMOUNTS

TO REFLECT UNANTICIPATED AND UNPLANNED LOAN PROCEEDS AND ASSOCIATED DEBT

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE OREGON INTERNATIONAL PORT OF COOS BAY AS FOLLOWS:

There is a need for formal authorization for receipt of funds and the expenditures associated with them for a specific purpose within the Property Reserve Fund.

Coos County and the Port of Coos Bay entered into a joint venture to purchase property along with debt service associated with it and then sold the property to Oregon Brand Seafood under contract. Oregon Brand Seafood has paid their loan in full through a local title company.

The Port's current year budget did not reflect the payoff amount or the debt associated with it. The Resources, Debt Service and Capital Outlay categories need to be amended to reflect the unanticipated payoff amounts.

"An exception of Local Budget Law ORS 294.326 and 294.326(4) allows the governing body of a municipal corporation, after declaring the existence of an unforeseen occurrence or condition which could not have been foreseen at the time of the preparation of the budget for the current year, to enact appropriate appropriation ordinances or resolutions authorizing the expenditures. The ordinance or resolution shall state the need for the expenditure, the purpose for the expenditure and the amount appropriated."

Under the terms and conditions of Section 294.326 of the Oregon Revised Statutes, the Director of Finance and Administration of the Oregon International Port of Coos Bay has approval to increase the Resources category by $225,000, the Capital Outlay category by $175,000 and the Debt Services category by $50,000 for the specific purpose of receipt of loan proceeds and the expenditures associated with them.

Approved and adopted by the Board of Commissioners this 15th day of February, 2007.

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David Kronsteiner, President Dan Smith, Secretary

C. Appointment of Position #3- Technical Advisory Committee member.

The Port's Technical Advisory Committee was established by Ordinance No. 129 in February 1991 with the purpose of advising the Port Commission and staff on various activities related to leases and deeds, and compliance with Federal, State and local environmental laws and regulations. Committee members represent environmental protection; industrial operations; science; tourism; and one member is serving as a "citizen-at-large" capacity. Position #3, Industrial Operations is open because Mr. Jack Wilskey has some health concerns and has declined reappointment. His term expired on September 17, 2006. The position was advertised in the World asking for letters of interest. Staff brought the letters of interest for the Commissioners to read and vote on. Mr. Pat Cross won the vote.

Upon a motion by Commissioner Hampel (seconded by Commissioners McKeown and Kronsteiner) the Board of Commissioners approved Mr. Pat Cross to fill Position #3 of the Technical Advisory Committee for a term of three years.

D. Charleston Advisory Committee member re-appointments

The Charleston Advisory committee was established on September 17, 2003. The purpose of this committee was to advise the Port Commission in developing strategies and guidelines on projects and issues concerning the Charleston Marina Complex. Some of the committee functions are:

- Review of proposed projects within or affecting the Marina, RV Park and Shipyard.
- Review and monitor project progress,
- Monitor and make recommendations regarding various issues. Any recommendation of proposal submitted by the committee will be considered in an advisory nature and will be given due consideration for feasibility and implementation.
- The Charleston Advisory Committee by-laws require staggered two and three year terms.
- A minimum of 5 members; a maximum of 9 members will serve.
- Commission Jerry Hampel serves as the Port Commission representative to the committee.

The following terms have been specified for the committee beginning March 1, 2007:

Michael T. Armstrong	3 years
Mike Graybill	2 years
Mike Helfrich	3 years
Al Schaefers	2 years
Robert D. Laird	3 years
Rayburn "Punch" Guerin	2 years
J. D. Evanow	3 years
Dan Morris	2 years

Upon a motion by Commissioner McKeown (second by Commissioner Smith) the Board of Commissioners approved the new terms for the committee members of the Charleston Advisory Committee.

Discussion: Commissioner McKeown asked that the committee come up with recommendations on the Charleston Master Plan. She also asked that we write a letter to Margery Whitmer to thank her for her participation on this committee in the past.

E. Oregon Gateway Marine Terminal-DEA Task Order-Professional Services

On January 18, 2007, David Evans submitted the 404 permit applications to the State and Federal agencies. This action completed the contract with Moffatt & Nichol and David Evans for the permit submittal phase of the project. The scope of work now before the Commission covers three new tasks. These tasks are:

1. Provides for environmental support to Perkins Coie with land use applications
2. Shepherds the 404 permit application through the State and Federal process.
3. If needed, provides for a wetland delineation and mitigation plan for the portion of the waste water lagoon designated to receive fill from the marine terminal construction.

The total cost of this scope of work is not to exceed $184,083. This is a high end number only should all tasks require completion. The scope of work falls under the cost share agreement between the Port and Jordan Cove. Total Port contributions will not exceed $27,600 and it will be funded through the Special Projects Fund.

Upon a motion by Commissioner Smith (seconded by Commissioner McKeown) the Board of Commissioners approved the attached scope of work with David Evans and authorization for the Executive Director to execute the agreement.
Comment by Executive Director: This would be paid for through the Special Projects Fund – option with Jordan Cove – not Port money.

F. BJ's Aloha Café Lease Assignment

The original lease for this business was dated September 30, 1991 and had a term of five years beginning October 1, 1991. It included two addition terms of five years each with written notice. On October 22, 2002, the lease was assigned and transferred to Howard Willett. On September 17, 2004, the lease was reassigned to Marion A. Mason, dba B J's Aloha Café. At the time of this assignment, an additional five-year renewal option was included which would begin October 1, 2006, if exercised. On December 28, 2005 the Port received a letter saying the Marion A. Mason died on October 4, 2005. The restaurant was closed November 6, 2005. The trustee of Ms. Mason's estate, Elizabeth D. English continued paying the rent. Ms. English sent a letter dated June 27, 2006 giving notice of her election to renew the lease for an additional five-year term (October 1, 2006 to September 30, 2011). On January 30, 2007, the Port received a letter from Janet Jester who requested she be allowed to pick up the lease which expired September 30, 2011. A sale agreement was signed between Elizabeth D. English and Janet Jester on January 31, 2007. The Port performed due diligence on Janet Jester. Port Counsel has reviewed the due diligence. Staff recommends re-assigning the lease to Janet Jester.

Upon a motion by Commissioner Hampel (seconded by Commissioner McKeown) the Board of Commissioners approved the lease re-assignment from Elizabeth D. English as Trustee of the Marion A. Mason Trust, dba B J's Aloha Café, to Janet Jester.

Discussion: Mike Gaul said that the lease was a ground lease only. The Lessee owns the building. Janet Jester did not know that she needed to contact the Port on the ground lease until after the sale agreement was signed.

G. Resolution 06-07-6 – Disposition of surplus property known as 1,000 Ton Dry Dock

The 1,000 ton dry dock was donated to the Port December 1, 1981 from the Federal Surplus Program through the State Agency for Surplus Property. It was then leased to Coos Bay Dry Dock, an Oregon corporation partnership of Sause Bros. Ocean Towing and Mid Coast Marine, Inc. The corporation name was changed in February 1987 to Southern Oregon Drydock, Inc. The original five-year lease provided for an option to renew at the end of each five-year period with consumer price index adjustments each year. The lease included furnishing all necessary utilities and equipment necessary to the operation of the dry dock at the lessee's expense. Taxes and insurance are the responsibility of the lessee. Sause Bros. Ocean Towing provided the transportation of the dry dock from Seattle to Coos Bay at no charge to the Port. Depending on use, the dry dock was moored at either Mid-Coast's location in Eastside or the Sause Bros. SOMAR location. In December 1991, Mid-Coast Marine filed bankruptcy and Sause Bros. took over the lease. The current lease ended January 31, 2007 and Sause Bros. is not going to renew it for another five years. The dry dock is 61 years old and is beyond useful life. In the Port's policy, Chapter 13:10 on Regulating Disposal of Surplus Property, "pursuant to ORS 279.015 (4)(b), the Port may dispose of surplus property without competitive bidding by a resolution of the Board. Port staff will follow the guidelines of the Federal and State Surplus Property Program. The plan of disposition includes two options; the first is an attempt to sell. Dale Sause stated the only prospective market would be in Mexico. The second option is disposal and this option has been submitted and approved by the Executive Director. It now must be submitted to the Board of Commissioners for approval. A resolution is appropriate to complete the due diligence for the disposition of the dry dock considering the two options without competitive bidding. Sause Bros. will keep the dry dock insured and cover moorage costs until due diligence is completed and a decision is made between the two options.

A motion by Commissioner Smith (second by Commissioner McKeown) was made for Commission approval of Resolution FY 06-07-6 disposition of surplus property know as 1,000 ton dry dock.

Discussion: Dale Sause came to Mike Gaul personally to say they weren't going to renew, but said he wants to go out as a partner with the Port. He will continue to work with the Port on this situation. A marine surveyor is looking at the dock and if it is seaworthy and there is a market in Mexico, Sause will work to try and sell the dock. The Port and Sause Bros. would then split the cost.
The Executive Director also suggested that a review be done for any environmental problems. He does not want to ship problems to Mexico; he wants to do what is prudent. Dale Sause did say the dock could be made useful but it would be very expensive.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the above motion was amended to say staff would work with Dale Sause on the disposition of the 1,000 ton dock. There was unanimous approval for Resolution FY 06/07-6.

OREGON INTERNATIONAL PORT OF COOS BAY

RESOLUTION FY06/07 – 6

RESOLUTION FOR COMMISSION AUTHORIZATION
FOR DISPOSITION OF SURPLUS PROPERTY KNOWN AS 1,000 TON DRY DOCK

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE OREGON INTERNATIONAL PORT OF COOS BAY AS FOLLOWS:

There is a need for formal authorization for the disposition of surplus property known as the 1,000 ton dry dock.

The 1,000 ton dry dock was donated to the Oregon International Port of Coos Bay December 1, 1981 from the Federal Surplus Program through the State Agency for Surplus Property and was then leased to Coos Bay Dry Dock, Inc., an Oregon corporation made up of the partnership of Sause Bros. Ocean Towing Inc. and Mid-Coast Marine, Inc. The corporation named was changed in February 1987 to

Southern Oregon Drydock Inc. In December 1991, Mid-Coast Marine filed bankruptcy and Sause Bros. took over the lease.

The current term of the lease ended January 31, 2007 and Sause Bros. has made the decision to not renew for another five year term. The dry dock is 61 years old and is beyond its useful life.

Port policy Chapter 13: Real Estate/and Asset Policies; Policy 13.10: Regulating Disposal of Surplus Property states that pursuant to ORS 279.015(4) (b), the Port may dispose of surplus property without competitive bidding, which shall make written findings that the number, value, and nature of the items to be sold make it probable that the cost of conducting a sale by competitive bidding will be such that a liquidations sale will result in substantially greater net revenue to the Port.

Sause Bros., as a sole source, has stated that there is no market on the West Coast for the dry dock and that the only prospective market would be Mexico. If the dry dock can be sold, proceeds would be split equally between the Port and Sause Bros. The other option is disposal and the full cost for disposal would be to the Port.

Proposals for disposition of surplus property having an original acquisition cost of $5,000 or more or having an estimated value of $500 or more must be submitted for approval to the Board of Commissioners.

Under the terms and conditions of Section 279.015(4)(b) of the Oregon Revised Statues, the Deputy Executive Director of the Oregon International Port of Coos Bay has authorization to complete process of disposition of surplus property known as the 1,000 dry dock without competitive bidding.

Approved and adopted by the Board of Commissioners this 15th day of February, 2007.

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David Kronsteiner, President Dan Smith, Secretary

H. Godfrey & Yeager Sand Removal Contract – <u>Removed from Agenda by Mike Gaul – it will be covered at the next meeting.</u>

7. <u>OTHER</u>:

8 <u>INFORMATION ITEMS</u>:

9. <u>COMMISSION COMMENTS:</u>

10. <u>NEXT MEETING DATE</u> –Thursday, March 15, 2007

11. <u>ADJOURN: 9:30pm to an Executive Session</u>

12. <u>RETURN TO REGULAR SESSION: 10:30pm</u>

Statement from Jeff's review after the evaluation conducted in Executive Session:

Commission McKeown Summary:
This is the second evaluation for our current Executive Director. Evaluations were received from staff and Commission members and Commissioner McKeown is pleased to report that the evaluation was very positive. There is a great deal of support and respect shown for our Executive Director. In two years, he has brought this organization to a point that poises us as a community in a position where we are on the verge of some very positive things happening. Quantitatively in the analysis and qualitatively in the comments, the evaluation was exemplary. In recognition of the positive nature of this evaluation, it is the decision of the Commission that we increase our Executive Director's salary to $125,000 annually. Considering the salaries of similar size ports on the West Coast, this is more than reasonable, considering the scope and nature of the work that is required in this position. We feel very comfortable that Mr. Bishop is in a position to move us forward and are grateful for his service.

Commissioner Kronsteiner comment:
The Commissioner wanted to say that he appreciates the respect that the Executive Director shows for all the people that they meet everywhere, in this audience, the Commission, politicians, everywhere. In return we receive respect back for the Port of Coos Bay; it works both ways and is something that Commissioner Kronsteiner has noticed. He feels this is really important and he appreciates it.

Upon a motion by Commissioner McKeown (second by Commissioner Smith) the Board of Commissioners approved an increase to the Executive Director's salary to the level of $125,000 annually.

The Regular Commission meeting was adjourned for the night at 10:45p.m.

By: ______________________________
David Kronsteiner, President

By: ____________________________
Daniel Smith, Secretary