

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
MINUTES
REGULAR COMMISSION MEETING
Thursday, January 18, 2007
7:00 p.m.
Coos Bay City Hall

Attendance: Commission: David (Dave) Kronsteiner, President; Catherine (Caddy) McKeown, Vice President; Daniel (Dan) Smith, Secretary; Brady Scott, Treasurer; and Jerry Hampel, Commissioner

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

Guests/Media: Elise Hamner, The World; Gordon Young and Don Van Dyke, Channel 14; Peter Friedman, Federal Relations Consultant from Washington D.C.; Larry Reiber, Scoville & Reiber, CPA's; Ken Messerle, Coast Consulting; Katherine Hoppe, Executive Director of BACC; Marvin Caldera, Local 12; Camby Collier; Jody McCaffree; Tim Rodenkirk, Cape Arago Audubon; Marvin Smoot, PCGP; Michael Armstrong, Citizen Caucus; Jon Richards, SOCC BDC; and Eric Wilson, Georgia Pacific plant Superintendent.

1. Call to Order: 7pm
2. Introduction of Guests – Jeff Bishop introduced Katherine Hoppe, the new Chamber Executive Director to the Commission.

Katherine spoke briefly saying that she started in October, 2006 and it has been a learning experience. It is an exciting opportunity for business and tourism. She is happy to be here and tonight she wanted to learn a little more about the Port.

3. CONSENT ITEMS:

Upon a motion by Commission McKeown (second by Commissioner Smith) the Board of Commissioners approved the minutes of the December 13, 2006 Regular Commission Meeting; the December 06/January 07 Invoices Totaling \$332,089.38; and ratification of a bonus for the Executive Director.

4. MANAGEMENT REPORTS:

- A. Peter Friedman - Report from Washington D.C.

The Executive Director introduced the Port's Federal Relations Consultant from Washington D.C., Peter Friedman, who comes out annually to give the Port Commission a report on the happenings in Washington D.C. and the outlook for Federal actions and policy impacts on the Port in the upcoming year.

Peter said there have been a lot of changes in the last year and he thinks some will work well for the Port. As to the environment in Washington, for the first time in a while there is an opposition party so there are two parties in the Executive branch and an opposition party in the Legislative branch. It has opened things up. The transition has gone smoothly but we are starting to see some real changes; a different agenda some of which will play in the favor of the Port. Peter also said that this is the first time in 60 years that we are going to have a Presidential election involving no incumbents in the 2008 elections. The field is wide open and when you have a number of sitting members of congress or Senators who are competing for those positions, it makes life very interesting. People are being scrutinized for their votes. In fact some votes are not going to be presented because they have the potential of embarrassing one or another candidate.

The House of Representatives, where there really is a democratic majority, is seeing most of the changes; on the Senate side, the Democratic majority is very tenuous. Peter went on to say that the way the Constitution is framed, Congress, the Senate, does less and that was intentionally so. The House is doing more and some of it is getting pretty controversial.

The Speaker of the House, Nancy Pelosi, has established the first 100 hours and the first seven things she established for this time in Congress (through January) were:

1. pass container security legislation, the recommendations of 9/11 commission;
2. stem cell research;
3. lobbying reform;
4. student loan interest rate reduction;
5. minimum wage increase;
6. renewable energy incentives;
7. reduced tax benefits

Actually Congress has been playing with some of these issues for the last few years and already container security Legislation has passed the House of Representatives and now people are saying maybe we moved to quickly - there is a reason Legislation takes a while and we will see but Peter does not think the Senate will move quickly; maybe nothing will be done on some of the legislation because some of the issues are very complex; however, they are moving ahead and these issues are what you will be reading about.

There are two big issues in Washington today:

1. Iraq. The President has made his proposals and there will be a lot of hearings criticizing his proposals and past actions. Peter does not think there will be a lot of suggestions about what we should do, just criticism.
2. Senator Clinton has competition for Democratic nomination; that probably has about 75% of the press and attention this week.

All of these things are up in the air and as Congress entertains and tries to pursue a win of the White House they are looking at all of these issues to see their impact.

Funding: Last year Congress went through the process of appropriating money but didn't finish it. We were pleased that of all of the Oregon ports, there was only one port that got more money added for maintenance dredging of the navigation channel than what the President had initially proposed; and that was the Port of Coos Bay. Another \$500,000 was added in the House appropriations bill for

dredging. We started with the President's numbers and added \$500,000 which will allow more dredging further up the channel. Unfortunately, at the end of the year we never got all of these appropriations bills done. Congress is going to pass a continuing resolution to fund the government at 2006 level; this means all of these earmarks, including this \$500,000, fell by the wayside. For the agenda going forward, we need a basic level of funding for navigation channel dredging and we will pursue that; we will also pursue an increase above the President's numbers, but we have an idea that they will probably not be high enough for what is needed. Peter said they are also looking at getting some funding finally for the jetty. It is done in conjunction with the U.S. Corps of Engineers (COE); Peter's group does not ask that any member of Congress put money in or do anything that the COE, at least at the district level, does not agree is much needed. They have great relations with the COE at the district level and really believe that all jetties on the coasts need money for deferred maintenance. This is something that Peter's group is working on with the American Association of Port Authorities (AAPA) and other groups to get the office management budget to realize that you cannot defer that maintenance forever; the stakes are too high and they need to get more funding to the COE. In the meantime, the group is working with Congressman DeFazio's office in particular and also with the Senators to get some funds to get the jetty redone and studies completed that the COE district agrees we need.

Earmark reform: Peter went on to say that you may have heard about earmark reform that is needed and that earmarks are bad. He described above some infrastructure needs and those are earmarks; there is nothing particularly bad about them. An earmark reform will amount to the fact that the earmark will require every specific allocation of money for a specific project to have the name of a member of Congress who requested it. Usually that is not a problem and the members of Congress are rushing to issue press releases to advertise what they are getting funding for such as much needed infrastructure, school funding, school buses, etc. There are very few projects a congressman would try to push through where they would not want their name attached to it.

Other funding for infrastructures: SAFETEA-LU is the highway gas tax money that is spent every six years on all highway and transit infrastructure in the country. The Port did remarkably well with this funding, which reflects Congressman DeFazio's position and the strong support of the Senators for the Port. The Rail Bridge II and Transpacific Parkway were funded. Because of the lack of appropriated monies, there is some talk about some percentage deductions in the amount of money that will be made available from the SAFETEA-LU bill for all projects in the country, including the rail bridge and the TransPacific Parkway. Peter thinks that once Congress realizes the problem, they will make it up and these projects will proceed on schedule.

Members of Congress are already gearing up to pass a new highway bill which may be a gas tax increase (1/2 penny) and it will add billions to highway and transit projects. There will be hearings later this year and next year in earnest regarding this. We are pleased that Congressman DeFazio is going to be the Chair of the Sub-Committee that is writing SAFETEA-LU. He is one of the more powerful members of Congress; if you want a highway project anywhere in the country, you are going to be going through Congressman DeFazio to see if you can get it. Of course he is paying a lot of attention to the whole district and certainly the Port area. This committee is the Highway, Transit and Pipeline Sub-Committee.

Peter continued by saying that there have been some set backs with appropriations, however, he thinks Congress will put them back in this year and he is pretty optimistic about what is going to happen over the next couple of years with Congressman DeFazio in this position.

Commissioner McKeown asked what other Congressmen and Senators from Oregon in Washington D.C. received in the way of committee assignments. Peter commented that Oregon is one of the few states with no member in either the House or Senate who are on the Appropriations Committee. Peter continued saying he would rather have Congressman DeFazio as the head of the Highway Transit and Pipeline Sub-Committee than someone on the Appropriations Committee; however, it would be great to have both; for instance, in Washington State, there four members on the Appropriations Committee, two Senators and two Congressman. It makes a difference, there are funds for infrastructure and education infrastructure that are really only available to members of the Appropriations Committee. That is something that Peter's group continues to be concerned about. For Senators, Peter says Oregon is rich with those sitting on the Tax Writing Committee. These are the Senators who write all the International Trade Laws, all Medicare/Medicaid/Social Security taxes, user fees; it's a very powerful committee because it deals with all those issues; Oregon has two Senators on the committee; a Congressman from Portland is on the House counterpart committee (Ways and Means Committee) also. Oregon's Senators are working well together on infrastructure projects.

One issue that all members of the delegation are very concerned about is the rural schools in the Rural Community Funding. The money was from the forest products industry in the past; the support has dried up. Peter sees the entire delegation working together on this project because every single congressional district in this State has been impacted. While there are different proposals on how to find the funding, everyone is going to support any type of funding which has the best chance of being acted upon. The problem is, it is a huge amount of money. One of the things that this Congress is talking about doing, especially on the House side, is restoring what was first implemented by Newt Gingrich; Mr. Gingrich said, you can't spend money unless you come up with a new revenue source to pay for it. This means that if you are proposing new expenditures, you need to find other expenditures you can eliminate or new tax revenue to pay for it. The amount of money, just for Oregon alone, is about \$700,000,000 for the rural communities. This issue will probably be the number one delegation priority this year.

Commissioner McKeown asked if there was any chance of a harbor maintenance trust fund opening up in this session; the concept being that the users pay for the maintenance. A very small fee is assessed, collected on imports every year; \$1.3 billion a year is collected on imports from China etc. It is a very small tax and doesn't seem to be impeding imports. However, the COE is only allowed to spend about \$500,000,000 on maintenance, dredging, jetties, and other the intended purposes; even adding about \$200,000,000 to environmental mitigation, we are still \$600,000,000 short of expenditures. If we could spend the total each year of those trust funds for the intended purposes, all of these issues could be taken care of for all of the Ports, large or small. This is a non-partisan issue; by holding back some of the money they are trying to balance the budget. Congress is mandating that all money be spent; Peter says a coalition is being put together so all the money will be spent. The main problem is, not every state in the union has a Port, so it is a coalition of coastal states and the Great Lakes regions. President Kronsteiner asked about the interest monies from the Highway Trust Fund. Peter said the interest was not put in and they did not go back to address the inflation; the rehabilitation of the bridges is a huge problem and there is enough money coming in that you could go back and index to

inflation and catch the interest that is due. It is just more money being spent and there is a reluctance from the Executive Branch to spend more money.

Commissioner Scott asked if the jetty is not being funded through the Harbor Maintenance Trust Fund, how is it funded. Peter says that we have to keep the pressure up to release more money out of the Harbor Maintenance Trust Fund because there is enough money; it was collected for that reason; it is paid by the users for this purpose and it should be expended. That is the best argument. What needs to happen is a member of Congress has to do an earmark for a particular jetty; that is actually what happened with the Columbia River jetties. The COE identified the cost and there was another \$17,000,000 earmark put into the COE budget by the Oregon and Washington Senators and Congressional delegation to rehab the Columbia River jetties. It is very expensive; jetties are expensive. We are looking at \$500,000 for just the initial study for the root of the jetty. The number was \$15,000,000 for Charleston's jetty the last time there was a discussion; that is a big earmark.

The Executive Director asked Peter to spend some time describing the federal process; what ports get funded for maintenance and related activities, similar to rehab of the jetties; what criteria is being used; and what role commercial uses of the navigation channel play in determination of this funding.

Peter said there is an official process (formal process) and an informal process. In the past, the informal process works like this; when Senator Mark Hatfield was Chairman of the Appropriations Committee every port in his state got plenty of funding for all dredging. The port could be a recreational port that had no commercial traffic, not even commercial fishing traffic. It was known that if it did not get on the budget, Senator Hatfield would add it and maybe add a little extra. Now that Senator Hatfield has retired, Peter DeFazio says we have to fight for funding. It makes a big difference who is in Congress. Another element to the informal process is the COE districts. Different ports in similar situations around the country are treated differently, largely based upon the advocacy of the local Coast Guard district. The Portland District which has the entire Oregon coast, and up the Columbia River, advocates strongly for each and every project.

Criteria of the formal process: The Harbor Maintenance Tax is not paid on fish landings. Recreation doesn't pay because they are not carrying commercial cargo; OMB says they shouldn't get the revenue because they are not generating any revenue. Remember, you only get revenue on commercial imports; the container traffic tends to go to Seattle/Tacoma or Long Beach and those Ports generally don't need much dredging. First dibs for a Port would be a Port where there is a lot of commercial traffic; commercial cargo coming in generates these fees and the money should go there. Now, there is a second tier of eligibility; is there another Federal agency that says they really need to have a channel? Is there a Navy station there? Is there a Coast Guard station? Does the Coast Guard need a certain depth to maintain its presence in that harbor? Is it a harbor of refuge? These things can all elevate the port in terms of eligibility. Sometimes there is an environmental benefit or other need to maintain a channel or a jetty. The funding for some of the ports - not Coos Bay - has gone down. The Congressional delegation got the money added back in but COE this last year put money back in and they used the information we provided them in getting the Coast Guard (CG) motivated; we got the CG to write to the COE saying "here are our stations and these are the stations we need you to maintain". We also identified the commercial fish landings; and we identified the economic impact of those commercial fish landings. That is what we have to do to leverage ports that do not have large volumes of commercial traffic. Here we have commercial traffic, however it is mostly outbound and it

does not pay the tax. Nonetheless, this is a major port and a major navigation channel and has a Coast Guard station here; there are many reasons we can justify continued dredging here and doing rehabilitation on the jetty.

Peter ended his report by thanking the Port staff for taking the message to Washington D. C. and helping to educate and work with the COE. He said there is not any Port in Oregon or on the West Coast that has a more constructive working relationship with the COE, at the district level and the division level. There are plenty of people at COE headquarters in Washington D.C. that know quite a bit about the Port of Coos Bay; going back to D.C. and carrying the message is very valuable.

B. Executive Director

Jeff started his report saying he has received some calls regarding State action on the removal of the New Carissa. He was asked if the Port had ever taken a position on it. Staff would like to recommend to the Commission tonight that you give staff some time to do research on this issue; to take a look at some of the legal and policy issues surrounding it. Staff will come back with some information on this issue at the February meeting; they are not prepared to address it tonight.

At the last Commission meeting, the Executive Director said staff would come back tonight with a presentation on the efforts to pursue the renewable energy industrial opportunities. Due to the fact that he has been out ill, staff has not had time to complete that task; this too will be held off for the next meeting.

The Executive Director's report continued by saying the Port has had some opportunities recently in the area of pursuing some bio-diesel productions; we are going to continue to work with those avenues. We have been actively engaged in recruitment of a firm to manufacture poly-silicon which is the base material in the production photo-voltaic electric cells; this is one method of producing electricity from solar radiation. One of the projects, dubbed Project TK, we learned has been postponed indefinitely in the siting process. Project TK made a decision to do an expansion at their facility in Japan. They have not ruled out the possibility of looking at our site in the future, but they have delayed indefinitely.

During these recruitments, we like to do a debriefing to talk about areas where we were strong and areas where we were weak. The five key points that were critical to this project are:

1. available site that was large enough
2. ability to process saltwater which is a by product from poly-silicon production
3. power - It was surprising to discover just how much power is necessary for the creation of poly-silicon. Some analysis's say there are many years of use of the photovoltaic cells before it pays for the power that was used to produce it. That was part of the attraction of this recruitment; it was an innovative process that would look to a new way of producing it at a lower power demand so the return on investment was much faster.
4. workforce - an ability to provide a trained skilled workforce in that particular chemical area
5. Community acceptance of industrial uses.

The Executive Director said the Port staff would provide the Commission with a debriefing at the next meeting.

The Executive Director asked Ken Messerle, who is working with the Port on State related issues, similar to what Mr. Friedman is doing for the Federal issues, to give the Commission a quick update on his activities in Salem.

Ken Messerle: Mr. Messerle said there has been a slow start to the Legislative session but it is to be expected with a change of leadership in the House. The ceremonies have now been completed and there have been a lot of committee meetings. This week Legislature is starting to run bills through. We are fortunate that legislators from this area have received some very good assignments. Senator Verger is on Ways and Means, Education and Transportation; this is an ideal position for her to be in. Ken met with Senator Verger on Tuesday to discuss some strategies for funding bills for the State of Oregon, Port of Coos Bay, and also to discuss timing issues; timing is everything in funding bills. Representative Roblan is also in leadership. He is Chairing the Natural Resources Committee which is also a benefit to the area in general.

ConnectOregon has been printed; it is House Bill 2278. On Tuesday, a group of Lobbyists are meeting to discuss how to strategize that bill to get it through. In the Governor's budget this bill was for \$100,000,000, the same as last session.

Schedules are coming out; however, starting the 24th of January, schedules will be broken down by subject area. Up until now it has been difficult to keep track of all the bills that might pertain to the Port. There are about 3000 bills printed so far and there will probably be 2000 plus more. The deadline for making a request to legislative Counsel is Friday, January 26th.

One of the things that Legislators have to get used to is that there are several new House rules and regulations regarding contacting legislators; and, the rules don't match between the House and Senate on things such as taking people out to lunch or dinner, or the giving of gifts. The House will only allow very short meetings, 5 - 15 minutes; it will be very difficult to lay out the issues in that length of time. Ken is hoping the rules will relax. They are House rules - not laws - and there is no way to enforce them even though everyone will try to abide by them. Hopefully someone will eventually realize that more time is needed for discussion.

Ken feels that the funding and leadership are both there in the Legislature and there is a good opportunity for the Port.

There has been a lot of discussion about Reserve Funds and about rollup costs. For instance, most of the increases for K-12 will go to rollup costs. If you increase the K-12 budgets this session, the rollup costs in 2009 could be \$1 billion for rollup alone; not for improvements of more staff or capital outlay.

President Kronsteiner asked Mr. Messerle if Legislature is going to meet annually. Ken commented that they are going to try it and he thinks it's great. There are just too many issues to meet every other year.

C. Deputy Executive Director

Over the last six weeks, the following permit renewals were submitted: Storm water permit for Charleston Shipyard and for the TransPacific Highway realignment; Unified dredging permit to the Oregon Department of State Lands and the Section 404 permit Coos Bay Unified Dredge Permit to the COE.

On January 9th, Mike participated with Perkins Coie in a pre-application meeting with the County to see what was needed for land use actions required to dredge the access channel, slip and marine navigation improvements of the Oregon Gateway Project. The City of North Bend and the City of Coos Bay and representatives from the State Department of Land Conservation and Development (DLCDD) also attended that meeting and we received a pretty clear direction of the actions needed. Later in the Agenda there is an action item regarding Perkins Coie Land Use/Zoning Services.

Mike said that today the State and Federal Section 404 permit applications were submitted to the Department of State Lands and the Corps of Engineers for the access channel, slip and maritime infrastructure improvements regarding the Oregon Gateway Project.

Charleston Marina Master Planning project is nearing completion and a draft document is pretty close. Next Monday staff will be meeting with our consultants to review the draft to this date and on January 30, 2007 there is a meeting with the steering committee; then the final Town Hall is scheduled for February 14th in Charleston at Oregon Institute of Marine Biology (OIMB). Mike expects to have a draft to you for review at your March Commission meeting.

State Legislative session has started and Mike will be in Salem next Thursday and Friday. Thursday is a meeting with the Oregon Ports Group and Friday with the Oregon Coastal Zone Management Association (OCZMA) on Legislative priorities. Mike will also attend a legislative reception hosted by OCZMA.

D. Director of Communications and Freight Mobility

Martin said that with the start of the Legislative session, like Mike, he will be spending a lot of time in Salem and he will be looking at transportation issues.

He had the opportunity to attend the Oregon Leadership conference on January 4th in Portland. It was a good overview of what the business and civic leaders and elected officials in State are trying to forward as an agenda for all of Oregon. He did attend the afternoon session on Transportation and in addition to the \$100,000,000 that has been mentioned for ConnectOregon II, the transportation segment of the leadership group would like to see \$300 to \$350 million additional for transportation infrastructure statewide. We are far behind in keeping up with any of the deferred maintenance programs on the highways, rail, marine and even aviation. Martin thinks this is what the Oregon leadership group and the Oregon Business Plan will pursue in this session.

Martin continued saying the Oregon Short Line RR will be seeking a special funding package. He doesn't know the extent of it yet but he will be participating in the Oregon Rail Users League legislative reception on February 6th. At that point he will better know what the Short Line will be looking for as far as funding assistance from the State.

Southwest Trade and Task Force in Roseburg: Jeff Bishop and Martin have been attending these meetings over the last six or seven months. The final meeting will be soon; they will go over the strategy pursuing the projects that were prioritized at the December meeting which includes the Oregon Gateway. This project was identified as the #1 priority for this five county region.

Martin has already been working with many of our legislators in the Southwest Region answering questions and talking about some of the infrastructure needs in the areas of transportation.

Communication & Marketing: Martin is still working on a biennial report; he will get it out in February.

Martin is working with Don Yost, helping him get ready to go out to the sport shows in Springfield, Roseburg and Medford; he will be representing mainly the Charleston area, but he does include all of the Bay Area to some extent.

The Charleston Crab feed is on February 10th.

Martin has been working with Kevin Murphy, the Port's National Sales Representative on the bio-energy project. We have developed a conceptual site plan and provided that to our prospect; there is discussion regarding a visit here in the next 60-90 days to discuss the site.

President Kronsteiner asked if the rail funding would come through Oregon Department of Transportation (ODOT). Martin said he was contacted by Dan Lovelady, former General Manager of CORP and now with the City of Prineville RR. He was looking for letters of support for a funding package through the Legislature. They may want it to come through ConnectOregon II; or it may be something the Oregon Business Plan/Leadership group is trying to do; however, they have identified a group of projects that seriously need funding; are all on the Short Line RR. Martin thinks they may want funding to go through the rail division of ODOT as the administrative source or management entity, but he is not sure what their strategy is yet to identify the source of the funds or whether it is part of another piece of Legislation.

E. Harbormaster

Don Yost gave a follow-up to one of issues in his written report. He said a couple of weeks ago, there was a failure on the flag pole in the Marina courtyard and the maintenance crew had reservations about working 70' in the air. Don talked to Stan Gibson of the Coos Bay Fire Station and he sent a fire truck out. They drew straws and Aaron lost, so he went up the ladder; the problem was fixed in about an hour. Don wanted to acknowledge and commend Stan Gibson for the fine work and cooperation he does in working with this small community.

F. Director of Finance and Administration

Donna did not have any additions to her report.

Commissioner Hampel complimented her on a superb job with the audit. Congratulations.

5. PUBLIC COMMENT:

Tim Rodenkirk of the Cape Arago Audubon Society: He is interested in opening a line of communications with the Port about what is planned for the whole Weyerhaeuser site. He said it is a really wonderful birding site. No Trespassing signs have been put up since Tim was last at a Port meeting and it was unfortunate. The Birding Festival, which has been going on for 20 years, could not have access the site. Tim said the annual festival may have to move somewhere else. Tim was hopeful the Society could work with the Port to use the site; or maybe work with the Port for options on a mitigation site. He gave the Commission some contact information through their newsletter.

Tim went on to talk about the Oregon Coast Birding Trail which was initiated here last fall. Sites were nominated up and down the coast and the Cape Arago Audubon Society nominated the North Spit site but it was declined. It was a big deal and there was a front page article in the Register Guard on November 27, 2006. Tim also left a pamphlet on Oregon Coast Birding Trail.

Tim wrote an article on the North Spit site for *Oregon Birds* which comes out quarterly. He wrote it before the site was closed down. It was a site guide with a map however the magazine sat on it for about a year because the site closed. Historically the site is so great that they eventually decided to print it anyway with a sidebar to say it was not accessible because of the land sale to the Port.

Tim would like to see his board and the Port Commission meet so possibly they can see what the plans are, or how the Audubon could work or partner for the wetlands or mitigation. He knows there are wetland enhancement grants out there.

Tim gave the Commission his latest Newsletter / *Oregon Birds* magazine / and a copy of the latest the Oregon Coast Birding Trail pamphlet.

Tim commented that the Christmas Bird Count, which is done on a 15 mile diameter circle, had the highest species total ever on the count in Oregon; there was a count of 161 species.

Jeff Bishop commented to Tim: For clarification, the Port has not officially acquired the Weyerhaeuser property and the Port did not close the site. Weyerhaeuser has a number of outstanding permits with the Department of Environmental Quality; some require them to do certain maintenance and monitoring of the site so it was a corporate decision to close it. The Port requested that they reconsider, but they are still concerned about their interest and liabilities. Jeff said that if Tim gave him a call, he would be happy to chat with him.

Marvin Caldera, ILWU 12: Marvin has been working on the project Commissioner Hampel gave him. The barges are \$2 to \$2 ½ million per barge and they are carrying 4 ½ million to 6 ½ million board feet per barge. These are towed by Sause Bros. There are also Hawaiian barges which come in and take a partial load from the Durowood treatment plant. They are towed by Sause Bros. to Longview WA to finish loading and then from there to Hawaii.

Oregon chip terminals: 1300 trucks, 16,000 units per ship - value \$3 ½ million and it ships to Japan. Right now there is a shortage on chips and the Oregon Chip terminal is doing everything it can to buy chips.

Roseburg Chip facility on the North Spit has 1500 trucks, 16,000-18,000 units per ship for \$3 ½ million. That is around \$170-\$180 per unit; approximately 1200 - 2000 units per barge and they are towed by Briscoe Tug and Barge.

Ocean Terminals: Log barge: The last barge, *Paul Bunyan*, was recently unloaded and there was approximately 1,200,000 board feet of logs which were taken to Dillard to be trucked. Ocean Terminals also sends logs to Roseburg Lumber Company.

The next part is to G.P. to unload, and then make a stop at Ocean Terminals be loaded again. Those logs will be shipped to Longview and put on a ship to Japan.

Marvin talked to Pat Goll and he said Pat would be happy to talk to Commission about their operations. Marvin then introduced Erik Wilson, Georgia Pacific plant superintendent who replaced Bill Goodman. Erik said he received a call from Marvin today and he was asking a lot of questions. Erik decided it was time to come talk to the Commission about what is happening at Georgia Pacific (GP). The big thing happening was an announcement in 4th quarter. '05 about two brothers out of Wichita Kansas who purchased all of GP. They funded the purchase of billions of dollars in assets and 50,000 employees in a matter of three months with their own money. So the Koch Industry out of Wichita Kansas and those two brothers purchased all of GP. We spent all of 2006 learning a new philosophy and trying to prove to them we make good decisions and are a viable sound profitable business. 2006 was certainly a difficult year for most of the wood products industry, at least in the lumber sector; but we did well mainly because of the commerce we have and the way we exchanged dollars using our waterway. Given that we are no longer a publicly held company, we don't talk about dollars and revenue, but we can talk about generalities; we are competitively positioned down around Bunker Hill and that gives us a big advantage over competitors here or in the valley. We have a long term outlook with that chip facility. They would do a guided tour if anyone is interested. You can come in around 7 or 8am and they will give you a hard hat, safety glasses and a safety orientation and then a tour.

Commissioner Hampel asked if they anticipate more barge traffic than they are doing now. Erik said yes, we are trying to get barge traffic. There are resources coming in, as logs and they process them to sell as lumber. That lumber goes out on a barge but GP doesn't have anything to do with the barges. They have a relationship with Coos Bay Docks; distribute to rail cars and trucks with finish lumber. GP sends a lot of chips out to their own facilities (Wauna Paper Mill) or they exchange chips with Roseburg Forest Products just to save money for both companies on freight issues. If there is an opportunity and the numbers are positive for more barging, we will do that.

Commissioner McKeown asked if Erik had a ball park figure of how much finished product went by barge, truck and rail. He said they don't have a fixed amount, it is market and dollar driven.

Camby Collier wanted to publicly thank Mr. Bishop for attending the three free countywide LNG forums, which are now airing on channel 14. Camby said that while continuing her education on LNG, she is trying to learn about land use. She understands the Port has submitted for land use on the slip. She wanted to know when she came to the Port meetings how she would know if the Port is working on land use issues. She assumes there will be other land use changes and that it will be announced at the Port meetings. Jeff Bishop commented the Port does not change land use; that resides with the County or municipality. It is those jurisdictions' job to schedule the hearings and handle the public notices. The Port is proposing no land changes with the exception of exploring widening the channel from 300' to 500'. Other than that, everything is within the permitted uses or

within the conditional permitted uses of the State codes; the jurisdictions will decide when and if a public hearing is needed.

Jody McCaffree also thanked Mr. Bishop for attending the forum.

She commented about last Port Commission meeting where the Port raised Mr. Messerle's salary from \$1,000 a month to \$2,000 a month. She had a question about who else is paying him. She heard seven different entities were paying him; that would be \$14,000 a month – that's a lot of money.

Another question Ms. McCaffree had was concerning Henderson Marsh. She was told that we were dreaming if we thought we could fill in Henderson Marsh. Her concern is that before we spend a ton of money, she hopes someone is checking to make sure we are not spending a ton of money for these companies to do a bunch of stuff only to find out we can't fill that pond. She just doesn't want to spend money if it's not needed.

6. ACTION ITEMS/REPORTS:

A. Henderson Ranch Wetland Delineation

Copies of the scope of work and the contract with David Evans and Associates (DEA) were presented to the Commission. DEA will conduct wetland delineation on the Henderson Marsh property.

The Port currently has an option to purchase Weyerhaeuser holdings on the North Spit. A portion of the property, which includes the Henderson Marsh area, is intended to be entered into the Governor's Certified Site program. A wetland delineation and mitigation plan is required. The scope of the contract will be broken down into four tasks.

- Task One – Wetland Delineation and Field Mapping
- Task Two – Agency Coordination, Documentation and Mapping
- Task Three – Mitigation site review
- Task Four – Project Management

This is the first phase to make the site "shovel ready" for industrial development. The contract is for time and materials for an amount not to exceed \$53,000. Funding for this contract is available and appropriate through the Special Projects Fund. Up to 85% of the cost of the contract is eligible for reimbursement through the Governor's Certification Sites process.

Upon a motion by Commissioner Scott (seconded by Commissioner Hampel) the board of Commissioners approved the contract with David Evans and Associates for services and authorization for the Executive Director to sign the contract on behalf of the Port.

Discussion: Jeff Bishop commented, you can ask for an opinion as to whether or not the site is developable, but in order to get it you have to submit a delineation report; this is a necessary step. Commissioner Scott said that Henderson Marsh is a very large area, are we delineating the entire area? Jeff said yes; however, not all wetlands are created equal and one of the products of this would be to determine how large it is; what is the functional classification of the wetland and what type of mitigation would be appropriate. Jeff continued for further clarification; in July the Port entered into an exclusive agreement with a marine interest. As part of an ongoing dialog with that entity, we have been asked for cost estimates on potential mitigation of the site. Staff will come back at a later date

with a request for some analysis so we can provide it to them. Jeff said there is also the unresolved legality of the original Henderson Marsh mitigation plan, which was signed off by the U.S. Fish and Wildlife and Portland Dept. of Fish and Wildlife before Weyerhaeuser developed the mitigation bank where the current overlook is. There are still some questions about the validity of the plan and how it would apply to future development. Just to refresh your memory, Jeff continued, the plan Weyerhaeuser developed led to the creation of the yard where the logs were stored; the Port has the legal obligation in the option agreement with Weyerhaeuser to attempt to enforce that. In the event we are successful, the Port will owe Weyerhaeuser more money. We will continue to move toward that as our legal responsibility. The issue is that the mitigation plan was kind of visionary. When Weyerhaeuser proposed it, it was kind of a new concept. The responsibility for regulating wetlands was the responsibility of the U.S. Fish & Wildlife and the Wildlife departments. It wasn't until the passage of the Water Act that the jurisdiction for wetlands was transferred to the U.S. Army Corps of Engineers (COE). Later, by State act, the State responsibility was transferred to the Department of State Lands (DSL). In a sense, the mitigation plan was approved by two other agencies, the COE and DSL have signatories to it and that's where the inconsistent legal situation lies.

B. Contract with Perkins Coie for Land Use/Zoning Services

At the September 21, 2006 Regular Port Commission Meeting, the Board approved a contract with the Portland law firm of Perkins Coie. It was to provide the Coastal Zone Certification document which accompanies the 404 Permit Applications for a modern marine terminal, slip and access channel on the North Spit. At the December 13, 2006 Regular Port Commission meeting, the Board approved a task order with Perkins Coie to provide research and scoping up to and including pre-application meetings with the Department of Land Conservation and Development (DLCDC), Coos County and the City of Coos Bay.

These meetings were to determine what land use applications and conditional use documents, under the Coos Bay Estuary Management Plan, would be required for construction of the modern marine terminal, slip and access channel, use of a portion of the waste water lagoon for dredge material disposal and modification to the Coos Bay Navigation Channel below the railroad bridge.

The work is complete; however, there will be a series of land use actions required to complete construction of the Port's North Spit infrastructure improvements. On January 16, 2007 Perkins Coie provided Port staff with a scope of work and cost to complete the land use actions based on guidance provided by the State, County and City of Coos Bay at the pre-application meetings. Mike distributed information to the Commission regarding the scope of work. This document shows costs between \$75,000 and \$100,000. Staff's recommendation is that a contract be authorized with Perkins Coie to complete this work as described.

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners approved the Perkins Coie scope of services and gave authorization to the Executive Director to enter into an agreement for the services.

Discussion: Commissioner Scott asked if this was part of the critical path. Jeff said yes, these are procedural elements of any land use decision, considering appeal time and the normal course of the process. It is necessary to start the process at this particular time. The different components have

different timelines. The channel component, the land use portion of the actual channel widening, is not on the critical path because any action that takes place there is going to have a much longer time period from environmental standpoint. But the 404 permit for the actual slip construction, permitting the two berths and the access from the channel to that slip do fall within the critical path timeline. This is because they require a certification by the land use regulatory authorities on the actual permit that is submitted to court. If you separate channel from berth, the berth's timeline is maybe 6 months. The channel timeline is at least a year.

Commissioner Scott asked if there was an estimate on how many things we are faced with before we know we will get Project April. Jeff said that Project April was expected to go through September 2007 with its approvals. It may be this time next year before we know whether or not they have full board approval. They cannot predispose the boards any more than your staff would predispose you, it has to go through that process. Unfortunately, widening the channel is critical to their evaluation of the business case because there is no business case if they can't get their ship into the dock. It is necessary for us to show a potential for a favorable outcome because there is no way you will have a favorable outcome by the end of the business case. If you run into a fatal flaw before then, then the business case is closed.

Jeff continued saying this is still a frog; a pretty frog, but it has not turned into a prince and we don't have any indication that it's going to do that anytime soon. It is like the lottery, you can't win unless you buy a ticket. This is a threshold situation. The lion's share of this contract is the primary responsibility of Jordan Cove because the focus is the berth. Access channel components are part of the 404 permit then there is some cost sharing on the berth cost. The channel is the Port's cost because that is not Jordan Cove's issue. Jeff reiterated that 85% of the berth related expenses are reimbursable from Jordan Cove. This is where the economies of scale come in. The channel widening is our cost until such time as there are other funding sources identified. This is why at the last Commission Meeting we authorized a contract with Perkins Coie and a request for the Executive Director to execute a contract with David Evans for environmental scoping. We have stalled the David Evans contract as we are not proceeding forward with it until we have a greater dialog with the Corps of Engineers regarding Federal processes. Commissioner McKeown asked a question about the fee range listed in the contract. What is the maximum we are going to spend? Jeff said that is difficult to surmise since it is very difficult to get an attorney to project their costs in writing. The fee is on billable hours and depending on how much time and energy they are putting on that element; or how difficult any of those elements turn out to be. If you were to say, \$100,000, and 85% belongs to Jordan Cove, \$15,000 would be the responsibility of the Port. The cost will come out of the Special Works Project which is part of the profit that we are making off of the option. It is not coming out of the General Fund or the general coffers of the Port.

C. Addendum to Sea Basket Lease

The Sea Basket Restaurant has existed in the Charleston Marina since the early 1970's. Within the shell of the building where the Sea Basket is located is a separate space which has historically been leased for office space. The space was vacated by its lessee on December 1, 2006 and is available. The Sea Basket is requesting to add it to their lease agreement for use as an office. The vehicle to accomplish this would be an addendum to the lease agreement. This action would provide for needed additional space at Sea Basket while providing no net loss in Port revenues for the lease of the building.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the Sea Basket Restaurant lease addendum to allow addition of the available space to the lease agreement and authorization for the Executive Director to sign on behalf of the Port.

D. Fisherman's Wharf Lease Assignment

In 2005, Jon and Helen Goudeau, dba Fisherman's Wharf, entered into a lease on South Dock at the Charleston Marina to operate a fish market. The lease is a ground lease and the lessee constructed the improvements. The first term of this lease expires April 30, 2008 and there are two additional three year renewal options. The lease does not allow for assignment. The lessee has received an offer from a prospective buyer to purchase the business and is requesting Commission approval to assign the lease. The lease would be assigned to the Ledoux Family Trust. Michael and Cathy Jo Ledoux are relocating their family from Tucson, Arizona to Coos Bay. Port staff completed due diligence on the prospective buyers. Staff recommends assignment of the lease.

Upon a motion by Commissioner Hampel (second by Commissioner Scott) the Board of Commissioners approved the lease assignment of the Jon and Helen Goudeau lease, dba Fisherman's Wharf, to the Ledoux Family Trust.

Discussion: Jon Goudeau stood to thank the Port for all the support they gave him since they built their business on the South Dock.

E. Chapter 14 Personnel Manual - Information only

During FY 1996/97 the Port's policy manual was reviewed and updated. During the last two fiscal years, staff has again been updating the Port's policy manual, chapter by chapter. Chapters 1 through 13 have been brought before the Board of Commissioners for approved revisions and changes. In the Commission packet is an entirely new draft policy of Chapter 14: Personnel Policy. The rewrite of this policy has taken more time because staff has actually rewritten the entire policy with updated language and descriptions. Similar topics have been re-categorized for ease of reference. Each topic is started on a new page for each category.

Staff utilized the Special Districts Association of Oregon's personnel policy model as well as the Bureau of Labor and Industry (BOLI) requirements. Port Counsel has reviewed the draft. Specific additions and changes include the following:

- A more complete job announcement and orientation process
- A cell phone and electronic communication policy
- A community service policy
- A more complete problem solving and disciplinary process
- A more complete travel/hosting/credit card use policy

There is no action requested - this is for information only. Donna stated that there have been more changes since we printed this last draft on the wage compensation and pay plan. The Pay Plan information needs to be explained better because of conflicting information. Staff will get it corrected and a new copy forwarded to the Commission. If there are any more changes or comments, please

contact Donna. We hope to have a final version to the Commission for a vote at the February Commission Meeting.

Commissioner Smith said he was impressed, it was well written. He was thinking of showing a copy to his Human Resources department.

Donna thanked Andrea for her assistance.

F. Audit 06 and one year extension

Donna Nichols read the action requested of the Commission and then introduced Larry Reiber so he could comment on the Audit.

Larry Reiber thanked Donna and her staff for the quick responses. They were given all the information in a very timely manner; the delay was definitely Scoville Reiber's fault. There were a couple of times Donna had questions on the procedures and they were able to work through them quickly. With that said, Mr. Reiber stated the Port had an Unqualified Report. It is presented fairly in all respects.

Commissioner McKeown said everyone worked hard on this and it was gratifying as a Commissioner to come up with an unqualified report. She is delighted.

Donna went on to report that Scoville & Reiber has completed the annual financial report on behalf of the Port of Coos Bay for fiscal year ending June 30, 2006. The original two year contract was extended for another two years through June 30, 2006. Staff's recommendation would be to extend the contract for an additional one year period ending June 30, 2007. A 10% increase to their contract would bring it from \$22,600 to \$24,860. There has been no increase to their fees in the prior four years. The FY 05/06 audit was completed in the scheduled timeline; the financial statements were presented in accordance with the financial reporting model in the Governmental Accounting Standard Board (GASB) Statement No. 34.; recommended internal controls and procedures were put in place for improved efficiencies that made the year end process easier; there were not any adjustments that had a material effect on the Port's reporting process; not any material weaknesses or reportable conditions for internal control; and no instances of non-compliance to the general purpose financial statements. The Commission President, Deputy Executive Director and the Director of Finance met to review the audit with Kent Scoville and Larry Reiber.

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners approved the annual financial report for FY 2005/06 and gave authority for the Executive Director to extend the contract of Scoville and Reiber for an additional one year period ending June 30, 2007 with a 10% increase to the contract.

G. Marina Customer Survey

Included in the current year budget are ten goals linked to the established merit pool. Each goal represents 10% of the total goals. One of the goals is to complete a Customer Satisfaction Survey. The first year of the survey should create a baseline from which future year's will need to reflect improvement. The goal of the survey is to show what the Port District and what the Charleston

community's perceptions are of the Marina. Are we doing a good job? Staff agreed that the survey should be done by an outside party for an objective review. The Deputy Executive Director and the Director of Finance and Administration met with Mr. Paul Vogel, Vogel Communications who specialize in consumer surveys. Their discussion included the suggestion to not only create the baseline information in the first year but to also build a structure with the information so that future years' goals can be measured. An initial basic survey will be completed including an overview of the entire Port District; then the focus will narrow to the Charleston community; then narrow again to the Marina Complex. The discussion included interview methods; data collection and reporting ideas; and future years planning and goal setting. Some work would be done by telephone and some by personal and group interviews. The initial first year's survey information is estimated to cost no more than \$20,000. There will be some additional costs in the second year.

Port policy allows the Executive Director, with the Commission approval, to award contracts for personal services up to \$25,000 (Port Policy: Public Contracts: Chapter 6.3.B). Funds are available in the General Administration Fund.

President Kronsteiner said he would entertain a motion. Commissioner Scott made the motion and Commission Smith seconded the motion for the authorization for the Executive Director to enter into and sign a contract with Vogel Communications.

Discussion: Commissioner Hampel said that he thinks this survey can be done in-house and he will not vote for it. He thinks the money could be better spent somewhere else in the Marina. Commissioner Scott stated that he thinks it depends on how important it is to us; there is a real science to finding out what people think; how you write the questions and how they are asked. If we do it in house, Commissioner Scott does not think it carries much weight; but if it isn't that important to know what the baselines are, it is probably measurable. Jeff said he wanted to go back and reiterate some of the ideas and concepts behind this survey as well as the 10 goals with the merit pool. The Port has a limited number of revenue centers as an organization. Charleston is one of the few revenue options. We have been exploring different options for growing the business. The Charleston Master Plan is underway, looking at how the facility is laid out and how the facility should be laid out in the future. One of the concepts is not only how it needs to be for customers, but we hope it will provide us with a tool to look at how you grow the business. One of the key components is through our customers; how many are attracted to the Charleston facility; and how they view our facilities. As far as cost, we hope we get return from it in later years. We hope to identify not only local residents who use the facility, but those that come from outside the area and what their thoughts and perceptions are; and how we can provide a better customer service. Jeff and staff think we should table the survey so more research can be done and maybe get some alternate bids. We have not considered how we would do a customer satisfaction survey on our own.

Commissioner McKeown commented on Commissioner Hampel and Scott's perceptions. She agrees with Jerry that this is a lot of money to spend on a survey; however, Brady is correct, you can't do a scientifically based survey in-house. Caddy has worked with surveys in other municipal venues before and you have to have someone from the outside come in and do it or you are not going to get the information you are looking for. There is a science to it and it is expensive.

The Executive Director stepped in to recap. The concerns are:

- Cost
- Is it necessary
- Technique

He went on to discuss the issue of relevance. It is currently listed as one of the 10 goals. In the event the Commission comes to the conclusion that it is not relevant, we will have to find a replacement goal.

Commissioner Hampel said that he would like to look at it again, but in lieu of no salmon season it just does not look appropriate at this time to spend that kind of money when folks in Charleston cannot even make their mortgage payments. Commissioner McKeown said she would like to see some alternatives to making this happen. President Kronsteiner also had this item marked as a concern. However, one thing that is important to him is the Merit Pool and that we deal with it properly. He thinks it is going to be a difficult thing to put in place so he is willing to table it. He also asked if we were interested in getting another bid.

Commissioner Smith commented that in his business they do a lot of customer satisfaction surveys and in past years they used an in-house survey team and always worried about the objectivity. They now use outside sources and one of the things they find most valuable is comparisons with other hospitals – a benchmark. Maybe we need a Port benchmark. Jeff said the consultant we talked to does do this for other Ports; in fact this person is a former Executive Director of the Port of Coos Bay.

Commissioner McKeown moved (second by Commissioner Hampel) that the Commission Board table the action authorizing the Executive Director to enter into and sign a contract with Vogel Communications. The motion was approved.

H Commercial Salmon Payment Deferrals

In early 2006, there was a National Marine Fisheries Service (NMFS) ruling resulting in a 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 they recommended that the 2006 annual moorages for qualified salmon trollers be deferred until the outcome of Federal Disaster assistance was known. That action was passed at the May 10, 2006 Port Commission Meeting.

The deferment program was designed to provide short term relief for the salmon fleet until other assistance became available and the Port was one of the first agencies to offer this assistance. The State of Oregon funded two rounds of financial assistance totaling \$1,000,000 for State eligible salmon trollers and many local commercial trollers received this aid. Also, many of those same trollers paid all or part of their moorage. The state relief funding is now ended and the outcome of the Federal relief effort is still uncertain.

The total value of 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, or 56%, have paid in full; three others, 7%, have made partial payment for a total of \$22,360. The unpaid balance as of December 31st is \$17,519, or 45%.

Four applications for deferment were disapproved because they did not meet the Port's established qualifications. The Port's deferment program also wrote off interest that accrued on unpaid moorages for a total of \$2,327.

The effort of this deferment, for 2006 moorages only, was lauded by the local salmon industry and the Oregon Salmon Commission. Staff recommends the 2006 deferral program be terminated which means those moorages as yet still unpaid would be due and any finance charges on the unpaid balances would begin accruing effective February 1, 2007. Once the 2007 commercial salmon season is known and project impacts evaluated, staff may bring a 2007 program recommendation to the Commission.

Upon a motion by Commissioner Smith (second by Commissioner Scott) the Board of Commissioners approved the end of the 2006 moorage deferment program.

I. ConnectOregon Inter-Governmental Grant Agreement #23183

The Port has been successful in being selected for grant funding on two ConnectOregon projects, the Southport Barge Slip Rehab and Phase II of the Railroad Bridge Rehab. At the October 19, 2006 Commission meeting, the Port Commission approved the two projects.

This ConnectOregon Inter-Governmental Grant Agreement #23183 needs official Commission approval and authorization for the Executive Director to execute it. Port Counsel has reviewed and OK'd the document. Once the Port and the State have signed the document, the grant funding becomes available.

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners approved the Inter-Governmental Grant Agreement #23183 and authorization for the Executive Director to sign on behalf of the Port.

7. OTHER:

8. INFORMATION ITEMS:

A. Renewal of Insurance by Special Districts

B. Festival of Trees Certificate

9. COMMISSION COMMENTS:

10. NEXT MEETING DATE -Thursday, February 15, 2007

11. ADJOURN: 9:25pm

By: _____
David Kronsteiner, President

By: _____
Daniel Smith, Secretary