

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon

REGULAR COMMISSION MEETING

Thursday, June 21, 2007

7:00 p.m.

Coos Bay City Hall

ATTENDANCE:

Commission: Caddy McKeown, Vice President; Dan Smith, Secretary; Jerry Hampel, Commissioner; Commissioners David Kronsteiner and Brady Scott were 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, Port Counsel; Andrea Wall, Executive Assistant.

Media and Guests: Elise Hamner, *The World*; Gordon Young, Channel 14; Ken Messerle, Coast Consulting; Marvin Caldera, ILWU 12; Marvin Smith, Roseburg

The Vice-President called the meeting to order at 7:00pm and asked the audience to introduce themselves. She said she was going to change the agenda order so Steve Purchase could give his presentation. He needs to return to Salem tonight.

Steve Purchase - Division of State Lands (DSL): Mr. Purchase gave some of the history of the New Carissa grounding and then went on to discuss what is happening now. DSL has signed a contract with Titan Marine to remove the New Carissa completely or if that is not possible, to cut it off at the sand line. They are still working out details and it is not known if the structural integrity of the ship is strong enough to remove it completely. Titan is starting the permitting process immediately. The Federal and State agencies involved have met to consider the process. There may be problems with sediments both in and out of the ship. There also may be a significant amount of oil left in the ship. DSL hopes that all permitting will be completed in 2007. DSL has to work with the Bureau of Land Management (BLM) for access across their land to transport in equipment and laborers to the project site. Hopefully by May 2008 Titan can start removing the ship. The weather will affect the timing some. It is expected that the job will be complete by October 2008.

Mr. Purchase went on to discuss why the decision was made to remove the ship rather than leaving it on the beach. One of the main reasons is the States credibility with the courts. The courts awarded \$25 million which covers some of the legal costs, but mostly the money was to remove the wreck. Another reason is that Oregonians take the environment very seriously and the former Governor along with the current Governor are have both made it clear that their intent is to remove the wreck from the beach. Mr. Purchase has encouraged the contractor, Titan, to use local people and businesses so it should provide some economic gain to the community. Mr. Purchase also stated that he would like to come back every 3 or 4 months and give the Commission an update on the project.

Commissioner Hampel asked if there had been an attempt to go back to Green Atlas (owner of the New Carissa) and try to negotiate with them to do the removal. Mr. Purchase said Green Atlas was contacted several times and they stated the ship could not be removed; they would not negotiate. The State said it could be removed. Commissioner Hampel went on to say that he thought removing it was a waste of money and removing the ship may well provide another environmental catastrophe. Commissioner

Hampel said that he does not know anyone that wants it removed. Commissioner Smith spoke up and said that he thinks the money could be better spent also, however, he understands and appreciates that the courts have directed the ship to be removed. Commissioner McKeown said she agreed with Commission Smith.

Mr. Purchase said that he would continue to keep Mike Gaul in the loop through emails and he expects to return in a few months with an update for the Commission.

The Executive Director (ED) wanted to know what the plan was if the removal of the ship does not cost the full amount of money allocated. Mr. Purchase said that the State Legislature has given them the OK to spend \$18 million of the \$22.1 million. The contract is \$16.5 million which leaves about \$1.5million for the extras. One extra is the State will provide for an emergency response team to be on call if there is an oil spill; the contractor would be responsible for immediate oil spill response. Another extra is \$250,000 a year for an insurance policy; the rest will be for oversight.

ED asked if the contract with Titan was for an amount not to exceed \$16 million. He wanted to know what the basis of the contract is and what oversight is in place to insure that that money is actually spent. Mr. Purchase said it was a \$16 million dollar contract; Titan did not want to do a lump sum contract, they wanted a daily rate which you can't control and it made DSL pretty nervous. DSL wanted a fixed amount. There is a clause in the contract which allows Titan to come to DSL and let them know if they think they can remove the ship in its entirety. There is enough money to try to do the oversight themselves or to hire someone to do it; a typical ship removal contract of this nature can run anywhere from 3-5% of the contract for oversight.

Commissioner Hampel commented on what Mr. Purchase said about some of the remaining funds going into the school funds. He wanted to know how much of the funds if there were any left could be shifted into the school funds. Mr. Purchase said there is no percentage; all of the money they get for all activities are dedicated funds; whatever remains goes into school funds.

The ED asked about the wreck being cut off at the sand line. He wanted to know how the public would be protected from danger; will the sight be marked?

Mr. Purchase said that was one of the things they have been struggling with. There are ship wrecks all up and down the coast. DSL is going to have to look closely at how to put up signage. He said there is a state statute that says if you enter onto public property for recreation and if you get injured, you do so at your own risk. However, DSL will try to get the word out and put up some signage. He continued saying one of the decisions to be made is that if the ship is cut off at the sand line, how far down into the sand do they go; the deeper the better. The ED asked if DSL was precluded from any new suits against the ship line. Mr. Purchase said yes, so there is no recourse. The ED wanted to know what permits Titan will have to obtain to do the work. Mr. Purchase listed several: Section 404 permit from the Corps of Engineers; a permit from the Oregon State Parks and Recreational because of possible impact to the beach; there will be a permit for having equipment on the beach; State DSL permit; 401 water certification permit; permit from US Fish & Wildlife; Environmental assessment; environmental assessment by BLM and he is not sure about all the local permits yet.

The ED asked about the timing allotted and Mr. Purchase said they needed to have all permits in place by February of 2008 for Titan to start to move in equipment through the Panama Canal to Coos Bay to have them ready to go by April or May. They are hoping for good weather. Mr. Purchase said DSL is working on the first permit – a joint 404 permit – which is the permit which will drive the process. He also said that one of the things yet to be decided is who will be the lead agency; the Corps of Engineers, BLM or US Fish and Wildlife etc.

The ED asked if any of the agencies had requested additional funding. Mr. Purchase said no. The ED asked if they had any inter-local agreements with any of the agencies and the answer was no.

PUBLIC HEARING – BUDGET - Opened at 7:27pm. There were no comments on the budget and the Public Hearing was closed at 7:29pm.

CONSENT ITEMS:

- A. Minutes: 17, 2007 Regular Commission Meeting Minutes
- B. Approval of May/June 07 Invoices Totaling \$386,718.16

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners approved the May 17, 2007 minutes of the Regular Commission Meeting and the May/June invoices totaling \$386,718.16.

MANAGEMENT REPORTS:

A. Executive Director:

Mr. Bishop needs ratification of his decision to contract with Marks Network for lobbying services that was within his expenditure authority up until this date. At this point it will start going over that amount and he needs authorization to continue it. The contract is on a 30-day basis with 30-day notice to terminate at any point during the term. Mr. Marks has been lobbying for the Port on the part of Senate Bill 21. He will continue to do so after the session in a myriad of environmental processes that we have just launched with the Governor's office. We intend to fund this out of option fees from the Special Projects Fund.

Mr. Bishop said also, just for the record, he is reauthorizing the contract with Coast Consulting which is still within his spending authority.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners ratified Mr. Bishop's decision to enter into a relationship with Mr. Marks for more lobbying.

Mr. Bishop said his report would be on Senate Bill 21 and its status; also once again he will make an effort to distinguish the difference between the LNG facility and the proposed Container facility.

The first hearing of Senate Bill 21 was held before the Senate Transportation Committee in March. During that hearing, strong opposition testimony was received from Citizen's Against LNG, OCEAN of Oregon and FLOW. There was also very strong testimony in favor from several labor and industry representatives and a number of legislators. A second hearing was before Ways and Means Subcommittee

on Transportation and Economic Development. Again, there was very strong opposition testimony from Citizen's Against LNG and OCEAN of Oregon. At that same hearing there was strong testimony in favor from labor, Secretary of State Bill Bradbury, the Union Pacific Railroad, Coos County Officials and other state leaders.

At this time, the bill is not likely to receive another hearing. Legislature has been apprehensive to pass the bill and the bill now has numerous restrictions and triggers as a result. To recap, SB21 provides for \$60 million dollars in Lottery Bonds. The proceeds of that bond issuance will be dispersed to the Port over a three biennium cycle. (basically 6 years)

- In 2007-2009 \$5 million would be available to the Port; 2009-2011 \$15 million would be available to the Port and in 2011-2013 \$40 million would be available. Each cycle of funding has triggers before the Port can receive the funding. Common to every one of the cycles is a requirement of a financial guarantee from the Port. The Port must also prove it has the ability to back guarantees that we have to make to the state.
- 2007-2009 Triggers
 - Executed commercially reasonable agreement between the Port of Coos Bay and a container terminal developer to build and operate a terminal in Coos Bay. To refresh your memory on the timeline that our client has established, they won't be making a decision until November or December of this year. As a result, it is unlikely we will have a commercially reasonable agreement in place and that is 6 months of very critical permitting review that we are going to lose.
 - Evidence that the Secretary of the Army has authorized a Section 203 channel investigation. We have received word it is forthcoming; it has been signed; the Port has just not received it yet.
 - Executed grant agreement with a financial guarantee to pay back any monies spent if the project is not completed by 2019. We do have the option in the first biennium for the first \$5 million to convert it into the form of a loan, but thereafter, we would have to post a letter of credit for a surety agreement or some bond to guarantee the project is completed.
 - Reporting responsibilities will be required throughout the process, budgets, scopes of work, and detailed meetings with the State of what we are doing with the money.
- 2009-2011 Triggers
 - Produce for the State evidence of a successful completion of the 203 effort.
 - Evidence that the container terminal developer has entered into a contract with a rail service provider(s).
 - Executed grant agreement with a financial guarantee to pay back any monies spent if the project is not completed by 2019.
 - Reporting responsibilities.
- 2011-2013 Triggers
 - Evidence of sufficient funds to complete the project.
 - Executed grant agreement with a financial guarantee to pay back any monies spent if the project is not completed by 2019.
 - Reporting responsibilities.

The Port of Coos Bay does not have the financial capabilities to pay back \$60 million, so we were unable to agree to this without some consent from the client who would have to back him up. They have made assurances to the Governor's office that they will do that. It will not be the Port of Coos Bay who is on the hook, it will be our client. This is the first time in their history that they have ever had to back a piece of common public infrastructure with a financial guarantee. Mr. Bishop said that he does not know another firm who has been required to post a financial guarantee to pay back a single piece of public infrastructure. This will be like requiring someone building a factory to post a bond to guarantee the construction of the interstate highway. We were required to have our client do this because there was quite a bit of doubt placed in the minds of people in the legislature as to the legitimacy of the project and what it was intended to be.

- Prognosis - SB21 is not likely to pass in its current form.
- We have been informed that efforts will be made to move the contents of SB21 to another bill. Staff will keep the Commission posted on that; staff is not sure where it will end up.

Commissioner McKeown said that the Legislative session is scheduled to finish next Friday, so we should have an answer soon on the status of SB21. Mr. Bishop said the reason for this presentation tonight is that there won't be another Commission meeting before we know the fate of the bill's outcome. This is the latest information on the restrictions for the terms of the agreement; but Mr. Bishop does not believe the situation will improve at this point.

Because there appears to be continuing confusion on the differences between the LNG terminal and the container terminal, Mr. Bishop decided to cover the information again. The two projects are adjacent to each other on the North Spit however; they are not the same project. LNG tankers transport Liquid Natural Gas; container ships transport metal boxes, 8' x 8' x 20' or some are 40' in length and some are 45'. LNG tankers are measured by the volume of gas they transport. Container ships are measured by the containers they carry (referred to as TEUs). Container ships are not able to call currently at the Port of Coos Bay because of the channel width and depth. Channel length is an advantage and the fact that our channel is a one way channel is an advantage, but width and depth is not sufficient to handle those ships.

Mr. Bishop showed some pictures and graphs distinguishing the differences between the two kinds of ships and the amounts of water they displaced. He went over the vessel dimensions and talked about the size of vessel that FERC would allow to come into the United States full of LNG. The LNG ships are able to come in and out of Coos Bay's 37' deep channel on high tide because of the vessel draught. Even if a larger ship was permitted, the draught is still only 39' and with a 7' swing tide they would still be able to come in (however, at this time the channel is too narrow). We have known for many years that the channel is too narrow in the lower bay. Many shippers, in conversation, have indicated that the channel is too narrow to call at Coos Bay so we have been limited to a certain kind of vessel.

If you compare the LNG vessel with a needed water depth of 37' and 39' to modern container vessel, you will notice that even the smallest of the new generation of container vessels, requires 47' depth. The largest of those vessels require a 51' depth. The design standard that we are going after in the channel is 500' wide and 51' deep and it is to accommodate a container ship. It is not to accommodate LNG ships.

Cost Comparison: If you dredge to 44 feet, more than enough for an LNG ship, the total volume removed would be 4.8 million cubic yards. In order to accommodate container ships, we would have to withdraw 9.4 million cubic yards, almost double. No one is going to propose a business deal to anyone to do double what is needed to accommodate an LNG ship. There is no relationship between the dredging project which we have proposed and LNG tankers.

Mr. Bishop commented that the LNG applicant has currently spent around \$30 million dollars on their permit application on a speculative basis – no guarantees that they will be able to build the project or not. In the event that they were given a permit and were left with the situation of a dredge of about \$30 million dollars to get it a couple feet deeper, I don't think there would be any hesitation to spend that money out of their own coffers and to not request public assistance. Mr. Bishop does not think that they would ever request public assistance to dredge that channel.

In conclusion, the Port wants to be sure they are on the record unequivocally that there is not a relationship between SB21 and the LNG facility – absolutely none.

Commissioner McKeown asked if the LNG tankers would need any dredging at all. Mr. Bishop said that they would have to come in on the high tide with their vessels. Channel improvements would certainly improve our ability to control when tankers come and when tankers leave, so it would be a benefit to the community, in Mr. Bishop's opinion, to stipulate when tankers could come in or out of the bay. From a scheduling standpoint, it would be prudent for everyone. However, it is not necessary for the LNG people to demonstrate channel improvements for their FERC permit, because by evidence of computer simulations, their ships can come in now. Commissioner McKeown said that channel improvements would benefit chip ships also. Mr. Bishop went on to say that if Coos Bay wanted to be involved in any kind of maritime business, the channel needs to be widened and deepened. He also said that what he wanted to point out was that SB21 is based upon a container standard. There is no way to confuse it with anything other than container ships.

Mr. Bishop also said that we don't know whether or not the measure will pass before your next meeting, win, lose or draw, all of our elected officials have gone the extra mile. We have received many comments from other legislators about how much they have championed this cause. Senator Verger, Representative Roblan, Representative Morgan – too many others to name who have gone the extra mile. It has been gratifying to know that we have elected officials that are going to bat for us. Mr. Bishop would like to publicly commend them for their work. In his mind, they have done their job, no matter what the outcome is. Even the Governor's office has been sensational throughout this process. He also wanted to point out that our client is first class. He said lot of people would have walked away when they were told they would have to post a bond. Mr. Bishop thinks this shows the client's interest in the project and the type of people that they are. The Port is confident that when the client is ready to make the right business decision, they are not going to stop short of this project – it will be completed.

Commissioner McKeown added that she spent some time in Salem with our client talking with legislators and staff. Mr. Messerle has been there on our behalf and it wasn't just our Coos County legislative senator and representatives that have helped us. It has been senators and representatives from Douglas County, Jackson County and Josephine County. There has been remarkable support. It is gratifying to see the persistence of our client and their willingness to come here time after time to talk to the people in Salem. Mr. Bishop said there has been an interesting collection of people sitting at the table, working

together on this. Representative Krieger and Secretary of State Bill Bradbury sat at the table together and both echoed their support for the bill; a unique situation.

Commissioner McKeown thanked Ken Messerle for his roll in the whole process.

B. Deputy Executive Director

Mr. Gaul started with a comment on Mr. Purchase's presentation. He said that staff has had extensive experience with permitting and he feels that the timelines we heard tonight were very aggressive.

Mike reported on the TransPacific Highway realignment. Staff continues to work on that project and they are at the point of finalizing the easements and right-of-ways. There has been some sparring with the Corps of Engineers over the mitigation plan, but Mike thinks he can see the light at the end of the tunnel and he believes the permit will be issued in the next month. Then it would go out to bid in August with an October start date.

On May the 8th, Mr. Gaul represented the Port at a meeting of the City of Coos Bay Planning Commission. The meeting was to request verification on mitigation allowable use in Aquatic Zone 52-NA for eelgrass. At that meeting there was no decision made; it was left open for 7 days for written comment at the request of David Lohman of Southern Oregon Pipeline Information Project. No comments were received. Mike went back before them on June 12th and the Commission did verify that mitigation is an allowable in aquatic zone 52-NIA. There is a 15 day appeal period to this decision.

Yesterday, Mike was at the County Planning department with Mark Whitlow and Frank Flynn from Perkins Coie and Chris Hood from Stuntzner Engineering. These men are working with us on the planning issues of the access channel slip. They met in a pre-planning meeting with the planning department to discuss zoning and allowable uses and the revised dredge material disposal plan for the access channel. In working with the State and Federal agencies, Port staff has pulled back on the plan and are not planning to put any dredge material in the lagoons. In the revised material disposal plan sent with our permit to the Corps of Engineers, some material is now going to the site where the Weyerhaeuser container board plant was, 500,000 cubic yards; the Jordan Cove site to create another dune area to hide the tanks; and for temporary storage on Port property. Mr. Gaul said it was a good meeting between the Planning Dept. and our consultants. The hearing on the Jordan Cove upland land use will take place August 28th. The Port's hearing for the slip/access channel will take place September 17th.

Jeff Bishop clarified - none of the material will be deposited in the area known as the lagoon on the North Spit nor is any to be deposited in Henderson Marsh.

On June 14 and 15 Mike attended the Oregon Coastal Zone Management Association meeting in Salem. There was a contentious agenda; two main topics of discussion were Wave Energy Parks and Marine Protected Areas, now being called Marine Heritage Areas. Secretary of State Bill Bradbury was in attendance along with Representative Debbie Boone and Jean Cowen from the Coastal caucus. There was a very clear message from OCZMA to the Secretary of State on the process of Marine Protected Areas that decisions should be made from the bottom up, not the top down. They will include fisherman and coastal communities in the decisions.

OCZMA is producing a 28-minute video on Oregon Ocean Fisheries, similar to Common Ground – telling the other side of the story. Mike told the Commissioners that he would provide OCZMA hand-out materials to them through the mail.

June 14th was Mike's last Special District's meeting as Board President; Don Mann will be taking over as representative for the Oregon ports and Mike will move to the Past President position. One of the agenda items that the SDAO Board approved was the Chapter Status for the Oregon Ports Group (OPG). The OPG for the last three or four years has spent more of their time grappling with how they financed their efforts than they have in addressing port issues at the State level. A month ago the OPG voted to access themselves, through their insurance program, a premium to pay for those efforts. Not all ports were in favor, but a majority of the ports voted for it. If the Port doesn't participate they will no longer be eligible for insurance through the Special Districts program.

May 28th was the Blessing of the Fleet – a well attended event in Charleston. During the rededication of the Fishermen's Memorial, a thank you was given to the Oregon International Port of Coos Bay and the Charleston Marina for being the "Guardians of the Memorial.

Point Adams Dredging: The Corps of Engineers last year issued a bid three times for dredging. The first time they received no bidders, the second time they received one bid which was 1.5 times expected; the third bid they had to cancel. The bid went out again this year. There was 25,000 cubic yards in the Charleston Channel and the Port has an additional 25,000 cubic yards at Pt. Adams. They bid it last month and received one bid for Pt. Adams, Umpqua River, Port Orford and a small piece for the Coast Guard station. The Corps said it should be \$1.3 million and the bid was \$4 million so it was not accepted. Then the bid went out on a RFP process and a bid was accepted and a contract negotiated with Hicky Marine. The Port is trying to piggy back and to negotiate with them for Pt. Adams. It will probably happen in August.

The ED signed a lease agreement with the Coos Bay School District for a Radio Tower on the Eastside property. Construction is expected to start mid-July. There will be a proposal before the Port shortly from Coos Forest Protection also. They want to use our Eastside property for some fire training. The Port is going to match the school district and the fire fighters and at one of the first training sessions the firefighters will clear the site for the school district.

Discussion: Commissioner McKeown asked about the FCC cancelling the license for the Radio Tower. Did they ever renegotiate their position? Mike said yes they did and that was part of the reason it has taken so long to start construction. They were getting everything in place for the FCC.

At the February Commission meeting, the Commission approved the sale of the surplus 1,000 ton drydock. The Marine Survey has been completed and Sause Bros. is helping to identify possible buyers. Sause Bros. is allowing the drydock to remain on their property and are continuing to insure it until it is sold. There is an RFP on the street and a lot of interest has been generated. - Jeff Bishop inserted that the drydock survey showed it to be in remarkably good shape – a credit to Sause Bros. for keeping up the maintenance. Interest is in someone taking the drydock and using it and keeping it in good repair. It was built in the 1940s. The bids will be opened on July 12th and results will be on the Agenda at the July 19th Commission meeting.

The live-aboard issue was tabled at the May meeting. Staff is working now to compile additional information. Staff has also met with the live-aboards and will continue to do so and use their involvement. The live-aboards are happy that the Commission stepped back and took another look at the issue. Staff's first task will be to define the term "live-aboard". Mike will eventually do a presentation for the Community and the Charleston Advisory Committee. Staff will be completing due diligence and waiting for the end of the Salmon season. This issue is not due to come back to the Commission until maybe September.

Discussion: Commission Hampel asked if Mike had informed the birders about not putting dredge material in the lagoon. Mike said he hadn't talked to them in person but had left messages, trying to get a hold of them.

Commission Smith thanked Mike for his term as President of SDAO. It was a job well done. Commissioner McKeown said that his participation represents our organization well and she appreciates Mike taking the time to do it. Involvement is important not only to us as a Port but to the South Coast. This community has stepped up in many leadership rolls Statewide over the years and it is a tradition that we like to continue. The Commissioners are grateful to you.

C. Director of Communications and Freight Mobility

Martin said the House Bill 2278, which is ConnectOregon II, has passed both houses and now goes to the Governor. So many people have been anticipating this bill passing, that there is already a significant project being submitted from this community.

Martin says his work load has slowed somewhat (for now) and he is back on the Biennial report; he hopes to have it finished shortly. At the end of the fiscal year, he is closing out the marketing contracts and signing new contracts for shipyard advertising, Charleston Marina and RV Park advertising.

Martin attended a one day Economic Development Administration conference in Long Beach. It was on the Global Gateways; he and Jeff also attended a Northwest Intermodal conference in Portland. There were a lot of commonalities between the two conferences. The Global Gateways conference was an opportunity for the Ports of Long Beach, LA and Oakland to showcase the ports of that area as well as the economy of California and the U.S. It was fairly apparent that while the Ports believe they can handle a certain amount of through-put, the surrounding communities have some serious doubts about their ability to handle through-put and still maintain the quality of life expected in the LA basin. The lunch speaker was a gentleman who represented the Southern California Association of Governments (SCAG). He said that the only way the ports could handle the volume projected in international trade over the next 20 years is to electrify the entire freight rail system in the LA basin. When all the numbers were added up for infrastructure requirements for California to be a leader in the through-put industry, it was in excess of \$240 billion; the recent bond sale in California only provided about \$20 billion dollars. There was mention of Coos Bay at the conference as well as some others; all of them are looked at as necessary components to maintain the economic integrity. Coos Bay is on the radar! Jeff and Martin heard the same thing at the intermodal conference; a lot of the same issues were covered. What is the capacity of the Northwest ports? How can Portland get a bigger share? What are the rail issues? Puget Sound ports are better sited for some of it, but everyone has rail issues. Martin is working on some of those issues such as capacity; some of the improvements by Burlington Northern or Union Pacific; investments the

railroads companies are making in their systems. Martin has had the opportunity over the last 6 months to hear a lot of different things, but one stood out. “Don’t forget Coos Bay – it will be a significant part of the situation.”

Jeff Bishop added one thing. Kevin Murphy, who attended the Dallas trade show on our behalf with distribution centers in Portland, wanted us to know that the Port of Portland, during the luncheon speech, got up and said very positive comments about our Project April. Some people thought the Port of Portland might not give their support, but their speaking up shows that Portland is behind us in this project. Other people told Martin that the Port of Coos Bay was mentioned several times. The comments were that there are things happening here that are truly expanding the viability of the marine navigation system that we have in place.

Martin learned that Portland had an assessment done which says that they can probably triple their container traffic capacity. Right now they are doing about 300 – 350 thousand containers a year at their Port and by tripling it, they will optimize their capacity within the system. Portland is also one of the largest automobile through-put points on the West Coast. It takes a certain amount of both rail and truck capacity and Portland definitely does not want to let go of that. They pointed out that every automobile that crosses the dock generates \$318 of impact to the community.

Martin continued his report saying that he had a lot of ongoing communication projects. Depending on what ever replaces SB21, along with our Section 203 process, we will schedule a meeting to put out a communication plan to get the information out.

D. Director of Finance and Administration:

Revenues are close to budget, financials are tight but still within budget. All the cost centers are collectively under the General Fund and no year-end adjustments are needed at this date.

On June 7th Donna attended an Oregon Coast Visitors Association marketing meeting with Kathy Wall. They have funding and are going through Lincoln City, Northern Coast, Southern Coast, Central Coast networking on how to market the areas; this was the initial brainstorming.

On June 10th, Donna attended the live-aboard meeting with Mike and Martin. There was good attendance and both sides appreciate the feedback they are receiving.

On Friday, she attended the State of Oregon Rural Economic Development Meeting going through rural economic development brainstorming. The Needs and Issues have been done in the past. The State needs to know these projects and it’s a cumbersome process so there was a lot of networking. Commissioner McKeown asked who was representing the State. Donna said Chris Claflin and Jim Ozomano from the Governor’s office.

5. PUBLIC COMMENT:

Marvin Caldera: He commented that in talking about dredging, the chip ships come in empty and go out full so they can go on different tides. Marvin then read a letter written May 31st by ILWU President, Bob McElrad to Senator Betsy Johnson in support of SB21.

6. ACTION ITEMS/REPORTS:

A. Budget Approval and Resolution FY06/07-12

The Port's Budget Committee approved the draft of the FY07/08 Budget after its second meeting on May 2, 2007. The Commission is required to hold a Public Hearing after the Budget Committee's approval to receive public comment. That Public Hearing was held tonight and the Budget was approved. The Commission can approve a resolution adopting the budget.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners approved Resolution 06/07-12 adopting a budget, making appropriations, imposing and categorizing taxes combined for FY07/08.

RESOLUTION 2006/2007 - 12

A RESOLUTION ADOPTING A BUDGET, MAKING APPROPRIATIONS, IMPOSING AND CATEGORIZING TAXES-COMBINED FOR THE FISCAL YEAR 2007/2008

BE IT RESOLVED that the Board of Commissioners of the Oregon International Port of Coos Bay adopts the 2007/2008 fiscal year budget as approved by the Budget Committee in the amount of \$27,609,034 now on file at the Oregon International Port of Coos Bay.

BE IT RESOLVED that the Board of Commissioners of the Oregon International Port of Coos Bay hereby imposes the taxes provided for in the adopted budget at the rate of .6119 per \$1,000 of assessed value and in the amount of \$24,600 for bonds. These taxes are hereby imposed and categorized for tax year 2007/08 upon the assessed value of all taxable property within the district as of January 1, 2007.

	General Government	Excluded from Limitation
General Fund	Tax Rate = .0006119	
Debt Service		\$24,600

BE IT RESOLVED that the amounts for the fiscal year beginning July 1, 2007 and for the purposes shown below are hereby appropriated as follows:

<u>General Fund</u>	
Administrative	\$ 1,612,165
Marina	1,297,347
RV Park	190,239
Shipyard	315,390
Upper Bay	31,720
North Bay	1,972,505

Non-departmental:		
Transfers	72,228	
Contingency	<u>100,000</u>	
TOTAL GENERAL FUND		\$ 5,591,594
<u>Business Enterprise Center</u>	<u>388,486</u>	
TOTAL AIRPORT ENTERPRISE FUND		\$ 388,486
<u>Combined GO Bond Interest & Redemption Fund</u>		
Debt Service	\$ <u>26,875</u>	
TOTAL COMBINED GO BOND INTEREST & REDEMPTION FUND		\$ 26,875
<u>Dredge Reserve Fund</u>		
Materials & Services	\$ <u>345,000</u>	
TOTAL DREDGE RESERVE FUND		\$ 345,000
<u>Special Projects Fund</u>		
Capital Outlay	\$ 4,020,768	
Debt Service	1,790,341	
Transfers	<u>40,00</u>	
TOTAL SPECIAL PROJECTS FUND		\$ 5,851,109
<u>Property Reserve Fund</u>		
Materials and Services	\$ 100,500	
Capital Outlay	<u>1,334,329</u>	
TOTAL PROPERTY RESERVE FUND		\$ 1,434,829
<u>Depreciation Reserve Fund</u>		
Capital Outlay	\$ <u>500,000</u>	
TOTAL DEPRECIATION RESERVE FUND		\$ 500,000
<u>Personnel Reserve Fund</u>		
Transfers	\$ <u>0</u>	
TOTAL PERSONNEL RESERVE FUND		\$ 0
<u>Revenue Reserve Fund - General Fund</u>		
Debt Service	\$ <u>150,000</u>	
TOTAL REVENUE RESERVE FUND - GENERAL FUND		\$ 150,000
<u>Rail Bridge Special Revenue Fund</u>		
Capital Outlay	\$12,449,473	
Debt Service	<u>19,743</u>	
TOTAL RAIL BRIDGE SPECIAL REVENUE FUND		\$12,469,216

<u>Debt Service Reserve Fund</u>		
Debt Service	\$ <u>0</u>	
TOTAL DEBT SERVICE RESERVE FUND		\$ 0
TOTAL APPROPRIATIONS		<u>\$26,757,109</u>
Non-Appropriated Budget Requirements		
Debt Service	\$ <u>851,925</u>	
TOTAL NON-APPROPRIATED FUNDS		\$ <u>851,925</u>
TOTAL		<u>\$27,609,034</u>

APPROVED and ADOPTED by the Board of Commissioners of the Oregon International Port of Coos Bay this 21st day of June 2007.

David Kronsteiner, President

Daniel Smith, Secretary

B. Approve CPI Increases for July 1 2007

At this June 21st Regular Port Commission meeting, the Board of Commissioners were asked to adopt the 07/08 Budget as presented by the Budget Committee. The Budget included a consumer price index adjustment to Port wages of 2.7%, effective July 1. This adjustment excludes the Executive Director who is evaluated by the Commission separately. The annual consumer price adjustment is included in the adopted Port's Pay Plan. Commission approval is required prior to the first payroll generation in July which will occur before the Regular Commission Meeting on July 19th.

Upon a motion by Commissioner Hampel (second by Commissioner Smith) the Board of Commissioners approved a 2.7% Cost of Living adjustment, effective July 1, 2007.

C. Review and Approval of FY06/07 Port wide goals

The Commission approved the Port's ten Merit Pool Goals at the July 20, 2006 Regular Commission Meeting. A Personnel Reserve Fund was created in the FY06/07 budget for the Pay Plan Merit Pool and funds were transferred from the General Fund. These funds were set aside to cover the Star Award program as well as end of the year completion of goals met. In the first year of the Merit Pool program Star Awards were presented in February to those employees that were recognized for exceptional performance. Commission authorization is required for dispersal of funds for the completion of the first year's goals. They will be dispersed across the board from the Merit Pool to all employees in the form of a proportionate increase. Mid-range employees will be awarded a special one-time adjustment in pay. Those employees who have not reached the mid-point will be awarded with an increase to the base salary by the proportionate percentage.

\$55,435 was budgeted for the Merit Pool; \$16,000 was used for the Star Award program. The balance of \$39,435 was distributed evenly between the 10 goals; each goal being worth \$3,943.50. The left over funds will roll forward to next year based on new goals and additional transfers.

The following is a list of the goals and their status:

1. Customer Satisfaction Survey: This goal was deferred/cancelled mainly due to cost.
2. Measurable improvement on non-tax revenues (Charleston Complex): Goal was not met due to lack of fishing season; decline of monthly and transient moorages; and reversal of the Ice Dock lease for 6 months resulting in a reduction of revenues. (Both RV Park and Shipyard reflected increases, but not enough to reflect overall improvement.
3. Measurable improvement over base maintenance at the Marina Complex: The goal was met. Unanticipated projects including the Ice Dock rehabilitation, B & F roof replacement and moving the Post Office were a few of the projects completed by maintenance staff.
4. Financial - no findings on audit or by department: This goal was met. The Port received a clean fiscal year-end financial report.
5. Establish credit rating, vendor based, using Dun and Bradstreet: This goal was met. The Port already had a number with D & B established many years ago. This information needed to be brought current; it was and it will be maintained. The Port's Commercial Credit Score is 97, better than 96% of the businesses in the D & B database.
6. Port Emergency Response Plan and complete practice drill: This goal has not been met. Research, planning and structure have begun, however and the goal will be recommended for completion in the next fiscal year.
7. Completion of a re-write of Chapter 14 - Personnel Policy: This goal was met. The chapter was approved by the Board of Commissioners at their April 11th Regular Meeting.
8. Completion of the Charleston Marina Master Plan: This goal was met. The plan was approved by the Board of Commissioners at their May 17th Regular Meeting.
9. Recruitment of 50 jobs in the Port District: This goal was met. One of the goal's criteria stated that the business must have a direct connection with the Port. The Business Center and its graduates provided 12 new jobs; Southport Forest Products provided 14; ACS provided 25 and Crustacean Lease brought 3 for a total of 54 new jobs to the Port District.
10. Website redevelopment: This goal was met. The new website came online August 30th.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners approved the Executive Director's recommendation to award all employees a proportionate increase to salary effective July 1, 2007 based on the completion of seven of the ten budgeted goals.

D. Memorandum of Understanding with CEDCO

One of the Port's Value Statements is leveraging our resources with multiple and varied partners for long-term success of our community. During the Charleston Master Plan process, it was determined that there was no more available space on Charleston Marina property for moorage growth. The Port's April 2006 budget message states that waiting lists for moorage persist and that the Port would like to identify additional locations in the Bay Area for new marina facilities that would be developed by the Port or as a joint venture with other entities. For the last few months, Port staff and the staff of CEDCO have been in discussion about development and operation of a marina next to the RV Park on CEDCO property. The conceptual due diligence has been completed. Staff recommendation is to proceed with the

feasibility/market research phase. The process would be jointly funded. The Memorandum of Understanding is set out in four phases. A determination will be made at the end of each phase as to whether to move to the next step or to terminate the project. The Port's Phase One financial contribution is estimated at \$6,000. It was budgeted in the FY07/08 Budget. Port Counsel, Robert Thomas has reviewed the document and found it acceptable for consideration by the Port Commission

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners approved Phase One of the Memorandum of Understanding between CEDCO and the Port for the cooperative development and operation of a marina.

E. Charleston Post Office Lease

At the August 16, 2000 Regular Commission meeting, the Board of Commissioners approved a one-year lease which included five additional one-year renewal options to Mr. Thomas Mitchell for the purpose of siting the Charleston Post Office on Marina Property. The lease was due to expire August 31, 2006 so at the August 17, 2006 Regular Commission meeting, the Commissioners approved a one-year extension prior to entering into a new long term lease to allow for completion of the Charleston Marina Master Plan. The Master Plan is complete and was adopted at the May 17, 2007 meeting. The Master Plan recommended moving the Post Office to another location due to congestion at the B-dock turn around. The current one-year lease extension for the Post office terminates on August 31, 2007. Staff has identified a new site at the old B & F Building across from the inner basin. Port staff assisted Mr. Mitchell in the move over the weekend of June 2nd and 3rd. Everyone seems very happy with the move. The lease which is triple net with CPI adjustments is presented to the Commission for approval. All other terms and conditions of the original lease agreement remain in effect.

Upon a motion by Commissioner Hampel (second by Commissioner Smith) the Board of Commissioners approved the new lease for the Charleston Post Office.

Discussion: Mike Gaul complimented Aaron and his staff for the hard work of getting the building ready and moving the Post office in one weekend.

7. OTHER:

A. Perkins Coie Land Use Contract

The Port of Coos Bay entered into a professional service agreement with the law firm of Perkins Coie to address land use compliance regarding the Port's 404 permit submittal for the North Spit slip and access channel. The original fee estimate, based on known zoning requirements at the time was \$100,000 of which Jordan Cove reimbursed the Port 85%. The remainder came from the Special Projects Fund. Because of the magnitude of this project and the identification of additional zoning districts within the Coos Bay Estuary Management Plan, Change Order #1 in the amount of \$100,000 was approved by the Port Commission at their April 2007 regular meeting. Change order #1 is 100% reimbursable by Jordan Cove Energy. Because this is an ongoing process and with the changes made to the Dredge Material Disposal Plan, a number of new land use requirements need to be addressed before the Land Use county hearing now scheduled for September 17, 2007. Jordan Cove Energy has authorized an additional \$80,000 for the Perkins Coie agreement which is estimated to cover work through the end of June. This

Change Order #2, in the amount of \$80,000, is 100% reimbursable by Jordan Cove Energy. Perkins Coie is in the process of providing cost estimates to take the project through the September hearings and any appeal process. Those estimates should be before the Port Commission as Change Order #3 at the July Regular Commission Meeting.

Upon a motion by Commissioner Smith (second by Commissioner Hampel) the Board of Commissioners approved the Change Order #2 to the Perkins Coie Land Use Contract in the amount of \$80,000.

8 INFORMATION ITEMS:

 A. Fishermen's Memorial Brochure

9. COMMISSION COMMENTS: There were no Commission comments.

10. NEXT MEETING DATE -Thursday, July 19, 2007

11. ADJOURN: The meeting was adjourned at 8:45 p.m.