

## **OREGON INTERNATIONAL PORT OF COOS BAY**

**Coos Bay, Oregon**

### **REGULAR COMMISSION MEETING**

**11:00 a.m., Thursday, January 16, 2025**

Port Commission Chambers, 125 Central Avenue, Suite 230, Coos Bay, Oregon 97420

#### **ATTENDANCE**

##### **Commission:**

Kyle Stevens, President; Nick Edwards, Vice President; Kyle ViksneHill, Treasurer; Elise Hamner, Secretary; and Arnie Roblan, Commissioner.

##### **Staff:**

Lanelle Comstock, Chief Executive Officer; Mike Dunning, Chief Port Operations Officer; Megan Richardson, Director of Finance and Accounting; Matt Friesen, Director of External Affairs; Rick Adamek, Director of Asset Management; Ray Dwire, Charleston Marina Manager; Krystal Karcher, Administrative Services Manager; and Jennifer Sierra, Administrative Assistant.

##### **Media & Guests:**

Lesley Daggitt and Amanda McCleary-Moore, Moss Adams; Tallon Trentz, IUOE Local 701; Carol Sanders; Jan Hodder; Mike Graybill; Christine Moffitt; Robert Bryant; Jim Behrends; Jamie Fereday; Dean Lundie; Ashley Audycki; and Sue Lee.

#### **1. CALL MEETING TO ORDER**

President Stevens called the meeting to order at 11:05 a.m.

#### **2. INTRODUCTION OF COMMISSIONERS, GUESTS AND PORT STAFF**

##### **A. Presentation of FY 2023/24 Annual Financial Report, Amanda McCleary-Moore and Lesley Daggitt, Moss Adams**

Amanda McCleary-Moore and Lesley Daggitt introduced themselves on behalf of Moss Adams to present the 2023/24 financial audit report. Ms. Daggitt began by reviewing the agenda, which would guide their presentation. Ms. McCleary-Moore clarified that the discussion of "Significant Risks Identified" does not pertain specifically to the Port. Rather, these are key areas of focus derived from their auditing standards, not indications of any specific findings in the audit. Ms. Daggitt spoke of the nature of services provided, including auditing the Port's financial statements in accordance with Generally Accepted Accounting Standards, compliance testing and reporting under Oregon Minimum Audit Standards, Single Audit of federal grant programs under Uniform Guidance, and reporting of the overall audit plan, results, internal control findings or any non-compliance findings.

The audit focused areas include internal controls, IT environment, cash and investments, revenues and receivables, leases and SBITAs, capital assets, long-term debt, accrued liabilities (e.g., PERS and OPEB), financial close and reporting, compliance with Oregon Minimum Standards, and federal grants. The financial statements are reviewed for material accuracy. The compliance testing covered

approved bank use, insurance, tax revenues from motor vehicles and fuel, public fund investments, public contracts, construction projects, and annual budget processes. A budgetary over-expenditure was noted this year related to railroad operations.

Ms. McCleary-Moore reported that Moss Adams issued a clean opinion on the Port's financial statements, confirming they are materially correct based on testing, sampling, and analytics. No significant deficiencies or material weaknesses in controls were identified. One instance of over-expenditure occurred, though the Port has reduced such occurrences through planning and supplemental budgets. There were no significant noncompliance issues impacting financial statements or internal controls.

Ms. McCleary-Moore discussed key areas of communication from their testing, emphasizing the Significant Risks Identified by auditing standards. For the Port, the focus included management override of controls. This involves ensuring that internal controls are effective and cannot be bypassed by management, particularly concerning journal entries and financial statement preparation. No additional risks were found in the tested journal entries. For preparation testing, they focused on significant unusual transactions and ensured proper authorization, with no issues identified.

Ms. McCleary-Moore reviewed GASB Statement No. 100, which the Port implemented this year. While it did not impact the current year's financial statements, it will guide the reporting of error corrections and changes in accounting policies in the future, including specific disclosure requirements.

Ms. McCleary-Moore reported there were no significant or unusual transactions identified, as well as no significant difficulties encountered during the audit and there were no disagreements with management. No circumstances affected the form or content of the auditor's report. There were no other findings or issues arising from the audit.

Ms. McCleary-Moore expressed gratitude to the Port and Finance team for their collaboration in meeting the audit deadline.

Commissioner Hamner inquired about IT evaluations and controls regarding fiscal security against cyber issues. Ms. McCleary-Moore clarified that their audit focus is on the IT environment not specifically on cybersecurity but on two critical areas, access controls and change management. They examine who has access to the organization's systems, ensuring access is appropriate and aligns with internal control procedures. They evaluate how system upgrades and patches are managed. This involves assessing whether updates are tested before implementation and if the organization regularly updates its accounting systems to avoid security risks.

Commissioner ViksneHill inquired about the vendor change mentioned in the audit letter. Ms. McCleary-Moore explained that it relates to external fraud concerns, such as receiving fraudulent emails from individuals posing as companies or employees requesting account changes. She emphasized the importance of follow-up practices, including direct contact with the company or employee, to verify such requests and prevent fraud.

## **B. Port Financial Update by Megan Richardson**

Megan Richardson presented the November 2024 financial review, highlighting a \$93K shortfall in operating income, which was about \$276K compared to the budgeted \$369K. The Administration

faced a \$3K shortfall, mainly due to vacant lease spaces in the Hub Building. However, Port Operations saw a net gain of \$3K, due to a dock agreement at the T1 facility.

The Railroad Operations experienced a \$58K shortfall. The Port's rail leases, along with a rail management fee based on 10% of Coos Bay Rail Line (CBRL) car movements, contribute to the revenue. In November, the budget anticipated 600 car movements, but CBRL only moved 335 cars, resulting in a \$150K shortfall year-to-date due to the lower-than-expected car movements.

Charleston Operations faced a \$35K shortfall this month, with a total impact of around \$45K, bringing the year-to-date shortfall to approximately \$200K. The primary areas affected are building and dock leases, the marina (including moorage and services), and the RV park, alongside travel lift movement and other smaller revenue streams, while Ice Plant sales this year have exceeded previous years.

Operating expenses were about \$365K, which is \$133K less than the budgeted amount. Departments are focused on tightening their budgets and finding savings wherever possible. The total operating results showed a loss of about \$88K, which is \$40K better than the planned loss of \$129K. Railroad Operations had an unfavorable result due to lower revenues. The Other Income was \$1.9M, exceeding the budgeted \$1.67M by \$241K. Property tax collected this month was \$1.88M, outperforming the budgeted \$1.65M by \$227K. This increase occurred because anticipated December revenue came in earlier, in November. Of the collected property taxes, 91% was expected for the year, with 93% already received through November. Other income includes transfers from the dredge fund, public records requests, and reimbursements for facility damages, such as insurance or customer-related claims.

The Port's total expenses were \$882K, which is \$217K over the budgeted amount of \$665K. This overspending includes financial expenses and taxes, such as banking and merchant fees related to credit card payments, and a small amount of property taxes for leased port properties like storage units. Debt service expenses for the month totaled \$877K, exceeding the budget of \$626K by \$251K. This overspend was due to a budget allocation error, as most of the debt service payments were made in November, with a smaller portion split between December and June. The Port is still within budget for the fiscal year overall, with debt service covering asset payments.

For November, the Port reported a net gain of \$936K, surpassing the budgeted gain of \$872K by about \$64K. Year-to-date, the Port had a net gain of \$727K, exceeding the budgeted \$406K by roughly \$321K. This favorable result includes an unplanned revenue of \$405K from the sale of three locomotives.

Commissioner ViksneHill inquired about the outlook for the rest of the year. Ms. Richardson responded by stating that revenues are currently falling short and are expected to remain below target, with a projected shortfall of \$400K. Lanelle Comstock mentioned that the plan is to hold a forecasting work session later this month or early next month.

### **3. PUBLIC COMMENT**

**A. Jamie Fereday**, a retired teacher, sent an email to the Board of Commissioners regarding a document he had submitted in November, which included links to research on the values of estuaries, particularly focusing on flood control. He emphasized that many estuaries no longer

serve this function due to channelization and sediment buildup, which requires dredging for shipping purposes. One of the documents he shared was from the U of O Sutherland study, which Mr. Fereday recommended the Board watch in a webinar. Mr. Fereday also mentioned another study specific to the local estuary and a report on how coastal cities are vulnerable to storm surge, exacerbated by human activities and sea level rise. Mr. Fereday stressed that deepening or widening channels worsens these issues and suggested that the Board could consider these findings, especially considering the goals for estuary restoration. He acknowledged the Board's focus on PCIP but urged them to reconsider actions that go against the goal of preserving the estuary's values. Mr. Fereday concluded with quotes emphasizing good judgment and experience, recalling his time on the Oregon Ocean Policy Advisory Council (OPAC) where he focused on important environmental goals.

**B. Dean Lundie**, owner of the Cushman Marina and RV Park, raised several concerns regarding his property and the local harbor. Over the past few years, he has sent letters about damage to his property that he alleged was caused by the rail and is seeking a response regarding dock damage. He has requested surplus concrete barriers.

Mr. Lundie stated he is worried about the risks of ship fires in the harbor, especially with cargo container ships. He contacted Val Hoyle's office regarding Peter DeFazio's decision to close the U.S. Coast Guard Station—Cutter Orca, which he believes was a capable firefighting vessel. He advocated for reinstating a Coast Guard ship to address potential fire emergencies in the bay. Mr. Lundie stated he is concerned about ships discharging ballast water into the local bay, which could harm the ecosystem, citing San Francisco Bay as an example of such ecological damage. He commended the local bay bar pilots and the harbor but expressed frustration with foreign ships' lack of respect for the area's ecology.

#### **4. CONSENT ITEMS**

- A. Approval of December 19, 2024 Regular Commission Meeting Minutes
- B. Approval of December Invoices
- C. Approval of December Contracts Awarded

Upon a motion by Commissioner ViksneHill (second by Commissioner Arnie Roblan), the Board of Commissioners voted to approve the December 19, 2024 Regular Commission Meeting Minutes, December Invoices and December Contracts Awarded. **Motion Passed Unanimously.** (Ayes: Stevens, Edwards, ViksneHill, Hamner, and Roblan. Nays: None).

#### **5. MANAGEMENT REPORTS**

All Management Reports were included within the Meeting Packet.

#### **6. ACTION ITEMS/REPORTS**

##### **A. 2023/24 Annual Financial Report**

Moss Adams has completed the annual financial report on behalf of the Oregon International Port of Coos Bay for fiscal year ending June 30, 2024.

The financial statements were presented in accordance with the financial reporting model in the Governmental Accounting Standard Board (GASB) Statement No.34.

There were no adjustments that had a material effect on the Port's reporting process. There were also no material weaknesses or reportable conditions for internal control, or any instances of non-compliance to the general-purpose financial statements.

Ms. Amanda McCleary-Moore of Moss Adams attended this Commission meeting and presented the audit. A copy of the audit has been provided to Commissioners for review.

Upon a motion by Commissioner Roblan (second by Commissioner Edwards), the Board of Commissioners motioned to approve the annual financial report for fiscal year 2023/24. **Motion Passed Unanimously.** (Ayes: Stevens, Edwards, ViksneHill, Hamner, and Roblan. Nays: None).

### **B. Appointment of FY 2025/26 Budget Officer**

Oregon Local Budget Law (ORS 294.305 through 294.565) governs the preparation of the Port's annual budget. Pursuant to ORS 294.331, the Port Commission is required to designate one person to serve as the Budget Officer, who shall prepare or be responsible for preparing the budget document under the direction of the Chief Executive Officer. The Budget Officer also presents a balanced budget to the budget committee, publishes all notices required by Local Budget Law, monitors budget expenditures during the budget year and notifies the governing body of the need to make any budget changes required after adoption.

Port staff recommends Megan Richardson, the Port's Director of Finance & Accounting, to be appointed as the Budget Officer for the fiscal year 2025/26 budget process.

Upon a motion by Commissioner Hamner (second by Commissioner Roblan), the Board of Commissioners motioned to approve the appointment of Megan Richardson, Director of Finance & Accounting, as the Budget Officer for the fiscal year 2025/26 budget process. **Motion Passed Unanimously.** (Ayes: Stevens, Edwards, ViksneHill, Hamner, and Roblan. Nays: None).

### **C. 2025Res01: Declaration of Emergency: Bridge at 763.55**

On January 14, 2025, three hangers in span 1 of the North Bend swing span bridge at MP 763.55 were found close to failure during a routine inspection of the bridge by CBRL's Bridge Inspector. The Bridge Inspector provided photos and information to CBRL's engineer of record, Stantec, who pulled the bridge out of service until the hangers could be repaired. Port staff was immediately notified of the immediate need to reinforce the hangers on the bridge, and until permanent repairs can be made, rail service south of the bridge will be interrupted.

Without timely repairs, CBRL's largest customer will be without service. Due to the bridge being out of service due to other matters, the customer south of the bridge has approximately 37 cars waiting for delivery. Three locomotives are also south of bridge unable to be used.

Scott Partney, who has extensive construction knowledge of steel bridge repairs, has replaced the hangers in the past on other spans, and has the ability and the work force to repair the hangers in the time frame necessary to limit the rail down time, was immediately contacted regarding the repairs.

Partney provided a quote of no more than \$75,000 to reinforce the hangers and estimated the repairs to be completed the following week.

On January 15, 2025, Chief Executive Officer Lanelle Comstock signed a declaration of emergency to authorize the Port to enter into a sole source contract with Scott Partney Construction to quickly reinforce the hangers to resolve this emergency condition and bring the bridge back into service. The \$75,000 will be paid for by the Port's line of credit.

Ms. Comstock expressed concerns about the financial viability of repairing the bridge due to the Port's cash flow issues. She highlighted the potential negative impact on local businesses, such as Greenhill, GMA Garnet, and others, if the bridge remains out of service. Since 2018, the Port has spent \$4.4M on emergency bridge repairs, including \$2.6M for the swing span bridge, which recently received \$12M from a BUILD grant. The proposed \$75K repair funding would come from a line of credit, but Ms. Comstock suggested that these funds could also support the Charleston Marina.

Ms. Comstock said that Matt Friesen is engaging with legislators to explore options for securing additional funding to address the issue. Meanwhile, Brian Early is focusing on acquiring new customers to increase the carload volume.

Commissioner Hamner inquired about the companies mentioned, specifically asking how many jobs are tied to these businesses. Ms. Comstock noted that she would need to look into the matter further to determine the potential impact. Commissioner Stevens appreciated the transparency regarding this issue, noting that in past years, information often came too late. Commissioner Stevens noted that it's difficult to predict what will happen in the future, but additional repairs may be necessary.

Commissioner Hamner inquired about the tariffs paid for carloads crossing the bridge and asked which account these payments are allocated to. Ms. Comstock explained that the Port collects surcharges associated with bridge crossings. Ms. Richardson added that while these surcharges help offset some of the costs for major bridge repairs, the repair expenses significantly exceed the revenue generated by the surcharges.

Commissioner Roblan asked about the yearly value of rail cars using the bridge. Ms. Comstock said she would gather that data. Commissioner Stevens inquired about a pending work list for the bridge. Rick Adamek explained that a formal climbing inspection did not include these issues, but that deterioration has since accelerated. The top 20 recommendations from the inspection have been addressed, and reinforcements are being added to extend the bridge's usability by 5-10 years. A full replacement could cost \$150K per span. Mr. Adamek stated that the swing span bridge is nearing the end of its life expectancy, with critical connections like gussets, diagonals, and hangers deteriorating, some failing unexpectedly during repairs. With 13 spans and many similar connections, significant attention will be needed soon. Commissioner Stevens suggested starting conversations with customers within the next month to begin planning and estimating costs. Mr. Adamek added that the climbing inspection data could help predict future needs.

Commissioner Hamner expressed concerns about the impact of 1,600 carloads, which would equate to 6,000 semi-trucks, on the highway. She raised questions about the Tribes' plans for their terminal next to the Mill Casino Hotel, particularly regarding the shipment of wood pellets. Although unsure whether these shipments would be transported by semi-trucks, she emphasized the need for a broader,

long-term discussion. Commissioner Roblan added that the bridge in question is the largest swing span bridge in North America, originally designed to match the width of the Panama Canal.

Ms. Comstock moved to recommend adopting Resolution 2025Res01.

Upon a motion by Commissioner Roblan (second by Commissioner ViksneHill), the Board of Commissioners motioned to adopt resolution 2025Res01 ratifying the Declaration of Emergency for emergency hanger reinforcements on the steel bridge located at MP 763.55. **Motion Passed Unanimously.** (Ayes: Stevens, Edwards, ViksneHill, Hamner, and Roblan. Nays: None).

7. **OTHER**

8. **COMMISSION COMMENTS**

9. **NEXT MEETING DATE** – Thursday, February 20, 2025, 11:00 a.m.

10. **ADJOURN**

President Stevens adjourned the meeting at 12:09 p.m. and entered into Executive Session, as authorized under ORS 192.660(2), to:

- (e) conduct deliberations with persons designated by the governing body to negotiate real property transactions;
- (f) consider information or records that are exempt by law from public inspection;
- (g) consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations;
- (h) consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed; and
- (j) carry on negotiations under ORS Chapter 293 with private persons or businesses regarding proposed acquisition, exchange or liquidation of public investments.