

**OREGON INTERNATIONAL PORT OF COOS BAY**  
**Coos Bay, Oregon**  
**STRATEGIC PLANNING COMMISSION WORK SESSION**  
**8:30 a.m., Monday, August 19, 2019**

Port Conference Room, 125 Central Avenue, Suite 210, Coos Bay, Oregon 97420

**ATTENDANCE**

**Commission:**

David Kronsteiner, President; Eric Farm, Vice President; Brianna Hanson, Treasurer; Bob Garcia, Secretary; and James Martin, Commissioner.

**Staff:**

John Burns, Chief Executive Officer; Lanelle Comstock, Chief Administrative Officer; Patrick Kerr, Director of Rail Operations; Megan Richardson, Director of Finance; Jake Jacobs, Director of Infrastructure Support Services; Mike Dunning, Director of Maritime Operations; John Buckley, Project Manager; Margaret Barber, External Affairs Manager; Fiona Bai, Marketing Media Specialist; Thomas Durand, Maritime Operations Manager; Rich Lopez, Rail Operations Manager; Treece Rempelos, Rail Operations Support; Krystal Moffett, Administrative Assistant; and Mike Stebbins, Port Legal Counsel.

**Media & Guests:**

None.

**1. CALL MEETING TO ORDER**

The meeting began at 8:35 a.m.

**2. INTRODUCTIONS, BRIEFING AND REVIEW OF PAST INITIATIVES**

John Burns began the session by stating the strategic business plan was created in 2015, developed from a state level initiative through legislation that required Business Oregon to have ports enter into strategic business plans in order to solicit money from the state. Commissioners were a part of that process in 2015. Staff will review what has been accomplished and what goals the future holds, and will also look ahead to the upcoming year, as our current plan expires soon. Staff will initiate a more in-depth process next year to generate the next long term business plan, as soon as there is financing in place to do so.

Mr. Burns reviewed the high priority projects included in the 2015 plan:

- **CBRL Bridge, Tunnel and Track Structure Rehabilitation:** This has been an ongoing effort, with the Port having spent close to \$100 million on the railroad. Phase I of the tunnel project is complete, and Phase II will begin soon. Other completed projects include the timber bridge repairs and the swing span bridge repairs. There is a \$20 million BUILD grant with a \$5 million match that will address the steel bridges, all three swing span bridges, and the Coalbank Slough bridge. Later in this session, the next great need of the railroad will be discussed; which is the track, rail, tie and ballast system.

- CBRL Millington Spur: The Millington Spur was not completed; rather it was switched out with the K2 spur, to meet the need of bringing logs from the Willamette Valley to Coos Bay.
- CBRL Rail Infrastructure on North Spit: In the last year, the deal with Jordan Cove has allowed access to the spur siding for use as a transload facility. Discussions are currently underway with a customer to bring rock aggregate into Coos Bay utilizing that facility for a year or two.
- Replace the T's at B, C, D, and F Dock: Port staff continue to struggle to keep up with damaged and failing docks. This will be an ongoing difficulty and Harbormaster Brandon Collura has been tasked with creating a priority list of needs and how to best address those.
- Upgrade Commercial Fishing Dock: Current Port staff are unsure what this means.
- Make Ice Dock Improvements, including condenser replacement: This came up several years ago, but unfortunately staff have not been able to complete this. It is scheduled to be completed in the next several months.
- Remove Creosote Piles: Last year, 20 pilings were removed and replaced. Staff will continue until all have been replaced. President Kronsteiner asked whether any mitigation points are being received. Mr. Burns stated he did not believe so.
- Small Building Improvements: Last year, major repairs and upgrades at the dock heads were completed. Staff will continue to make improvements to facilities and buildings as needed. A building on Guano Rock Road was recently upgraded and is now the new shop for the maintenance crew and will house the state owned dredge and auxiliary equipment.
- Ongoing RV Park Improvements, including security upgrades: The latest upgrades will be to the security system, which will be covered later in the session.
- New Boatyard Travel Lift: The Port was successful in acquiring a new Travel Lift. This has been a successful year, though more business with the lift is desired.
- Boatyard Travel Lift Slip Improvements: This project is on the list to be completed.
- Boatyard Marine Ways Repair/Replacement: This project is pending.
- Boatyard Work Dock Improvements: The work docks were significantly damaged by a vessel. The Port was successful in working with the insurance carrier to recover some of the cost. Work will begin in the next 12 months.
- Dredging – Charleston Marina and Boatyard: The Port continues to work towards this issue being resolved, particularly in the area of Point Adams and the Shipyard, which fill in rapidly each year. Slack time with the state owned dredge would allow for use of the dredge in those areas.
- Multipurpose/Multimodal Cargo Terminal: Later in the session, there will be a presentation regarding the feasibility study to develop a 200-acre site for a multiuse terminal on the North Spit.
- Develop Sites for Bulk Commodities: Port staff continue to explore opportunities as they come in. The current challenge is finding someone to occupy the GP facility; it is ideally located.
- Channel Deepening: This project continues to move forward and will be discussed as length later in the session.

Mr. Burns spoke of the Port's mission and guiding principles that dictate the path to follow.

### 3. MARITIME OPERATIONS

Mike Dunning shared information regarding the Channel Modification Project. It was in 1899 the Coos Bay channel was first authorized by Congress; the entrance was 17' at that time. The deepening project is not focused on container ships, though the overall size of ships including container ships are getting bigger. In 1956, the average ship was 5 – 800 TEU's (twenty-foot equivalent unit), compared to today's ships that are 18 – 20,000 TEU's. In order to stay competitive in today's market, the channel needs to be deeper. President Kronsteiner asked the largest ship being targeted with this project. Mr. Dunning stated with tidal fluctuations the channel will be 51' which is deep enough to compete with the major ports, though cannot accommodate the biggest of ships.

Currently the channel is 37' deep, 47' deep at the entrance by 300' wide nominally. The project is proposing to go to 57' deep at the entrance, and 45' depth in the channel and 150' wider; it will remain a one-way channel for larger vessels. The economic study for this project shows a projected \$67 million annual transportation cost savings.

Dredging will begin offshore -1.0 and extend to River Mile 8.2. There is a horizontal clearance issue at the rail bridge and a vertical clearance issue with the McCullough bridge. Dredging volume will be about 15.5 million CY of materials; about 43% of that will be rock and the rest will be sand. The aids to navigation will be relocated. No buoys are being added, just repositioned.

Mr. Dunning spoke of the 204(f) review process, which states that a non-federal entity can widen and deepen a federal channel, though no federal funds will be expended during construction and there must be at least two beneficiaries.

The Port is actively working on state and federal permits, including the Section 404 removal-fill permit. Section 103 is related to the proposed offshore disposal site. The 401 certification is the water quality certification that will come from the state EPA. This applies for the dredging and water quality. It also applies to the littoral beach nourishment, where sand material is being proposed as a 401 disposal site. A text amendment to Coos Bay Estuary Management Plan is needed for the Coastal Zone Management Act. The project goes in and out of the natural aquatic and development aquatic zones.

The 204(f)/408 report was submitted to the Corps in April 2019; they have made their comments which are being reviewed and addressed. The revised and final 204(f)/408 report with 100% plans and specs will be submitted in mid-September 2019.

Mr. Burns stated Port staff has done a good job of moving the project forward. Unfortunately, there are those who view the Channel Deepening Project as part of the Jordan Cove Project. Commissioner Farm asked if this is something Commissioners need to take on to push this project forward. Mr. Burns stated the need to come up with a good set of tactics and to continue working with legislatures.

The project was chosen as a major infrastructure project by Washington DC which will result in one federal decision. The executive order was issued in August 2017 and this project was chosen about one year later. All federal agencies will sign one record of decision within two years of the notice of intent. The Port notice of intent went out in August 2017, though the project was identified one year later and the schedule did not get into the system until December 2018, it will be two years from that point.

Mr. Dunning shared a plan map view of Coos Bay showing the existing channel in blue and the proposed in yellow. In the context of the channel this is not a large project; it will be 75' wider on each side and

8' deeper. The map also shows the existing and proposed disposal sites. Near the channel entrance, Site E is very inefficient and therefore not used. Historically, 60% of material placed in this site ends up back in the channel to be picked up again. Sites F and H are the primary sites, and Site G is used if the offshore sites are not available. The proposed beneficial use disposal site is shown.

Commissioner Hanson asked if there is a requirement to phase the disposal over several years, or if there is a maximum amount per year. Mr. Dunning stated the construction will be done over three years. Commissioner Kronsteiner asked if there will be dredging beyond the north jetty and Mr. Dunning confirmed.

Mr. Dunning shared the zone of effects map. Physical and environmental effects assessed include side slope equilibration, as well as water levels, currents, waves, shoreline erosion, tsunami propagation, salinity, dissolved oxygen, and sedimentation. There are under bay utilities including a gas line, but the project is well clear of that.

Mr. Dunning stated other aspects of maritime operations include safety and security, land management, environmental management and oversight, the unified dredging permit, maritime transportation, and project oversight. Major projects include the Charleston security upgrade, development of a multiuse terminal, evaluating the highest and best use of Port lands, and safety programs. The Charleston security upgrades include possibly putting gates at the dock heads and keycard access for the bathrooms in the RV Park. The Port is also looking at potentially gating the entrances at certain times of the night, possibly with a guard who watches cameras.

Margaret Barber spoke of the recently completed multiuse terminal feasibility study. Inquiries come from all over the world, due to the desirable location of the largest deep-water coastal port between Puget Sound and San Francisco. Feasibility studies have been done in the past but were all quite dated. Permitting processes, as well as costs, have changed. A variety of commodities was studied, not focusing on containers but rather on bulk or breakbulk. It was determined that the permitting process will largely depend on the commodity, but the general timeframe is about 18 months to 2 years. Phase I is estimated at \$286 million and a full build-out with Phase I and II would be about \$500 – 600 million. Initially, the study looked at both the Henderson Ranch site and the North Bay Marine Industrial Park. The findings were that much less wetland mitigation would be needed with the North Bay site.

#### **4. CHARLESTON MARINA**

Brandon Collura spoke of Charleston being a vibrant fishing community with a great abundance of valuable stock including albacore tuna, salmon, halibut and rockfish, as well as a shellfish. The Marina Complex offers over 400 moorage slips, and about one third or close to half of those are commercial. There is also the six lane launch ramp for recreational use. The commercial grade ice plant produces an average of 4,000 tons of ice per year. There are numerous commercial and retail spaces available for restaurants and seafood processing. Indoor and outdoor storage facilities are also available. The RV Park is equipped with close to 100 sites and 3 yurts. Though a seasonal part of the business, this provides a great amenity to the fishing community. The Shipyard is a major component of the Marina Complex, with the 100-ton travel lift, 200-ton marine ways, upland storage space for fishing vessels, and private ship building businesses.

Current strategic needs in Charleston include rehabilitating and maintaining infrastructure, maintaining and operating the state-owned dredge, and improving security. There are major infrastructure needs

including the ice plant condenser replacement, T's on the docks, building improvements, and the marine ways at the Shipyard. All of these items are strategic pieces to building a vibrant fishing community. Maintenance staff is currently wrapping up a robust maintenance program for the state-owned dredge. It is important to maintain this equipment and have it available for the short in-water work window. Security upgrades, including better cameras and more staff, are needed to curb the petty theft and other incidents.

A 2015 SWOT analysis showed the Port of Coos Bay as one of the busiest working waterfronts in the state of Oregon, with great access to one of the safest bar crossings and a strong array of outdoor recreational opportunities. Weaknesses include an unsafe and unsecure reputation, aging infrastructure and poor condition of properties, as well as past leases and contractual agreements that do not have the best interest of the Port in mind. Staff are working to turn these around. Best available opportunities include the momentum in tourism, a strong history of maritime culture and trade, and providing more commercial services to the fleet. Threats include an increased number of derelict vessels, regulatory and environmental oversight, and natural disasters or events such as storms or a tsunami. Staff are working to minimize these threats as much as possible.

It is important to maintain a vibrant fishing community in Charleston; in 2018 there were 25.3 million pounds of seafood landed, which is the third largest amount in the state behind Newport and Astoria. That equates to a \$34.3 million value of commercial fish and shellfish. Maintaining the facilities will help to keep the commercial fleet in Charleston and the recreational side also adds value.

Recently completed projects include the replacement of the launch ramp floats and the maintenance shop move. The Oregon State Marine Board worked with the Port on replacing all 20 of the pods for the launch ramp docks, and there has been a great response from the public. Due to the funding from the Marine Board, they are only available to the recreational boaters, but the Port will continue to work with the commercial fishermen. The maintenance shop move has given Port staff more room for tools and it also provides storage for the state-owned dredge equipment.

Highest priority upcoming projects include infrastructure improvements such as the ice plant condenser replacement, other marina infrastructure, security upgrades, and office relocation. The ice plant condenser is past its usable life and must be replaced due to safety concerns; it is an ammonia based system. The project will begin within the next six months, for an estimated \$130,000. In the next five years, priority will be to maintain the dock infrastructure as best as possible, with a focus on creating a priority list of the most broken or decayed. This will also apply to buildings, with repairs to the small leasable spaces being continuous. Security upgrades has been previously discussed and are crucial to building a better reputation for the area. The office relocation will centralize administration and security staff allowing for more efficient operations and will free up the current office for future leasable space.

Commissioner Hanson asked if the hours worked on the dredge can be billed to the state. Mr. Burns confirmed. Business Oregon will provide to the Port approximately \$250,000 per year now available for the dredge maintenance and insurance. The Port will ensure that money is managed properly. Commissioner Martin asked if there is a contract for the upcoming dredge window. Mr. Burns confirmed that Port staff are working on an agreement with the Port of Siuslaw. With lessons learned from previous dredging, the receiving port will be required to put funds into an escrow account or bonded before work will commence.

Short break at 10:00 a.m. Return at 10:20 a.m.

## 5. MAJOR PROJECTS AND GRANTS

Jake Jacobs spoke of the grants team for the Port having brought in a significant amount of money to complete projects for the public and community good. The team is inclusive of three sections in the core grants teams. The first is the External Affairs Department, taking on the initiative to find grants, build discussion points, and working to ascertain whether the project and grant should be pursued. There are many projects needed and only limited resources. Once a decision is made to move forward, the process of building the application begins. To be competitive, the application needs to be accurate, concise, and descriptive of the need in writing. Once a grant is received, then the project managers step in and must manage the project while keeping an eye on the scope, schedule, and budget. These project managers work hard to maximize their time and keep track of vendors spread across multiple locations.

The Finance Department is essential to the success of these projects. Staff works hard to ensure that funds are available, the budget is adjusted if need be, and predictive analysis provides information to grantors. Reputation is critical when grantors look to award money.

Since 2013, Rail has brought in \$56 million in grant funds. Major projects are being completed, including the Phase I tunnel rehab. In the Charleston Marina, when compared to the Rail, the dollar amount brought in is much smaller. Finding these smaller grants are more challenging, and success has been in the spending of these funds. Completed projects in the Marina include the rehabilitation of the bathroom facilities, the launch ramps, picnic tables, and purchase of the travel lift, among others. Every dollar has been expended on time and that helps to build a priceless reputation with the grantors.

The grant process takes place in three phases. Beginning with the pre-decision labor hours of identifying the grant, validating the need, talking with stakeholders, and submitting the application. The next phase of the process includes satisfying the needs of the granting agency, the notification process, and the determination to obligate. Once the funds are received, then the project can be initiated.

Commissioner Hanson asked if more time was available to pursue grants, whether more could be achieved or if limitations on staffing prevent that. Mr. Jacobs stated there are a multitude of grants available but there is limited time to devote. Mr. Burns added other inhibitors include the up-front engineering and planning work that must be completed prior to application. Where the Port has been successful is where those plans are ready. The Port must also be careful to have match funding sources available. With regards to the BUILD grant, the Port had significant funding lined up to cover the \$5 million match, then as the swing span bridge repairs progressed, that funding was diverted. Port staff have approached MARAD to possibly apply the money spent on the swing span repairs to the match as it was part of the BUILD grant application, or to possibly waive the match requirement. The match was not required as this is a rural community but it gave the Port application an advantage. In the meantime, the \$5 million funding was received from the state.

Mr. Burns stated Port staff met with MARAD recently, and the Port of Coos Bay is the only entity to manage three independent grants through MARAD. With regard to the question of resources, recently the Port found a situation where grant statuses were unclear. Conditions changed and the decision was made to go to a matrix style management of grants, bringing in multiple disciplines.

Commissioner Farm stated the graph of grant money spent is very informative and asked if this could be updated quarterly and included in the commission packet. Mr. Burns stated that information is provided to the granting agencies in quarterly reports, so should be easy to provide to Commissioners.

## 6. RAILROAD OPERATIONS

Patrick Kerr spoke of the Coos Bay Rail Line, a 130-mile line from Eugene to Coquille, providing the fundamental link in the Port's economic development mission by providing local and regional businesses with safe, direct, efficient and cost-effective rail service to the national rail network and global markets. Sustaining the economic growth and development of rural Lane, Douglas, and Coos Counties is made possible because of the essential infrastructure of the Port's rail line.

Operations utilize the same locomotives and equipment for the daylight and evening schedules. Customers are serviced Monday through Friday and interchange with the Union Pacific. There are two crews in the morning, the switchers, with one in Noti and one in Coos Bay. They switch inbound and outbound traffic, taking the cars to Noti and staging them for the haulers. The Coos Bay switcher stages cars in Hauser to go north. There are two crews at night, the haulers, one in Noti and one in Coos Bay. At a siding in Cushman the inbound and outbound cars are switched between the haulers. Haulers run Sunday through Thursday, 7 p.m. to 7 a.m. and switchers run Monday through Friday, 7 a.m. to 7 p.m. This leaves the weekend open for maintenance or contractor work windows.

Mr. Kerr spoke of the different personnel on the railroad including the engineer and conductor. The engineer moves the train at the direction of the conductor. The bridge tender turns and maintains the bridges. The mechanical and utility employee conducts inspections and repairs of the cars and buildings. The signal maintainer conducts monthly inspection and repairs of all signal crossings as needed. There are two track inspectors and one bridge tender. The CBRL is looking for a locomotive mechanic to help with maintenance. Almost all of the employees are equipment operators as needed. Customer service and car management is taken care of in house. Reporting requirements have to be timely and accurate. The Union Pacific has a 95% threshold required which if met, there is a bonus per railcar. The CBRL averages 98-100% accurate.

Different types of tracks include mainline, sidings and spurs. A siding is an area to go from one side to the other. A spur track is on a customer facility, it typically goes off the line and dead ends. A lead track, like the North Spit, leads from the mainline to different locations. A team track is a spur track that can be utilized by the public. Auxiliary tracks are spare track for equipment or tie up. A wye track allows for positioning of the train.

The rail standard gauge is 4' 8-1/2" from inside of rail to inside of rail. Cross ties distribute the weight of the railroad and come in different lengths. The tie plates keep the rail from moving too much. The joint bars on the inside of the rail, tighten everything down and hold it together. The tamping process keeps rock flat and even, holding the ties in place. The rock also helps to facilitate drainage. The typical right-of-way is 100' wide.

Types of equipment on the railroad include hy-rail maintenance vehicles. CBRL has six hy-rail vehicles; the last of which was just received over the previous weekend. These are important assets to maintain and inspect the track and move about on the right-of-way. Some locations on the line are difficult to access without hy-rail. The types of cars include center beams, box cars, chip cars, gondolas, and covered hoppers. The hauling capacity of the box cars is about 200 tons and the value of each railcar in finished goods is about \$50-80K per car.

There are more than 120 bridges on the CBRL, or 6.55 miles of bridges. There are timber bridges, turn style bridges, concrete deck bridges, and steel bridge structures. There are unique issues with each type of bridge. The timber bridges have a lot of moving parts. The swing span bridges also have a lot of

moving parts and there are no original blueprints. Work for the BUILD grant will replace some of the parts on the three swing spans, but not all. Concrete bridges have replaced some of the timber bridges. There are nine tunnels on the CBRL, or approximately 2.65 miles of tunnels. Phase II of the tunnel rehabilitation project will kick off soon with work on the tunnel drainage, to the cost of about \$19.5 million. There are more than 10 miles of other than mainline track on the CBRL.

Mr. Kerr stated that looking ahead to the next 100 years; the conversation is very different today than it would have been one year ago. Today, the Port owns and operates the line as of November 2018. There has been a decrease in the lumber market, when combined with customer GP closing their mill, has led to a decline in traffic on the CBRL. Staff will continue to work with existing customers and look to acquire new customers and grow. Staff strive to be proactive rather than reactive. Challenges will include ongoing maintenance and inspection. The winter storm in February 2019 shut the line down for three days with clean up efforts. The sand dunes present another maintenance challenge, with ATV riders and wind constantly blowing sand across the tracks. There will need to be a holistic long-term approach to find a solution.

Highest priority projects include ongoing maintenance, work on tunnels, bridges and track, rehabilitation and capacity improvements. The next big project will be the tie and surfacing program. The North Spit spur was last surfaced in 2005/06 and needs to be redone along with some of the sidings. Industry standard for rail replacement is 136 pound rail; there are a variety of sizes on the CBRL, from sidings at 75 pound to the mainline at 112-113 pound. The tie replacement program is estimated at almost 325,000 ties to be replaced, or approximately 3,334 ties per mile.

Other projects include building a transload facility on the north end. Lane County encompasses nearly half of the line, and there is no depot in that area. In order to facilitate connections with customers and expand the growth of the CBRL, a north end depot will be needed. Staff will continue to work with existing customers to help them grow and expand.

Railroad revenue comes from car loading, a fixed amount per car. There is a capital surcharge which also provides revenue, as well as real estate leases. The federal 45 G program provides tax credit, nearly \$300,000 last year. The state recently passed similar legislation. A general rule of thumb for short line railroads states that 100 cars per mile per year are needed to maintain and invest back into the line. On the CBRL that would be about 13,400 cars; current annual average is 7,000, though numbers are down right now due to a market downturn and closed customer facility.

Commissioner Martin asked the speeds at which the railroad is able to operate. Mr. Kerr stated as accepted class, speeds of up to 10 mph are allowed. There are places that run at 5 mph due to slow orders. The North Spit track is 20 mph. Improved infrastructure is needed to reach Class 2, which would allow speeds up to 25 mph.

Mike Stebbins stated that the geography of this line is dramatically different than anywhere in the United States in terms of the amount of maintenance. The South Coast has so much rain and moisture which degrades the steel, wildlife interferes with drainage, landslides can block the track, and wind brings down the debris; maintaining aged infrastructure requires more effort.

Commissioner Farm asked about the cost of the tie and surfacing program, estimated at \$10 million in 6-8 years. Mr. Kerr confirmed, stating it will be completed in cycles. Preventative maintenance along with capital infusions will bring the track conditions where they need to be over time.

Mr. Kerr stated the Federal Railroad Administration (FRA) had a geometry car on line this week, which measures and x-rays the track from Eugene to Coos Bay. This will generate a report showing any areas of concern, allowing the prioritizing of future maintenance. Commissioner Martin asked whether there are issues with king tides elsewhere on the line, other than the spots south of Coos Bay. Mr. Kerr stated there are some backups due to the tides, usually around the lakes in the middle of the line. Commissioner Farm asked about the track south of Coos Bay. Mr. Kerr stated it is out of service right now, but the line, as well as bridges, is still inspected monthly. Brush and vegetation control is being maintained. Commissioner Kronsteiner asked if the Gradall is functioning and performing as expected. Mr. Kerr confirmed it is one of the most useful tools on the line.

## **7. FINAL DISCUSSION AND WRAP UP**

Mr. Burns wrapped up the discussion, stating this session has reviewed the projects included in 2015, what has been accomplished and what remains. Staff welcome any comments, suggestions, challenges, or opportunities.

Commissioner Kronsteiner asked if any progress has been made towards repairing and extending the jetties. Mr. Dunning stated the Army Corps is working on their final plans and specs. They are proposing to go another 125' longer on the north jetty and then stabilize the head in that position. There is no talk of work on the south jetty. Mr. Burns stated the battle is ongoing in Washington DC over the Harbor Maintenance Trust Fund. The House has passed legislation for the release of the full Fund, though the debate is over distribution of funding with the details of how it will be expended caught up in the Senate.

Commissioner Farm stated the work docks in the Shipyard are a safety concern and in dire need of attention.

Commissioner Kronsteiner thanked staff for the presentation, with useful information. Mr. Burns stated that next year, contingent upon funding this document will be updated. If not, staff will continue these strategic planning work sessions to keep up to date with a common approach.

## **8. ADJOURN**

The meeting adjourned at 11:45 a.m.