

PORT OF NEWPORT MINUTES

August 22, 2017

Commission Work Session

I. CALL TO ORDER

Commission President Patricia Patrick-Joling called the Commission Work Session of the Port of Newport Board of Commissioners to order at 12:00 noon at the OSU Extension Office, 1211 SE Bay Blvd, Newport, OR 97365.

Commissioners Present: Walter Chuck (Pos. #1); Sara Skamser (Pos. #2); Jeff Lackey (Pos. #4), Vice President; and Patricia Patrick-Joling (Pos. #5), President. Stewart Lamerdin (Pos. #3), Secretary/Treasurer, arrived at 12:05 pm.

Management and Staff: Aaron Bretz, Interim General Manager; Mark Harris, Staff Accountant; and Karen Hewitt, Administrative Assistant.

Members of the Public and Media: Steve Beck, Newport Resident; Heather Mann, Midwater Trawlers Cooperative (MTC); Doug Cooper, Hampton Lumber; Fred Yeck, F/V Sea Dawn; Robert Smith, F/V Raven; and Kiera Morgan, KYTE Radio.

II. PUBLIC COMMENT

Mann said that the General Manager's job description should include someone who can seasonally integrate the users of the Newport International Terminal (NIT). There is no mention of the current issues. She said she was disappointed in the TIGER memo included in the Meeting Packet. There was not a mention that taking the grant would risk the Port financially. If TIGER needs to be returned, it does. She said the language was to give a guilt trip. She asked if the search for a General Manager Pro Tem would begin again. At the last meeting the termination of the NIT agreements failed and didn't protect the current users of NIT.

Yeck said he currently used NIT for moorage and work on his vessel. He had reviewed the shipping plans. He said it is time to put the project away; it is a defunct proposal. Hopefully the Port can find a way to save the TIGER grant. The current plans are not fiscally responsible or acceptable. He agreed with Mann and said there would be no worse embarrassment than the Port going bankrupt.

III. GENERAL MANAGER PRO TEM

Lackey said that according to the By-laws, the Commission needs to appoint a General Manager Pro Tem and should discuss ways to move forward. One candidate withdrew. One option would be to reopen the process and potentially repost. Skamser said she thought some housekeeping should be done on this agenda item and suggested that the current acting General Manager should receive a bump in pay retroactive to when he started in the position.

A motion was made by Skamser and seconded by Chuck to follow the precedence set with Jim Durkee and give Bretz and 20% increase in pay retroactively.

Lamerdin asked what form the agreement would take. He suggested reviewing the document from Jim Durkee's term as Interim Director of Operations to use as a basis. Lackey also asked to be presented with where the increase would fall in the pay scale for General Manager. Hewitt said there is a provision in the Personnel Manual for employees working out of class. The motion was amended to put the item on the Agenda for the Regular Meeting that evening after reviewing documents to be provided by Hewitt. There was no vote.

IV. General Manager Recruitment Process

Chuck suggested continuing with Bretz as General Manager Pro Tem and start the hiring process for a General Manager on September 1st. Lackey said he wanted the Commissioners' opinions on opening up the process for selecting a General Manager Pro Tem. Lamerdin said there were two options: continue with Bretz or advertise again. Skamser said the two previous candidates were voted down last meeting. There was additional discussion among the Commissioners about the date to start the recruitment process, and it was decided not to set a specific date. Lamerdin asked if someone would inform Greg Speer of the decision; Bretz said staff will.

A motion was made by Chuck and seconded by Lamerdin to name Bretz General Manager Pro Tem, increase his pay to a commensurate amount, and start the General Manager recruitment process as soon as possible. The motion passed 5 – 0.

Patrick-Joling suggested moving the conversation about the process to a Work Session.

V. PRIORITIZE 6-MONTH PLAN

Lackey said he wanted to gather the guiding documents to get up to date on the progress and take stock of the current status. He asked the Commission to consider if there is anything to tweak or ask more about. Patrick-Joling suggested this was more than Bretz could address at this point. Bretz said right now he is running on contingency operations. He would refer to the goals set by the Port Commission in February when continuing. As for the Capital Improvements List, he made note that the 3000 lb forklift was replaced, the new fish table was installed in South Beach, and the Port Dock 5 Pier Approach contract with OBEC was a topic for the Regular Meeting. The remainder of the projects have not yet been done. For general goals, Bretz said he would take guidance from the Commission. Skamser commented that because the NIT project was in a state, the asphalt replacement and west berth water stand were up in the air. Bretz said if there is a change, there is a contingency in the budget. Bretz said the Port Dock 5 engineering contract would be less than \$115K and will be right on schedule. The file table was financed in part by a grant. Harris presented the two processes for supplemental budgets if there were changes of less than (no hearing required) or greater than 10% (public hearing required.) Lackey asked what is currently being worked on by staff. Bretz said he is working on a marketing grant, but it needs to be based upon a strategy. He has not had much time to prepare an application because he has been preparing for meetings. He has been working on permitting and grant status over the past several weeks to provide the Commission with options. Bretz said it takes staff ½ week to a week to prepare for Commission meetings. Chuck suggested considering staff time when planning meetings. Patrick-Joling asked if it would be beneficial for staff for the Commission to have a Work Session to provide guidance. Bretz said he could also provide up to date information in a Work Session.

VI. REVIEW CAPITAL IMPROVEMENTS LIST

Lackey said he requested to look at the guiding priorities to see if anything needs to change and make it easier for staff going forward. Patrick-Joling said she had talked to Bretz about what's on the plate for now. The Commission needs to give Bretz time to get a plan together for discussion. Bretz said he could use feedback; the biggest conundrum is the TIGER grant and trying to allow for options.

VII. TIGER GRANT STATUS

Bretz referred to his report included in the meeting packet. He said that Bob Bouchard holds the purse strings on the TIGER grant. Bretz said he presented information he was given and was asked to share with the Commission, not his opinion, so that the Commission could make a decision. One of the first questions

Bouchard asked Bretz was about the other funding sources for the shipping facility project. If the Port still wants the money they will have to show progress to MARAD. Other locations in the state of Oregon have received grants in recent years. It could be an argument for other locations to receive grants if this once is not used. Bretz said that there are also risks in taking the grant, as raised by Mann. Bouchard said the grant would go away if there is no plan. Bretz added that the conversation seems to have been lumped as shipping/fishing interests. There is a meeting scheduled with MARAD representatives on August 28th. Bretz said the Commission could send two representatives without requiring a public meeting. Patrick-Joling asked Skamser if she would like to attend, and she agreed. Lamerdin said he had an issued with that, in that Skamser does not have a history with the project. He suggested it would be valuable to have Chuck attend since he has been a part of the project since its inception. Chuck said the last meeting regarding the TIGER grant was among Greenwood, Brown, and himself. Bretz said Bouchard wanted information on the current status; he needs to hear yes or no, and if yes, how the Port intends to move forward. Lamerdin commented that Patrick-Joling's decision to send just Skamser would be sending a newly seated Commissioner to discuss the TIGER grant put together well before. Patrick-Joling said that's correct.

Lackey said he had a potential conflict of interest because he managed two fishing vessels for his father-in-law that were NIT users. Lackey said the Commission needs to discuss the shipping plan from the outside. Bretz said his observation if that the biggest question from the public and others is if the Port is stepping way altogether or just the current agreements. Skamser said there has been a lot of misinformation given through the press. Skamser said she told the user group in 2016, when is the word commercial fisherman going to be used? There were no assurances in the agreements for them. Nothing has been decided. Fishing interests have reached out to the Commission with their needs, but they have never been fit into the deal. Patrick-Joling said Bretz can't really address the issues since this was done under the prior General Manager. Lackey said that Bretz needs some clarity moving forward and suggested putting the current deals aside. The Port should move forward but there is need for further discussion. Chuck asked if the Commission was willing to take the consequences in not moving forward. The infrastructure in the project would benefit Rondys as well, and the Port is on the hook for clearing the Rondys property with 120 days' notice. This would costs about \$180K. Skamser said that has always been possible. Chuck said the part of the project clearing the property has not been brought up until now, as well as the consequences from the state. The Port will need to ask the state for grants in the future, and this is not just a Newport issue, but one with consequences for the Port, the county and the state. The contracts are a precursor to moving forward.

Lamerdin said he thought this would be part of a much bigger discussion at the evening meeting. There are far reaching implications that need to be weighed carefully; it is not a perfect deal. Bretz said it would help if there is a situation that would work, not just an all or nothing thing. One of the things people looking from the outside could perceive this as a complete stepping away from the project. Skamser said the numbers are bad with no guarantees. The Port is taking all of the risks and debt. It is a reckless money deal that is not good for the Port. Chuck said if a company wants to invest \$2.5MM, they would want to recoup that as soon as possible. Skamser said the existing users of NIT need to be considered.

Patrick-Joling said her position was clear. She is all about the numbers and finances, and the deal would mean the Port would be subsidizing the log operation. This is not good business. Patrick-Joling didn't want to subsidize with the amount of risk. Greenwood repeatedly said this is a risky deal. This prompted Patrick-Joling to investigate, and she found this to be a gamble without guaranteed shipments. Patrick-Joling said she didn't buy the political outfall; this happens all the time. She suggested maybe the Port should pass on the TIGER grant. If a good deal can be put together, it could perhaps be a private endeavor. There are a lot of revisions that would need to be made. Patrick-Joling said if she had to vote today, her vote would be no, and she could defend that decision. Skamser said she was looking at the NIT information on the website and the January presentation to the city, which included shipping of rye seed, etc., not logs. The city was excited about barges which would not require the depth of dredging. This seemed like a better fit. Skamser said she is not anti-shipping, just a bad deal.

Bretz said he had been contacted by a company interested in shipping that would work with the current users and would be at the dock for 24 – 48 hours at a time. If they did, the Port would not have to dredge and they would use 350' of pier space, which would leave room for 12 catcher size vessels. He wanted to know if the Commission was interested, and asked if it would conflict with what's going on. Lackey said there are no agreements on the table that would preclude another opportunity. The Commission could support profitable shipping that was legally, financially and logistically sound. Lamerdin said the GO Bonds that were passed said that both shipping and fishing would be beneficiaries of the money. He asked at what point would this not be met, and when will the Port need to be concerned if there was no shipping at NIT and face a potential lawsuit for not using the money as given. Patrick-Joling said anyone can sue. Shipping and fishing were in the bond language; the Port has an obligation to service these two entities, which it has not done to date. There was friction and a fractured community. The issue needs to be resolved. Patrick-Joling said the Commission and the General Manager are responsible for finding a common ground. Lamerdin asked if there is a statute of limitations when the Port would become more vulnerable. The voters asked when this will happen. Patrick-Joling said it is not uncommon for an ebb and flow of funding. Bretz said he would follow up with Pete Gintner. Lackey asked if there would be vulnerability if the Port signs an irresponsible deal. The GO Bonds were issued primarily to address an environmental event. He didn't think the Commission would be liable if the only have a terrible deal in front of them. There may be another opportunity of shipping, marine research, or fishing. Bretz said he would ask about the legal argument for a lack of opportunity. He said the Strategic Business Plan section on NIT listed it as marketing/financial opportunity, and does provide for a robust mixture of things. Skamser said that the Commission need to advocate for what the Port has as NIT. Bretz said the Halls were interested in possibly building extra floating docks. They believe this is feasible and would alleviate use at NIT. Bretz said he can't speak on behalf of Rondys, but the development would be good for the Port.

Chuck said even if the shipping facility was a number one priority, there would need to be grants available. Bretz said research with IFA on a planning grant said the Port would have to match 25%. It would help to build community consensus, which works well in applying for future grants. Skamser said she had worked on other boards with projects viewed positively by IFA.

VIII. PUBLIC COMMENT

Yeck said he would like to respond to Chuck's comment regarding the consequences of not moving forward. Yes the Port should accept the consequences, because moving forward would be much worse. There had been lots of comments from experts and Greenwood got fired over it. The project needs to end and open up to other opportunities. He suggested the Commission stop lingering on a dead deal.

Mann said she can't believe the current contracts are still being discussed. The city has not come to meetings expressing concerns. It makes sense to pursue other opportunities; the current deals do not make sense. Mann said even if you take fishing out of it, the current deals are flawed. The Commission needs to work with the community to find a better way forward.


Beck said he did not believe the plan as presented did not tell the truth financially. He asked for an outside audit of finances. He commented on Lackey declaring a potential conflict of interest. Beck said Chuck was far too close to the project and was biased without declaring a conflict of interest. Lamerdin said for clarification that the Port does have an external audit of the books. Beck said he was on the Commission and expects a problem with the 2016-2017 books.

Cooper commented on Chuck's statement about the implications for the state. The TIGER grant was promoted with erroneous and misleading information, which was clear two years ago. Since then, the Port has pursued Connect Oregon funding, which was denied by the state. The State of Oregon has said this is not a good project, even without knowing the details of the current proposal.

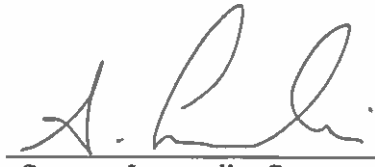
IX. **ADJOURNMENT**

Having no further business, the meeting adjourned at 1:35 pm.

ATTESTED:



Patricia Patrick-Joling, President



Stewart Lamerdin, Secretary/Treasurer

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