

PORT OF NEWPORT MINUTES

November 28, 2017

Regular Commission Meeting

I. CALL TO ORDER

Commission President Patricia Patrick-Joling called the Regular Commission Meeting of the Port of Newport Board of Commissioners to order at 6:00 pm at the South Beach Activities Room, 2120 SE Marine Science Drive, Newport, Oregon.

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

Management and Staff: Aaron Bretz, General Manager Pro Tem; Mark Harris, Staff Accountant; Becca Bishop, Accounting Clerk; and Karen Hewitt, Administrative Assistant.

Members of the Public and Media: Robert Smith, F/V Raven; Rex Capri, Newport resident; Jim Shaw, Newport resident; Heather Mann, Midwater Trawlers Cooperative (MTC); David Jincks; Pete Gintner, Port of Newport Attorney; Pat Ruddiman, ILWU; Doug Cooper, Hampton Lumber; Barrett Tower, ILWU; Mark Wilson, Yaquina Bay Communications (YBC); and Chuck Toombs, DulseEnergy.

II. CHANGES TO THE AGENDA

Bretz added to the consent calendar appointing Gary Ripka, F/V, as Alternate to Mike Pettis, Port Dock 5 Moorage sector, for the Commercial Fishing Users Group Committee as item IV. E(2).

Chuck added minutes from the Commission Work Session on November 8, 2017, to the consent calendar as item IV.A(2).

III. PUBLIC COMMENT

Capri asked Bretz if, since assuming the management of the Port, there was any new interest in using the International Terminal. Bretz said he had previously mentioned John May and Kevin Mannix, but nothing that had yet reached negotiations. OSU had also discussed wave energy, but had only looked to see what may be available. Bretz had also received a call from a 180' fishing vessel asking about long term moorage.

IV. CONSENT CALENDAR

- A. Minutes:
 - 1. Regular Commission Meeting October 30, 2017
 - 2. Commission Work Session November 8, 2017
- B. Financial Reports
- C. Contracts
 - 1. GSA Lease for Customs Building
- D. Special Use Permits
 - 1. 2018 Seafood & Wine Festival
- E. Commercial Fishing Users Group Committee Alternates
 - 1. Appoint Jerry Biddinger, F/V Refuge, as Alternate to Bob Aue, Tuna/Salmon sector.
 - 2. Appoint Gary Ripka, F/V Redeemer, as Alternate to Mike Pettis, Port Dock 5 Moorage sector.

A motion was made by Chuck and seconded by Lackey to approve the Consent Calendar. The motion passed 5 – 0.

V. CORRESPONDENCE/PRESENTATIONS

A. Richard Stellner, General Manager Search Update

Bretz referred to the email included in the Meeting Packet. There was no discussion on this item.

B. Kevin Mannix – Oregon Shipping Group

Bretz referred to the email included in the Meeting Packet. He advised the Commission that Mannix had requested to make a presentation at the December Regular Commission Meeting, and had asked for a letter of support.

C. Rob Mills, SDAO – Board Practices Assessment

Bretz introduced Rob Mills from SDAO. Mills said the Board Practices Assessment was a relatively new tool intended for Special District boards. This was a self-assessment using a 90 minute facilitated discussion. Mills said most member boards get consumed with content but rarely take time to discuss how they are doing as a board. SDAO had identified factors associated with high risk/low risk boards in six key performance areas. The facilitated discussion would focus on these areas and would include a simple rating scheme. Mills said as the facilitator he would follow up after approximately a week with rating summaries along with his comments, so the board could then look at their strengths and weaknesses. This self-assessment process had been done with about 50 member districts, approximately six of which were Ports. Most participants gave the feedback that this was a conversation they had not had before. The conversation was not about content, but about process. There would also be follow ups in 60 days and 90 days on the areas the board wanted to take action to improve and close out the intervention. This is a free service provided to members of SDAO. Skamser asked if this was open to the insurance discount. Mills said in 2018 this would be eligible for a 4% insurance discount, up from the previously offered 2% discount, because of the program's perceived value. Mills said that Chuck as a member of the Board of Commissioners had been part of the self-assessment completed in January of 2015. Chuck said the process is worthwhile and should be scheduled by the Commission. Mills asked for a two month lead time to coordinate the date.

VI. OLD BUSINESS

A. Items Removed from Consent Calendar

There were no items removed from the Consent Calendar.

B. Accounts Paid

A motion was made by Chuck and seconded by Lackey to approve the Accounts Paid. The motion passed 5 – 0.

C. Dulse Energy (Dulse)

(This item took place following the discussion of item VII(A) since Toombs arrived late.) Toombs said he wanted to update the Commission on where the company is now. He gave a PowerPoint presentation which is appended to the minutes. He said that Dulse is aligned with a specialty food distributor in the Portland area who deals in high-end restaurant products around the country. There is also the "blue carbon" possibility. The key is

sea water and the location in Newport near the Hatfield Marine Science Center. They were looking at possibilities for bringing in the sea water: a pipe from HMSC, wells or trucks. Toombs said this business is important for the future and not just a fashion. If this location is ground zero, it could bring money and other benefits to the area. Chuck asked if Dulse was seeking grants for funding. Toombs said they had applied for a grant and would know in March if it was awarded. He said Business Oregon, the City of Newport, and Lincoln County may also have grants. Toombs recommended that everyone pitch in. If sea water can be brought to the property, the Port of Newport would have a tenant for life. Chuck added there are some aquaculture grants available through NOAA. Bretz also mentioned a USDA Rural Business Development grant as a possibility. Patrick-Joling thanked Toombs for his presentation and said she was looking forward to seeing some numbers.

VII. NEW BUSINESS

A. NOAA Moorage Policy

Bretz introduced the staff report included in the Meeting Packet. He added that Pete Gintner had also reviewed the lease with NOAA, which refers back to the Solicitation for Offers (SFO). Bretz said the Port would have projected maintenance costs at NOAA per that agreement. He was called by the new Commanding Officer (CO) at NOAA with a request that the Port clarify the permissible moorage, since the use by other vessels has increased. Bretz said if the Commission decided to do so, they would have to establish a moorage rate and require commensurate insurance. Alternatively, the Port could require non-NOAA vessels to moor at the Terminal. The additional vessels could increase the cost of maintenance. Patrick-Joling asked if the vessels were doing work for NOAA. Bretz said some were associated with national science associations, but were not directly affiliated with NOAA. Lamerdin asked why the Port would want to allow moorage for other than NOAA vessels, since that would increase risks of damage to the dock and liability. Bretz said this might lead to some additional revenue, but it would not be significant. He mentioned that the NOAA Pier could be in competition with the International Terminal for moorage. Bretz said the Port could research what the vessels pay elsewhere for moorage and charge enough to make sure that costs were covered. If someone set up an industry needed by research vessels, allowing moorage could increase traffic in the area that would benefit related industries. Chuck asked what the CO at NOAA preferred. Bretz said the CO just wanted it addressed explicitly in the lease. The vessels are currently not charged. Patrick-Joling said Lamerdin made some good points and what door may be opened by allowing other vessels to moor at the NOAA dock. Skamser commented that NOAA is giving the vessels permission to dock. If moorage fees are charged, traffic might decrease. Bretz said this had come about because NOAA has control of the dock and someone in the past had taken the liberty to say okay to the request to tie up. Chuck said that the Coast Guard and Army Corps of Engineers had moored there before because it was secure; maybe there should be an exemption for government or research vessels.

Gintner said that the benefit of NOAA having sole control of the dock is they also have sole liability. The Port may have to go to court to collect on a claim. A concern is that incidental use has increased. In the lease, it includes that damage beyond normal wear and tear is NOAA's responsibility. If it were formalized that NOAA did not have sole control, it could be a 20 page amendment to the lease. Bretz asked if the Port could try to work it out in the lease a moorage rate but still keep the control with NOAA. Gintner said that could be possible, and NOAA could reimburse the Port for unanticipated wear and tear. NOAA did tell the Port there would be some incidental use, but not lengthy stays. He urged the Port to be careful what it acquiesces to. Bretz said the CO wanted the policy to be less ambiguous. Patrick-Joling asked if a decision had to be made at this meeting. Bretz suggested he could discuss this further with the CO. Lamerdin said ultimately it is the Port's risk. The CO may want the Port to say no except for emergencies. One ship had a crew member who made active threats, and armed guards were on the docks. If the Port takes control, it would become the Port's problem. There is another option for moorage at NIT. Skamser suggested it would be worth pursuing a daily rate without taking control or liability. Gintner said this could possibly be worked into the current tariff rates rather than the NOAA lease. Lamerdin said some of the visitors were ships from SCRIPPS, University of Washington, and the University of

Alaska. Balfour also wanted to moor there but had pilot issues. Lamerdin said it would be a concern how or whether to exclude anyone; the issue needs further consideration. Patrick-Joling asked Bretz, Gintner, and Lamerdin to engage in a discussion with NOAA's CO. Bretz will set up the time.

VIII. DEPARTMENTAL REPORTS

A. Director of Finance

I. October Occupancy Report

Harris referred to the report included in the Meeting Packet. Lackey said he had forwarded some questions to Bretz and Harris, and thanked them for providing information and appreciated the gains that have been made. The email and response are included in the Meeting Packet Addendum.

B. General Manager Pro Tem

I. TCB Public Safety Reports for September and October

Bretz referred to the report included in the Meeting Packet. Bretz requested feedback from the Commission on fish buyers' charges. This would be based on fish tickets, which they are already mandated to file. It would be easier for the buyers to attribute costs to the boats. Service tickets billing process can be clunky. Bretz said there is some interest in Port Dock 1, but this would need to be coordinated with the City, particularly because of the sea lion docks. As for the Terminal, Bretz said it is most people's impression that shipping can't be done at this time, and the Port needs to manage usage. He added that the Coast Guard had brought a boat into the South Beach Marina that had gotten hung up under the terminal, apparently a derelict vessel. There was a fuel spill from a vessel near Port Dock 7. Bretz said that earlier in the day a Port crane operator backed into the door of a pick-up truck at the Terminal. The operator will be off for the next 24 hours and there will be an accident investigation. The truck will likely need a new door and some body work. There were no injuries.

Bretz said as the Port has attempted to hire temp labor to cover vacancies and surge capacity over the crab opener, staff once more found the wages that the Port offers to be prohibitive. The wage step matrix has not been adjusted for cost of living increases in recent years, and particularly with the rise of minimum wage, pay bumps have not kept the Port competitive in its labor offerings. Many of the lower-level wage steps have been cancelled out because they are below minimum wage. The rise in the cost of labor in the area is out-pacing the Port's wage steps, and the Port is currently being out-bid by other ports, municipalities, and industries in the region who are keeping up. As a result, the Port cannot effectively hire and retain employees at the current rates.

Bretz added that a recent survey of 7 other ports along the west coast revealed that for maintenance and accounting wages, the Port of Newport is the low bid for labor. He did not anticipate hiring on the maintenance crew this year because:

- The Port doesn't pay enough to bring people into these positions who possess the qualifications being asking for
- The Port hasn't funded the projects that these employees would perform

The good news is that there is ample room in the budget to adjust current wages to make the Port of Newport more competitive as a consumer of labor.

Bretz said he intended to adjust current employees' wages in a fashion that will target the lower-level maintenance and accounting staff as well as the RV park manager. After making the adjustments, staff projects still to have a \$70,000 surplus, which includes ALL ancillary benefits such as PERS, insurance, PTO, etc. This has become an operational necessity so that the Port can keep current employees and bring in new ones as operations dictate. As the ProTem GM, Bretz said he had not intended to touch this issue, but as staff has tried

to bring in help, this has come up again and again as a major barrier. He further recommended that during the budget cycle for the next year, the Port take a hard look at the pay scale and adjust as needed to compete for labor.

Skamser said she is aware of “boots on the ground”, and poor wages do not attract the best people. She hoped to see this addressed. Poor wages lead to losing good workers and keeping bad ones. Skamser also suggested a more robust evaluation process. She suggested it is important to get a better corporate culture. Bretz said the Port of Newport provides unique services. There is room for improvement in the delivery of service, and developing more of a customer service mentality. Bretz recommended identifying customers, delivering top-notch services, and developing service standards. It would be an internal process to develop service standards and time expectations. Lackey said he agreed with the recommendation to look at the pay scale in the next budget cycle, while taking a holistic look at personnel services. In the years 2012-2016 actual personnel services averaged less than \$1MM, but the budget this year is for over \$1.3MM. Everything should be put on the table. Bretz said he recommended modernization across the board. Currently the finance department uses technology for data processing, then manually enters that information in another medium. There needs to be a real time flow. For wages, there was a 5 – 6 years period when no bumps in pay were made and no cost-of-living adjustment (COLA). This ended up cutting wages over time. The Federal Government generally uses a 1% - 2% COLA. Bretz recommended the Port consider this in the future.

IX. COMMISSIONERS REPORTS

Patrick-Joling said she would give her report next month.

Chuck that OCZMA approved a letter supporting disaster relief. The letter should be out next week. They had also discussed a task force for maritime education.

Lackey said he went to the City of Newport parking study meeting. There was still a mention of space for parking on Port property, but it was downplayed. Derrick Tokos requested information on about how many fisherman parking permits are currently issued per year. At the meeting they talked about installing meters at the west end of the Bayfront, and using permits at the east end. There is a lot they are still working through. There is no time frame yet for decisions, and they want to focus on the positive impacts of their proposal.

Skamser said she had been reading about the trend in Oregon of recruiting young people for the fisheries.

X. CALENDAR/FUTURE CONSIDERATIONS

- 12/8 Port Holiday Party
- 12/19 Regular Commission Meeting
- 12/25 Christmas Holiday – Office Closed

There were no changes to the Calendar/Future Considerations.

XI. PUBLIC COMMENT

Jincks said the pay matrix was a four year project with the Port Commission, management and staff. The Port wanted to break away from COLA and CPI, which did not work for the Port. The result was an incentive pay matrix. When starting to work with COLA and CPI, the Port should also consider that employees are offered health insurance, clothing and education. The matrices do need to be reviewed, in particular because of the minimum wage increase. He would not advise going back to COLA. Jincks said that NOAA having sole control over the dock had been closely reviewed. The Commission felt more comfortable with that choice at that time, and some of the same discussions had taken place then regarding incidental use. He recommended taking a

close look legally before making any changes. As for Port Dock 1, in 2010 it was estimated that it would cost \$800K to repair. He said trying to use that as a landing dock would accelerate damage.

XII. ADJOURNMENT

Having no further business, the meeting adjourned at 7:26 pm.

ATTESTED:



Patricia Patrick-Joling, President

JEFF LACHNEY, VICE PRESIDENT



Stewart Lamerdin, Secretary/Treasurer

-###-

S U P E R F O O D



OREGON SEAWEED

— C O M P A N Y —



F R O M T H E S E A

11/15/2017

SFA's Trendspotters' Top Trends for 2018

Author: Denise Purcell

Source: Specialty Food News

Categories: Industry Operations; Foodservice; Suppliers; Retailers

- 1. Plant-based foods.** Plant-based options are proliferating many categories beyond meat substitutes. Segments like cheese and frozen desserts are enjoying growth in plant-based subcategories. As for meat alternatives, algae is winning fans as the next superfood as it's sustainable and offers two times the protein as meat. 2018 will bring more plant-based convenience foods too, says Vasquez. As people become more health conscious and concerned with how food is sourced, they're veering away from traditional on-the-go snacks. The food industry is recognizing the need for healthy, plant-based food to be convenient and in line with busy schedules, she adds.

What we do really well.....

- * farm "restaurant quality" sustainable sea vegetables
- * produce and market great tasting food
- * process sea vegetables into high quality ingredients



What the market really wants.....

- * alternate protein sources
- * sustainable food
- * products from around the world



What the world really needs.....

- * technologies to produce enough food to feed 10 billion people
- * a solution to climate change
- * to conserve the worlds arable land and fresh water



NEW SEASONS MARKET

Fastest Selling Salad Dressing - 450 Bottles In First Week



POUNDS PER MONTH PER TANK	150
OUNCES PER MONTH PER TANK	2400
SALAD DRESSING (DULSE COMPONENT)	6.5%
SALAD DRESSING IN OUNCES	37,037
NUMBER OF BOTTLES (6 OUNCES)	6,173
WHOLESALE COST PER BOTTLE	\$2.74
MANUFACTURING COST PER BOTTLE	\$1.55
PROFIT PER BOTTLE	\$1.19
<hr/>	
SALES PER MONTH PER TANK	\$16,914
PROFIT PER MONTH PER TANK	\$7,346
<hr/>	
SALES PER YEAR PER TANK	\$202,963
PROFIT PER YEAR PER TANK	\$88,148

4 Weeks



\$800 Billion Industry
1,000,000 restaurants

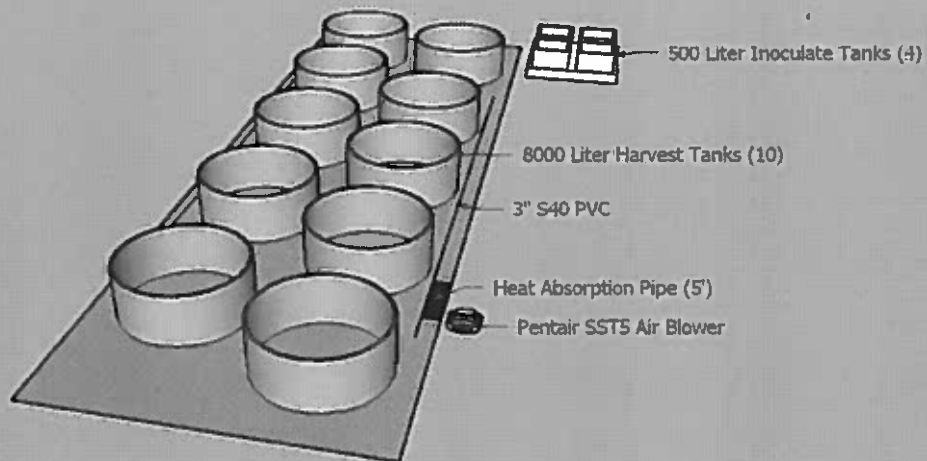


VEGETABLES

Ensalada mixta	4/8
<u>Swiss chard <i>dulse seaweed, toasted garlic, lime</i></u>	<u>8</u>
Roasted portabella mushrooms <i>herbed aioli</i>	8
Charred cucumber <i>chili oil, colatura, feta, rice vin</i>	7
Potato puree <i>nutmeg, butter, chives</i>	5
Roasted carrots <i>salmoriglio, carrot reduction, farro</i>	8

How did we do it?

- Licensed a patented C-3 dulse (Oregon State University)
- Developed an optimal tumble culture
- Created and validated a scalable model farm



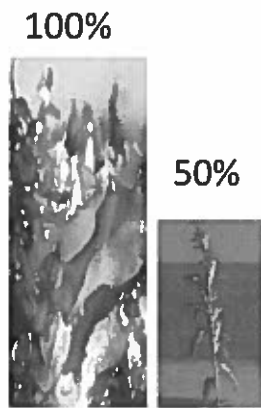
What markets want our sea vegetables?

- restaurants (fresh)
- grocery stores
- supplements
- nutraceuticals
- skin care
- health & beauty
- pet food
- animal feed

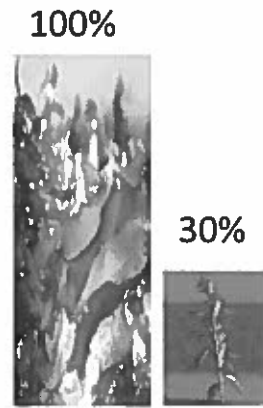


Why is the world is better off with our product?

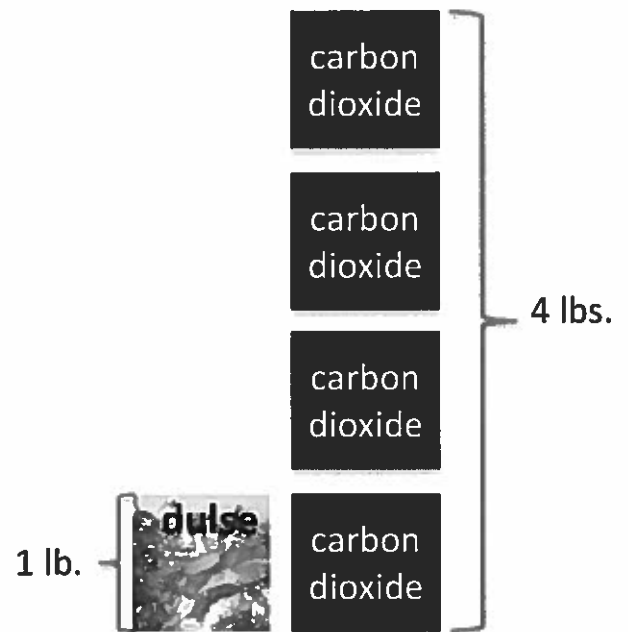
- For every pound that grows it consumes 4 pounds of CO2
- It doesn't need to be planted, because it doesn't come from a seed
- It doesn't use any fresh water
- It doesn't need to be fertilized
- The whole product can be consumed
- Twice the protein of corn



Protein



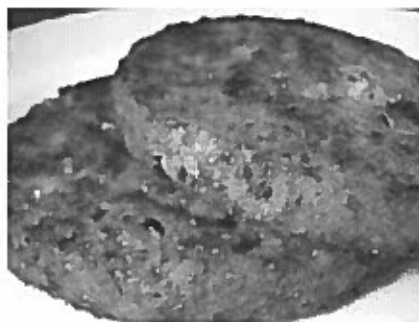
Plant productivity



Carbon capture

Total Available Market (food) \$15 Billion

- Salty Snacks \$7.6 Billion
- Dressing \$7.0 Billion
- Dry Soup \$1.5 Billion
- Meatless Burger \$54.8 Million
- Non Chocolate Confectionary \$45.2 Million



Products In Pipeline



3 SKU's



3 SKU's



3 SKU's

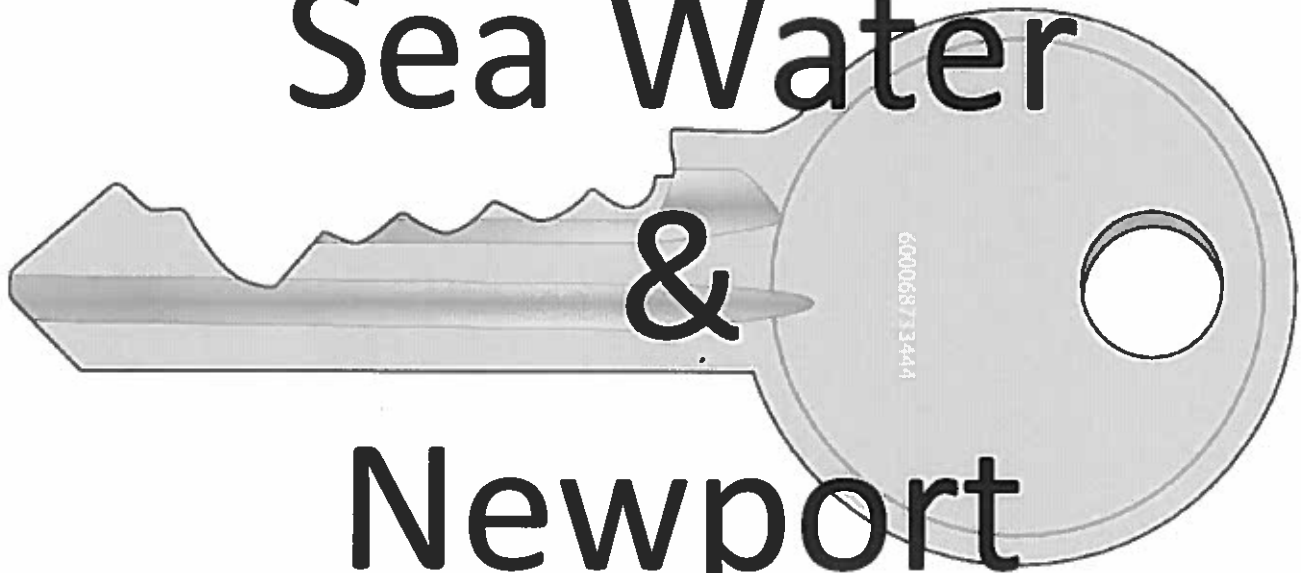
Team

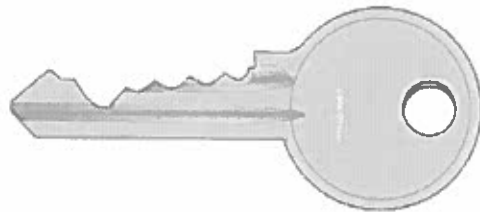
- Chuck Toombs – Founder
 - Instructor – Oregon State University
 - 25 year marketing and sales experience, manufacturing
 - MBA – Marketing, University of Chicago
- Jason Busch– Operations
 - Director of Oregon Wave Energy Trust
 - J.D. Lewis & Clark
- Joshua Gonzales – Seaweed Production
 - M.S. Aquaculture, Oregon State University

Sea Water

&

Newport





Sea Water (Oregon Coast)

- Summer upwelling
- Only growth media needed
- Pioneering Industry
- Jobs
- Climate Change

Newport

- HMSC
- Marine Studies Initiative
- Aquaculture Research

Key Factors Of Success

- Sea water is the key
- No water, no seaweed, no profit
- Significant Investment
- DulsEnergy can't fund entire amount
- Port has asked for alternatives
- DulsEnergy has developed two

Option A - HMSC

- We don't need any new permits (time & money)
- It's an adequate amount of water
- The quality is adequate
- It's relatively simple
- We've asked Vernon Wiles for alternative quote

Option B – Drill Well On Site

- Geo Engineers Inc. (Portland)
- \$10,000 drill two test wells
- Permanent water supply for property
- Downsides
 - Permits
 - Disposal
 - Quality

Combined Effort

- DulsEnergy
- The Port
- The City
- The County
- The State
- OSU

