

PORT OF NEWPORT
MINUTES
January 27, 2009
Combined Work Session and Regular Meeting

I. CALL TO ORDER

Interim Commission President Ginny Goblirsch Ginny Goblirsch called the combined work session and regular meeting of the Port of Newport Board of Commissioners to order at 6:00 p.m. in the Port Conference Room, the same being within the boundaries of the Port District.

II. INTRODUCTIONS

Commissioners Present: Ginny Goblirsch, Interim President; Dean Fleck, Secretary; Don Mathews, Treasurer; JoAnn Barton, Assistant Secretary-Treasurer.

Port of Newport Management and Staff: Don Mann, General Manager; Patti Britton, Director of Finance; Pete Dale, Project Manager; Kent Gibson, Port Operations; Maureen Keeler, Special Projects Manager; Gina Nielsen, Marina Office Supervisor; and Patty Benjamin, Administrative Assistant.

Others Present: Paul Cederwall and Bill Vermie, Pacific Northwest Consultants; John Crawford and David Shellshear, Friends of Yaquina Bay; Yale Fogarty, Pat Ruddiman, Barry Tower, and Rod Worman, ILWU Local 53; Lee Fries, Newport resident; Pete Gintner, Port Legal Counsel; Patricia Patrick, Newport City Council; Dr. Hal Pritchett, Facility Use & Design and Terminal Steering Committees; Mike Schmid, KPFF Consulting Engineers; Jim Shaw, South Beach resident; Sara Skamser, Foulweather Trawl; Grant Snyder, Wiggins Towboats.

III. ELECTION OF OFFICERS

With the resignation of Commission President Halverson in December, an election of officers was necessary. Commissioner Goblirsch opened the floor to nominations and the following slate of officers was elected by unanimous vote:

Commissioner Ginny Goblirsch, President
Commissioner Dean Fleck, Vice-President
Commissioner JoAnn Barton, Secretary
Commissioner Don Mathews, Treasurer

IV. MINUTES

- A. Special Meeting, December 17, 2008**
- B. Work Session and Regular Meeting—December 23, 2008**
- C. Special Meeting—January 14, 2009**

Commissioner Mathews moved, Fleck seconded, to approve the minutes of the Special Meeting of December 17, 2008, as submitted. There was no discussion and the motion passed 4-0.

Commissioner Fleck moved, Mathews seconded, to approve the minutes of the Work Session and Regular Meeting of December 23, 2008, as submitted. There was no discussion and the motion passed 4-0.

Commissioner Mathews moved, Fleck seconded, to approve the minutes of the Special Meeting of January 14, 2009, as submitted. There was no discussion and the motion passed 4-0.

V. FINANCIAL STATEMENTS

A. Financial Reports. Finance Director Patti Britton asked for questions on her written report and the financial statements, which included Current Assets and Liabilities, Revenue Statement, Expense Statement, and Departmental Revenue and Expense Statements year-to-date. In answer to a question from Commissioner Barton, the General Manager said that the total cost for preparing the NOAA homeport proposal, including the services of the consultant, architect, estimator, and a Level 1 environmental assessment, was \$57,000. Those costs would be covered through OECDD grant funds and contributions from the City of Newport, Lincoln County, and the Port.

B. Accounts Paid.

Commissioner Fleck moved to approve the Financial Statements and Accounts Paid, Check Nos. 11263-11267/Construction Fund and Check Nos. 28325-28430/Operating Account. Commissioner Mathews seconded the motion and it passed 4-0.

Commissioner Goblirsch reported on the audit committee meeting she had attended that afternoon. Rob Moody, from Talbot, Korvola & Warwick, had delivered the audit report and said that, even with the more stringent accounting standards imposed this year, the auditors had issued an unqualified clear opinion, which was the highest possible rating. The auditors had found a good system of internal controls, all financial statements were in order, and no audit adjustments were made to the original trial balance. Commissioner Goblirsch noted that there are more changes coming up in the next year that the Port needs to be aware of. Those include requirements for reporting pollution remediation obligations and setting a value on intangible assets, such as rights of way, submerged lands, and other easements. Moody had recommended doing a capital asset inventory each year, and that the Board of Commissioners stay focused on the monthly financial reports as another level of oversight. He suggested that the board members take advantage of the financial training courses offered by Special Districts to become more familiar with budgeting and financial reports, and encouraged the commissioners to contact him directly if they had any questions. Goblirsch said that, in conclusion, Moody had said he remembered a time when the Port's audit reports were not nearly as clean as this year's report. He said the Port had "come a long way" and had complimented Finance Director Patti Britton particularly on doing an outstanding job of keeping everything in order

VI. PUBLIC COMMENT

There was no public comment.

VII. STAFF REPORTS (* Indicates no questions or additional comments.)

A. Department Reports.

- Kevin Bryant, Commercial Marina Harbormaster*
- Pete Dale, Project Manager—In answer to a question from Commissioner Fleck, Dale reported that the estimates for repairs to Yaquina Bay Fruit Processor's buildings were \$7,012, \$6,500, and \$4,663, and that the Port would exercise the least expensive option.
- Maureen Keeler, Special Projects Manager*
- Gina Nielsen, RV-Marina Office Supervisor*
- Ron Smith, Terminal Manager*
- Chris Urbach, South Beach Marina Harbormaster*

B. General Manager.

General Manager Don Mann provided an update on the NOAA MOC-P homeport project. He noted that this was the final week before the offer would be submitted to NOAA. Paul Cederwall and Bill Vermie, from Pacific Northwest Consultants, were present and had been on conference calls that afternoon with the architectural consultant and estimator. Mann thanked Commissioner Goblirsch for her assistance in soliciting and drafting letters from community leaders in support of the project, and Commissioners Fleck and Barton for sitting in on a meeting with ODFW-NMFS to bring those agencies up to speed on what the Port was doing. Mann had discussed the project with Representative Cowan and Senator Verger in Salem and was trying to arrange a meeting with the governor. Mann said that financing remained the biggest hurdle in preparing the offer, and since Newport was the only site in Oregon vying to be NOAA's Pacific homeport, he hoped to get support and financial assistance from the state. He said the most recent estimate was \$30 million to build the facility in Newport.

Patricia Patrick said that she was putting the finishing touches on a letter from the Urban Renewal Agency describing a plan that, if adopted, would result in an \$18 million investment of urban renewal funds in the South Beach area. Commissioner Barton asked if any of the urban renewal money would be available for the NOAA project and Patrick said not directly; however, the funds would be used for infrastructure, such as sewer and water, which would definitely support a responsible development like the NOAA MOC-P homeport, in the South Beach area. She said she would have the letter ready the next day, so it could be included in the NOAA package. Commissioner Goblirsch said there would also be letters of support from the Oregon Coastal Caucus, Newport Mayor Bill Bain, the Greater Newport Chamber of Commerce, Yaquina Bay Economic Foundation, and a joint letter from the Oregon House and Senate.

Moving on to the Terminal Renovation Project, Mann said the major concern at that time was the rapidly deteriorating condition of the Pasley. The concrete hull continues to move and there were new cracks forward of the fuel oil tanks that were cause for concern. Mann said the ship was being monitored carefully. Representative Jean Cowan had invited Mann to appear before the Emergency Services Committee, which she chairs in Salem, to present testimony on the condition of the Pasley and see if there was assistance available from the Emergency Services Management Program to stabilize the hull through the winter. Mann said that in order to qualify for emergency services funding, there has to be a declaration of emergency from the county of residence and also from the State Emergency Services Board, so he was going to appear before the Lincoln County Commission the next day and ask for their support. He said he had learned that there is no grant money available through Emergency Services but there is a 0% loan program. He said he didn't think the Port was interested in a loan at this time, but he would find out more details after the meeting in Salem on Thursday. In the meantime, there were ongoing discussions about mitigation for the bulkhead in front of the Pasley. One option would be to place the same bulkhead that would be used for the permanent structure around the portion of the Pasley that was of concern at the time. Another option would be to put the bulkhead all the way around the Pasley and stabilize it for the winter. A third option, a "band aid approach", would be to place a large steel plate on the outside of the Pasley, with tie backs behind the ship. However, Mann said the "band aid" option would be a separate cost from construction, and the hope was that if any of the project money was spent to stabilize the ship, it would be part of the permanent construction. Another key component was getting in the water to do the work, and Mann said that was up to the agencies. He said working with the Emergency Services Committee might emphasize the urgency and help to move the permitting process forward. A meeting with the permitting agencies would be set up in the next week to ten days to discuss options.

VIII. OLD BUSINESS

A. Commission Vacancy. Commissioners Fleck and Goblirsch had been appointed to a committee to interview candidates interested in filling Position No. 2 on the Port Commission, a vacancy that was left after Rob Halverson's resignation on December 23, 2008. Commissioner Fleck read a memo that he and Commissioner Goblirsch had written to the commission, recommending David Jincks to complete that unexpired term. Jincks had previously served on the commission so he brought experience and a working knowledge of the Port's mission and goals to the position. Of the three very strong candidates interviewed, Fleck said it was their opinion that Jincks would be a valuable addition to the board and they recommended his appointment.

Commissioner Mathews moved that David Jincks be appointed to the Port of Newport Board of Commissioners, to fill the vacancy in Position 2 and complete the term that expires on June 30, 2009. Commissioner Barton seconded the motion and it passed 4-0.

In answer to a question from Commissioner Goblirsch, Attorney Pete Gintner said that a public meeting would not be necessary for Commissioner-appointee Jincks to be sworn in. Commission President Ginny Goblirsch and Commission Secretary JoAnn Barton would administer the oath of office for the new commissioner at the Port Administration Office on Monday, February 2, 2009.

B. NOAA Marine Operations Command-Pacific (MOC-P). The General Manager had provided a brief update on the NOAA MOC-P homeport project earlier in the meeting. A discussion followed about financing the project and Mann said David Ulbricht, Wedbush Securities, was working on three or four different financial scenarios. Mann said that if the offer were submitted based on the total cost of the project, the lease rate would be too high and probably not competitive. Commissioner Barton said she had felt from the beginning that the Port would have to have some kind of commitment from the state in order to make a successful bid on the project, because taking on \$32 million in debt was "scary". Commissioner Goblirsch said that General Manager Mann was working with Senator Verger's office and she was in touch with Jessica Hamilton in the governor's office trying to set up an appointment with the governor. She added that she knew no one in the governor's office would be able to commit \$15 million in one day, but a strong case could be made that it would be a good investment for the state. Mann said that ideally, if the Port got a grant from the state, then lease revenue would cover the rest of the cost of the project and the Port would not have to borrow any money. Paul Cederwall, Pacific Northwest Consultants, said that if the state gave the Port an indication that they would try to accommodate the request but couldn't move quickly enough, then the fact that the Port pursuing other forms of financing to lower the project price could be included in the executive summary of the offer. He went on to say that NOAA would consider all of the initial

offers, including the Port's, and then narrow it down to probably two or three that are in a competitive range, and those ports would be invited to submit a best and final offer. In answer to a question from Commissioner Barton, Cederwall said that NOAA hoped to award by August, so the finalists would probably be announced in May. There was a brief discussion about the advantages and disadvantages other ports would have in bidding on the project, including costs the government would incur in relocating the NOAA families if the new homeport were more than 50 miles from the current location.

C. NOAA Offer—Authority for General Manager to Sign Offer. After some discussion and based on advice from Port legal counsel and Pacific Northwest Consultants, the board decided to grant authority to General Manager Don Mann to sign the Port's bid offer on the NOAA homeport project. A copy and summary of the offer and financial package would be provided to the commissioners when it was complete.

Commissioner Barton moved that the Port of Newport Board of Commissioners approve Resolution No. 1-2009, authorizing Don Mann, General Manager, to sign the NOAA Solicitation for Offer (SFO) No. 09WSA0200C, on behalf of the Port of Newport. Commissioner Mathews seconded the motion and it passed 4-0.

The resolution would be included in the bid package as evidence of Don Mann's authorization to sign, as required by the SFO.

Special Projects Manager Maureen Keeler called the commission's attention to a grant application that needed their approval. The grant application was for \$25,000 to help cover the cost of preparing the NOAA offer. Assistance with that cost is also being provided by funds from Lincoln County, the City of Newport, and the Port of Newport.

Commissioner Fleck moved, Barton seconded, to approve staff's submitting the application for \$25,000 from Oregon Economic and Community Development Department's Port Planning and Marketing Fund. The motion passed 4-0.

D. Terminal Renovation—KPF Engineering Engineers. The General Manager introduced Mike Schmid, from KPF Engineering, and thanked him and his engineering team for their help with the estimates on the NOAA pier construction and upland engineering design work. Schmid said he had divided his time over the past month between assisting with the NOAA project and responding to the permitting agencies' concerns regarding mitigation on the terminal project. He expanded on the General Manager's description earlier in the meeting of bringing the bulkhead wall up against the hulls of both ships. Calling it the "revised preferred alternative", Schmid said they would follow the shape of both ship hulls with a sheet pile wall. That alternative would require a new fendering system because, with lateral support on the outside of the sheet pile wall as opposed to the inside, ships and boats tied up there could possibly get caught up in that outside support system. Schmid said NMC estimated the cost of the revised preferred alternative at \$20,450,000, an increase of approximately \$2 million, and Mike McDougall felt it was constructible in a safe manner. He said he thought the agencies would be pleased with the effort that the Port had gone to in listening to their concerns about the footprint of the project and this alternative would essentially eliminate the majority of the take in the bay. Schmid had also been asked by the agencies to provide more detail regarding the removal of both ships, so he had asked NMC to look at estimates for that alternative. The total project cost, including removing both ships and coming up with a new pier configuration, was estimated at \$32 million. He said that estimate was based on it costing the same to demolish the Hennebique as the Pasley. Schmid said he thought it might well cost more to remove the Hennebique than the Pasley, but it was a waste of effort at this point to go into any more detail on that alternative. The cost estimate would be presented to the agencies, since they specifically asked for it. Schmid talked about the "band aid" approach to stabilizing the Pasley that the General Manager had described earlier, and said there was no guarantee that it would solve the problem because there would still be large portions of the vessel that would not be impacted by the "band aid". He said the stern could be stabilized so that it didn't rock but it was possible that the concrete would spawl off in areas away from the metal plating on the hull, and it could possibly cause other dynamic stresses on the front part of the ship. The engineering team had also talked about wrapping the bulkhead at least to the major crack in the vessel, which he thought would accomplish the same thing as the "band aid". Schmid felt it was important to have the agency meeting before going further. He said the team had tried to understand the agencies' concerns and respond to them effectively, and now it was time for help from the agencies so the project could move forward instead of spinning its wheels.

IX. NEW BUSINESS

A. Cascades West Area Commission on Transportation—Nomination of Representative and Alternate. General Manager Don Mann explained that Commissioner Halverson had served as the Port's representative to the Cascades West Area Commission on Transportation, with Maureen Keeler as alternate, and both of those terms had expired December 31, 2008, so new appointments were needed. After a brief discussion, Commissioner Goblirsch said she would serve as representative and Maureen Keeler would continue as alternate.

B. Yaquina Bay Fruit Processors (YBFP)—Lease Amendment. Port of Newport General Manager Don Mann presented the amendment to the lease between the Port of Newport and Yaquina Bay Fruit Processors, which would reduce the size of the property YBFP leases at South Beach from ten acres to two. Mann said he had spoken with Harry Noah, who owns the fruit processing business, over the past six months about amending the lease to reduce the footprint. Noah had said his operation has changed and he no longer needs the acreage or the ponds that he had used in the past; in fact, he said he could run the business somewhere else but he is comfortable where he is and doesn't want to move. Mann said that Noah understands the value of the property and is also aware of the NOAA proposal. YBFP would be able to stay where it is if the Port gets NOAA as a lessee, although some roads would have to be reconfigured. Noah and Mann had agreed on a rent reduction from \$5,200 per month for ten acres to \$1,700 per month for two acres, with a CPI increase each year. Commissioner Fleck said he had spoken with Mike Marshall, Manager of YBFP, and Marshall reported that their east coast market had expanded so it looks good for the future to keep YBFP as a tenant.

Commissioner Barton moved to approve the amended lease between the Port of Newport and Yaquina Bay Fruit Processors. Commissioner Fleck seconded the motion and it passed 3-1 with Commissioner Mathews voting nay.

C. General Manager's Annual Review. The Chairman moved the meeting into Executive Session at 7:15 p.m. to discuss the General Manager's annual review.

X. EXECUTIVE SESSION in accordance with ORS 192.660 (2) (i)

The meeting returned to regular session at 7:35 p.m.

Commissioner Mathews read a statement relating to the evaluation of Don Mann's performance as General Manager, which was quite positive.

The commission accepted the recommendation of the evaluation committee, approving a merit increase of 1.5% effective January 1, 2009, and a contractual cost of living raise of 3% effective July 1, 2009.

Mann said that he enjoyed his job, with all of the challenges and occasional obstacles it entailed. He said overall it was the most rewarding position he had held in his entire career. He thanked the commission for its support and apologized that some tasks, such as updating the Port's ordinance and personnel manual and the Port Planning and Development Plan, had not been completed over the past year due to time spent on the terminal project and the NOAA offer. Regarding his compensation, he said he was satisfied with the contractual cost of living increase but refused the merit increase and asked that it be put into personal services for distribution among the rest of the Port employees. Mann went on to say that he had asked Special Districts for some sample contracts because so many changes have gone into effect for public districts in the past decade, and thought his contract should be updated so there would be a "successor plan" in place for his eventual retirement. Commissioner Goblirsch noted that there were letters from community members—a county commissioner, a local banker, and a couple of agency people—relating to Mann's performance as a Port Manager and they also gave him high marks. She said she had never seen community input in a Port Manager's review since she had been on the board.

XI. OTHER

Commissioner Goblirsch asked if something was being planned to honor former Commissioner Rob Halverson's fifteen years of service on the Board of Commissioners and Mann said he had

put Halverson "on notice" that an event would be planned after Halverson gets back in town. The commission will be notified of what is planned and when it is scheduled.

A discussion followed about commissioner training through Special Districts. Commissioner Goblirsch said an e-mail list would be made up as to what training was of interest to the commissioners. Commissioner Barton said she would be gone from February 16-March 3, so dates and times for the training will be set up after she returns.

Commissioner Mathews provided an update on plans to establish a parking district to provide fair and equitable parking for local businesses, the public, and the fishermen in Newport. Commissioner Mathews said he would represent the Port at the meetings and would let the commission know if there is action required on their part.

Commissioner Goblirsch noted that the media seldom attends the commission meetings any more so asked staff to get information out about the Port's activities through press releases and updates on the web site, preferably within ten days of the meeting. General Manager Mann added that the Port's new web site was nearly done.

XII. UPCOMING MEETINGS

- A. Special Districts Association of Oregon 2009 Conference, Portland, OR , February 6-8
- B. Fishermen's Forum, February 11, 8:30-9:30 a.m.
- C. Port Commission Work Session and Regular Meeting, February 24, 6:00 p.m.
- D. 2009 PNWA Mission to Washington DC, March 1-5

XIII. ADJOURNMENT

The work session and regular meeting of the Port of Newport Board of Commissioners was adjourned at 7:55 p.m.

ATTEST:

Ginny Goblirsch, President

David Jincks, Asst. Secretary-Treasurer

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