

**PORT OF NEWPORT
MINUTES
August 23, 2011
SPECIAL WORK SESSION**

I. CALL TO ORDER

Commission President JoAnn Barton called the special work session of the Port of Newport Board of Commissioners to order on Tuesday, August 23, 2011, at 12:00 p.m., in the Port of Newport Conference Room, 600 SE Bay Boulevard, Newport, OR, the same being within the boundaries of the Port District.

The purpose of the work session was to discuss ongoing Port projects.

Commissioners Present: JoAnn Barton, President; Ginny Goblirsch, Vice-President; David Jincks, Secretary; Don Mathews, Treasurer; and Dean Fleck, Assistant Secretary-Treasurer, who arrived at 12:10 p.m.

Port of Newport Management and Staff: Don Mann, General Manager; Patti Britton, Finance Director; Pete Dale, Project Manager; Maureen Keeler, Special Projects Manager; Barb Martin, Accounting Department; Patty Benjamin, Administrative Assistant.

Others: Frank Berg, Day CPM; Yale Fogarty and Pat Ruddiman, ILWU Local 53; Pete Gintner, Port legal counsel.

II. WORK SESSION ITEMS

A. Terminal Renovation Project—Funding Strategies.

General Manager Don Mann recapped the two funding strategies that had been discussed at the July 26, 2011 special work session that could possibly close the projected shortfall in phase 1 of the terminal renovation project. One option was to increase an \$800,000 loan the Port has with the Economic Development Department by \$500,000, turning it into a term loan in June of 2013. The Port would pay interest only the first year and interest and principal the next year, at which time some of the Port's maturing debt would be available to service the loan. Mann said the state was agreeable to those terms. The second option was to explore the possibility of using \$1.1 million of the savings from the NOAA MOC-P revenue bond to the terminal project.

Pete Gintner, Port legal counsel, described discussions that had been held between the Port's auditors, Wedbush Securities, the Port's bond counsel, the Port of Newport's manager and finance director, and himself relating to structuring a safe and legal framework so that revenue from the NOAA MOC-P lease could be used towards the terminal renovation project. It had been the consensus of those involved in the discussions that the \$1.1 million surplus from the NOAA MOC-P revenue bond could be dedicated to the NOAA MOC-P facility needs over time, while the actual lease proceeds from NOAA could be used by the Port for "any lawful purpose", such as the terminal renovation project, as long as the Port was meeting all its obligations and responsibilities as Lessor. Gintner said the research used in these discussions had been exhaustive and that others were "on board" with the plan, although an opinion letter had not been issued.

The Commission Chair asked if there would be any merit to having the Attorney General's office review the plan and Gintner said it "couldn't hurt" but added that there was never a 100% certainty about anything and it would be months before it came up for review by that office. He said he had asked bond counsel Ann Sherman about writing an opinion letter and she said it would take time and be cost prohibitive because it would have to go before her opinion committee. Finance Director Patti Britton added that the cost for an opinion letter from the auditors would likely exceed \$50,000.

A discussion followed about potential risks, exposure, and liability.

Frank Berg, Day CPM, talked about the terminal project's construction budget, which will stand at about \$193,000 after the next amendments are executed, but Berg said some additional savings might be realized that could be rolled back into the budget. He emphasized that the Port cannot commit to the construction contract amendments unless the money is in the construction fund. Berg noted that there would be sheet pile to salvage and sell, and those proceeds would go into the construction budget, but that wouldn't happen until later in the project, probably January of 2012. In answer to a question from Commissioner Barton, Berg said his biggest concern was how the project would be left. He said cleaning the ships and creating deep water habitat were pluses on the environmental side but he did not want to have to leave the cofferdam in place; and if the bow of the Hennebique was not stabilized, the ship would "turn into the Pasley in five years". He said an injection from the NOAA lease funds would be "huge" and, along with the \$800,000 loan, would complete phase 1 of the project and probably some components of phase 2.

The General Manager said he had met with Mark Ellsworth from the governor's office, and it might be possible to find a 50/50 match from the state cleanup fund, if the Port commits to the term loan with the state. The Port will also apply for *ConnectOregon* funds to put towards the terminal project.

Commissioner Jincks suggested that the Port prepare a concise document emphasizing the conservation aspects of the terminal renovation project, including a PowerPoint presentation that could be put on a thumb drive and used in web conversations in presenting the project to legislators and in seeking funding. He said he had prepared a small packet on his own and shared it with Congressman Schrader. A short discussion followed about emphasizing the economic aspects of the project and Jincks said conservation was easier to fund than economics in the current environment but separate presentations could be written specific to the funding sources. The General Manager said all the pieces were in place to prepare a presentation and he would follow through with getting it done.

Commissioner Barton recapped the discussion about the idea of separating the two funds, with the savings from the revenue bond for the NOAA project, approximately \$1.1 million based on the project budget close out figures, being put into a separate account within the NOAA fund and dedicated to the NOAA MOC-P facility needs over time, while the actual lease proceeds, not to be co-mingled with the surplus, could be put towards the shortfall in the terminal renovation project construction budget. She asked if a public hearing should be scheduled to discuss establishing a separate fund for the surplus \$1.1 million from the NOAA MOC-P project and using the NOAA lease revenue towards the terminal renovation project. Commissioner Jincks said he felt it should be publicized as an agenda item before any action is taken, whether it is presented at a regular meeting or a special meeting. By way of review, Commissioner Barton stated that the purpose of the discussion was to bring the board to an understanding and a level of comfort with the proposal of creating a segregated fund within the NOAA MOC-P lease revenue fund for the \$1.1 million in surplus from the MOC-P build out. Commissioner Jincks asked that the process of creating the fund be diagramed and e-mailed to the board members, and a discussion followed about whether the action, if it were taken, would require a resolution. No action was taken at the work session.

B. Port Dock 5 Header and Gangway. Project Manager Pete Dale provided an update on the Port Dock 5 header and gangway project. Four engineering firms had responded to the Port's Scope of Work (SOW). Two of those firms would be interviewed the following day. Dale said it was his opinion that both firms were capable of executing the project and their estimates were reasonable. Commissioner Mathews said he would try to sit in on the interviews.

C. Draft Tracking Reports—Port Priority Projects. Staff had prepared a matrix for tracking the Port's priority projects. The commission chair said she would like to push the deadline for developing the Port Ordinance forward to the end of October, with a public meeting to be scheduled in November to hear discussion on the ordinance. Commissioner Mathews said he would meet with the General Manager to go over his notes on the ordinance in the next two weeks; Commissioner Fleck said he would like to schedule a meeting with the charter boat operators, South Beach moorage holders, and any other stakeholders before the end of September to receive their input. Referring to concerns about marine debris, Commissioner Barton asked if cleanup by lessees would be included in the ordinance. The General Manager said that the ordinance contains language about littering but cleanup by lessees is addressed in their individual lease documents.

The Port's Strategic Business Plan is included on the priority projects list. The General Manager said he would check with other ports and prepare a list of consulting firms for consideration.

III. PUBLIC COMMENT

There was no public comment.

IV. OTHER

Commissioner Barton said she would be gone from August 30, 2011 – September 30, 2011.

V. ADJOURNMENT

There being no further business to come before the Special Work Session of the Port Commission, the meeting was adjourned at 1:25 p.m.

ATTEST

Ginny Goblirsch, Vice-President

David Jincks, Secretary