

PORT OF NEWPORT MINUTES

July 25, 2017

Regular Commission Meeting

I. CALL TO ORDER

Commission President Walter Chuck called the Regular Commission Meeting of the Port of Newport Board of Commissioners to order at 6:12 pm at the South Beach Activities Room, 2120 SE Marine Science Drive, Newport, Oregon.

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

Management and Staff: Stephen Larrabee, Director of Finance; Aaron Bretz, Interim General Manager; Karen Hewitt, Administrative Assistant; Mark Harris, Staff Accountant; and Pete Zerr, International Terminal Supervisor.

Members of the Public and Media: Heather Mann, Midwater Trawlers Cooperative (MTC); Robert Smith, F/V Raven; Chris Nelson; Jim Shaw; Yale Fogarty, ILWU; Paul Langner, Teevin Bros.; Pat Ruddiman, ILWU; B. Tower, ILWU; Steve Beck; David Jincks; Doug Cooper, Hampton Lumber; Mark Wilson, YBC; Mike Storey, F/V Pegasus; Lisa Lackey; Jim Seavers, F/V Seeker; Fred Yeck; Tim Miller; and Dennis Anstine, Newport News-Times.

II. CHANGES TO THE AGENDA

Chuck added Heather Mann, MTC, was added under presentations, and removed The Beckett Group under presentations.

III. PUBLIC COMMENT

Jincks spoke to Old Business agenda item VII(C), Mildred C maintenance contract. He said he was shocked this happened to the Port again. The first time it cost \$60K with no accountability, with a trade of \$30K in surplus and \$30K in cash expense. The vessel was surveyed in 2006 and assessed a value of \$5000. In the staff report the value was now listed as \$25K. He suggested the Port needs to stop paying on this boat and give it to the Port of Toledo, who he said is liable. He said they did not use good judgement in sandblasting the boat, and they can fix and pay for it. Jincks suggested high-density float and a work barge with a motor. He said the proposed \$20K per year for boat maintenance does not make sense. It would be more cost effective to contract out to have piles pulled.

Yeck said his 124' trawler has been homeported in Newport since 1987, but the shipyards have not been large enough in the area for the past 20+ years to keep the boat here. That has changed, and he will be bringing his boat to Newport. He wants to make sure that there will be space available. Yeck said the Beckett report was obviously written for Greenwood in the way he wanted it written. The report states that Silvan is a proven operator; Yeck found them online to be in business for 6 years, with 4 employees and \$304K in income. The report does not address that Silvan and Teevin did not agree in the contract for the number of loads. The best estimate used was 7.5 loads, but this is just a hope and risk to the Port.

Silvan refused to escrow the \$2.5MM loan. The payments to Silvan are a flat rate of \$60K per year, not 2.5% interest. Yeck said he does not oppose shipping, but does oppose a bad shipping deal.

Beck said he was shocked the Beckett report was on the agenda. He said that he and Patrick-Joling had brought in a CPA/Attorney, Dick Gilbride, who thought the deal was too risky, and did that analysis for free. At that time, the CPA was not invited to a work session. Beck wanted to know who asked that an outside interest be brought in. The Commission had previously voted 3/5 to not look at this again.

Langner noted that all the Teevin and Silvan agreements had been pulled from the agenda. He asked when the Commission would bring them back. Teevin has been negotiating with the Port for 5 years, and would like to know when this can move forward.

Fogarty said that the Beckett Group was well established in the shipping industry and were experts providing valuable comments. The Port of Newport has little experience in shipping, so it was valuable to bring in the Beckett Group. Fogarty said he doubted they would do something in preparing their report that would tarnish their reputation.

IV. ELECTION OF COMMISSION OFFICERS

Chuck read the staff report and asked if there was anyone who wished to nominate a plank. Lackey asked to consider individual nominations. Lamerdin nominated Chuck as President, no second. **Lackey nominated Patrick-Joling as President, seconded by Skamser. Patrick-Joling was elected President by a vote of 3 – 2,** with Lackey, Skamser, and Patrick-Joling saying aye, Lamerdin and Chuck saying nay. Lackey nominated Skamser as Vice-President, no second. Skamser nominated Lamerdin as Vice-President, no second. Lamerdin nominated Chuck as Vice-President, no second. **Chuck nominated Jeff Lackey as Vice-President, seconded by Skamser. Lackey was elected with a vote of 5 – 0. Skamser nominated Lamerdin as Secretary/Treasurer, seconded by Lackey. Lamerdin was elected with a vote of 5 – 0.**

In summary, the newly elected Commission officers are: Patricia Patrick-Joling, President; Lackey, Vice-President; and Lamerdin, Secretary/Treasurer.

V. CONSENT CALENDAR

- A. Minutes
 - 1. Joint Work Session City of Newport/Port of Newport February 17, 2017
 - 2. Regular Commission Meeting June 27, 2017
 - 3. Special Commission Meeting June 27, 2017
- B. Financial Reports
- C. Special Use Permits
 - 1. U-DA-MAN Fishing Tournament
- D. Commercial Fishing Users Group Committee Representatives/Alternates
 - 1. Approve the switch in representation for the Midwater Trawler sector to Heather Mann, Midwater Trawlers Cooperative as representative and Mark Cooper, Perseverance, as Alternate.
 - 2. Appoint Dave Thalman, Troyer Marine, as the Industry Services Representative (Pos. 10), and Dave Wright, Pacific Seafood, as alternate.

3. Approve Cari Brandberg, Chelsea Rose Seafood, as the Commercial Fish Buyer Alternate to Mark Newell (Pos. 3)
4. Approve John Holt, F/V Pacific Future as the Shrimper/Trawler Alternate to Gene Law (Pos. 7)
5. Approve David Jincks, Alternate as Distant Water Fleet Representative, and Approve Jim Seavers as Distant Water Fleet Alternate to David Jincks (Pos. 11)

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

VI. CORRESPONDENCE/PRESENTATIONS

A. Peter Bregman, Chairman of the Lincoln County Small Woodland Association (OSWA), said he is a small woodland owner in Waldport since 2004, and was elected as OSWA Chairman in 2013. He said the association had worked to get an export facility established at the Port, but the community objected. This has cost local timber owners both revenue and a competitive market. Bregman said shipping would benefit the Port and the community by adding diversity to commerce. He said the leadership of the Commissioners can make this work, and can take advantage of the opportunity to do so at the local level. The timber market is sustainable, and the oldest industry to use the Port. The Packet is favorable and it would not be good to miss the date. Bregman concurs with the Beckett report. He suggests the Commission's success will come from action and unity.

B. Heather Mann, MTC, thanked Chuck for his service and allowing her to be added to the agenda. She said MTC represents 26 midwater trawl vessels, and many of them use the International Terminal. She had committed to detailing the use of not just MTC, but also shrimpers and crabbers. She introduced a letter signed by 3 dozen terminal users from various sectors. Mann said they wanted the Commission to know how important commercial fishing is to the Port and the county, but also know how important the Terminal is to fishing. It is in the fishing industry's interest to have the Port thrive. Mann decided to document their needs and ask the Port to adopt the submitted platform, and terminate the consideration of proposed agreements. Per information received via public records request from the Port, the letter included information about moorage and services at the terminal over the past four years, over which the income has more than doubled. The trend is further growth. The fishing users want to keep growing and use the Terminal. They are not against shipping, but against being displaced. Lamerdin asked Mann about the industry platform and dates of concern, asking what would be left for other users. Mann said they were requesting ample space, but not the entire facility. The fishmeal plant operates year-round. The fleet wanted to detail what is used now

VII. OLD BUSINESS

A. Items Removed from Consent Calendar

No items were removed from the Consent Calendar.

B. Accounts Paid

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

C. Award Maintenance Contract for Mildred C

Bretz referred to the Meeting Packet for the report on the Mildred C and how it came to this point. He acknowledged Jincks made good points and this was an old boat which was already on the blocks when he started at the Port. The Port of Toledo has completed 95% of the work. Aside from the worth of the boat, it provides the Port with maintenance capability to immediately respond to broken pilings and help things from getting worse. In the long run, he recommended the Port back out of the boat. As for a lighter boat, the Port is bound by the qualifications of the staff. A smaller boat would require a higher level of skill. Bretz recommended authorizing to repair the boat for a total not to exceed \$44K. Lamerdin said in his experience you would just pour money into a 40 year-old boat. \$44K seems a lot to put the boat back together, and asked if this was the only option. Bretz said the issue was a combination of vessel and operator. The pilings are not light work. Lamerdin asked where the nearest contractor was. Bretz said ORCA divers who are paid for diving and their boat for \$5-10K each time. Lamerdin asked how often the situation pictured in 7B on the report does occur. Bretz said there is currently a broken piling on PD7, and some others are ready to give way. Two pilings were lost in the last 4 weeks.

Lamerdin asked about the potential risks if the old engine goes out after the hull is repaired. No-one authorized Toledo to proceed via a purchase order or contract. Larrabee said there was no contract but he can't detail the conversation with the party (Kent Gibson) present. Bretz said there was a need to address failing pilings. There is also the risk that a part of the pier would be taken out if Port staff does not respond. Bretz said it was easy to say that someone else could do the work, but it would depend on availability, scheduling, and fees. Skamser said the ORCA charges could run to \$16K times 10, which makes \$44K seem not too bad. She asked if there were no other tugs in the basin. Bretz said a concern was the ability to respond quickly.

Patrick-Joling referred to the minutes from 10/18/16 included in the packet and the estimate of \$100K to replace the tug. Bretz said there are a couple of old tugs around but they are unknown quantities; the Port knows the Mildred C. Patrick-Joling recalled this was not a line item in the budget. Bretz said the work was done in the previous fiscal year whose budget has funds to pay for it along with the trade of the surplus items. Skamser said that the Port of Toledo was generous in buying steel, and suggested the Port talk to Toledo to clear things up. Larrabee said he believed (Gibson) authorized the work, so Toledo would say to pay the money. Bretz said changed in sub-chapter M makes some options impossible. He spoke with the Coast Guard, who was amenable to authorizing the use of the Mildred C. He did not know if Toledo has authorization but was told they will not operate their tug outside of their port. He suggested that Port staff can maintain the Mildred C, but it can't be put in the water in its current condition. Lamerdin suggested the Port needs to investigate if there were other issues that might not be fixed after the \$44K investment. Jincks said that a marine surveyor should look at the boat. Bretz said the Port needs a plan for how to respond to work needed and how to get out of the Mildred C at some point, and he will look into a survey. Patrick-Joling referred the issue back to staff for further evaluation. Lackey said he would like to explore the option of a lighter boat, and understood safety was a concern. Bretz said he would look into options. Lackey asked for a short report on what happened and what should have happened, and to get that back on Monday. Lamerdin added the survey is key for considering further work, but suggested approving the \$33K to clear up what has already been

completed. Skamser asked if the Commission were willing to spend \$33K and the \$44K was in the budget why it would not authorize the job be completed.

A motion was made by Lamerdin and seconded by Chuck to pay \$33, 250.50 to the Port of Toledo for work that has been completed on the Mildred C. The motion passed 5 – 0.

D. Review Scope of Work by OBEC for Port Dock 5 Pier Access Design

Bretz introduced the staff report. Skamser said she had sat in on the meeting where this was discussed, and it was a complicated project that would cost in excess of \$2MM. There are lots of elements to consider and she is not comfortable moving forward. Chuck said this was a #1 priority for the Port last year. This would be to approve starting the engineering process. Bretz said he had the project file available for review. Lackey and Lamerdin agreed that the Port needed to keep moving forward on the project.

A motion was made by Chuck and seconded by Lackey to approve Alternate 2 Scope of Work as Presented by OBEC Engineering and Direct Staff to Prepare a Contract for Commission Approval in August. The motion passed 5 – 0.

VIII. NEW BUSINESS

A. Resolution Authorizing Check Signers (2017-10)

Larrabee introduced the Resolution and said that Lamerdin, Lackey and Skamser had been provided forms to complete for the bank, and signature cards would be brought to the meeting in August. There was consensus to approve the Resolution.

B. Review Membership Liaisons

Chuck and Patrick-Joling reviewed the current liaison assignments, and will provide Hewitt with updates.

IX. DEPARTMENTAL REPORTS

A. Director of Finance

Larrabee introduced his report.

B. Director of Operations

Bretz introduced the staff report. He said the Port would follow the lead of the City and would try to work with the crowds during the eclipse rather than try to enforce restrictions. He called the Commissioners' attention to the email in the packet regarding VIP passes to the NOAA celebration. Bretz said he had spoken with Rod Schiewe, an electrolysis expert. Schiewe said the Port is currently testing for AC current only, and isolation transformers, if improperly used, will allow DC current to be transmitted, which we are not currently testing for. While he was doing work at PD3 he was surprised to find so little stray current. He suggested the Port periodically spot check, and Bretz will add this to

CMMS. Bretz and Schiewe had also talked about adding a requirement to the moorage agreement but decided the current terms were sufficient. Bretz said that regarding the Newport Fire Boat, the Port will need to come up with a secured area for this and other such vessels. Bretz said the sewer repair work at Rogue had been completed. He said he had been asked by Chuck what were three things he would need from the Commission right now. Bretz said: 1. He needed to be able to reach out to the Commission about decisions that needed to be made; 2. He needed direction for the interim role, in particular public affairs guidance; and 3. He requested the Commission assist with ensuring internal and external stability. It would be best to reassure folks sooner than later. Internally, staff needed reassurance in order to continue with as much confidence as possible.

X. COMMISSIONER REPORTS

Chuck called attention to the invitation included in the Meeting Packet for the Commissioners to visit Teevin and encourage Commissioners to attend.

Skamser said she had received a call requesting that school bus training be permitted at the Terminal. Chuck said that would be a Special Use Permit request.

XI. CALENDAR/FUTURE CONSIDERATIONS

Patrick-Joling said she would be on vacation 8/9 – 8/19 and would not be available. Bretz said he would be out of the office on August 1st.

XII. PUBLIC COMMENT

Jincks said the Port can't let what happened at Toledo keep happening. They have the Port's steel plates, which are construction plates that would have continued to be used.

Shaw said the Airport Committee meets monthly the 2nd Tuesday of the month, 2:00 pm at City Hall, and are in the middle of a 20 year plan. Brown is a regular member of the committee.

Beck apologized to Chuck and said he meant no disrespect. Dick Gilbride is not a small town CPA, but a CPA in a small town. He still believes the Beckett Report should not have been included.

Yeck said he was a retired attorney with experience in large transactions. He asked the Commission to keep an eye on Terminal usage. He saw four large trawlers, a small trawler, and a small shrimper at the Terminal yesterday. Port Docks 3, 5, and 7 are full. The existing industry needs to be accommodated. He suggested future planning has to include where new docks will go, and not trade one business for another. There need to be good docks for 80-125 boats. The industry brings millions of pounds of product into the Port each day.

Cooper, Hampton Lumber, noted there was no discussion on Terminal agreements, and clearly the Beckett Report and the earlier Market Study were full of inaccuracies. The Beckett Report was clearly written to support the Terminal plan. A key point in the report cites the Silvan commitment of a large supply, when they were simply hoping to find supply. He suggested the Port needs to do due diligence

on every detail; there is a reason there was a Chinese backed lender, which was a risk. Diversity of commerce is only good if it is based on a good business model.

Tower, a longshoreman, said that Coos Bay was full with loading logs, and local trucks were taking logs to Coos bay. He asked why the Port would pass up an opportunity to bring that business here. He said the comments from Hampton were frustrating and they were a resource hog. There are logs available locally.

Langner said he truly invited the Commissioners to tour Teevin facilities and view operations, and would be happy to answer all questions.

Fogarty said the Port of Newport needs to diversify. There is a high cost of trucking logs and this community needs jobs. It is the Port's responsibility to figure out how to make it work. The development of the Rondys' property is keyed off the development of the 9 acres, and may offer what the fishermen need. Fishing and shipping can expand. Teevin would be the best partner in shipping. There should be some confidence in Silvan since they were brought in by Teevin. There are valuable jobs that go outside of fishing. The RV Park is the current cash cow, but the underground storm system is failing and the well is running dry. Fogarty suggested that if the Port of Newport does not find new revenue it will be difficult for everyone.

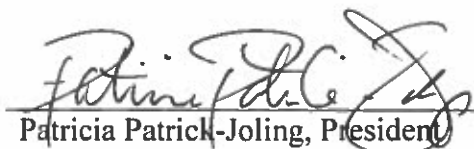
Mann said Greenwood was on the radio recently saying that he was teeing up the agreements, and now there was a huge change. In order to instill confidence and stability, the public needs to know what the process will be. Have things from the last Terminal meeting been addressed or will they be addressed?

Miller, a small woodland owner in Siletz, said he was sending logs to Coos Bay. He did not envy the Port Commission for the decisions that have to be made. He sees the Port needs more dock space for bigger boats, and also needs to diversify its commerce. All industries have their ups and downs.

XIII. ADJOURNMENT

Having no further business, the meeting adjourned at 7:40 pm.

ATTESTED:


Patricia Patrick-Joling, President


Stewart Lamerdin, Secretary/Treasurer

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