OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
REGULAR COMMISSION MEETING
10:30 a.m., Tuesday, December 14, 2021
Port Commission Chambers, 125 Central Avenue, Suite 230, Coos Bay, Oregon 97420

ATTENDANCE

Commission:
David Kronsteiner, President; Eric Farm, Vice President; Brianna Hanson, Treasurer; Bob Garcia, Secretary; and Kyle Stevens, Commissioner.

Staff:
John Burns, Chief Executive Officer; Lanelle Comstock, Chief Administrative Officer; Mike Dunning, Director of Maritime Operations and Asset Management; Megan Richardson, Director of Finance and Accounting; Brandon Collura, Charleston Harbormaster; Margaret Barber, Director of External Affairs and Business Development; and Krystal Karcher, Administrative Assistant.

Media & Guests:
Amanda McCleary-Moore, Moss Adams; Janét Moore; Natalie Ranker; and Wim de Vriend.

1. CALL MEETING TO ORDER

Vice President Farm called the meeting to order at 10:34 a.m.

2. INTRODUCTION OF GUESTS AND PORT STAFF

A. Presentation of 2020/21 Annual Financial Report, Amanda McCleary-Moore, Moss Adams

Amanda McCleary-Moore introduced herself on behalf of Moss Adams to present the 2020/21 financial audit report.

Ms. McCleary-Moore spoke of the extended engagement team and the roles of each person involved. The nature of services provided include auditing the Port's financial statements in accordance with Generally Accepted Accounting Standards. The Federal awards also required a single audit to be performed according to governmental standards. Oregon Minimum Audit Standards were followed, including testing for budgetary compliance of processes and controls, as well as procurement. The Port received more than $750K from Federal grants in the fiscal year so an additional single audit was performed under Uniform Guidance.

Areas of critical audit focus include internal controls and the IT environment, investments, revenues and receivables, capital assets, long term debt, accrued liabilities such as PERS and OPEB, financial close and reporting, Oregon Minimum Standards, and Federal grants compliance. There was one transaction this year that was unusual, which was the PPP loan for the railroad. Closing of the Federal FASTLANE grant was tested for compliance.

Ms. McCleary-Moore stated Moss Adams issued an unmodified (clean) opinion of the Port's financial statements, the highest opinion possible, meaning that after all testing was completed the financial statements were determined to be materially correct.

Under the Oregon Minimum Standards report, there was one instance of noncompliance identified related to an over-expenditure within the CBRL fund. There were no other items to report within the Oregon Minimum Standards report. The governmental auditing standards internal control and compliance report contains no instances of noncompliance, significant deficiencies, or material weaknesses. The uniform guidance internal control and compliance report, which is testing of the FASTLANE grant, shows no instances of noncompliance. Last year there were two findings, one with reporting and one with procurement. This year the testing shows those have been cleared, so there were no new instances of noncompliance identified.

This was the second year audit testing was completed entirely remotely, due to the ongoing pandemic. Last year this report was presented in February, so presenting in December is an accomplishment. Audit standards require the issuance of a letter titled 'communications to those charged with governance.' Information is included regarding significant accounting policies being chosen by management. Specifically, with the PPP loan there were multiple ways to report. Selecting an accounting policy and including that in the notes is important. GASB 84 was a new accounting standard this year for reporting of fiduciary activity, but did not have a significant impact on the Port.

Putting the financial statements together does require some judgement from management regarding significant accounting estimates, including pension and other benefit accruals. Information comes from PERS but is a significant estimate. The useful life of capital assets should also be evaluated annually. The allowance for doubtful accounts is another management estimate that could have significant impact.

There were no material audit adjustments identified; however, there were a few immaterial audit adjustments, all related to the same issue of having a second level of review after posting journal entries. Auditors found there were good controls over developing journal entries, having a work paper with support and review, then posting to trial balance. The piece that was missing was a review afterwards.

GASB 87 is a new accounting standard regarding leases that could have an impact on the Port. It will be effective for the fiscal year ending June 30, 2023, but now is the time to start gathering information and preparing to implement. GASB 89 will be effective in the fiscal year ending June 30, 2022 and is a standard that requires accounting for interest cost incurred before the end of a contract period.

Ms. McCleary-Moore stated the team was great to work with and asked if there were any questions. Vice President Farm thanked Ms. McCleary-Moore for the presentation and the handout materials received.

3. <u>PUBLIC COMMENT</u>

A. Janét Moore, Coos Bay.

Ms. Moore stated she is here to express concerns about the large scale cargo shipping terminals the Port is planning to develop, due to the impacts they will have on the environment and way of life. Ms. Moore stated she moved to Coos Bay seven years ago due to the relative lack of heavy industry and the clean environment. Coos Bay citizens she has spoken to do not want to be competitive with larger ports, they want to live sustainably in this region and preserve a healthy environment. These terminals will significantly impact the air quality for local residents and throughout the region. Cargo ships burn lower quality petroleum products with the most damaging emissions. The twin ports of Los Angeles and Long Beach are the largest source of air pollution in Southern California, collectively responsible for 100 tons per day of smog and particulate forming nitrogen oxide, more than the daily emissions of all 6 million cars in the region. These pollutants contribute to asthma, reduced lung development in children, cardiovascular disease, lung cancer, and premature death.

Ms. Moore stated she is wondering about the feasibility of these terminals. In 2000, the Port spent $200,000 on two independent feasibility studies concerning building a shipping dock on the North Spit. Both studies concluded that it was not economically feasible given the small population and poor inland connections; and that the terminal would attract some shipping but not enough to pay for itself. To break even, it was calculated that the terminal would have to attract cargo at 2.5 times the rate of two comparable terminals in Portland and Vancouver, Washington, both of which are located in larger population centers with vastly superior connections. Being that conditions are the same today, where are the feasibility studies for these current projects? It has been reported that railroad improvements are estimated to cost $1 billion from here to Eugene for the terminals to be viable. There needs to be an independent feasibility study showing the return on investment.

Ms. Moore stated that in 2007, it was promised there would be a prosperous container future with Maersk. These larger companies will often play one location against another. During the present backup at Los Angeles and Long Beach, the shippers are certainly approaching other areas and threatening to divert traffic in order to get other ports to invest in improvements and expand. This tactic is used to put pressure on where they really want to be and is apparently very common, so the Port should be realistic about that. Ms. Moore stated she is wondering how the Port plans to do a better job of engaging and informing the public about these projects, because there is scant information available. For example, how much the Port is paying for the Georgia-Pacific mill site in total, with an expected closing date next week. Ms. Moore stated CDC Inc. was supposed to remediate environmental issues on the site and she would like to know more details about what has been planned or completed. Ms. Moore stated she would like to see the Port think about other uses for old industrial waterfront property rather than only focusing on heavy industry. Residential and commercial renewal of older industrial waterfronts has been successful in other places.

Vice President Farm asked Ms. Moore to wrap up her comments, as there is a 3-minute time limit. Ms. Moore stated a focus on heavy industry can end up hurting other jobs and industries, such as fisheries and tourism.

B. Natalie Ranker, North Bend.

Ms. Ranker stated she is truly appalled by the fact that the Port plans to move ahead with container terminals without considering the damage that would be done to the citizens of Coos Bay, North Bend, and the taxpayers of Oregon. It does not appear that the Port has produced a current feasibility study, which would show few solutions to the problems put forth in past studies, which have shown this is not a viable project. A container facility on its' own will not make the port competitive with those to the north and south. A major problem is how the goods will be shipped to buyers inland. The railroad system is totally lacking in tracks, beds, and tunnels necessary to accommodate double stacked containers, nor is the highway system adequate. Improvements to the rail line alone will cost an estimated $1 billion. Where will this money come from? Perhaps the bigger consideration should be to the people of Coos County. The dredging that is proposed will have massive impacts on the bay and estuary. It will be highly detrimental to the fishermen, crabbing industry, clam diggers, and also the tourism industry. All of these have been important to the well-being of our citizens for generations and remain so. Ms. Ranker stated she respectfully asks that the Port reconsider the decision and not waste millions of dollars on a project that has little hope of success and a great probability of being detrimental to the citizens and the estuary.

C. Wim de Vriend, Coos Bay.

Mr. de Vriend stated he would like to address not only the Port's plans for the old GP site but also for the North Spit, as they have both been mentioned together recently. In the two studies mentioned previously, the consultants came to the conclusion that a brand new terminal would be unlikely to ever pay for itself and was a very risky situation. Mr. de Vriend stated he does not see how that has changed since. For the last century or so, the only reason ships came to Coos Bay was to pick up lumber products. Today the lumber industry is only a shadow of its former self. It is a shortage of cargo, not a shortage of terminals, that has reduced ship traffic to only a couple of ships each month.

Next, the Port of Coos Bay has never run any shipping terminals and it seems very unlikely the Port now has the ability to run one, for containers or anything else, let alone run it at a profit. Next, if the scheme calls for an outside operator, does the Port have solid contracts with such an operator? The Port has a long history of relying on third parties to save its bacon, only to see them vanish and be stuck with another white elephant. More details about white elephants can be provided. Next, container terminals are very expensive to build since they need many acres paved with concrete 2 feet thick and huge cranes running on rails, potentially hundreds of millions of dollars. The wind exposure on the North Spit is unfavorable.

The current backup of ships at Los Angeles and Long Beach may have encouraged the idea of a Coos Bay container terminal but it is an unusual situation that will end long before a new terminal can be built in Coos Bay. There are already such terminals on the West Coast with much better inland rail connections. They include Oakland, Seattle-Tacoma, as well as Vancouver, BC and Port Rupert, BC. These ports have natural deep water and railroad connections to Chicago which are essential for containers, most of which need to travel to distribution centers far from the West Coast. The Port of Portland has had a container terminal for about 50 years and it has seen very little business, even laying idle in recent years because all the shippers had left. One reason Portland's container business has not flourished is their location on the Columbia River, which adds about one day each way to a ship's transit time. While Coos Bay doesn't have that drawback, it has insufficient depth and its railroad is completely unsuitable for hauling containers. Next, given the State of Oregon's refusal to approve dredging for Jordan Cove, it seems doubtful that Coos Bay could be made much deeper than its present -37 feet. Large container ships need more than that. Finally, to handle two-way container traffic, the Coos Bay railroad would have to be totally rebuilt by straightening curves, double tracking, rebuilding more than 100 bridges, and increasing the heights of a dozen tunnels. Mr. de Vriend stated he could only guess what this would cost, but a wild guess of a billion dollars does not seem unlikely.

Mr. de Vriend stated he has also submitted a written version of these comments to be included in the meeting record. Vice President Farm stated that has been received and distributed.

Written comment from Mr. de Vriend was received as follows:

Having watched the activities of the Port of Coos Bay for some 50 years, I can confidently make a number of observations.

One is a prediction that like so many earlier plans, these plans, for the GP property and for the North Spit terminal, are very likely to fail, either at low financial cost during the planning stage, or more catastrophically if through some unlikely stroke of fate either one should actually be built. We've seen similar scenarios - but smaller ones, financially - play out here, many, many times; if the port commissioners would take the trouble they can still see the wreckage of several such disastrous schemes that made the Port insolvent, so the only way out was to get bailed out by the State. Those include an abandoned fish meal plant in Charleston, financed with borrowed money; the so-called distant water fleet dock in Charleston, that was supposed to service Alaskan fishing boats and the Coast Guard; the useless T-dock on the North Spit, which the Port built to serve fish processing plants that never showed up; the barge slip that the Port insisted on building, also on the North Spit, to serve fabricators of steel modules for the oil producers on Alaska's North Slope, another pipe dream. But the most visible such scheme must be the railroad that has cost the taxpayers somewhere between 80 and 100 million by now; and there have been many more, less visible failures.

Then also, we have had the various promoters who came to town. They included the people who persuaded the Port to build the white elephants I mentioned, but they also kept alive the illusion that Coos Bay is some undiscovered hub of shipping and industry, and all we need is one big new industry to make the world notice us. Along those lines during the last 50 years we've had promoters of coal export terminals, by my count three different ones; promoters of smelters on the North Spit in the 1980s; promoters of a pulp mill in 1990, and also a steel mill hungry for enormous subsidies; and, of course, the most recent chimera, the Jordan Cove LNG terminal, for which Coos Bay was completely unsuitable.

August 10, 2007: Governor Kulongoski signs the Maersk dredging bill on the Coos Bay boardwalk.

But I should not leave out that in 2007 there was great excitement because Maersk, the big container shipping company, was supposedly interested in building a terminal in Coos Bay - also on the North Spit. The Port threw a big party on the boardwalk, the governor came and promised $5 million for dredging studies for Maersk, which have been spent; but again, nothing happened. That's because, like all industrial promoters, at least the serious ones, Maersk had used the common industrial siting tactic of approaching two other sites that were more suitable; it's standard procedure, designed to play sites against each other to get bigger subsidies; and Maersk did not spend a penny on their Coos Bay proposal.

What all these failed plans had in common was that superficially they had some plausibility, so in every case the Port could waste a lot of time and money, and then blame bad luck for their failures. But that doesn't mean there have been no bad consequences. People who would like to come to Coos Bay to live don't like the prospect of noxious smokestacks upwind from their prospective homes.

Now to address the latest proposed project(s), I have made the following observations, which I will also try to convey in the 3 minutes allowed for verbal comments. This will not be not easy, because I have a great deal of information collected for a book I published, now 10 years ago, about these matters. This book documented the disastrous consequences of a perpetual Port policy that could be summarized as "If we build it, they will come". But they never came, and it's hard to see why that unfortunate outcome would now be different.

As I understand the Port's plans, they are talking about 2 projects, one to develop the old GP site for shipping, and the other for creating a container terminal on the North Spit. I have the following observations on both:

1) I have copies of two studies commissioned by the Port in 2002/3, in both of which port consultants addressed the cost and business prospects of a brand-new 'state-of-the-art' shipping dock on the North Spit, though not a container terminal. They warned that this would be a very risky undertaking, unlikely to succeed or even to pay for itself, not only due to limited cargo but because it would face stiff competition from other terminals on the Columbia River. When those professional studies were published, the Port denied their validity and ignored them. I strongly suggest the Commissioners unearth them and read them.
2) For the last century or so, the ***only*** reason ships came to Coos Bay was to pick up lumber products. Today the lumber business is only a shadow of its former self, and it is a shortage of cargo, not a shortage of terminals, that has caused ship traffic to dwindle to only a couple of ships each month.
3) The Port of Coos Bay has never run any shipping terminals, and it seems very unlikely that the Port now has the ability to run one, for containers or anything else, let alone run it at a profit.
4) If the scheme calls for an outside operator for each terminal, does the Port have solid contracts with such an operator? The Port has a long history of relying on third parties to save its bacon, only to see them vanish and be stuck with another white elephant.
5) Container terminals are very expensive to build, since they need many acres paved with concrete 2 feet thick, and huge cranes running on rails. We are definitely talking about hundreds of millions of dollars; and the wind exposure on the North Spit *is* unfavorable.
6) The current backup of shipping at the ports of Los Angeles/Long Beach may have encouraged the idea of a Coos Bay container terminal. But that is an unusual situation that will end long before a new terminal is built in Coos Bay; and there already are other such terminals on the west coast, with much better inland railroad connections. They include Oakland and Seattle/Tacoma, but we should also count Vancouver, BC and Port Rupert, BC. These ports have naturally deep water, and excellent railroad connections to Chicago, which is essential for containers, most of which need to travel to distribution centers far from the West Coast.
7) The Port of Portland has had a container terminal for about 50 years. It has seen very little business, and has even lain idle in recent years, because all its shippers had left.
8) One reason Portland's container business has not flourished is the Columbia River, which adds about a day each way to a ship's transit. While Coos Bay does not have that drawback, it has insufficient depth, and its railroad is completely unsuitable for hauling containers.

9) Given the State of Oregon's refusal to approve dredging for Jordan Cove, it seems doubtful that Coos Bay could be made much deeper than the present -37 feet, which large container ships would need.

10) To handle two-way container traffic, full ones and empties, the Coos Bay railroad would have to be totally rebuilt, by straightening curves, double-tracking, rebuilding more than 100 bridges, and increasing the height of its dozen tunnels. I can only guess what that would cost, but a billion dollars does not seem unlikely.

Wim de Vriend, Coos Bay

The two studies are: "Evaluation of Marine Cargo Opportunities for the Port of Coos Bay, Oregon", April 2002: *BST Associates,* Bethell, WA, and "Feasibility analysis for a Modem Marine Cargo Facility in the Port of Coos Bay, Oregon", *PB Ports and Marine, Inc.,* May 2003. See also "Shipping cornerstone of economy", *The World,* April 25, 2002; "Cost figures higher than expected for maritime dock". *The World,* February 10, 2003; Report Building new port facility may not be cost-effective". *The World,* March 20, 2003.

D. Bill and Jody McCaffree, North Bend.

Written comment was received and read into record by Lanelle Comstock, Chief Administrative Officer, as follows:

Dear Oregon International Port of Coos Bay Commissioners:

Before the Oregon International Port of Coos Bay spends any more of our taxpayer dollars on yet another "cargo" terminal scheme we would like to know where the feasibility study is that shows how the Port has solved the problems that were made apparent from several prior Port feasibility studies done on this very subject, one by the highly reputable Parsons Brinckerhoff, a global engineering and professional services consulting firm now known as WSP. If Portland and Vancouver have had difficulty in making the benchmarks to break even at their cargo terminal facility what makes the Port of Coos Bay think that they would be able to, particularly with all the transportation disadvantages that we have here? Unlike Portland, we have no interstate highway system nor do we have a Class 1 railroad or the local markets that can absorb some of the cargo. In 2003 Parsons Brinckerhoff determined that:

> *"...under any circumstances, investment in a new public general cargo terminal involves a very high business risk. The factors that contribute to this are many, including the absence of a clearly defined market; the low capacity utilization and declining volume trends at other, better-positioned terminals; the intense rivalry and price competition among competing terminals; the footloose nature of steamship customers and the short term nature of terminal operator contracts in the market; and the Port's lack of experience in the business.*
>
> *Not only must the terminal operate at minimum volumes to repay the facility development costs, it must also operate at a level that is viable for the terminal operator as well...."*

Steamship operators are here today and gone tomorrow. Just because they are currently backed up at the Port of Long Beach is not a sufficient reason to justify the Port of Coos Bay going full steam ahead on what is likely to be another Port boondoggle. Coos Bay is more distant from most foreign ports than competing ports and has a relative cost disadvantage with respect to ocean carrier costs, even accounting for its closer proximity to the ocean. Coos Bay has a large disadvantage by road and rail to/from non-local markets. (BST Associates April 2002) And how has the Port of Coos Bay solved the problem with the national shortage of available truck drivers, the main backlog culprit at the Port of Long Beach? And what about our current local housing crisis here?

In addition, dredging the Coos Bay estuary to the extent the Port is wanting to is highly likely to significantly harm our fishing, crabbing, clamming, oyster harvesting, recreation and tourism industry jobs. In spite of the negative impacts that have been the result of the COVID-19 epidemic, tourism alone still brought in some $176 million to our Coos County area in 2020, creating some 2,950 jobs (Dean Runyan Associates April 2021 Travel Impact Analysis for Oregon). Why put all those jobs at risk?

And last but not least, has the Port resolved the issues they have had in the past with the Longshoreman's union charging extremely high fees to unload stuff here? In 2016 Portland's Terminal 6 lost weekly container service following a labor dispute between the port operator and the International Longshore and Warehouse Union.

In 2007, shipping line A.P. Moller – Maersk (Maersk) looked at the Coos Bay area for building a container terminal facility. They did not locate here but does the Port Commission really understand why that was? …? It doesn't take a rocket scientist. If the well-known Maersk did not find Coos Bay to be sufficient what makes the Port think some company that nobody has ever heard of would do what even the transportation experts don't recommend and wouldn't do?

Sincerely,
Bill and Jody McCaffree
North Bend, Oregon

Vice President Farm stated a quick roll update is needed. President Kronsteiner has joined the meeting via Zoom while Commissioner Hanson had to leave early.

4. CONSENT ITEMS

A. Approval of November 16, 2021 Regular Commission Meeting Minutes
B. Approval of November Invoices
C. Approval of November Contracts Awarded

Upon a motion by Commissioner Garcia (second by Commissioner Kronsteiner), the Board of Commissioners voted to approve the November 16, 2021 Regular Commission Meeting Minutes, November Invoices and November Contracts Awarded. **Motion Passed.**

5. MANAGEMENT REPORTS

All Management Reports were included within the Meeting Packet.

John Burns stated a correction is needed to the Railroad Operations report. Carloads reported were 537, but should have been 545.

6. ACTION ITEMS/REPORTS

A. 2020/21 Annual Financial Report

Moss Adams has completed the annual financial report on behalf of the Oregon International Port of Coos Bay for fiscal year ending June 30, 2021.

The financial statements are presented in accordance with the financial reporting model in the Governmental Accounting Standard Board (GASB) Statement No.34.

There were no adjustments that had a material effect on the Port's reporting process. There were also no material weaknesses or reportable conditions for internal control, or any instances of non-compliance to the general-purpose financial statements.

Ms. Amanda McCleary-Moore of Moss Adams attended this Commission meeting and presented the audit. A copy of the audit was provided to Commissioners for review.

Vice President Farm congratulated staff on achieving a good, clean audit. Commissioner Garcia asked about the recommendation for review of postings, and whether staff has any new processes to put into place. Megan Richardson stated staff had been reviewing postings but were lacking the step of reviewing the schedules after posting journal entries. Staff are meeting today to wrap up the audit and go over lessons learned and review what needs to be put in place for next year.

Upon a motion by Commissioner Kronsteiner (second by Commissioner Garcia), the Board of Commissioners motioned to approve the annual financial report for Fiscal Year 2020/2021. **Motion Passed.**

B. 2021Res07: Execution of IFA Loan Agreement

The Port entered into a Purchase and Sale Agreement for the former GP facility on October 25. The Port is currently in the due diligence period, which is set to expire on December 24. During this time, the Port is conducting an appraisal and a Phase I environmental assessment. Pending the results of the Phase I, it will be determined if a Phase II is necessary. The Port plans to close on the property no later than December 31, 2021. After closing, the Port will proceed with engineering, any necessary additional environmental work, and construction. The total project cost is estimated to be $14,525,000 with a bond issuance fee of $83,000 for a total overall cost of $14,608,000.

Project	IFA Loan	Other Sources	Total
Land Acquisition	8,250,000	-	$ 8,250,000
Environmental	250,000	-	$ 250,000
Legal	-	25,000	$ 25,000
Engineering/Architecture	250,000	-	$ 250,000
Construction	-	4,500,000	$ 4,500,000
Construction Contingency	1,250,000	-	$ 1,250,000
Project Subtotal	**10,000,000**	**4,525,000**	**$14,525,000**
Bond Issuance Fee	83,000	-	$ 83,000
Total Costs	**10,083,000**	**4,525,000**	**$14,608,000**

To finance the purchase of the property, the Port is seeking financing in the amount of ten million dollars from Business Oregon Infrastructure Financing Authority Special Public Works Fund. The funds will be used to acquire the facility, complete engineering, environmental work, and construction contingency. Four million dollars of the loan will be repaid in the short-term using ARPA funds awarded to the Port from Senator Anderson and Representative Wright. The $4.5 million needed to complete the construction will be federal dollars thanks to Representative DeFazio.

The application was brought before Business Oregon's Infrastructure Financing Authority commission and approved on December 3, 2021. After approval, Business Oregon has begun drafting the contract. Once complete the contract will be reviewed by Port legal counsel prior to execution by the Port CEO.

Upon a motion by Commissioner Kronsteiner (second by Commissioner Garcia), the Board of Commissioners motioned to approve resolution 2021Res07 authorizing the Oregon International Port of Coos Bay to enter into a loan agreement with Business Oregon Infrastructure Finance Authority (IFA) for a $10,083,00 loan pending preparation of the final agreement by IFA and review by Port legal counsel. **Motion Passed.**

C. Finalize Closing of Property Purchase Transaction

Per the Purchase and Sale Agreement between the Oregon International Port of Coos Bay and Coos Bay, LLC for the purchase of the property formerly known as the Georgia-Pacific Mill Site, one of the Conditions to Closing is for the Port to receive approval from the Board of Commissioners to close the transaction.

Other Conditions to Closing include:

a. **Performance of Obligation and Accuracy of Representations and Warranties**
   - There are currently no concerns of the seller's performance or accuracy of their obligations under the agreement.

b. **No Material Changes to the Property**
   - There are currently no known unwarranted adverse changes in the physical condition of the property.

c. **Title Insurance**
   - The title company is prepared to issue the title insurance policy referencing only the Permitted Exceptions.

d. **Payment by Seller of Existing Indebtedness**
   - There are currently no known existing financing or monetary liens or encumbrances on the property.

e. **Removal of Exceptions**
   - The Preliminary Title Report has been received, is being reviewed by Port Staff and Legal Counsel, and any disapproved items will be removed within two days before closing.

f. **Phase I Environmental Survey**
   - A satisfactory Phase I Environmental Assessment for the property has been completed.

g. **(Board Approval)**

h. **Financing**
   - The Board just motioned to approve a loan agreement with the Business Oregon Infrastructure Finance Authority (IFA) preceding this action request.

The expected closing date of the property transaction is by December 31, 2021.

Upon a motion by Commissioner Kronsteiner (second by Commissioner Stevens), the Board of Commissioners motioned to approve the close of the transaction to purchase the property formerly known as the Georgia-Pacific Mill Site, as contemplated within the Purchase and Sale Agreement between the Oregon International Port of Coos Bay and Coos Bay, LLC. **Motion Passed.**

D. 2021Res08: Port of Coos Bay Rate Schedule

Included in the meeting packet was the proposed Port of Coos Bay Rate Schedule (previously known as the Charleston Marina Rate Schedule). The Rate Schedule has been revised and updated to include all fees obtained by the Port of Coos Bay, and is thus being renamed as the Port of Coos Bay Rate Schedule.

- Items in blue are currently established fees that have not previously been included in the published Rate Schedule.
- Items in red are newly added line items and proposed fees.
- Items with a ~~strike through~~ and highlighted yellow are changes to the existing fees (found in RV Park Rates and Railroad Property Access and Occupancy Fees).

Major revisions or additions to the Rate Schedule are outlined below:

Charleston Marina RV Park

As part of the annual budget process, the Marina Complex rates are reviewed each year and may be adjusted by the Consumer Price Index (CPI) and/or by market analysis. Each year staff surveys the rates and schedules of comparable facilities for comparisons.

RV Park rates are evaluated in December of each year to better serve our summer customers. This ensures that our long-term summer customers do not experience an unknown rate adjustment mid-season.

This year, the CPI has risen 6.8% since November 2020; even taking food and energy costs out of the calculation, CPI has risen by 4.9%, due to high inflation rates.

Port Staff compared similar RV Parks in the region and found the Port's daily, weekly and monthly rates continue to be below the market average. Port Staff recommends a rate adjustment of 5% per category based on market analysis, capital improvement projects, and overall maintenance needs.

The proposed changes are set forth in the table below (these rates do not include the 1.5% Lodging Tax and 2% Visitor Fee):

Rate Type	2021 Rates	Recommended for 2022
Daily - Back In	$40.00 reg. / $42.00 deluxe	$42.00 reg. / $44.10 deluxe
Daily - Pull Thru	$45.00	$47.25
Weekly - Back In	$221.00 reg. / $235.00 deluxe	$232.05 reg. / $246.75 deluxe
Weekly - Pull Thru	$248.00	$260.40
Monthly - Back In	$590.00 reg. / $624.00 deluxe	$619.50 reg. / $655.20 deluxe
Monthly - Pull Thru	$657.00	$689.85
Yurts - Daily	$57.00	$59.85
Yurts - Weekly	$268.00	$281.40

In addition:

- A "6 month stay limit in a 12 month period" statement was added to monthly stays. Although this is an existing rule within the RV Park, the regulation needed to be reiterated.

- RV Dry Storage was removed as it is not a utilized service.
- Propane was added to the Rate Schedule. The price of propane varies on the price at time of delivery.

Charleston Marina Administrative Services

The Charleston Marina Administrative Services fees added to the Rate Schedule are established fees as outlined in Ordinance 143 and/or adopted by previous resolutions.

General Administrative Services

The General Administrative Services fees added to the Rate Schedule are established fees adopted by previous resolutions.

Railroad Property Access and Occupancy Fees

The previous rate schedule was approved by resolution in May 2017. Research was conducted based on the existing 2017 rate schedule and prior rate schedules from 2010 and 2011, as well as a sample review of existing lease agreements and pricing structures of other railroads. Many of the fees remain unchanged from 2017. A standard 3% CPI increase has been added for all new annual agreements.

The actual format of the Rate Schedule is subject to change, although the rates will remain consistent.

Pursuant to Port Policy, the Rate Schedule must be modified by resolution of the Port Commission. Upon Commission approval of the resolution, the revised Port of Coos Bay 2021/22 Rate Schedule will be republished with an effective date of January 1, 2022.

Upon a motion by Commissioner Kronsteiner (second by Commissioner Garcia), the Board of Commissioners motioned to approve Resolution 2021Res08 revising the 2021/22 Port of Coos Bay Rate Schedule effective January 1, 2022. **Motion Passed.**

E. Application Submittal for CRISI Grant

The Oregon International Port of Coos Bay owns and operates the Coos Bay Rail Line (CBRL). As owner of the rail line, the Port is responsible for capital repairs, rehabilitation and replacement of the infrastructure on the rail line. The Port acquired the rail line after the former owner halted operations and threatened abandonment of the infrastructure. Since acquiring the line through two separate transactions in 2009 and 2010, the Port has undertaken a comprehensive capital rehabilitation campaign designed to restore and improve service to regional employers that ship and receive cargo by rail.

On August 31, 2021, the Federal Railroad Administration (FRA) published a Notice of Funding Opportunity (NOFO) for the Consolidated Rail Infrastructure and Safety Improvements (CRISI) Program. The CRISI program was implemented to enhance rail safety, help to undo inequities caused by transportation and land use policies and create new opportunities for underserved communities, provide energy efficient transportation options to confront the effects of climate change, invest in projects that spur economic growth, and ensure our world-class freight network can meet the mobility demands of a growing population. The total funding available for awards under the program is $361,978,769.

In March of 2021, the Port entered into an Exclusive Negotiating Agreement with North Point Development, LLC to develop a container terminal on the Port's North Spit property. As part of this development, the project will require modifications to nine tunnels to accommodate double stack cars, and siding improvements to allow for the operation of unit trains along the line.

In partnership with North Point Development LLC, Port staff proposes the development of the CBRL Corridor Improvement Project. The infrastructure improvements proposed in this application are to the nine tunnels (Phase 3) located along the CBRL as well as four sidings and one industrial lead installation site. The tunnel work will increase vertical clearances through the tunnels to accommodate double stack container cars. The four (4) sidings and one (1) industrial lead location will facilitate capacity increases on the line with a goal of providing sufficient capacity for 1.2M FEUs to be processed annually at the marine intermodal terminal. These Project elements will dramatically improve the efficiency of the intermodal rail facility and provide much needed rail infrastructure enhancements for the intermodal freight moving through the Port.

Port staff is requesting authorization from the Port Commission to apply for a CRISI 2021 grant that will be used to fund the costs of the CBRL Corridor Improvement project. The total estimated project cost is $72,475,527, with a pledged match of $36,237,764. Matching funds will be provided by North Point Development, by written agreement, prior to executing a grant agreement with the FRA.

Upon a motion by Commissioner Kronsteiner (second by Commissioner Garcia), the Board of Commissioners motioned to authorize Port Staff to apply for a CRISI 2021 Grant for a total project cost of $72,475,527 with a Port pledged match of $36,237,764. **Motion Passed.**

F. Assignment of Track Miles for 45G Tax Credit

Port staff has worked with Mickelson & Company in the past to arrange assignment of the Port's Section 45G tax credit on behalf of its 151-track miles of rail line to a third party Class II railroad for allowable track mile maintenance tax credits.

The Short Line Railroad Rehabilitation and Investment Act, Section 45G of the Internal Revenue Code, creates an incentive for the private sector to invest in rail infrastructure by providing a tax credit of 50 cents for every dollar a railroad spends on track improvements. The credit is based on a track mile formula and is limited to $3,500 per mile of rail line owned, leased or assigned to such a Class II or Class III railroad at the end of the railroad's taxable year.

Mickelson & Company is able to assign the Port's 151-track miles solely for the purpose of the Section 45G credit for $2,100 per track mile or $317,100. The fee for this Agreement of Assignment is not to exceed 6.5% or $20,838, which provides the Port with revenue of $291,732. The funds will be deposited in the Port's General Fund and are used to offset overhead and other expenses related to the Port's ownership of the rail line.

Mickelson & Company has worked with the Port since 2013 and has provided exemplary service in the marketing and assignment of the Port's 45G Tax Credit.

Upon a motion by Commissioner Kronsteiner (second by Commissioner Garcia), the Board of Commissioners motioned to approve the agreement to assign track miles for purpose of receiving tax credit revenue under Section 45G of the Internal Revenue Code, including signature authority for the Port Chief Executive Officer to execute the document. **Motion Passed.**

7. <u>OTHER</u>

8. <u>COMMISSION COMMENTS</u>

Mr. Burns expressed gratitude to Port staff for all their efforts throughout the year, and thanked the community for voicing their opinions, which he said was very important. There has been much communication, both pro and con, about the projects under development. For the benefit of these projects going forward, it is important for the Port to understand any issues so they can be addressed, to answer any questions, and create a beneficial environment for all. Port staff look forward to the new year and operating a facility here in Coos Bay, to be called Terminal One.

9. <u>NEXT MEETING DATE</u> – Tuesday, January 18, 2022, 10:30 a.m.

10. <u>ADJOURN</u>

Vice President Farm adjourned the meeting at 11:41 a.m. and entered into Executive Session to:

(a) consider the employment of a public officer, employee, staff member or individual agent;

(e) conduct deliberations with persons designated by the governing body to negotiate real property transactions;

(g) consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations;

(h) consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed; and

(j) carry on negotiations under ORS Chapter 293 with private persons or businesses regarding proposed acquisition, exchange or liquidation of public investments.