

PORT OF ASTORIA

MINUTES
REGULAR COMMISSION MEETING
FEBRUARY 21, 2012
PORT COMMISSION CHAMBERS

Chairman Dan Hess called the Regular Meeting to order. Roll call was taken.

Commissioners present: Dan Hess, Jack Bland, Bill Hunsinger and Floyd Holcom. Larry Pfund is excused.

Staff present: Executive Director Jack Crider, Deputy Director Herb Florer, Property Manager Mike Weston, Airport Manager John Overholser, and Marina Manager Janice Burk.

2. CHANGES TO AGENDA

Chairman Hess called for changes to the agenda. Director Crider added there is a lease in the Pier 1 Building to add. It was decided to insert the lease under agenda item number 11, (11a), due to Commissioner Hunsinger's request for discussion.

3. MINUTES

Regular Meeting, December 20, 2011, Special Meeting, January 10, 2012 and Regular Meeting December 17, 2012. *Commissioner Holcom moved to approve the minutes of the aforementioned meetings. Commissioner Hunsinger seconded the motion. Commissioner Bland abstained from voting, he had not received a copy of the minutes. Commissioner Holcom added the approval was contingent on adding in an approved and attested area at end of minutes with a line for the board president and secretary's signatures.*

4. FINANCIALS – MONTH OF JANUARY 2012

Vouchers. Chairman Hess called for questions. Commissioner Holcom questioned payments made to Card Service Center that contained initials on the reference line. Finance Director Colleen Browne answered his question. The initials are staffs. Holcom's concern is when a payment to the credit card company or a reimbursement is made to a staff member, no detail of the purchase is provided in the report, as when a payment is made to a specific location/vendor. Director Crider assured Holcom, every receipt to an expense is collected. Approval is made by him before the purchase, no matter which way it is paid or reimbursed. Holcom continued to question Browne on payments to a newspaper carrier and locations to phone service and if payments are rebilled to tenants that are serviced by our lines. Browne answered every question.

Questions from Holcom continued, such as payments made for phone repairs, electrical work, carpet for a new tenant, cell phone service, and the Connect Oregon II match for the rebuild of pier 2.

Commissioner Holcom moved to approve the voucher payments for the month of January. Commissioner Bland seconded the motion. The motion carried unanimously.

Financials.

Assistant Secretary/Treasurer Holcom reviewed the Operating Format Profit/Loss financial report for January. Browne reported a very good month with income and a bottom line of \$171,994. Holcom

requested the marinas be broken down separately (east and west). Discussion followed. Holcom continued to express his concerns over the performance aspect (budgeted) and the way the port budgets, spends, and prioritizes related to grants. Re-mixing a little bit for a better financial success may need to occur. Director Crider explained how the port elevated things based on log revenues. Also taking in consideration is the lack of the final cruise ships at the end of the season. *Commissioner Bland moved to approve the financial reports for January. Commissioner Holcom seconded the motion. The motion carried unanimously.* Commissioner Bland commented on perhaps, a way to summarize capital expenditures and grant performance. Browne mentioned the detail is summarized on budget sheets. Director Crider added workshops are a good place to begin going over the reports.

Accounts Payable Aging. Finance Manager, Colleen Browne explained payments on the report. She answered questions board members presented.

Accounts Receivable Assistant Secretary/Treasurer Holcom had questions and Browne answered. Holcom also questioned details of Pacific Expedition. Mike Weston, property manager explained a letter of termination has been mailed and the tenant has until a certain time to respond, and if they do not, the eviction notice will be next. Chairman Hess asked for other questions, there were none.

5. PUBLIC COMMENT

Chairman Hess called for Public Comment. There were none.

6. STAFF REPORTS

Colleen Browne, Finance Manager reported:

- wrapping up work on the cash flow
- day-to-day items
- budget process, planned with an audit presentation next month.

Bruce Conner, Cruise Ship Marketer reported on the cruise ship economic impact for 2011.

- passenger count, based on the average size ship and gave examples of how it is figured, and suggested \$90,000 is spent per cruise ship that visits Astoria. According to the U.S. Chamber of Commerce, that amount is re-circulated seven times, making for huge impacts to the communities per year. This is not counting the dollars the crew spends in town.
- marketing partnerships with local entities, marketing the area to the cruise lines.
- Clatsop Cruise Hosts, Inc., is celebrating their ten-year anniversary.
- partnerships with local businesses and transit districts and the role they play.
- The consortium Cruise the West, a network of northwest ports, where Conner serves as Vice President, meet yearly in order to meet with key itinerary planners and cruise executives.
- future cruise ship arrivals to the Port of Astoria.

Discussion followed on details of how Astoria is marketed to cruise executives, answering questions of the board members. Comments from the audience, suggesting workshops to help local businesses capitalize offering specific products, Astoria could be a bigger destination. Director Jack Crider added the community college could offer a fire fighting certification class for crew the same day.

Janice Burk Marina Manager reported:

- Several days spent on maintenance on the docks, such as electrical repairs and power washing.
- Working on the fish cleaning station project. The table delivered today.
- Parking lot design and signs at east basin.
- Fuel sales up. An increase in gas with the gillnetting opening.
- The marina received MAP funds for paving the parking lot at the east basin, restrooms, boat ramp and the loading float. Parking charges are being looked into.
- Marina Committee meets this Thursday at the El Tapatio restaurant.

Commissioner Holcom asked if someone would be attending the Pacific Coast Congress for harbor masters and port directors this year. Costs are restricting attendance this year. Holcom is attending and recommends the marina manager should attend, taking advantage of the training and education programs the conference offers.

John Overholser, Airport Manager reported the following:

- A pre-construction meeting first week of February, outlining the schedule for the AIP 19 project. Awaiting permits for the electrical control building.
- A federal telecommunications infrastructure project at the USCG. Changes coming next month Brim Aviation in Ashland, will be taking over the helicopter operation for the bar pilots.
- The airport fuel is being rebranded from BP to Epic Aviation. No change in contracts.
- During the month Costco, Fred Meyer, Staples, Home Depot, and Camp Rilea all flying in/out of the airport.
- A joint based Lewis McCord and their Chinook helicopters visited four times. Hertz provided loaner cars to the military personnel.
- Camp Rilea at airport today.

Director Jack Crider informed the board on the t-hangar build project, reporting payments on old electrical bills taken care of (dealing with the bond company), but nothing to complete the electrical. Discussion followed. Customers need to be taken care of.

A member of the audience, Steve Fulton of Warrenton Fiber, on behalf of the City of Warrenton, asked Chairman Hess if he could address the commission on the levies. Fulton continued on the details of the coast guard's partnership with the city. The plan is to hire the Army Corps of Engineers (ACOE) and begin inspections for the certification of the Warrenton levies.

Remittance from the coast guard has not been received. He has met with city officials and asked Director Jack Crider for assistance. He explained communications with area and Oakland officials to hopefully move the process along. He continued to explain the diking districts #11 at risk of not being in the annual inspection program and if breached the ACOE does not have funding to repair. Financial restraints have prevented the district from making necessary repairs in order to remain in the annual inspection program. Discussion followed on possible actions between stake holders in the surrounding dike area and the history of maintenance issues and standards.

Mike Weston, Property Manager decided to wait until later in the meeting to report, although, Commissioner Holcom questioned the hangars at North Tongue Point and asked for progress reports. Issues related to rates for storage, raised concerns. Rates that were presented and approved by the commission have caused some confusion. Commissioner Hunsinger explained to the group the situation he and Holcom are concerned about. Amounts charged for daily boat storage may need to be re-looked into.

Mike Weston, property manager reported:

- Nancy Karacand, a behavioral health and social worker services with LCSW, is interested in 400 sq. ft. Commissioner Holcom added he is opting out of the discussion since she is a tenant of his pier 39 office suites. Phone and data package will also be added in. *Commissioner Hunsinger moved to approve the lease. Commissioner Bland seconded the motion. The motion carried by majority. Commissioner Holcom abstaining on the vote due to a conflict of interest.*

Commissioner Hunsinger asked if there was going to be an update on dredging. Chairman Hess mentioned he had a note in front of him it would be in item 15 'other business'. Hunsinger continued to talk about the dredging along the east side of pier 2 and if we had met the marks. Director Jack Crider answered it was at 25'-30'. Discussion followed on dredge numbers and details. Mike Weston is doing soundings. Sounding reports are available. Discussion followed on permit extensions in the slips. Crider explained dredge operations and accumulations that are now different due to a hump being removed. He added staff has been managing dredge operations for several years.

7. FISHERMEN'S HOIST

Commissioner Hunsinger, citing a staff report dated December 14, 2011, from Rita Fahrney, Terminal & Service Manager, asked about a report that was to be provided at the January meeting. Fishermen need a public boat hoist. What type of hoist will be put in, he asked? A hoist, with a bucket would be the kind a fisherman (in the different seafood markets) could use, in order to sell their product. Public hoists are available at other ports from Crescent City to Bellingham.

Commissioner Holcom added, while visiting the Port of Newport recently, he obtained on the revenue generated by their hoist and dock services, launch ramp, and commercial moorage and shared the information. A crane could be paid for by just having that kind of revenue. Director Crider added the repairs on pier 2 would help get closer to improving the area for a hoist, and the hoist is on a project list.

8. FIREBOAT UPDATE

Director Jack Crider, a member of the area Maritime Security Committee and will be voting Friday on the security grants. He receives copies of the applications that are slated for review. A year ago when the original fireboat proposal came in, Portland, Vancouver, Cowlitz, and Astoria were listed as participants. When Crider received the copies of the application, not all the signatures he had expected to see were there. He found city of Astoria officials had a change of plans and after further review, found the city planned to fill the need for a ladder truck instead and were not prepared to operate or maintain a fireboat. Crider added another round of funding is coming up soon. Little of the funding will be left after Vancouver, Cowlitz, and the River Guard needs are met. The city of Portland has offered to help write the grant. Discussion followed.

9. PUBLIC TRUST DOCTRINE/DSL-LEGISLATION

Director Jack Crider explained he was hoping to have a draft document containing points from the last meeting. Crider asked Commissioner Floyd Holcom to share his thoughts. Under public trust, the local public paid the Port of Astoria to purchase and build the port docks. The Division of State Lands was not created until 1963. Authorization to create the port came prior to 1910. ORS 777 wasn't created until 1918. The public gave the Port of Astoria the trust to buy and create a public port. When the state of Oregon became a state, the argument to Congress was that all the property the original colonies had received was needed and it was agreed upon, thus creating the document the Public Trust Document or the Equal Footing Doctrine, and Oregon became a state in 1859.

Years later, federal authority was already given to the port, to create commerce for the Columbia River after the state was created. In the Constitution (section 8) gave the port the authority to create a public government and spent public trust money to build the Port of Astoria. In 1918 the Port of Astoria agreed to sign on to ORS 777. In the law, the Port of Astoria, in addition to the rights preserved as a public entity, now was granted authority by the ORS 777. No other ports in Oregon were allowed that except for the Port of Portland.

The director of the Port of Portland was appointed by the governor, and the members of the Board governing the Port of Astoria are elected. Today, the question still unanswered is what makes the Port

of Astoria different than the state of Oregon, when it comes to public trust? When the tax payers pay property taxes to manage the public trust funds, managing the public port, why is the port writing checks in the amount of \$200,000 a year to the Division of State Lands? It pertains to any port in Oregon, not only the Port of Astoria.

Holcom believes there is a fundamental flaw, and until someone explains why the public is paying double taxation to manage a public port that creates economic development for the public trust. Director Jack Crider added the document attorneys are working on will address the issue. Holcom believes it is important as a mission of his, to try to answer that question. When a taxpayer pays taxes to the Port of Astoria and the port in turn, pays the Division of State Lands a check, when they are both performing the same mission of managing our public trust?

Hopes will be that Holcom, along with Director Crider, attend the next Oregon Public Ports Association meeting in Salem, with the information that was just presented.

10. CITY OF NEWPORT GRANTMATCH

Deputy Director Herb Florer reported on his trip to Newport recently, the documents reviewed while there, he found:

- The ODOT grant was for 4.5 million dollars, with the agency covering 80% of the eligible costs up to 3.6 million dollars. Upfront fee paid – invoices submitted. The ODOT grant is tapped out.
- The USDOT Grant, project amount federal share to pay 80% up to \$842,400. Reimbursement requests totaled \$753,955 and the agency had the difference left, but it was closed out.

He explained the way invoices were being calculated for payment when they were submitted. Eighty percent of the invoice was calculated out and submitted for payment to ODOT for their match (80%). The remainder was submitted by Newport at 80% of the leftover 20%. Every single month, that left 4% not reimbursed. With the issues at hand, the Port of Astoria Commission and the city of Newport city council were under the impression the program was covered 100% of the program by the grants.

Port of Astoria raised the question if both were 80% grants why couldn't this have been calculated submitting 80% to ODOT, with the full 20% submitted to USDOT for full coverage? Florer has checked with ODOT and still awaiting the answer from USDOT. Confirmation from ODOT was that would have been an acceptable way to calculate out these requests for reimbursements. Spreadsheets provided shows the reimbursement total fell short of the expenditures total by \$150,556. Newport calculated a split in half and each agency would owe \$75,278. Considering the \$88,445 of unused grant money, the real shortfall is \$62,111. Florer mentioned invoices that needed a closer look and discussed further.

11. ECO-MINERAL COOPERATIVE AGREEMENT

Director Jack Crider went over concerns that were addressed about our request for additional volume. He continued to explain that at any time the lease can be transferred back to us within the four years. Language has been added to the agreement allowing the port to ask for more cubic yards of sand. Chairman Hess called for a motion to approve the agreement. *Commissioner Bland moved to approve the financial reports for January. Commissioner Holcom seconded the motion. The motion carried by majority. Commissioner Bill Hunsinger abstained.*

PELLETS

Joe Abram with SSA Marine out of Longview introduced himself to the group and board members. He answered Commissioner Hunsinger's question about how much product was stored in a warehouse at berth 7 and 8. Abram's company loads logs on the ships and hire longshoremen in Astoria. About 70,000 tons of iron ore concentrate in the warehouse that is controlled by the Port of Longview. The

warehouse is 600'X100'. Hunsinger urged the Port of Astoria, thinking about the commodity here already, logs, has researched operations and make the pellet operation a priority. Salt is stored in other warehouses. Hunsinger continued to explain how he understood the details. A dry facility would be needed and believes it would actually work and is a good idea if the right forestry products are here. He would like to see the pellets manufactured at Tongue Point and barging them to pier 2. Discussion followed on locations for production. Hunsinger believed the port should look aggressively at the project, especially thinking about the amount of jobs it would bring to the immediate area.

12. HOTEL DISCUSSION

Director Jack Crider explained the two groups have had a little bit of a discussion. Possibilities of discussions would be to start with Hospitality Masters with a two year lease, with an option for an additional three years and could be exercised anytime after November 1, 2012. The lease would be on sections A & B. The option would be based on whether we move forward with Williams and Dame on a new hotel.

He continued to explain that sometime during the same time frame with Hospitality Masters and the lease agreement we would enter into a development agreement with Williams and Dame. The development agreement could go through the lease terms, value and length of the lease, location, funding of the deck, demolition, environmental issues, roadway improvements, and traffic studies. Upon successful completion of a feasibility study, the lease agreement could be entered into. If the study fails, then we would enter into the three-year option, giving Hospitality Masters five years on their lease.

Brad Smithart then addressed the board and guests and read the port's mission statement. He continued to say how at this time his company is not willing to take a two-year. He wants a minimum five-year lease, better ten years. He wants to re-build the property.

Commissioner Holcom suggested the two companies work with staff to work out before it's brought to the board. More negotiating issues should be addressed outside of the public first. Discussion followed. Director Crider also agreed to meet again.

13. DIRECTOR'S REPORT

Director Jack Crider reported the following:

- Samsung MOU – the understanding has been signed by both parties. Working on costs and feasibility of the projects.
- AOC4 Slip Bulkhead – After a meeting between responsible parties and their attorneys met to review the new design and possible modifications. Agreement to finalize costs and clarifications with DEQ and port to be the lead in constructing the bulkhead. A future meeting to discuss all areas understood.
- Army Corps of Engineers 2013 Budget – Crider explained the budgetary restraints for the corps for the coming fiscal year, 2013 for dredging the Astoria turning basin. Study costs will need to be estimated, and until then, we are waiting for a decision. Commissioner Holcom asked Crider to write a letter to the commander of the COE to remind the agency of the geographical features of the river. Awaiting funding for the Pier 3 wing dam study.
- Connect Oregon IV and AMSC Meeting – a presentation for the Marine Committee is scheduled. Between 9 marine projects, the Port's Pier 2 project being the only one in Clatsop County. A support letter from a towing company stating their interest is included in meeting material and another one is expected to follow. As a member of the Area Maritime Security Committee, Crider is voting on the emergency response badly needed on the lower Columbia River. If fire boat proposals from Vancouver and River Guard are approved, the grant will be exhausted. Crider plans to vote in favor of both applications.

14. COMMISSION

A. Reports/Directions

Bill Hunsinger – most of his report was done in executive session.

Floyd Holcom – he is looking forward to the budgetary process. Missing at the port are staff whose expertise would be to talk to people in the areas of economic marine development. Staff strengthening in the direction of maritime operations and will bring it up during the budget process the need to do so.

Jack Bland – he would like to request the new congress person to visit the port. The airport committee in Seaside has access to grant monies that the port could possibly piggy back with them for the Connect Oregon dollars to help with the drain system at the airport.

Dan Hess - none

B. Directions (combined with "Reports", above)

15. OTHER BUSINESS - none

16. PUBLIC COMMENT

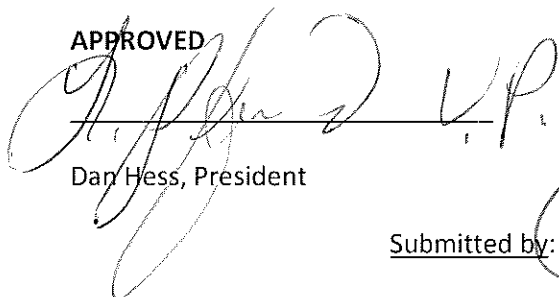
Pat O'Grady, 90455 Peter Johnson Rd., Astoria, Oregon – fire boat: he suggests the port go directly to the Clatsop County Commission and give them a scenario of the details with the fire boat. A waste is what Mr. O'Grady described the situation. Also, business licenses: Port of Astoria, Clatsop County, city of Warrenton meet together and get proper signage, along with parking fees and fines to work together and keep uniform. If we need help, he can.

Joe Abram, SSA Marine, who addressed the board earlier, updated the commission on the size of the warehouse in Longview: 100,000 square feet.

17. ADJOURN

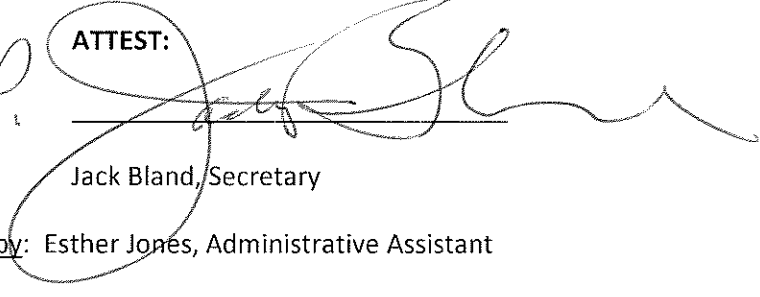
Chairman Hess called for public comment. There being no further business, the meeting was adjourned.

APPROVED



Dan Hess, President

ATTEST:



Jack Bland, Secretary

Submitted by: Esther Jones, Administrative Assistant