

PORT OF ASTORIA
REGULAR COMMISSION MEETING MINUTES
May 18, 2010

I. CALL TO ORDER/ROLL CALL

President Hunsinger called the meeting to order at 6:00 pm and took roll call.

Commissioners present: William Hunsinger, President; Floyd Holcom, Vice-President, Dan Hess, Secretary; Lawrence Pfund, Treasurer; and Jack Bland, Asst. Secretary/Treasurer.

Staff: Jack Crider, Executive Director, Colleen Browne, Finance Manager, Esther Jones, Administrative Assistant, Herb Florer, Property Manager, John Overholser, Airport Manager, Harold Culver, Maintenance Supervisor, and Ken Smith, Harbor Master.

News media: Cassandra Profita, The Daily Astorian and Jeff Nelson, KAST Radio
Guests: Thane Tienson, Landye Bennett Blumstein Law firm and Lori Durham. (No sign-in sheet)

II. CHANGES TO AGENDA – John Lansing, District Manager of SeaPort Airlines requested moving item #VII to #II. Commission President Hunsinger asked if there were other changes, none were mentioned.

VII. SeaPort Airlines – Interline agreement – Lansing continued to explain, the revenue modification before the board for approval. Director Jack Crider added the three components to the modification between the port, SeaPort Air, and the City of Newport: use of a Cessna Caravan aircraft, prepare for revenue running out of the grant money, and lower cost as low as we can get it to possibly continue service.

We are also reducing our legs from 3 to 2 per day, giving the additional leg to Newport is since it is averaging more than four passengers per flight, as the Astoria Regional Airport is averaging two. Also, with the interline e-ticket agreement has been struggling through, especially with the downturn in the economy. Discussion followed on the caravan aircraft. Lansing explained the e-ticketing agreement in the final testing with US Air for both baggage and passenger tickets.

Commissioner Holcom questioned the complaints he has received from business clients about the inconvenience of flight times. The second was why the planes have changed? Lansing explained the change of aircraft came from the consortium's request as a cost-saving move. He also answered the schedule concern. They've tested the different flight time and either way they set it the passengers were unhappy. The airline is testing which has historically been the most successful. That has been the mid-morning flight, although, there is still an issue with the evening flights. What they tried to do was work with the connectivity with Seattle. He continued to explain flight times involved.

Finding the “sweet spot” is challenging and cannot be all things to all customers. The biggest obstacle is awareness. Working with Clatsop Economic Resource Development (CEDR) and asking partners in the community to place a generic link on their website offering commercial airline service (not saying SeaPort specifically).

Commissioner Bland responded on Mr. Lansing’s remarks. An overnight airplane would give us a chance to meet the westbound flights from Portland Airport (PDX). Without any notice or conversation, SeaPort made the decision to cancel the service. Lansing added it was a consortium decision. Flights at the first part of the year are the worst possible times to measure, especially considering the economy. Discussion followed on topics as top businesses and the percentages that fly the airline and cargo capabilities. Commission President Hunsinger asked if there were other topics to discuss, none were noted.

Commissioner Jack Bland made a motion to approve the revenue guarantee agreement, modification #3 with SeaPort Air. Commissioner Holcom seconded the motion. The voted carried unanimously.

IX STAFF REPORTS

Commission President Hunsinger stated he would like to move staff reports ahead.

- Colleen Browne, Finance Manager – reported on budget preparation. Moving along very well and will be ready a little early. She has also been doing grant administration for the Federal Aviation Administration (FAA) and the Strategic Plan grants. Attended the initial long shore meeting drafting revisions for the July 1, 2010 fiscal year. Due diligence analysis for the medical plan for the upcoming budget year and quotes on workers’ compensation.
- Herb Florer, Property Manager – (by location) Tongues Point, reported on his meetings with the tenant McAmis’ and the City of Astoria planning department on the tenants’ building plans at Tongue Point. Month-to-month rental for a barge. Potential lease for two more barges (Seattle Tug & Barge) and continuing to work with Washington Group on issues for permitting at the facility. Preliminary discussions with West East metal recycling group considering a land lease, interested in an acre of land and would like to do a presentation soon to the board. Tongue Point Investors continuing, a memorandum of understanding in the works. At the airport, working on the Bar Pilot building lease. A new tenant in the Chinook Building. First floor 90% occupied, will begin second floor. Pier 1 preliminary interests in Pier 1 Building. Car sale on Pier 1 this weekend. Met with the city on permitting on some of work needed for the Westerlund project, such as fencing. Tenant upstairs in this building for four months. Started working on a marketing plan for various port properties, targeted because something different is needed. Has begun to update web pages.
- Harold Culver, Maintenance Supervisor reported – Cleanup on Pier 3 has collected 160,000 tons of wood and dock material and taking to Trails End. Pier 2 repairs continuing has saved \$10,000 doing the work in-house. Pier 2 patching holes in dock decking (planking and concrete). Pier 2 East replacing jack strands continuing on to the south end where Bergerson finishing work (not quite to Salvage Chief yet). Pier 2 sprinklers almost finished for West Bay who is preparing for season. Last room on first floor of Chinook Building (electric work

inspection next). Tongue Point replaced original water line (fixed now). Fire system completed today. Fire system has been creating problems, found short. Taken care of. Preparing icehouse at DelMar Seafoods, preparing now for June 15th season. President Hunsinger added how the operation has one vessel and they want to do two of the same size vessel and will need more ice. Sardine production done only one month out of the year until the quota is filled. Crider also added we would like to build a larger facility for ice.

- John Overholser, Airport Manager reported – he has been busy with a meeting in Tillamook for ConnectOregon III. The grant for lowering the IFR minimums has a good chance of going through. Not guaranteed, we'll know in August. There is a grant for hangar and tug. Two community outreach programs at the airport. Teen programs involve driver training and a science project in the wetlands studying yellow iris and invasive species, fish and frogs. Submitted a Connect Oregon III rural airport grant worth \$14,760 to go into the general fund, good for anything. Monies the port has already paid that we are getting back, a state program. Secured agreement and principal for the bar pilot hangar remodel on track, final numbers now. Has been waiting for a couple of years. Completed the bi-annual training for fuel handling and fire suppression. Obtained a permit for t-hangar construction. Overholser asked if there were questions. Commissioner Holcom had one: waiting list. He's had a question from a constituent about how the airport coming along with the list? Overholser answered that they have come close to reducing the list, but people have paid so far. Once the t-hangars are constructed, it should reduce the list. Crider added the state asked the airport to prove we had tenants on the list to occupy the new hangars. Once the port approached potential customers and realized how much it would cost it was hard to get those customers after so long of being on the list. We had to have 90% on the list before we got the go ahead for construction.
- Ken Smith, Harbormaster reported – Completed water system in both marinas. The two marinas are 20-35 years old. Received \$115,000 grant for a fish cleaning system. Received barge from National Oceanographic and Atmospheric Administration (NOAA), part of grant funds and is being remodeled to get fish guts out of the dumpsters. It took a year and a half to get the permitted operation. The boat yard busy. Re-doing other yard; working on both areas. The East Basin causeway received permit in mid-April, and took two weeks to get a written document. Bergerson Construction delayed in operations. Lots of breakdowns of equipment. Should be pouring next week, and is looking at a June 1 timeframe to begin work. Vessel owners are now allowed to get to their boats. Nine hundred feet for fishermen to walk to fishing space.
- Esther Jones, Administrative Assistant - reported on the 3rd annual art contest. Four categories of entries.

MINUTES

Regular Meeting, March 16, 2010, Special Meeting, March 19, 2010, not completed as of yet, Special Meeting, April 13, 2010, Regular Meeting, April 20, 2010, and Special Meeting, April 27, 2010. *Commissioner Larry Pfund made a motion to approve the minutes, Commissioner Bland seconded the motion. The vote carried unanimously.*

III. FINANCIALS – MONTH OF APRIL 2010

Vouchers – Finance Manger Colleen Browne asked if anyone had any questions. Commissioner Holcom had a question on a voided transaction, Laurie Jones. Browne answered it was a request for co-pay reimbursement (dental) was covered. It was not, check voided. Concerning Northwest Fire Environmental, and if the company was paying the port? Director Crider explained the port had a contract for putting together the security plan, involving monthly charges. The company hired George Birch of the coast guard to write plans. They also put together training plans for Sgt. Peyok to train his security workers. Holcom thought VLG Consulting had been paid off last month. Crider explained there was one more grant compliance piece to work on ConnectOregon II and after that, she would receive her notice. MNOP is fuel for vehicles (Mark Nelson Oil Products). Washington Business Services, no back up for invoice on a check written, on the A/P Aging report. No cross-reference. Paid before the end of the month and wouldn't show on detail. It is our quarterly payment for Tongue Point. Commissioner Hunsinger had a question on a Sundial Travel payment. Crider added it is a Cruise the West payment. He also asked how much money a month do we incur in porta-pottys? The septic item we are still pumping the Responder due to not receiving DEQ's approval. Part of their lease to provide septic pumping (\$500 a month); he continued to ask how many portable pottys we use. Browne answered: we use them at the airport, boat yard, cruise ship operations, security gate, and one at Tongue Point. The one at Tongue Point is gone.

Browne asked if there were not further questions, she needed a motion to approve the vouchers. *Commissioner Bland made the motion to approve and Commissioner Holcom seconded. The vote carried unanimously.*

Financial Reports:

- Year-to-date – made notations explaining unusual items.
- Operating format P&L – Operating revenues at \$353,000 and the net revenue at \$161,000 this month.

Browne asked if there were any questions. Commissioner Holcom asked about the A/R section. Harsh letters? It begins as just a note on the statement, and continued to explain the process of being late with payments. Holcom also questioned City Transfer's situation. Communication is occurring. He also questioned "cannery row", DaYang Seafood? Browne answered, ok with them now. How about Gerald Bell: up in Alaska and she usually runs his payments using his credit card. Pacific Expeditions brought in a check and would catch up on utilities the following week.

Commissioner Pfund made the motion to accept the financials, Commissioner Hess seconded. The vote carried unanimously.

IV. **PUBLIC COMMENT** – Commission President noted there were no sign-up sheets for comments. None

V. **OLNG SETTLEMENT** – Thane Tienson, of Landye Bennett Blumstein Law firm reported he has a proposed settlement agreement. Some changes since the last meeting. Changes center around real property that the company seeks. A map provided

for the board. He continued to explain the contents of the agreement and the real estate the company wants to purchase. More discussion followed on the details of the agreement. There is a new configuration on the West Skipanon comprised of 6 acres. Tax lot 202 of the 4.6-acre parcel and to the waterline of the Columbia River of 1.3 acres.

There are other changes: 1) made clear the right of first refusal would apply only as what it is. Not an option. Port presently owns and can offer for lease or sale. 2) Language, applies to help determine the value of property sought to be purchased or leased. 3) Assessment of sale of lease premises. Port is removed as party to lease.

More discussion followed on how the land would be used. Received an extension of time from the ninth circuit to June 1st. Still awaiting word from Department of State Lands (DSL) on renewal. Being an action item to become official.

Commission Hunsinger stated he wants the questions answered before signing off on any agreement. Tienson began to reiterate what he understood:

- 1) To remove from the Settlement Agreement potential personal liability on the individual defendant Port Commissioners.
- 2) A guarantee from Leucadia National Corp for rent payment due to the State of Oregon under the Upland Lease Agreement to cover the Port's risk in the event Oregon LNG abandons the project.
- 3) To receive a financial statement for Oregon LNG.
- 4) The possibility that Clatsop County holds a revisionary interest in Tax Lot 202, which may prevent the Port from transferring that property to Oregon LNG. There may be reason to believe the county has waived such interest, which the Port is trying to verify.

VI. RESOLUTION 2010-06 AUTHORIZING LOAN – PIER ONE BUILDING

Colleen Browne read the resolution.

Commissioner Bland made the motion to accept the resolution and Commissioner Pfund seconded the motion. The vote was: all member of the board voted yes (4-0), except for Commissioner Holcom, who abstained from voting, since he is a waterfront property owner.

VII. STRATEGIC BUSINESS PLAN – Director Crider explained the port has received responses to the plan and has submitted to MAKERS. He added he would like to keep it open a few more days. Several board members still have to review the plan. Discussion followed on issues still needed and opportunities to meet and make comments.

X. COMMISSION

A. Reports

Commissioner Holcom: Attended several meetings with constituents with concerns of the port moving ahead with the log export, in a positive matter. It's been brought to his attention that pier 1 was built with bonds dedicated for log export. If we did not we would be violating an agreement of years ago. He is satisfied the port made the correct

move. Several suggestions and he agrees that planning on pier 3 was not been adequate for the log facility and needs to be more work done in planning and with current tenants.

He has asked members of the board to conduct a meeting on Thursday with our state senator to be sure we are all on the same sheet of music and clear up misunderstandings.

He also would like to thank Jack Crider for the Smoking on the Columbia events' parking problems that came up at the last minute. They raised \$1,700 for the local food bank.

Commissioner Hess: Attended the Kiwanis Club's meeting in Seaside. Bruce Conner was also there and made a real good presentation.

Commissioner Pfund: Attended Columbia Solutions Group meeting regarding dredging issues. Still moving forward for preparation for the Warrenton sewer lagoon.

Commissioner Bland: Attended the plague exchange on the recent cruise ship visit. He met the captain and viewed the bridge. More cruise ships coming in the next few days.

Also attended the CEDR meeting. SeaPort made a presentation of local marketing campaign. Members of the organization CEDR have been working hard on the issues.

Jack Crider added he visited Portland to a SeaPort meeting and met with the new manager and they spoke CEDR had been making progressive steps.

Lastly, Bland received a call from Nancy McArthur a reporter for the Daily Astorian, who is writing a story of South County's interest of creating a new special port district. He gave her his opinion. He has from time-to-time attending commission meetings in Cannon Beach, Seaside, and Gearhart. He told them we would be interested in hearing of their projects in South County. He has also been attending the airport committee meetings. Discussion followed on list of issues in Cannon Beach. Crider added the several projects the port has participated in.

Holcom asked if finance manager could give him a breakdown on revenues we receive from those area and tax perceptions. Bland added that setting up a small port district is a tough proposition.

Commissioner Hunsinger: Dredging problems addressed at the Lower Columbia Solutions meeting he attended with Commissioner Pfund. There is a solution: pile dike. A study was presented by a student and continued to explain details and locations that would cut dredging by 30%.

Also, Mikel Omealy in the group is moving on to another job and will be replaced.

B. Concerns and Comments – one comments he'd like to make is to Mr. Niekas who was the only one that knew the acreage of the leased land that Oregon LNG/Calpine leased.

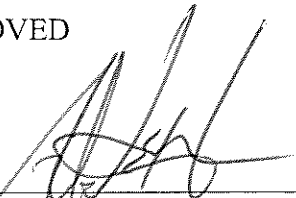
XI. **OTHER BUSINESS** - Commissioner Holcom mentioned a former commissioner in the early 1980s, Henry Dessler has recently passed away.

Committees: Also, Holcom asked if the marina and airport had started committees? It would be appropriate to establish if we have not done so yet. It would be great to have public input. Commissioner Hess remembered fishermen and tenants involved in the marina committee. Crider suggested that in the statements, we add notices to that effect.

XII - PUBLIC COMMENT - none

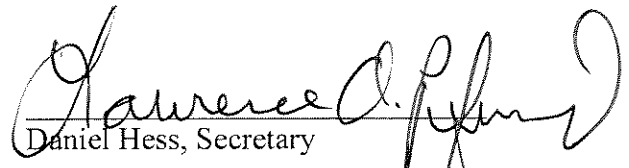
XVIII. ADJOURN at 8:20 PM

APPROVED

WLC


William L. Hunsinger, President

ATTEST:



Daniel Hess, Secretary

Submitted by Esther Jones, Administrative Assistant