

DRAFT COOS COUNTY URBAN RENEWAL AGENCY
North Bay District
Coos Bay, Oregon 97420

BUDGET COMMITTEE MEETING
Friday, May 4, 2012
7:30 a.m.

The Red Lion Hotel
North Umpqua Room
1313 N. Bayshore, Coos Bay OR 97420

MINUTES

Call to Order

The meeting was called to order at 7:35 a.m. by Mr. Goergen.

Self-Introductions

Gene Melton, Joe Benetti, Eileen Ophus, Jeff Bunnell, Todd Goergen, Katherine Barton, Janet Rubin, Howard Graham, Chris Claflin, Steve Metz, Dr. Gary Gregor, Fred Messerle, Mike Stebbins, Katherine Barton, Mike Vaughan and Commissioner David Kronsteiner

Guests: Rob Taylor

Port Staff – David Koch, Martin Callery, Donna Nichols and Donna Scholl

Selection of Budget Committee Chairman

Mr. Goergen asked for a motion to select a budget committee chairman.

Dr. Gregor made a motion to nominate Todd Goergen as budget committee chairman. The motion was seconded by Mr. Claflin. Mr. Goergen called for a vote. The budget committee voted unanimously to approve the nomination of Todd Goergen as budget committee chairman. Motion passed.

Update on Port Projects

Ms. Nichols asked Port staff to give an update on the North Spit development activity and railroad activity.

Mr. Callery said the Port is pursuing several projects that could be developed on the North Spit. He said Jordan Cove is moving forward with its permit application with the Federal Energy Regulatory Commission for an export facility for liquefied natural gas. It will be filing for the actual license permit in either September or October and anticipates that process will take about

a year, according to consultations with FERC staff. Mr. Callery said they are moving forward on some of the pre-development work that needs to be done on the Henderson Ranch, Ingram Yard and the former Weyerhaeuser paper mill sites.

Mr. Callery said Port staff also is pursuing Project Mainstay, which would be a Coos Bay bulk terminal project, to diversify the cargo base in the Coos Bay harbor. He said the concept is to build a shipping terminal and export 10 million tons annually. In year 1, the Mainstay would export 3 million tons of coal as the primary cargo, with other bulk commodities considered as the facility is developed. Mr. Callery said this project is attractive for the Port due to significant job creation both on the construction side and in the actual terminal operation, which would produce 150 annual vessel calls at maximum build out. The harbor would see significant vessel calls as the project entered its first year of operation. He said the project is attractive on the rail side in that it would attract dedicated unit train traffic of coal from a source point to the terminal. Sustained traffic is what the rail line needs. Mr. Callery said as the rail rehabilitation moves forward other deferred maintenance has been identified with the bridges and tunnels. The revenue stream from unit train traffic would make the Coos Bay Rail Line totally self-sustaining. Mr. Callery said it would be great and the Port would not have to grant funding.

Mr. Callery said the project is in the due diligence phase and the customer has not made a decision to move forward. A decision is possible by the end of this year, which would be the start of a two- to three-year permitting cycle followed by at least a two year construction cycle. The project would be a fully contained terminal with the primary commodity coal going in and no visible coal anywhere on the site. He said the movement of the commodity from rail unloading to vessel loading also would be fully contained. The technology exists today and is currently in use. Mr. Callery said there is rail technology available to eliminate to the greatest extent possible issues with coal dust. There is a material that is sprayed on top of the coal cars when they are loaded that forms a barrier with almost no fugitive emissions. He said in discussions with the project principals, the Port is asking that they consider and pursue covered coal cars. The research is currently going on and the Port has discovered there is actually a benefit to the railroad besides the fact that the cars are covered. He said when the cars go back to the source point the covers create about a 20% increase in fuel efficiency because there isn't the air turbulence in the empty rail cars. Mr. Callery said the Class 1 railroads are looking into these cars. It is not a federal mandate at this point but all of the states and the federal government are looking at this kind of technology to minimize any environmental impacts.

Mr. Callery said the Port also is working on Project Effectuate, which would be a use of the west berth in the proposed Oregon Gateway multi-purpose vessel slip and access channel to be developed for the LNG project. He explained that in December 2011 the Port received the removal-fill permit from the Department of State Lands. Through that process the Port demonstrate to DSL and others that there was independent utility in the facility. If the Port didn't have a specific user on one side or the other, it had to show there was demand. The Port has been able to demonstrate that with Project Effectuate as the first proposed user in the west berth, with the west berth being developed as a general purpose, multi-purpose cargo facility. He said Project Effectuate would use that side of the vessel slip to assemble floating wind platforms with towers that would be deployed in deep water 15 – 20 miles out to sea. Mr. Callery said the company is moving forward with a \$50 million grant application to the U.S. Department of

Energy, which is looking at a project in the Gulf Coast and West Coast. Mr. Callery said there is a significant sweet spot of wind off the Southern Oregon coast and Northern California coast. As proposed, Coos Bay could become the deployment point for all of the floating wind power generation platforms. He cautioned that it is going to take a significant investment in the west berth facility to support the proposed project, but it would include both a dock or wharf structure and some type of a facility for launching the floating base on which the tower would be erected and then towed to sea, anchored and eventually hooked into a power cable coming onto shore.

Mr. Callery said these are the three biggest projects plus the rail line. Mr. Metz asked what the project name was so he could read more about it. Mr. Callery said Project Effectuate was the Port's code name due to a confidentiality agreement and the Port can't discuss more about the project until the customer is ready. He said the customer is competing with others in that market for both the DOE grant and other components. Mr. Metz said he wanted to do an internet search to learn more about the technology and asked what he should use for the search. Mr. Callery suggested floating wind turbines. He said it was a take off from the terrestrial types of towers that are already being sited specifically in Eastern Oregon and in the Columbia River Gorge. He said they are taking that technology, mounting it on a platform very similar to what the oil industry uses for offshore energy development and then deploying it with an anchoring system, and connecting the towers with a single cable.

Mr. Vaughan asked if there was any fabrication or assembly associated with this particular project onshore and how would it arrive. Would the materials arrive by rail or by truck? Mr. Koch said the components would arrive by a combination of rail, truck and barge with some of the components being manufactured overseas and then brought in for final assembly and some being manufactured in the United States. The different pieces would come into a central assembly location. He said maintenance of the arrays also would be headquartered at Coos Bay so there would be a permanent job presence. Mr. Koch said a floating platform has already been launched off the coast of Europe. The technology works and is sending out data from the platform. Mr. Callery said that if the technology proves viable and generates electricity at a reasonably competitive rate, then there is an opportunity for this to be a continuing industry moving forward. He said the launching terminal would be a flexible design of more of a general purpose cargo terminal that could handle Handymax, some Panamax vessels or large barges for cargo for various types of projects. Mr. Koch said when the Port was going through the log boom in 2011 and there wasn't enough dock space to move logs, it is a facility that would have been able to accommodate that type of cargo. There are opportunities beyond this one tenant but Effectuate would be the initial tenant under contract.

Mr. Callery said over the years the Port has looked at the west berth development with a rail component, which could bring significant job creation both on the assembly side, maritime services, longshore labor and a variety of other jobs.

Dr. Gregor asked about the impact of such a project on commercial fishing. Mr. Callery said he was at a meeting a month ago in Portland with a much larger group that is looking at the possibility of deep water wind turbines from California to British Columbia, Canada. The purpose of the meeting was to figure out the unknown and fishing grounds was a component of the discussion. He said this larger umbrella organization is looking at habitat issues, the nature

of the sea bottom, anchors that would need to be developed, maritime shipping lanes in addition to other items. He said these facilities likely will be outside the 12-mile limit and there is even discussion that as they learn more about the wind resource out in the ocean, the units could be out 40-50 miles. He said this adds a lot of cost to bring the power cable back to the mainland. Mr. Callery said it will be important to find the best location to site the towers so that the economics of siting and construction match the economics of being able to sell the power at a competitive rate. Mr. Koch said the Port is beginning to facilitate the discussions between the project developer and the local and regional ocean user groups to make sure that during this preliminary stage of feasibility and design they are anticipating and avoiding conflicts where ever they can. He said it seems the conversations have been fairly positive so far. Mr. Callery said there are not a lot of fishing activities that far out other than some high liner and trawling. He said the impacts on fisheries at that distance from the coast are probably minimal. Mr. Goergen asked as tall as the towers are, how many miles out would they need to be so they are not visible from the shoreline. Mr. Callery said the discussion has taken place and the feeling is 12-15 miles out is adequate, although it will depend on the height of the final tower design.

Ms. Nichols asked Mr. Callery to give a status update on the rail line. Mr. Callery said the Coos Bay Rail Link is the operator of the rail line serving from the Eugene yard to the North Spit. He said CBR has eight shippers, including three in Lane County comprising Swanson Bros., Rosboro and Seneca Sawmill; two in Noti and one in Vaughan; American Bridge Manufacturing in western Douglas County; and in Coos County there is Roseburg Forest Products, Southport Forest Products, and an organic dairy farmer in the Coquille Valley receiving organic grain from Idaho and Iowa. The dairy farmer is looking forward to service all the way to Coquille once service is resumed across the rail bridge.

Mr. Callery said the Port is in negotiations for a bridge engineering project manager. Ballast rock and rail ties are being placed at several locations along the rail line. The final bid document for the major track rehabilitation is almost ready. He said the line is operating at a Federal Railroad Administration accepted track speed of 10mph, but when the track rehabilitation has been completed it is expected that most of the line will go up to 25 mph, with a couple of areas specifically at Cushman and Mapleton that may be able to operate at Class 3 or 40 mph. In Lane County, there might be a couple of stretches of track classified at 40 mph. Mr. Callery said CBR has eight employees with plans to hire at least two more in the upcoming months. It's purchased four locomotives that include two road engines and two switchers. He said one is at the North Spit and the other is located in Eugene, which on some days services west Lane County shippers. Mr. Callery said CBR has a good interchange at Eugene with Union Pacific, running one train a week with one inbound and one outbound from 25-40 cars. The goal for 2012 is 2,300 to 2,400 revenue cars. Mr. Callery said there appears to be an uptake in different parts of the wood products industry and hopefully that will lead to more rail cars. He said Southport is shipping quite a bit, Roseburg is bringing in wood chips on an irregular basis and the Port is hoping it will solidify into a regular movement on a weekly basis. There are two other shippers on the North Spit considering moving commodity by rail and CBR is working through a waiver process with Union Pacific because they want to give it to another shortline railroad and that has to be approved by Union Pacific through the Eugene yard. Mr. Callery said CBR may even see logs inbound for export and that CBR General Manager Tom Foster and his crew are doing an

outstanding job providing the shippers with good service. He said he considers Mr. Foster a problem solver and he is very creative at helping accommodate shippers' needs and ideas.

Mr. Melton asked if there was a bottleneck at Mapleton for turning the crew around. He said Monday he had to go to Eugene for business and the train was parked at Mapleton. Going on to Eugene there was a train east of Noti headed into Eugene with eight to ten cars just barely moving up the track. Mr. Melton said he spent five hours in Eugene and when he got back to Mapleton, the train was just barely starting to move to come back to Coos Bay. Mr. Callery said part of the movement has to do with FRA work hours. There is an assigned number of hours the engineers work and at 10 mph on 111 miles of track they don't make it very far. He said a crew is dispatched to take a train into Eugene or to take a train from Mapleton back to Coos Bay. All of the dispatch and crews are operating out of Coos Bay. As traffic builds, there will be crews stationed in Eugene. As the track rehabilitation continues, they won't have to do as many crew changes because they will be able to make the trip within the FRA allowed work hours.

When the trains roll onto the steel bridges and specifically the swing span bridges, dynamic loading occurs – the relationship between weight and speed as it puts stress on the bridge. The two bridges are designated at 10 mph. There is also the same restriction on the tunnels until all of the tunnel rehabilitation has been completed. Mr. Callery said the Port is hiring a bridge engineer for project oversight to address critical issues on eight or nine bridges. The FRA requires the Port to file a bridge management bridge load rating plan. The Port will then have five years to fully implement the plan, which means all of the bridges have to be inspected and given new load ratings, which has to be reported back under the plan to the FRA. In addition as part of the plan, the Port has to set up a regular inspection schedule on bridges. This is one of the areas that as staff has become more familiar with the rail line, more deferred bridge maintenance has been identified. He said if Project Mainstay moves forward, the Port knows there will be between \$160 million to \$180 million of funding and/or additional capacity that has to be created on the rail line. He said approximately \$40 million of this amount will deal with the deferred maintenance issues that have been discovered over the last two to three years. Mr. Callery said it will be addressed moving forward as capacity increases.

Mr. Koch said when the Port was going through the acquisition process with the rail line, it was a very structured process through the Surface Transportation Board. The Port had five days to get out on the line and evaluate its condition, which wasn't enough time to understand the full picture. Mr. Koch said it is going to take a customer like Project Mainstay to generate enough volume and enough revenue to create private monies to fund infrastructure investments without relying on tax revenues or public grants for funding rehabilitation. Mr. Koch said one of the most important aspects of the terminal project is what it means for private capital coming in to make the investments the Port needs on the rail line moving forward.

Ms. Barton asked if theft and vandalism on the rail line were a continuing problem. Mr. Callery said there haven't been any more major issues such as people taking up 200 feet of tie plates, but yes, vandalism and trespass are still a constant problem on all rail lines. There was a small incident last week and without someone patrolling the line 24 hours a day, 7 days a week it is hard to solve the problem in a cost-effective manner. Now that the sand is off the line, there has been a decrease in trespass issues with ATVs alongside the Oregon Dunes National Recreation

Area. Mr. Callery said there are other areas the Port is aware of where components have been lost. From a safety standpoint, CBR operator runs a hy-rail vehicle on the line each time it runs a train in either direction, so CBR is inspecting the line. Mr. Callery felt that vandalism has decreased because the rail line is now active.

Ms. Nichols mentioned that the Port is offering certified Operation Lifesaver railroad safety presentations to groups that have access and exposure to the rail line to make them aware of safety and trespass issues. Mr. Callery said this is a federal program that all of the railroads support. Presenters are certified through Operation Lifesaver.

Mr. Callery said the Port hopes to have trains across the rail bridge into the Coos Bay/North Bend area in June to pick up additional freight from Georgia-Pacific and possibly Oregon Resources Corporation. He said staff had hoped to get trains to Coquille by the end of the year but it depends on the track rehabilitation. There are some issues between the south end of Coos Bay all the way into Coquille where the track bed has slumped. Staff has some ideas for the repairs but it's not going to be cheap, so there is the need to continue to generate additional revenue traffic.

Mr. Vaughan wondered how many committee members had made a trip up the rail line to Eugene and if there was an opportunity for him to have a tour. Mr. Callery said the Port has discussed the issue. Once the rail line is back in full service and there aren't a lot of work crews, there's a possibility of using Union Pacific heritage fleet cars and running a train from Eugene to Coos Bay and back as part of a grand opening event or celebration of full service. Mr. Vaughan said he was thinking more of a current timeline. Mr. Callery said the current timeline is restricted because of the work that is being done on the line. He said when CBR is not running a train, there is work on the line so it is sometimes difficult to run a hy-rail vehicle without having to get off the line to go around work crews and get back on the line somewhere else.

Receive FY 2012/2013 Budget Message

Ms. Nichols read the budget message. She said the Coos County Board of Commissioners approved formation of the CCURA in December 1985. Since then, the Board has grown from 5 to 10 representatives, with two from the County, two each from the cities of Coos Bay and North Bend, two from the Port of Coos Bay and two at-large positions. The agency works closely with the two cities, Coos Bay/North Bend Water Board, Coos County and the Port through intergovernmental agreements.

Continuing with prior year's messages, the budget suggests conservative statements regarding the revenue assumptions and therefore a conservative approach to the revenue projections and next year's expenditures. Ms. Nichols said the agency is entitled to receive the new revenues based on the incremental increase in assessment over the frozen tax base value of the multiple code areas in the North Bay district.

She said Southport Forest Products originally took advantage of the Bay Area Enterprise Zone for tax abatement for construction of the facility. That original abatement has expired and they have done one more with equipment purchases and that has either expired or is in its last year.

Southport will receive abatement on the kiln and an outbuilding for three years. The agency has seen a slight tax increase in increments over the years as these abatements expire.

Ms. Nichols said this budget year reflects additional borrowing for the potential development of a general purpose cargo facility that both Mr. Callery and Mr. Koch spoke about with Project Effectuate. Funding will need to be in place to pursue the pre-application requirements related to permitting, engineering and mitigation. She said the special levy provides that the agency will collect nearly the full amount of tax increment. She said typically the agency receives less than 50% of the total available taxes, so by requesting the special levy the agency receives closer to 80-85%. Ms. Nichols referred to the attached summary document and worksheet.

Ms. Nichols said the TransPacific Realignment Project is complete, but there wouldn't be a closeout for three to four years due to a mitigation project on the Eastside property that was used in relation to the project. She said there is approximately \$37,000 of unused deposit funds that the agency paid into the project and once the project closes out the money will be reimbursed to the agency.

Ms. Nichols said in February 2011 the agency also authorized funding support to study the feasibility of constructing a regional wastewater treatment and bio-solids management facility on the North Spit to serve communities located within the port district. She said some components of the project have been completed including grants and funding opportunities but there has been a delay in the project direction. She said the Port will continue to develop its feasibility with the facility. She said the total project cost was \$240,600 and the Port had a loan for \$150,000 from DEQ. The Agency agreed to pay the difference of \$90,600 and pay the debt service of \$37,500 on the five-year loan once the project was completed. Ms. Nichols said at fiscal year end the outstanding loan will be \$480,000 and the Agency will make one principal payment each year in the amount of \$60,000.

Ms. Nichols said the following assumptions were used to create the budget:

The Budget Committee and the governing body of the Coos County Urban Renewal Agency will approve and adopt a suggested special levy.

The General Fund will transfer \$7,500 in support of material and services from the Special Revenue fund. Additionally, \$1.5 million is budgeted to be received in loan proceeds in support of the pre-application planning and permitting required for the development of the general purpose cargo facility.

The General Fund would transfer \$1 million to the Capital Projects Fund and \$500,000 to the Debt Service fund.

The Special Revenue Fund would budget to receive \$248,243 in tax increment including the special levy and would transfer \$7,500 to the General Fund, \$170,000 to the Capital Projects Fund and support \$128,355 in debt service.

She said historically, the receipt of prior unpaid taxes average \$7,500 so that is what is budgeted for the new fiscal year.

The Capital Projects Fund will receive transfers in the amount of \$1 million from the General fund and \$176,444 from the Special Revenue Fund.

She said the current planned expenditures and expected revenues for the remainder of the current fiscal year will result in the following carry forward ending balances of:

General Fund	\$ 408
Special Revenue Fund	48,701
Capital Projects Fund	518,350
Debt Service Reserve Fund	<u>120,000</u>
 Total Carry Forward	 \$539,850

Ms. Nichols said this concluded her budget message and offered to review the physical budget with the committee.

Mr. Koch said the funds that are budgeted for the general purpose cargo terminal don't necessarily assume that is going to happen but it is a placeholder in the budget. Before any of the funds are committed by the agency, the Port would expect to return to the board with a business plan and identify a commitment of matching funding from the initial project sponsor. He said there may be other opportunities for the Port to finance portions of the project, if not all of the project, without having to utilize Urban Renewal funds. Mr. Koch said the Port wanted the line item in the budget because it might be necessary to ask the agency for assistance. Mr. Koch said just because it was in the budget, the Port does not see it as a commitment from the Urban Renewal Agency to actually undertake the project at this time. Ms. Nichols said budgets are just a plan, a blueprint, and the Port wanted it included so it wouldn't have to come back and do a supplemental budget.

Review Budget Document

Ms. Nichols began a review of the budget with the General Fund and said it starts the resources with \$408 proposed. She said the interest that is earned on any of the funds in the bank account, checking account or the government pool go into the General Fund to offset expenses. Loan proceeds always go into the General Fund and are then transferred out into the other funds.

Ms. Nichols said typical expenditures are insurance on the board, liability insurance, legal counsel and Port management. She said management is basically reimbursement of Port staff time and calculated salary and benefits. Staff tracks hours, postage costs and expenses. Ms. Nichols said the audit the last couple of years has just been a compilation because there haven't been a lot of expenditures. She said an agency is required to have either a compilation, which is just a financial review, or an audit. She said it depends on whether an agency spends up to \$500,000, and in the last couple of years the Agency hasn't done that. Ms. Nichols said Professional Services is in the budget in case it is used. The budget also reflects the transfers to

the other funds, which would include \$1 million to the Capital Projects Fund and \$500,000 to the Debt Service Fund.

Ms. Nichols explained the Special Revenue Fund has more activity. It receives the tax increments shown in two places with \$116,697 and \$131,546. She said the two Debt Services are \$60,000 for the bank loan and \$37,500 for the wastewater treatment feasibility study. She said what is left in the transfers to other funds goes to the Capital Projects Fund. The Capital Projects Fund reflects cash on hand with the transfers from the other funds. She said approved projects to date are the wastewater study and the proposed \$1 million for the general purpose cargo terminal if that is approved. Ms. Nichols said the Debt Service reflects the increase of \$500,000.

Ms. Nichols said she saw a mistake in the budget on the Capital Projects Fund. The transfer should be \$183,944 and not \$176,444 with a zero unappropriated ending fund balance.

Ms. Nichols said that concluded the budget presentation and asked for questions or comments.

Upon a motion by Dr. Gregor (second by Mr. Melton), the CCURA budget committee voted unanimously to approve the CCURA fiscal year 2012/13 budget. Motion carried.

Ms. Nichols said the next meeting for the board would be 7:30 a.m., Friday, June 22, which would include a public hearing.

Other/Adjourn

Chairman Goergen asked Mr. Taylor if he would like to comment before the meeting was adjourned. Mr. Taylor said he had been to a lot of school board meetings and the other districts when Bandon Urban Renewal was going to get their concurrence on a Bandon resolution to increase the urban renewal debt. He said he was fighting against the urban renewal agencies and felt they should be under voter control. He said any time a taxing district has a tax increase to increase the debt, he felt taxpayers should be allowed to decide on the increase. Mr. Taylor said he loved everything this committee had discussed and these projects were needed. He said railroads are so 1800s, but he understood where the Port was coming from. He said at the Mexican border there are no railroads coming across but a billion semi-trucks. He said the area needs four-lane highways from Coos Bay all the way to the East Coast, because semis can take the cargo where it needs to go and railroads are limited. He felt the Port was functioning in the past and working with the practicality that environmentalists are coming after you. He said he wasn't like that and supported everything the Port was talking about. He felt it was what this county needed by generating revenue. He said the area needs the LNG plant and the chromium mine working. He said people think the mine is going to destroy the forest, when in fact he talked to a biologist who told him it is actually better for the forest. Once ORC leaves, they have to leave the area in pristine condition, just the way they found it. Mr. Taylor felt they were all good projects. He said the problem he has is the way they are being funded by urban renewal. He said urban renewal acts like a mobster in a casino where it slowly takes off the craps table and then it slowly takes off the roulette wheel and then it slowly takes off all the others except these games are school districts and fire districts. He said he believes the voters should have a say over that and that he was working with the county commissioners on an initiative that would

put this agency under the control of the voters. That means if it wanted to increase debt to the maximum indebtedness, to expand the area or extend past the 2017 deadline, voters would have to approve it. He said he hoped they had the good common sense if you do have a decent project that they would support it. Otherwise, it would require a tax raise or squeezing it out of the developers.

He said the Enterprise Zones are a wonderful idea if they were more egalitarian. He would get rid of every single urban renewal agency and turn the entire county into an enterprise zone to bring more business into the area with a tax credit. He said he opposes the process of urban renewal. He said he wanted the committee to know that he was not against anything that was spoken about but he was against the way the funding comes in. Chairman Goergen thanked Mr. Taylor for his input. Mr. Taylor asked if there were any questions. Mr. Callery commented that the largest user of railroads in the United States and Canada is the trucking industry. Mr. Taylor agreed.

Chairman Goergen adjourned the meeting at 8:26 a.m.