

**APPROVED 12-04-2009**

**MINUTES OF THE  
OREGON TILLAMOOK RAILROAD AUTHORITY (OTRA)  
BOARD MEETING**

**HELD ON**

**Wednesday, September 9, 2009  
1:00 p.m.**

**AT**

**The Main Administrative Offices of  
The Port of Tillamook Bay  
4000 Blimp Boulevard  
Tillamook, Oregon 97141**

**1. Call to Order**

OTRA Board President Jerry Dove called the meeting to order at 1:00 p.m.

**2. Recognition of Persons Present**

**OTRA Board Members:** Board President Jerry Dove (Commissioner, Port of Tillamook Bay); Art Riedel (Commissioner, Port of Tillamook Bay); Chris Knutsen (Oregon Department of Fish & Wildlife); and Dennie Houle (Business Oregon - formerly OECDD).

**Port of Tillamook Bay:** John Lewis (Roadmaster, Port of Tillamook Bay); Ken Bell (Commissioner, Port of Tillamook Bay); Jim Young (Commissioner, Port of Tillamook Bay); Josh Balmer Railroad Operations Manager, Port of Tillamook Bay; Michele Bradley (General Manager, Port of Tillamook Bay); and Aaron Palter (Project Coordinator, Port of Tillamook Bay).

**Public:** Cary Goodman (ODOT Rail - appearing on behalf of Bob Melbo, ODOT); Don Murray; Edward Berntsen (Railmove Northwest, Inc.).

**3. Public Comment**

There was no public comment.

**4. Action Items**

**a. OTRA meeting minutes from 1/29/09 (action)**

Ms. Bradley noted there were a couple of typographical errors in the minutes.

**Riedel made a motion to approve the Minutes as corrected. Knutsen seconded the motion. The motion carried by a unanimous vote.**

**5. Railroad Update – General Manager**  
**a. Operations Update**

Ms. Bradley gave a brief history to the Board. This year to date, Banks Lumber has shipped 64 cars. They shipped 140 cars last year. The pellet mill at Banks is not shipping yet by rail. Leases and encroachments are continuing to be billed. Ms. Bradley discussed the recent Oregon Coast Scenic Railroad Trackage Agreement.

Mr. Lewis discussed a danger tree at the Trask River Bridge. Currently, the structure is unaffected; the tree will need to be removed carefully to alleviate any potential cabling damage along the bridge.

Ms. Bradley said John Lewis is the railroad's only remaining full-time employee. Three railroad employees have been relocated to other positions within the Port of Tillamook Bay, two to the industrial park maintenance crew and the other to the digester facility and are being paid at those non-railroad wages.

**b. FY 08-09 Financial Summary**

Ms. Bradley presented the financial summary to the Board. She said the railroad shows profitability through the 08-09 fiscal year in part due to recent FEMA work performed involving debris removal, tunnel cleanup and design and engineering. The Port was reimbursed for use of its equipment. She discussed loans; the larger loan payment has been made. The next big payment (\$84,000) is due at the end of November, and is shared by the Port (\$30,000) and Railroad (\$54,000). The Port is hoping to use scrapping proceeds to generate monies for the payment. She said the 99D FLEX loan (\$35,000) was paid off earlier this year.

Member Dove asked about the railroad's current debt status. Ms. Bradley responded the amount is approximately \$420,000 not including about ½ million with car hire. She said that Mr. Hocky, the railroad's attorney, is looking into the car hire issue.

**c. FEMA Update**

Ms. Bradley said three (3) Project Worksheets (PWs) are outstanding. The Port received an extension on PW 912, and the tunnel work has been extended. PW 120 (design and engineering) has some potential legal issues. The Port still contends it has standing.

Port Commissioner Jim Young asked if the State would be putting any excess monies as match if the Port was found liable for the excess. Ms. Bradley responded the Port has been told no further monies would be provided and said the matter remains in potential litigation.

Ms. Bradley then discussed the FEMA Alternate Project Request process and the recent \$44.6 Million award. She said that Senator Betsy Johnson was recently instrumental in acquiring \$7.8 million in state matching funds (DAS - Lottery) which will represent the Port's ability to complete \$31.2 million worth of projects with zero debt service. Ms. Bradley said she has been told that these state matching funds would not face cancellation in future legislative sessions.

**d. US DOT TIGER Grant Application & Recommendation (action)**

Ms. Bradley discussed the history of the Port Board's decisions regarding the railroad facility following the December 2007 storms. The Port needs the OTRA's blessing on its application for a Discontinuance of Service Application to the Surface Transportation Board (STB). The Port has hired an attorney for filing of the application. Recently, however, there has presented a grant opportunity towards repair/restoration/upgrade of the Port's Railroad facility. This grant, if received, would have no effect upon the Port's FEMA monies for Alternate Projects. She said that Mr. Ed Berntsen (Railmove Northwest, Inc.) has been assisting in this process, and a fatal flaw analysis has recently been performed. The big issue at this point is that the Port has not received support from its shippers regarding any guarantee of future use of the rail service should it be reinstated. There is much market uncertainty. GP & CHS support the process, but the rest of the Port's shippers have not changed their stance since January.

Member Dove indicated his concerns about keeping the railroad open and at what cost. He noted the grant requires rebuild of the facility should it go down again. Mr. Berntsen said that the Port in its grant application would have to prove more monetary benefit than the cost to do the actual work. He said this could include shipping and transportation costs and other criteria in the calculation; however, the challenge is we need the shippers' benefits to justify the cost. This has not been provided. Ms. Bradley said she has contacted each of the Port's shippers, but that they are unwilling to give even an volume estimate of use at this time. The shippers are not ready to commit to anything. She said we were looking for best case estimates and were not able to get any from them.

There was a discussion about the grant application process and the project. The Governor's office must certify each application. The Port would need to look to its legislators for assistance on this. The application would seek to repair the railroad as well as to include the deferred maintenance on the railroad in order to get it to Class II facility. One good aspect of this process is the repairing in place of the railroad negates the need for any environmental review process, saving time and value. A maximum amount of \$300 million is allocated to a state; and there are many other state projects seeking these funds. The chances are slim. However, the work performed and the documentation assembled to date would be good for future opportunities.

Port of Tillamook Bay Commissioner Bell said we should not give up on the railroad. His feeling is that if the railroad is rebuilt, the shippers will use it. There was a discussion that adding freight/WCI/passenger service could make a future application viable, if not now.

The timeline of the application was discussed. The filing deadline date is September 15, 2009. Ms. Bradley thanked John Lewis for his work on this. He is providing much of the financial figures for repair of the railroad.

There was a discussion on the feasibility to proceed with the grant application given the information heard and the future effect of the Discontinuance of Service application on the embargo for the railroad. Member Riedel suggested sending a team of people to speak with the shippers.

Member Houle said this sets up the question for the Port of Tillamook Bay as to whether it wants to remain in the railroad business and discussed the OTRA's original intent and the effect of Class II status on the railroad's standalone profitability. He said this grant may allow the railroad to do this.

Mr. Palter said the grant presents the opportunity to go farther with repairs to the railroad than the FEMA funds would have allowed. Mitigation of future damage can be addressed with these funds, where the addition of trestles as opposed to the placement of fill and rip rap could withstand future events. He discussed the ability of these grant funds, if received, to benefit the railroad rebuild in that the use of the money for repairs is not restricted to as-built conditions. FEMA would have required that the facility be returned back to pre-disaster conditions, with no allocation for mitigation or upgrades to Class II in non-damaged areas of the rail.

#### **e. Discontinuance of Service application through Surface Transportation Board**

It was discussed and agreed to hold off on the application process pending the outcome of the US DOT TIGER Grant Application process.

#### **6. Public Comment**

There was no public comment.

#### **7. Board Comments**

Member Riedel asked Mr. Berntsen to provide his resume' for the Board. Mr. Berntsen provided a background history of his work with railroads and his current capacity as a consultant.

Member Dove suggested contacting some of our congressional representatives to assist with the TIGER process.

It was discussed to set the next OTRA meeting tentatively for Friday, December 4, 2009, at 1:00 p.m.

#### **8. Adjournment**

The meeting was adjourned at the hour of 2:14 p.m.