

Agenda for Tuesday, March 19, 2002  
Klickitat County Port District  
2nd Regular Monthly Meeting  
March 19, 2002 - 4:30 P.M. - PORT OFFICE

## AGENDA

PUBLIC COMMENT - Limited to 10 minutes total; (5 minutes per person)

PUBLIC HEARING - Surplus Property, Portion Parcel #13, B. Pt.

COUNSEL'S REPORT

ADMINISTRATIVE MATTERS

Consent Agenda:

1. Minutes - March 5, 2002
2. Vouchers - March 15, 2002 - Payroll
3. Vouchers - March 19, 2002
4. Check - March 19, 2002 - B. Pt. Project Acct.

PERS Contribution Rate Changes

Employee Insurance Benefits Discussion

EXECUTIVE DIRECTOR'S REPORT

BINGEN POINT:

Lakeview Blvd. Cleanup Project

Gorge Harbor Marina Update

Gorge Delights Update

USFS Grant Award - Bldg. 1C & Budget

Property Inventory

DALLESPORT INDUSTRIAL PARK:

Riley Bros. Concrete

Kennedy/Jenks Infrastructure Engineering Update

## MISCELLANEOUS

Hwy. 14/Downtown Revitalization Open House  
March 28, 4:30-8:30, Fidel's  
Committee Updates

PUBLIC COMMENT - Limited to 20 minutes total; (5 minutes per person)

## ADJOURNMENT

	<p style="text-align: center;"><b>PORT OF KLICKITAT</b>  <b>BOARD OF COMMISSIONERS MEETING MINUTES</b>  <b>March 19, 2002</b>  <b>REGULAR SESSION</b></p>	
<u><b>TOPIC</b></u>	DISCUSSION/ASSESSMENT/FINDINGS	ACTION/FOLLOW UP
<u><b>ATTENDANCE:</b></u>	<p><b>Commissioners/Staff Present:</b> Port Commissioners (PCs) Norm Deo, Rodger Ford and S. Wayne Vinyard, Port Counsel (Counsel) Teunis J. Wyers, Executive Director (Exec.D) Dianne Sherwood and Administrative Assistant (AA) Vickie Drew.</p> <p><b>PC/Staff Absent:</b></p> <p><b>Guests Present:</b> Mike Smith (Dallesport), Jim , Matt, Connie, Izak, Alex, Greg &amp; Tony Riley (Riley Bros. Concrete), Tom Seifert (KC Resc. Dev.), Steve Tessmer (Gorge Harbor Marina), Rich Bell and Ross Rakow.</p>	
<u><b>COUNSEL CONSULTATION</b></u>	Counsel requested and was granted a consultation regarding potential litigation at 4:20 p.m. with his client (Port) prior to the meeting. <b>Those present: PCs Deo, Vinyard &amp; Ford and Counsel. Exec.D Sherwood joined at 4:35.</b>	
<u><b>PUBLIC COMMENT</b></u>	Chair Vinyard opened the public meeting at 4:47. There was no public comment.	

<b><u>PUBLIC HEARING - Surplus Property, Portion of Parcel #13, B. Pt.</u></b>	<p>Exec.D Sherwood explained that the public hearing is to discuss surplus and eventual sale of a portion of Lot #13. She read into the record four letters of support for the sale of the property which were received from the Greater Goldendale Area Chamber of Commerce, The Mt. Adams Chamber of Commerce, KC Resource Dev. and The City of Goldendale (Exhibits A, B, C &amp; D). Steve Tessmer stated that he is in favor of the sale. Anytime the Port can bring an employer in and use the revenues to invest in other things that will make the other properties more attractive to other outside investment, the Port should take advantage of the opportunity. Jim Riley, speaking for all the Riley's, stated that they are in favor of the project. Mike Smith inquired if any sale by the Port would include a provision to avoid speculative purchases. Exec.D Sherwood explained that pursuant to RCWs they would have to have the development up and running within one year. He was in favor of the sale. There were no further comments. Chair Vinyard closed the Public Hearing. Exec.D Sherwood had prepared Resolution 3-2002 for PC signature in the event there were no negative comments, and Counsel has reviewed the resolution. PC Vinyard is in support of the surplus and sale of the property as it is in the best economic interest of KC considering the current employment situation. With the support of the surrounding communities and particularly KC, with "increasing employment opportunities and agricultural production and processing by recruiting new business..." as their goal #4, he feels this is a very good project and a good opportunity for the PC to support the agricultural community. PC's Deo and Ford agreed with PC Vinyard's comment.</p>	<p><i>PC Deo moved to approve Resolution 3-2002 to surplus a portion of Lot #13; seconded by PC Ford – motion carried.</i></p>
<b><u>COUNSEL'S REPORT</u></b>	<p>Counsel had no report.</p>	
<b><u>ADMINISTRATIVE MATTERS ! Consent Agenda</u></b>	<p>Items approved: • Minutes of March 5, 2002          • Vouchers #17290-17292; \$3,540.93          • Vouchers #17293-17319; \$12,309.92          • EFT - '94 Bonds Interest Payment - \$2,045.00          • Check #163 - \$878.00</p> <p>Correction to vouchers 17293-17319. The voucher to the Bank of NY was removed from the original list for separate approval as an electronic fund transfer (EFT) from the KC Treasurer and a voucher for transfer of funds to the Bingen Point Project Account for Dock/Ramp payment #7 was included. PC Deo requested further explanation of some of the vouchers.</p>	<p><i>PC Deo moved to approve the Consent Agenda with the noted correction and addition; seconded by PC Ford -- motion carried.</i></p>
<b><u>! PERS Contribution Rate Change</u></b>	<p>AA Drew discussed the PERS rate decreases which will be effective April 1.</p>	

<p><b><u>! Employee Insurance Benefits Discussion</u></b></p>	<p>A copy of Resolution 2-1996 which authorizes payment of medical/dental coverage for the PCs if they have lost their primary insurance through no fault of their own. The Port is currently paying for insurance coverage for PCs Deo and Ford. This resolution should be modified if the PC wish the Port to continue providing insurance coverage for commissioners. PC Deo stated that PCs expend a lot of effort for the Port and considering the amount they get paid, this side benefit is warranted. The resolution language will be modified and presented for approval at a future meeting.</p> <ul style="list-style-type: none"> <li>• Delegation of Authority: A copy of Resolution 1-1999 was included in the PC packet as it pertains to delegation of authority, but is not in direct conflict with Resolution 1-2002 (approved at the last meeting) and will be superceded by it.</li> </ul>	
<p><b><u>! EXECUTIVE DIRECTOR'S REPORT</u></b>  <b><u>*BINGEN POINT*</u></b>  <b><u>! Lakeview Blvd.</u></b>  <b><u>Cleanup Project &amp; Signs</u></b></p>	<p>Exec.D Sherwood reported that she is continuing to work with Underwood Conservation District on the cleanup. Counsel donated time and equipment to the effort on March 9. She has contracted with G. Mersereau to finish the cleanup with a brush cat and track hoe. Barring excess rain, she hopes to have the cleanup and grading completed within two weeks. Quotes are being received for trees for the entryway. She is receiving proposals from sign companies for entrance and directory signs for Bingen Point. The proposals were displayed and discussed.</p>	
<p><b><u>! Gorge Harbor Marina Update</u></b></p>	<p>Exec.D Sherwood discussed the meeting that she, PC Vinyard and Steve Tessmer had with NMFS, the Corp. and WA State F&amp;W on March 12. Exec.D Sherwood stated that it seems like the goal posts keep moving around and it's very frustrating. PC Vinyard stated that he was very frustrated with the meeting. He feels that the agencies need to give us the criteria that needs to be met to make the project feasible. This would give an explicit target for the architects to design to. He tried to put the project into perspective with the surrounding area and illuminate the insignificance of the project in light of the in-lieu sites, the removal of Condit Dam and other activities that have been permitted. He said in the end the officials stated that they all want this project to work. They put the burden back on Steve wanting him</p>	
<p><b><u>! Gorge Harbor Marina Update, cont.</u></b></p>	<p>to look at plexiglass for siding on the structures. Steve stated that the agencies want to insure the most open water possible (perhaps as much as 75%), however, a certain amount of coverage has to exist in order to support the structures. He has engineers working on the changes requested. He thanked PC Vinyard for his participation in the meeting. PC Deo asked what Steve's comfort level was at this point. Steve said "if he knew then what he knows now...". However, he met with his investors and they are still committed to the project. Work on the Marina agreement is at a standstill until Byron Hanke (Port Consultant) returns from Hawaii. Steve stated that there is agreement in principal.</p>	

! <u>Gorge Delights Update</u>	<p>Exec.D Sherwood reported that negotiations are moving forward. She had a site plan and some floor plans for the proposed building. The plans were displayed and discussed. The design appears to meet the Harbor Town theme.</p> <ul style="list-style-type: none"> <li>• Statement of Qualification (SOQ) Infrastructure Improvements: Eighteen responses have been received. Exec.D Sherwood will review them and choose the top three. Those three will then be reviewed by PC Deo for a final decision.</li> </ul>	
! <u>USFS Grant Award - Bldg. 1D &amp; Budget</u>	<p>The Port has been awarded a \$50,000 grant from the USFS for infrastructure engineering for building 1D for I.C.E.</p> <ul style="list-style-type: none"> <li>• Resolution 2-2002 was prepared authorizing application to CERB for funding. Although Exec.D Sherwood has the authority to apply for funding, this resolution is required by CERB.</li> </ul>	<p><i>PC Deo moved to approve Resolution 2-2002 authorizing application to CERB for funding for Building 1D; seconded by PC Ford – motion carried.</i></p>
! <u>Property Inventory</u>	<p>Exec.D Sherwood provided copies of the binding site plans for Bingen Point and Dallesport Industrial Park for PC review. The PCs decided to move this discussion to a future meeting.</p>	
! <u>Roy-G-Biv Press Releases</u>	<p>Exec.D Sherwood pointed out the press releases from the Roy-G-Biv website.</p> <p>A short break was called at 5:35.</p>	
<p><b>*DALLESPORT INDUSTRIAL PARK*</b></p> <p>! <u>Riley Bros. Concrete</u></p>	<p>The meeting resumed at 5:40. <b>Exec.D Sherwood</b> discussed the March 8 meeting with Jim, Matt and Tony Riley, PC Deo and Counsel. A letter was previously sent to Riley Bros. which asked for their consent of the Port/Pac Rock agreement and stated that if their consent was not forthcoming, the Port would seek a declaratory judgement from the court to determine if there was a conflict with the Riley agreement's exclusive clause. During the meeting, Jim Riley proposed that the Port extend his current operating agreement for 20 years, with retention of the exclusive clause with some modification, and wanted to better define the 50 acre boundaries in exchange for his consent. The deadline for Riley Bros. consent was March 15, but was extended to March 19 to enable Mr. Riley to present his case to the PC at this meeting.</p> <p><b>Jim</b> introduced his counsel, Ross Rakow, and stated that they have also retained a firm out of Yakima. He showed a map of the Riley pit area which PC Vinyard had done with a GPS several years ago. Jim stated that generally his proposal was to realign the boundaries of the operating agreement to put the conveyor system outside the boundary and retain 50 acres for mining, to remove the verbiage from the operating agreement to allow the Port to market aggregate (other than their 50 acres) outside their</p>	

<p><b>*DALLESPORT INDUSTRIAL PARK*</b>  <b>! Riley Bros. Concrete, cont.</b></p>	<p>business area and to extend their operating agreement to parallel the Port/Pac Rock lease time frame (32 years). Riley Bros. would also provide the reclamation plan for the DNR, subject to Port approval. He discussed the list of concerns that the Port had with the current operating agreement, offering his comments or a solution for each one. Discussed were the issues of moving from Lot #4 to Lot #39, ownership of the building on Lot #39, the watchman's trailer being off the described 50 acres, the amount of pit area opened up, the reclamation plan, de-watering, and the amount of water purchased from the Port (well). Jim stated that they did not dig a water well. He explained the "well" as not an improvement or alteration to the property, but part of the mining process and it will be gone when they are done. It is a safety sensitive recycling well. He explained how this situation occurred: They proceeded to mine and ran into water at a level above The Dalles Pool. They then leveled out and continued to mine but the water continued to infiltrate. They setup a pump to keep the water down and used that water to wash the aggregate. Each year when they would begin operating, the water level in the hole would be down and they would use Port water until the hole would fill up with water at which time they would switch over and use the water in the hole. After the flood of 1996, the water level was substantially higher, so they used that water exclusively in order to keep the water from inundating the pit. They have been using that water since in their operation. They have calculated that it costs \$180 per shift for water purchase from the Port. Pumping the "well" water costs them \$30. <b>PC Deo</b> asked if Riley's were comfortable that they have complied with all WA state laws as required by the Operator's Agreement. <b>Jim</b> said that when the pit flooded former Port Manager Stacy called in the Department of Ecology (DOE) to check the Riley Bros. operation. Jim asked Carl Dugger of F&amp;W to look at the operation. <b>[Editor's Note: no written evidence of approval has been provided to the Port]</b> For safety reasons, they have since cased the "well" with an 8ft diameter, 16ft tank with the ends cut off and backfilled around it. Later on as more backfill was brought in, another 16ft tank was added on top (making it 32 ft deep) and a concrete lid was installed. They have another 8ft tank that will bring it up to the grade they want to be at. <b>Exec.D Sherwood</b> stated that the Port's engineer's concern was that in looking at the water usage spreadsheet, it does not support the idea that the "well" was being recharged by the purchase of Port water. The engineer stated that it has to be a well and the Riley's are pumping ground water because they are not recharging it by purchasing Port water to replenish the well. <b>Jim</b> stated that they have been using Port water, but the "well" is recharged to the point where they will have to pump it down. <b>PC Deo</b> reiterated his concern that there was no liability exposure to the Port regarding the legality of the Riley process. <b>Exec.D Sherwood</b> stated that, as previously stated in a letter to Riley Bros. Concrete, the Port will request DOE to come and look at the process to make a determination of its legality. She stated that another concern was protecting the Port's water rights. The Port would certainly prefer that Riley Bros. purchased water from the Port rather than having a well which was not authorized by the Port. <b>PC Vinyard</b> stated that if the water is there and they have to remove it, they might as well use it in their process. All he asked was that the system in place be reviewed by the DOE for legality. <b>Exec.D Sherwood</b> stated that their declining use has affected how</p>	
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<p><b>*DALLESPORT INDUSTRIAL PARK*</b>  <b>! Riley Bros. Concrete, cont.</b></p>	<p>it" aspect of the water rights laws, so this may not be an issue.</p> <p><b>Matt</b> wanted to give quite a few reasons why Riley Bros. Concrete should be running the pit at Dallesport. He stated that the Port's duty is to promote business and create jobs. They have a perfect track record having never missed a payment and always done what they say they will do. They have increased from two family wage jobs, to 11 family wage jobs. They are concerned with what takes place in the county. If the aggregate at their pit was sold out of town, what benefit would there be to the Port or KC? Their philosophy has always been to produce concrete and building supplies for KC and keep the price competitive.</p> <p><b>Tony</b> read a prepared letter regarding why Riley Bros. is an asset to the Port and the County. Riley Bros. Concrete providing aggregate to Rapid Ready Mix is a huge savings benefit to consumers. Prices would be significantly higher without Rapid Readymix as a competitor in the concrete market. Contributions to Port: loading and transporting of Port equipment, graveling and grading the roads, weed control, added security, reclamation of an excavated hole behind Pellissiers.</p> <p><b>Matt</b> stated that the watchman's trailer is a mutual benefit and permission was given to place it off the 50 acres. They have taken measures to insure the safety of their employees and the public. He quoted Ron Eastwood, Regional Federal Mine Safety &amp; Health Administration inspector as saying that the Riley's safety plan for their mining operation is "one of the best he's seen". Jim asked for direction as to how to proceed from here. <b>Exec.D Sherwood</b> stated her concern that extending the operating agreement may appear that the Port is not considering the public's best interest. She felt that may mean putting the agreement out to bid when the current one expires. She felt that with resolution of the outstanding issues and improved relations, Riley Bros. would be in a great position to be considered for the contract, as the PC may determine that Riley's should be granted the contract even if someone outbid them in price. She felt that the Port/Pac Rock agreement should not be seen as a detriment in any way to Riley Bros.; it should be seen as an opportunity for Riley Bros. to use the conveyor. The Port, in its negotiations with Pac Rock, went to great lengths to insure that the Port would have the opportunity to use the conveyor and were thinking directly of Riley Bros. in that regard. She would like to see Jim sign the consent of the Port/Pac Rock agreement as a good faith gesture that Riley's and the Port are working on their relationship to have a better partnership than in the past.</p> <p><b>Counsel</b> discussed the proper approach to the aggregate resource on Port property. His impression is that the Riley's see the aggregate as money in the bank to be nurtured to provide income for generations of Riley's. The Port sees it like a savings account earning 1% interest. The Port wants to withdraw the money and leverage it to provide jobs. The aggregate resource on Port property is a very small part of all the aggregate on the Dallesport peninsula. There is going to be a lot of aggregate for the citizens of KC from other properties at Dallesport, therefore, the Port doesn't want to keep their rock in the bank. He felt it was important to get the fundamental difference in philosophy out in the open.</p> <p><b>PC Deo</b> stated that the deal with Pac Rock was with the hopes that the Riley/Port material would go down the conveyor and be gone in the next few years. The Port's efforts for the conveyor system were</p>	
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market and does not benefit KC. The Port's little bit is the only portion that benefits KC. **Matt** stated that any rock that leaves KC has no taxes paid on it. If it's turned into concrete, there's taxes paid on it and jobs created from it. **Jim** stated that that's why they would concede to stay on the 50 acres and the Port could sell off the aggregate on the remaining property. He anticipated that 50 acres would give them a reasonable amount of rock for approximately 20 years and allow them to continue to do business. He disagreed with Exec.D Sherwood, stating that it is not prudent business practice to wait until the end of a contract to try to make arrangements; in the next five years there would be many things they would plan to do and the expenditures they would make knowing that they would still be in business (if the agreement was extended). **Exec.D Sherwood** asked Jim if he would like to terminate the agreement now and put it out to bid. **Jim** replied "certainly not"; disbelieving the question was even asked. **PC Vinyard** stated that benefit to the Riley's was a factor in the negotiations with Pac Rock to the point of asking for input from the Riley's as to where they would prefer an injection point be designed into the conveyor system. **Mike Smith** asked if there was a legal requirement that the operator's agreement be put out to bid. Counsel responded that there is a statute that requires that a sale of Port property that has a value in excess of \$10,000, it has to be declared surplus. He does not know if there is a statute that says it has to go out to public bid; he is still checking into the matter. **PC Deo** did not feel there was time to negotiate the issues within the current agreement with the Riley's. Pac Rock has already been asked to extend the deadline once. **Jim** stated that agreement could be reached in short order if the PC would agree to extend their operator's agreement. **PC Ford** stated that the Riley's use of reclaimed water makes perfect business sense. He is confident that the Commission had benefit to the Riley's in mind when negotiating with Pac Rock. He felt that demanding extension of the current operator's agreement in exchange for consent to the Port/Pac Rock agreement is not an appropriate course of action. He feels that every issue could be worked out and he would like to see Jim sign the consent and let Pac Rock proceed. The boundaries should be adjusted to omit the area of the conveyor and to take in the watchman's trailer. **Counsel** stated that the current operator's agreement gives the Port the right to require that the boundary be adjusted. **Tony** asked how much of an increase in tonnage it would take to insure that the Riley's agreement would be renewed in five years. **Exec.D Sherwood** stated that the Port has not had the opportunity to explore that issue. **PC Deo** would like to see the Riley's explore other markets and does not see the Port in the role of dictating how many tons they should mine. PC Ford felt it was important to note that the Riley's are creating jobs in KC on Port property. If they expand their operation and the Port can see growth; that is the important part of the Riley's being there. **Matt** inquired what appropriate growth is. **Counsel** stated that the Port needs a decision regarding the Pac Rock deal, is happy to talk with the Riley's regarding the future of their relationship with the Port, but don't want to do that as a condition to the Pac Rock agreement. **PC Vinyard** stated that in any proposal he looks at jobs and what it can do for the economic well being of KC. When he considers the Riley business he sees the jobs that they've created and the land that, when mining is done, will be premium industrial sites for development. Cash flow from that ground is

	<p>extension of the deadline for his consent would be granted. <b>PC Vinyard</b> stated that if Jim was willing to review his position, he would consider an extension, but if Jim was adamant that he was not, PC Vinyard felt the Port should just proceed. <b>Ross Rakow</b> asked Counsel if his client was simply saying to Mr. Rakow's client, "we would like to enter into an agreement with a third party, the upshot of which is we're going to place this conveyor over the leased property; we would like to have your consent". Counsel responded that the Port does not want to place the conveyor over Riley's leased property, we want to move the boundaries so that Riley's have 50 acres that the Port is committed to. <b>Mr. Rakow</b> responded that "so you're saying to my client that if you don't like it, we're gonna redraw the boundaries and you can go to hell". Many responded that his statement was too harsh. <b>Counsel</b> stated that the Port has made a deal with a very large company which has stated that it's not going to make the investment in this project unless and until it's satisfied that there would be no problem with the Riley's. Pac Rock's view is that there are two ways to accomplish that; obtain Riley's consent or have a judge determine that there is no conflict between the two agreements. He clarified that the Port does not want to take a part of the Riley's authorized operating area; the boundaries would simply be redrawn, they would still have 50 acres and Pac Rock would move ahead. Discussion followed regarding a deadline for the Riley consent.</p>	<p><i>PC Ford moved to extend the deadline for Riley's consent to the Pac Rock agreement to Monday, March 25 at 4:00; seconded by PC Deo – motion carried.</i></p>
<b><u>! Kennedy/Jenks Infrastructure Engineering Update</u></b>	Exec.D Sherwood discussed the memo from John Buzzone regarding the infrastructure engineering. She expects to have updated cost information prior to the March 27 KC PEDA meeting.	
<b><u>MISCELLANEOUS</u></b> <b><u>! Hwy. 14/Downtown Revitalization Open House</u></b>	Exec.D Sherwood reported that the previous meeting was well attended. This project will also involve the entrance to Port.	
<b><u>! Committee Updates</u></b>	<p><u>Airport Board</u>: PC Deo had nothing to report.</p> <p><u>MCEDD</u>: PC Ford will be going to Cascade Locks tomorrow night for dinner and a meeting on the Sternwheeler.</p> <p><u>KC PEDA</u>: PC Vinyard will attend the next meeting on March 27, as will Exec.D Sherwood.</p>	
<b><u>PUBLIC COMMENT</u></b>		
<b><u>! Jim Riley</u></b>	Jim suggested throwing out all SOQ responses except those from KC and choose one of those due to the 17% unemployment rate in KC.	

<b><u>! Tom Seifert</u></b>	Tom stated that hopefully Gorge Delights will access the float loan which will help them cash out on the Port property. KC PEDA will be discussing how to fund infrastructure for economic development and further discussion on public entities accessing a potential revolving loan fund.	
<b><u>ADJOURNMENT</u></b>		<i>PC Ford moved to adjourn at 7:25; seconded by PC Deo - motion carried.</i>

Approved on: \_\_\_\_\_  
submitted \_\_\_\_\_  
(Date)

Respectfully

Vickie L. Drew, Administrative Assistant

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Dianne Sherwood, Executive Director

S. Wayne Vinyard, Chairman

