

	<p align="center"><b>PORT OF KLUCKITAT BOARD OF COMMISSIONERS MEETING MINUTES July 24, 2007 REGULAR SESSION</b></p>	
<b><u>TOPIC</u></b>	<b>DISCUSSION/ASSESSMENT/FINDINGS</b>	<b>ACTION/FOLLOW UP</b>
<b><u>ATTENDANCE</u></b>	<p><b>Commissioners/Staff Present:</b> Port Commissioners (PCs) Norm Deo, Rodger Ford &amp; Wayne Vinyard; Executive Director (Exec.D) Dianne Sherwood; Director Marketing/Public Affairs (DM/PA) James Donnelly; and Administrative Assistant/Bookkeeper, (AA/B) Margie Ziegler; Port Counsel Teunis J. Wyers; and George Fox, CPA Port Financial Consultant.</p> <p><b>PC/Staff Absent:</b> none</p> <p><b>Guests Present:</b> Matt Riley, (Rapid Ready Mix Inc); Jim Riley, (Riley Brothers Concrete); Brad Roberts, (Rivemile 172), Paul Mosbrucker, Steve Tessmer, (Roseland Property Group); and Denny Newell, (KC Economic Development Dept).</p>	Meeting called to order at 4:34 pm
<b><u>COUNSEL'S REPORT</u></b>	Port Counsel Wyers reported that the final lease has been submitted to Verizon.	
<b><u>Status of Leases</u></b>	<p>The ICE lease agreement needs final details on what chemicals they are using. Lease terms permission letter has been submitted.</p> <p>Port Counsel is working on the Underwood Fruit (UF) ground lease at DIP, where UF is proposing to build a structure. Port Counsel Wyers asked the PC to think about what rate we want to charge for rent, escalation terms, and length of lease. This lease will be an un-subordinated lease agreement whereas the tenant does not need to borrow funds in order to construct the building.</p> <p>This lease is being structured for a shorter time so that there will be some value of the building after lease has ended. George Fox talked about how leasehold tax is collect after a building is given back to the Port. UF is moving forward and parameters are being discussed for lots 40 and 41 maybe 42. They may need up to five acres. Property is not on hold to UF and no option has been collected. Southside is understanding that they could be moved to a different location. No term of lease has been agreed on and UF is aware that the lease could be for 30 to 50 years. (Exec.D) Sherwood said she is not considering offering a discount lease, but to charge the same lease rate as other DIP tenants. George Fox said that is the best way to avoid future problems. (Exec.D) Sherwood said UF employments are marginal because the jobs will be seasonal, but as it was discussed in a former PC meeting the PC feels it is important to promote the agriculture industry and to keep this operation in Klickitat County.</p>	
<b><u>COUNSEL'S REPORT</u></b>	(Exec.D) Sherwood said she has had conversation with Jim Dean, (James Dean Construction), and they went over comments to the agreement. The comments were all legal questions that Port Counsel Wyers could clarify.	
<b><u>Status of Leases</u></b>	<p>(Exec.D) Sherwood said Jim Riley, (Riley Brothers Concrete) met with James Dean to ask if Dean can find a place for Jim Riley to operate on site and then asked Dean if he wants to buy Riley's equipment. (Exec.D) Sherwood will go over the Dean's comments with Port Counsel Wyers and present final agreement to James Dean.</p> <p>Jim Riley asked to extend the August 31, 2007 deadline for a couple of months. Riley is not processing anymore material and needs to move gravel. (Exec.D) Sherwood said she will have to ask James Dean, but she knows they are eager to get on site. PC Deo suggested to Riley to do a sub-lease with James Dean. Port Counsel Wyers asked if James Dean has set a date when they want to sign the agreement, and suggested the agreement be signed before the end of August. PC Deo suggested taking into consideration the added expense of Riley's for moving gravel twice. PC Deo wants to sit down and talk with (Exec.D) Sherwood regarding the suggested paragraph regarding competitive environment from last meeting. One of the concerns of Port Counsel Wyers and (Exec.D) Sherwood is that we don't want to dictate to James Dean Construction</p>	

	<p>how he needs to run his business. PC Vinyard said we should not ignore the concerns of balance of supply and demand, but we also need to not get too involved in how someone runs their business move forward on our goals for the DIP projects.</p>	
<p><b><u>ADMINISTRATIVE MATTERS</u></b></p> <p><b><u>Consent Agenda</u></b></p>	<p>Items approved: Minutes of July 3, 2007 Vouchers - July 10, 2007 Vouchers - July 16, 2007 Vouchers - July 24, 2007</p> <p>PC Deo had two changes to the minutes. Under Director's report of DIP <b>fifth sentence</b>: PC Deo said Dean's rock needs are geared more towards road surfacing and general construction, than for concrete aggregate. <b>Eighth sentence</b>: PC Deo said that it is more costly to crush the Port's round river rock then it is to crush blasted basalt rock. The fact that the Port's aggregate can be extracted without blasting could offset this additional crushing cost. The Ports round river rock resource is more valuable for concrete production, and should be considered and promoted as such. <b>(Exec.D) report: first sentence</b>: should say may and not my. PC Ford asked about payments to Tenneson Engineering, (Exec.D) said that it for engineering of the grading and infrastructure B.Pt project.</p>	<p>PC Deo M, PC Vinyard S a motion to approve the Consent Agenda, MP</p>
<p><b><u>ADMINISTRATIVE MATTERS</u></b></p> <p><b><u>Financial Report</u></b></p> <p><b><u>Port's Financial Review</u></b></p> <p><b><u>PSC-Fire Alarm Responder</u></b></p>	<p>(AA/B) Ziegler presented the June 2007 financial report.</p> <p>Financial Consultant George Fox, CPA, reviewed the Port's financial statements and said the Port is doing well against its budget and that income and expense trends look good.</p> <p>Fox reported that he reviewed the 2006 annual report prior to being submitted to the WA ST Auditor's office in May 2007 and there were no errors. Fox presented the 2006 annual report to the PC. Fox talked about the long-term debt schedule. Fox said the Port has good debt, meaning that we are borrowing at a low rate.</p> <p>The upcoming WA ST Auditor's audit was discussed and no date has been set by the Auditor's office. Fox reminded the Port to send the unaudited annual report to the National Municipal Bond Insurance prior to September 30, 2007.</p> <p>George Fox explained the Port's debt coverage ratio calculation and reported for the 2006 year our ratio was 2.62. The 2011 \$1,037,194 payoff off the 06 Bonds was discussed and George Fox made the recommendation that \$250,000 of the IDD (Industrial Development District) Funds collected each year be transfer into the 06 Bond repayment fund. Fox said this fund has a dual purpose to pay the 2011 payment and to ensure the Port meets it's Debt Coverage Ratio each year.</p> <p>George Fox presented graphs regarding tax levy and debt and borrowing capacity. Fox said the Port is doing a good job of leveraging tax collections to promote jobs and reinvesting tax money back into the community. (Exec.D.) Sherwood said there is an issue with the Fire Department waiting for a port employee to respond to fire alarms at building 1A. (Exec.D) Sherwood asked Fire Chief David Spratt and he has agreed to be the Port's Fire Alarm Responder at \$100 per fire alarm. Spratt suggested a lock box be placed on Building 1A. Spratt will reset the fire alarms and walk through the building after each alarm.</p> <p>(Exec.D) Sherwood and Maint. Asst. Esteban Sanchez held interviews to fill the vacant Facilities and Maintenance Operator position. PC Deo has reviewed the top three applicants and (Exec.D) is waiting to hear back on employment recommendations and then a selection will be made.</p>	<p><i>By consensus the PC has agreed to direct (Exec.D) Sherwood to prepared a personal services contract with David Spratt as the Port's Fire Alarm Responder.</i></p>

**Executive  
Director's Report  
Bingen Point**

**Bldg 1E Update:**

**Irrigation Pump &  
Systems**

**Bingen Point Grading &  
Infrastructure Plan**

**Dallesport Industrial  
Park\* (DIP)**

**Southside Enterprises,  
Inc.**

**Soil Sampling/DOE**

**Dallesport Industrial  
Park\* (DIP) Continued**

**Sundoon - Water System**

(Exec.D) Sherwood is waiting for affidavits of wages paid before retainage can be released. We are also working with the City of Bingen and Davis landscaping regarding the water use of building 1E.

(Exec.D) Sherwood has been working with Clark Bryant from Bryant Pipe and Supply to come up with a long term solution to the irrigation needs of building 1E as well as the rest of Bingen Point.

(Exec.D) Sherwood presented the Bingen Point Grading and Infrastructure Plan cost estimates. Tenneson Engineering is 60% completed with the plan. She also asked Tenneson to do phased approach, which will be important for private development of BPT properties. Small diagrams have been reviewed and errors will be fixed, but the cost estimates are correct.

(Exec.D) Sherwood presented a memorandum of agreement with Southside Enterprises that increase their lot size by 1.33 acres, for a total of 3.33 acres. The tenant would like to start using the property immediately. They plan to process dead logs for house logs and ship them to Montana by rail. They anticipate up to 20 rail cars per month. The logs will be debarked using water and the area will be contained with concrete barriers. PC Ford asked how they plan to dispose of the bark removed from the logs. (Exec.D) Sherwood said the bark will be removed or sold. PC Vinyard asked how they plan to store the wet bark before it is moved or sold. (DM/PA) Donnelly will follow up with Southside regarding bark removal and report back to the PC.

(Exec.D) Sherwood said the DOE would pay for the testing of the second site if the Port could arrange for a backhoe, operator and hand augers to take samples on August 14. The DOE will determined what the material might be and the process for clean up.

(Exec.D) Sherwood said she received an email and a draft memorandum of understanding from Steve Tessmer regarding Sundoon. (Exec.D) Sherwood received a call from Linda Rose who said in order to move forward with the golf course there needed to be a commitment of water for the residential component of the resort. Port Counsel Wyers wants more clarification of the proposed MOU. Denny Newell, (KCEDA) reported that CERB funds in the amount of a \$500,000 grant and a \$500,000 loan at 1.5% have been approved for the airport well replacement. Newell reported that drilling could start as early as October 2007. Newell said the CERB funds will be for infrastructure for the 35 acre airport property. PC Ford said that the PC has stated in prior meetings that the Port does not have funds to extend the water system or maintain a larger water system. PC Ford said Roseland has submitted a cost estimates for the first phase of the project, but is unclear what funds will be used for that first phase. Tessmer said Roseland will partner with the County and grants have been applied for. Denny Newell stated that the grant was to PW Trust Fund and it was applied for in May of 2007 and will not be reviewed until May of 2008. PC Ford said in the MOU it states that the Sundoon resort will be supplied through an existing line from Columbia Hills RV Park and that an upgraded line will supply the resort long term. Tessmer said that Port's Water Master Plan, prepared by Kennedy Jenks, states improvements of upgraded lines and a chlorinator. Tessmer stated that Roseland will upgrade the water lines, purchase a chlorinator and pay for a new water master plan that is required in 2009. Discussion followed regarding developing a municipal water system agreement with other agencies. Tessmer stated that he believes there is a substantial amount of

	<p>water that could come through the lines to the Roseland development from the Port's water system that could start the development of the resort. Tessmer said Roseland has agreed to transfer extra water rights to the Port, but said water rights can only be transferred through a lengthy process with DOE. (Exec.D) Sherwood said the biggest concerns that the PC has expressed is that the Port would be taking water away from the industrial park and using it for residential use and not get that water right back for future connections to the DIP water system. Port Counsel Wyers said a meeting needs to be scheduled to talk about details and concerns. Jim Riley asked Denny Newell about the PW Trust Funds application and asked about an additional water storage reservoir for the airport and not using the port's current water and fire flow reservoir for the DIP. PC Deo said a municipal water system needs to be developed and an agreement needs to be in place that guarantees the DIP water for future development. (Exec.D) Sherwood said the operation of the water municipal system also needs to be determined.</p>
<b><u>MARKETING REPORT</u></b>	
<b><u>Water Rate Analysis</u></b>	(DM/PA) Donnelly included water rates from the Port of Hood River, Webber Business Park, and Goldendale Industrial Park the numbers changed somewhat. The proposed rates would get the Port rates to average of what other agencies in our region are charging and help make our water system solvent without impacting our customers too much. The Port will hold a public hearing at the August 24. PC meeting to allow our customers time for public comment. All water customers will receive a letter inviting them to the public hearing. A resolution will be drafted for approval at a future PC meeting. Jim Riley said meter rates should be based on standard meter pipe sizes.
<b><u>MISCELLANEOUS</u></b>	PC Ford: none
<b><u>Committee Update:</u></b>	PC Deo: Airport meeting was July 27 <sup>th</sup> . PC Vinyard: EDA meeting was July 11 <sup>th</sup> . The airport's well project and The City of White Salmon's water system was discussed.
<b><u>Public Comment</u></b>	Jim Riley discussed water rights transfers with the DOE. Brad Roberts requested a copy of the grading & infrastructure plan for Bingen Pt.
<b><u>ADJOURNMENT</u></b>	Meeting adjourned at 6.51pm

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

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Margie Ziegler, Administrative Assistant

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Dianne Sherwood, Executive Director

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Rodger Ford, Chairman