

**PORT OF BENTON  
COMMISSION MEETING MINUTES  
August 8, 2018**

- A. CALL TO ORDER:** The regular monthly meeting was called to order at 8:30 a.m. at the Port of Benton Commission Meeting Room, 3250 Port of Benton Boulevard, Richland, Washington. Present were Commissioners Jane F. Hagarty, Roy D. Keck and Robert D. Larson. Staff members present included Executive Director, Scott D. Keller, PPM ®; Director of Finance, Stuart B. Dezember; CPA,PPM®, Director of Airports, John Haakenson; Director of Maintenance, Kevin Howard; Director of Economic Development and Governmental Affairs, Diahann Howard; Director of Real Estate, Teresa Hancock; Director of Communications and Marketing, Wally Williams; Administrative Assistant, Kelly Thompson and Port Counsel David Billetdeaux. Also in attendance were Pete Rogalsky, Justin Barager, Terry Christensen, Dennis Kyllo, Brian Bocchi, Dustin Disney, Jamie Robison, Tom Walters and Stan Jones.
- B. PLEDGE OF ALLEGIANCE:** Robert D. Larson led those present in reciting the Pledge of Allegiance.
- C. CURRENT BUSINESS:**
- 1. CONSENT ITEMS:** A motion was made by Commissioner Robert Larson, seconded by Commissioner Jane Hagarty and unanimously passed by the Commission approving the July 11, 2018, Commission Meeting Minutes, Resolution 18-18, to Cancel Warrant No. 068562, Resolution 18-19, to Cancel Warrant No. 068790 and Resolution 18-20, to Cancel Warrant No. 068654.
  - 2. UNSCHEDULED BUSINESS/VISITORS:** There were a number of visitors, but no comments were made during this time.
  - 3. UNION PACIFIC RAILROAD:** Justin Barager, Union Pacific Railroad (UP), discussed on-going concerns with the Port of Benton Rail Southern Connection. He cited several issues with the rail line, most notably, the state of disrepair the line has fallen into. It needs “eight to nine thousand ties to bring it into compliance.” The operator of the rail line, TCRY, has had “countless opportunities over an extended period of time and is either unwilling or unable to maintain the line.” He gave a brief explanation of the UP’s history in the Tri-City area and that they serve many customers. The line was “originally classified as a Class 3 Railroad at the time it was transferred from the Department of Energy (DOE) to the Port. It is now downgraded to a Class 1 Railroad, and may even be considered “excepted track” in some areas.” The Federal Rail Association (FRA) has conducted inspections and issued warnings regarding the state of the line, particularly the section running over the Yakima River, and issued penalty violations resulting in a speed limit not to exceed five miles per hour over the bridge. UP is fearful of the safety of the track and concerned about the reduced operating speeds. When TCRY replaces ties, they do so manually. This is “inefficient for timing and scheduling as they have to close portions of the track.” The UP has pledged support to the Port and would like to see this asset brought into compliance and usability. Mr. Barager added that the issues with TCRY got “substantially worse after UP stopped using TCRY as an operator.” He stated that

the fees UP had been paying to TCRY “should have been used for maintenance of the track.” It is UP’s opinion that “TCRY is locking up an important POB asset.”

Brian Bocchi, BNSF, stated they have also experienced delays, including recently when the FRA showed up for inspection on the last day TCRY had to complete repairs.

Tom Walters, Central Washington Corn Processors, stated “their service routinely is disrupted.” Inconsistencies with times allowing them to run, times of being held up due to maintenance issues, trains having to be brought in back to back or being held on the track and unable to reach their destination, holding over scheduled crews are causing problems delivering their products.

Dennis Kylo, Commodities Plus, advised they have three to five unit trains using the track per week. These unit trains supply 65% of grain and feed to local dairies. He stated “Preferred Freezer needs daily service and both Railroads (UP and BN) are critical to the future economic development of the Tri Cities.” He also stated “there are businesses interested in locating to the Tri Cities and North Richland, but will not do so until problems with the TCRY are resolved.” He stated “this is causing an economic hardship for the City of Richland and the Port of Benton.” Mr. Kylo also stated his concern that “even a short service outage could (bring the dairy owners to town) who would sue everyone related to the rail service.”

Terry Christensen, Richland City Council Mayor Pro Tem urged the Port Commission to be proactive where these problems exist and encouraged them to come up with a plan. He stated “cities and ports are so afraid of lawsuits they tend to react rather than take reasonable measures.”

Port Counsel, David Billetdeaux, stated HDR Engineering performed an inspection of the Yakima River bridge, which concluded that out of 378 ties, seven are at a rating of 2 (which is acceptable), 87 are a rating of 3, 284 are at a rating of 4 or 5 (which is failed or failing). 75% of the ties on the bridge are not providing any structural support. He also mentioned sections of track can be repaired off site and put in at one time causing only a short shutdown for rail users. The ties on the bridge must be replaced with new ties to bring the bridge back to a Class 3 maintenance standard, at an approximate cost of \$475,000.

- D. COMMISSIONER COMMENTS:** Commissioner Hagarty discussed her attendance at both the Prosser Chamber of Commerce and Historic Downtown Prosser meetings. She also reminded everyone of the upcoming Walter Clore Wine and Culinary Center Legends of Washington Wine Country Event, Friday, August 10, 2018.

Commissioner Larson discussed his attendance at the Hanford Communities Meeting, highlighting that low level waste from Hanford will soon be shipped to Andrews, Texas in rail cars.

Commissioner Keck discussed the need to bring the rail line into compliance and resolve the maintenance issues. He also discussed the importance of insurance to cover the Port and its board of directors and employees.

- E. **COUNSEL COMMENTS:** Port Counsel thanked all present for attending the Commission meeting and voicing their concerns. For the purpose of clarity and to guarantee all individual concerns, Port Counsel encouraged all to put these concerns in writing and submit to the Port. He stated the remainder of his comments were reserved for the Executive Session.
- F. **EXECUTIVE DIRECTOR COMMENTS:** The Executive Director discussed the need for a contract with Crown Coating in the amount of \$88,245.00, before taxes, for the roofing repairs at Kaiser Aluminum, 2425 Stevens Drive.

**A motion was made by Commissioner Robert Larson, seconded by Commissioner Jane Hagarty and unanimously passed by the Commission authorizing the Executive Director to execute the necessary documents for a contract with Crown Coating in the amount of \$88,245.00, before taxes for the roofing repairs at Kaiser Aluminum 2425 Stevens Drive.**

The Executive Director discussed the need for purchase of a new Ford pick-up truck for the maintenance department at a cost of \$51,000. The Director of Finance stated the Director of Maintenance followed the new regulations for alternative fuel. Possible installation of a fuel station or a fuel charging station were also examined as future possibilities.

**A motion was made by Commissioner Jane Hagarty, seconded by Commissioner Robert Larson and unanimously passed by the Commission authorizing the Executive Director to execute the necessary documents for the purchase of a new Ford pick-up truck, in the amount of \$51,000.**

The Executive Director reviewed the proposal submitted by the Croskrey Properties, LLC, for the two buildings and land located at 2920-2940 George Washington Way in the Technology and Business Campus, as well as the ten acres south to corner of University and George Washington Way which includes leasehold interest by TestAmerica through 2024. Croskrey Properties, LLC, have also expressed interest in the 2.78 acre parcel south of Westinghouse pending its release in late fall.

The Executive Director discussed the new lease with Atkins Nuclear Secured Holdings, to exercise a remaining five year option term. They have been a tenant since 2006, and occupies 895 square feet at 2345 Stevens Drive, Richland. The remaining five year term is from 10/01/18 through 09/30/23, rent including leasehold excise tax is \$36,561.40 per month. They are also requesting right to terminate with a nine month notice during third year (36 months guaranteed rent). Any outstanding rent balance amortized through years four-five will be paid by end of third year term if notice exercised. No broker commission paid by Landlord as is existing tenant lease.

**A Motion was made by Commissioner Robert Larson, seconded by Commissioner Jane Hagarty and unanimously passed by the Commission authorizing the Executive Director to execute the new lease with Atkins Nuclear Secured Holdings, to exercise the remaining five year option term. The remaining term is from 10/01/18 through 09/30/23 with rent including leasehold excise tax \$36,561.40 per month. They are also requesting the right to terminate with a nine month notice at third year mark (36 months guaranteed rent). Any outstanding rent balance amortized through years four-five will be paid by end of third year term if notice exercised. No broker commission paid by Landlord, as is existing tenant lease.**

The Executive Director and the Director of Real Estate discussed the new lease with Veolia Nuclear Solutions Inc. They have been a tenant since 2015 and occupy 20,941 square feet at 2345 Stevens Drive, Richland. A one year term from 09/01/18 through 08/31/19, with two three-year renewals for office, warehouse and outside laydown area, with a rent of \$17,212.98 per month plus leasehold excise tax. This is an increase of \$81,000 per year.

The Executive Director discussed the Transload building appraisal and existing obligations. This is a 9,060 square foot building on 6.82 acres, zoned M-2 Heavy Industrial. This has an “as-is” value of property is \$900,000. The value of the rail spur is an additional \$243,000.

The Executive Director discussed Weston Mountain Onions, LLC at 2926 Kingsgate Way. The Lease has a term of one year with renewal options that can extend the lease to three years. The lease has standard terms and conditions and the initial rate is \$3,385.20 monthly including leasehold tax. The tenant has added over \$75,000 of capital improvements to the building which will remain when the tenant leaves. Therefore, Weston Mountain Onions, LLC is requesting the port consider a reduction of the required surety amount to be \$6,770.40. The Commission will discuss at the September Commission Meeting.

The Executive Director and/or Director of Real Estate discussed the upcoming lease terminations for Shrub Steppe Brewing (and future reconstruction), Branches and Vines and Stone Soup.

The Executive Director stated that WPPA Attorney Frank Chmelik is researching options for errors and omissions insurance regarding State, City, County, Port and all other special taxing authorities.

**G. STAFF INFORMATION REPORTS:**

**COMMUNICATIONS AND MARKETING:** The Director of Marketing stated he is working on the final items for Wings and Wheels, the fall newsletter and the upcoming showing of the movie “Hunt for Red October” at the USS TRITON Sail Park and the upcoming ribbon cuttings for the new buildings in Prosser.

**GRANTS:** The Grants Status report was reviewed. The Director of Economic Development and Governmental Affairs discussed the upcoming August 15, 2018, meeting for the USS TRITON Submarine Sail Park. She also stated FUSE has completed the set-up of equity fund and on August 29, she will be making a pitch to Atlas in Seattle about efforts to date.

**GOVERNMENTAL AFFAIRS:** The Director of Economic Development and Governmental Affairs updated the Commission on her projects. She recently attended Washington Public Ports Association (WPPA) legislative discussion which highlighted on the following topics: commissioner campaign contributions, economic trade and development and .09 monies. The Port’s receipt of .09 monies will sunset in 2022. She also advised discussion was set with General Services Administration (GSA) for removal of deed restrictions within the Richland Innovation Center (RIC), was set at \$3.45M. The Port is developing a finance plan that will be presented as part of the budget process for 2019.

**H. SITE PROJECTS UPDATE:** The Commission was briefed on the Technology and Business Campus, Tri Cities Enterprise Center Building, Richland Business Park, Railroad, Richland Innovation Center, Richland Airport, Prosser Airport, Prosser Wine and Food Park, Vintners' Village, Walter Clore Wine and Culinary Center, Benton City Downtown Properties and Crow Butte Park.

**I. PORT FINANCIAL ISSUES:** Vouchers audited by the Auditor as required by RCW 42.24.080 and certified expense reimbursement claims as required by RCW 42.24.090 have been recorded on a listing, which has been made available to the Port Commission. As of this date, August 8, 2018, Port Commission by unanimous vote approved for payment those vouchers included in said listing and further described as follows: Payroll Warrants numbered 04481 through 04546 totaling \$1,115,824.32 and General Expense Warrants numbered 068885 through 069076 totaling \$1,121,337.78 from the General Expense Fund.

The Director of Finance reported the state auditors are here conducting their annual audit. They had an entrance conference with port staff and Commission President Roy Keck last week.

The Director of Finance asked for the annual renewal of the Port's lines of credit with Banner Bank. These lines of credit have the same terms and conditions as in previous years.

**A motion was made by Commissioner Jane Hagarty, seconded by Commissioner Robert Larson and unanimously passed by the Commission authorizing the Executive Directors to executive all necessary documents for the annual renewal of the Port's lines of credit with Banner Bank. These lines of credit have the same terms and conditions as in previous years.**

**J. EXECUTIVE SESSION:** The regular Commission Meeting was recessed at 10:45 a.m. and an Executive Session was convened to discuss pending litigation and potential litigation pursuant to RCW 42.30.110(1) (i). The Commission announced the Executive session would last no longer than sixty (60) minutes. The Executive Session was adjourned at 11:45 a.m. and the regular Commission Meeting was reconvened.

**K. ADJOURNMENT:** With no further business, the meeting was adjourned at 11:46 a.m.

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Robert D. Larson,  
Commission Secretary