

September 21, 2009
6:00 P.M.
Newport, Oregon

The City Council of the City of Newport met on the above date in the Council Chambers of the Newport City Hall. On roll call Bain, Bertuleit, Patrick, Brusselback, Kilbride, Obteshka, and McConnell were present.

Staff present was City Manager Voetberg, City Recorder Hawker, City Attorney McCarthy, Community Development Director Tokos, Public Works Director Ritzman, Airport Director Reno, Interim Finance Director Schultz, Steve Dickinson, former Parks and Recreation Director, and Police Chief Miranda.

Bain introduced the new videography crew that included Toledo High School teacher, Peter Vince, and students, Casey Baker and Bridget Towns.

Bain discussed time limits for public comment, and asked that comments be made in the spirit of helpfulness, and related to agenda items. He added that disruptive and confrontational behaviors would not be tolerated.

CONSENT CALENDAR

The consent calendar consisted of the following items:

- A. Approval of the City Council minutes from the work session and regular meeting of September 8, 2009, and the executive session of September 16, 2009;
- B. Listing of claims paid for August 2009;
- C. Police and Fire Department monthly reports for August 2009;
- D. OLCC license approval for Bier One for a change of ownership.

MOTION was made by Patrick, seconded by Bertuleit, to approve the consent calendar as presented. The motion carried in a voice vote. McConnell reported that he did not attend the evening meeting of September 8, and Kilbride noted that he had not attended the executive session of September 16. Neither voted on the approval of the minutes of the noted meetings.

COUNCILOR'S REPORTS AND COMMENTS

Obteshka reported on a recent meeting of the Senior Center Advisory Board. He noted that the Center will be using energy efficient lighting, purchasing a new Wii system, karaoke machine, and a public address system. Center renovation is in progress.

Obteshka reported that the Library Foundation book sale is scheduled for Saturday at the Farmer's Market.

Brusselback reported that he and McCarthy had met with two representatives from Georgia-Pacific. He noted that it was a positive meeting, additional meetings are planned.

McConnell noted that the Destination Newport Committee has forwarded the PDXposed matter to Council, and he offered to answer questions.

Kilbride reported that he attended a recent COG meeting where wetlands were discussed.

Kilbride stated that he would reserve comments about the recent Air Service Consortium meeting until later.

Bertuleit reported that the recent half marathon had more than 100 participants, and two-thirds were from out of town.

Bertuleit noted that the OCCC opening was impressive.

Patrick reported that the weekend NOAA reception has been postponed until spring.

Patrick reported that an Urban Renewal Agency meeting would be held on September 23, at 4:00 P.M., at the Central Campus of OCCC.

Bain reported that he will attend a CWACT meeting in Albany later this week.

Bain reported that he had met with the Bayfront Association regarding the Bayfront project.

Bain reported that he attended the long board classic last weekend.

Bain reported that David Stiers is concerned with the loss of county funding for the teen court and aid to families.

Bain reported that there have been two Air Service Consortium meetings since the last City Council meeting.

Kilbride reported that Thomas Mason's obituary will appear in an upcoming edition of the Oregonian.

Bertuleit reported that Peace Day is today.

OFFICER'S REPORTS

Mayor's Report. Bain noted that he will not be appointing anyone to fill the vacancy on the Airport Committee until all three candidates have been interviewed by Council. Bain appointed Melanie Sarazin to replace Teresa Atwill and Gary East to replace Jim McIntyre (effective October 11, 2009) on the Planning Commission. MOTION was made by Kilbride, seconded by McConnell, to ratify the Mayor's appointments. The motion carried unanimously in a voice vote.

City Manager's Report. Voetberg noted that Jerry Sabanskas will attend the October 5 Council meeting to discuss various projects.

Voetberg stated that the Bayfront project is ongoing, and the city is working through issues with the contractor and the merchants and handling issues as they arise.

Voetberg reported that staff is trying to acquire property on which to locate the new water treatment facility due to its size and how it will work.

Voetberg reported that when the overlay project was awarded, the city had planned to eliminate a couple of projects. He noted that by taking some monies out of reserves, the city will be able to utilize all federal dollars.

Brusselback asked where the water plant prototype is located, and Ritzman noted that it is next to the plant.

City Attorney's Report. McCarthy reported that there had been a couple of Air Service Consortium meetings, and there are issues on the agenda related to the air service.

McCarthy reiterated that a successful meeting had occurred with G-P representatives. McCarthy reported that maps had been prepared to direct folks through the maze of the Bayfront project. It was suggested that businesses might be interested in placing coupons on the back of the maps. Council had no objection.

DISCUSSION ITEMS AND PRESENTATIONS

Presentation by Kent Craford of SeaPort Air. Kent Craford, CEO of SeaPort Air, thanked the City Council for allowing him time for this presentation. He noted that the service is six months old, and he would review statistics on ridership, marketing, distribution, scheduling, and the interline agreement, to date.

Craford reported that Seaport has completed 1,672 flights to the coast carrying 3,910 passengers. Newport passengers are 57% of the total traffic. He added that growth has been good, strong, and sustained, and is expected to continue. He reported that revenue is growing at an even better rate.

Craford reported that SeaPort is an aggressive marketer, and while it is obligated to spend \$22,000 monthly marketing the coastal air service, the average is approximately \$30,000. He noted that the SeaPort magazine is a publication of the Newport News-Times.

Craford reported that SeaPort has added GES connectivity, allowing passengers to buy tickets through travel agencies and bundle with tickets of other airlines.

Craford reported that SeaPort is obligated to obtain an interline ticketing agreement, and noted that this has not been accomplished. He stated that SeaPort has been working on it for nearly 1-½ years, but that the existing reservation platform is not robust enough to support the software for e-ticketing which is a prerequisite for an interline agreement. He added that the concern that the current reservation system cannot support e-ticketing in a reliable fashion is the reason that SeaPort notified the Consortium that it needs an extension of time to obtain the interline agreement. He noted that passengers will be able to access online travel agencies after e-ticketing is in place.

Craford noted that one weakness in the current service is the schedule to Astoria. He reported that the flight that departs PDX for Astoria at 5:00 A.M. is almost always empty. He added that he has discussed changes with the Consortium regarding implementing a more marketable schedule that will still work operationally. He noted that SeaPort is currently looking at sliding the schedule ahead, and that options will be developed for Consortium review. He noted that he has consistently heard from central coast customers that it is their desire to be able to fly to Newport, conduct business, and be home for dinner. He added that the schedule does not currently allow that. He stated that Newport flights are approximately 50% full now which represents 200% of the contractual benchmark.

Craford stated that he strongly endorses the creation of an air service sustainability task force. He added that it will take an active partnership of the community and the air service provider to sustain the service. He added that the partnership is somewhat strained, and he would like to see it strengthened. He displayed several PowerPoint

slides. Patrick requested copies of the graphs. Bertuleit suggested finding a way to get people to local lodging establishments to spend the night. A possible repositioning of NOAA vehicles was suggested.

Kilbride stated that most of the letters to the editor are very favorable to the air service, and he commended Craford for that. He added that his concern is that the Pilatus is the wrong plane in the wrong place because the community cannot support that plane when the subsidy is gone. He reviewed revenues and ticket prices, noting that with five passengers, and no subsidy, the ticket price would be approximately \$190 each way. He added that he does not believe there would be community support for that ticket price, and is afraid that at the end of the grant period, SeaPort will go away, and certainly the airplane will. He asked whether Craford has given any thought to utilizing a less expensive airplane. Kilbride added that the only salvation would be a grant renewal from the state. He noted that an airport district is another possibility, but that he would like to see a more economical airplane. Craford stated that it is SeaPort's assumption that when the money runs out, there is no more left. He added that SeaPort is the smaller part of a larger operation. He stated that his company operates seven unpressurized aircraft in Alaska. He added that when SeaPort got the Memphis routes, it determined to use the Pilatus, because good airplanes are good business. He added that prices on the Pilatus have become more affordable.

Jim Day, from SeaPort, reported that increasing passengers drives the fare up and spreads the expenses over a greater revenue base. He added that the service should be sustainable at the end of the grant period, and at this point, is cumulatively under the cap.

Kilbride asked Day whether he thinks it is realistic for Council to expect that the Pilatus will be economical enough to make the air service sustainable at the end of the grant period. Day stated that he believes it will be.

Patrick asked Craford whether SeaPort owns or leases its airplanes. Craford reported that some are leased and some are on lease/purchases, and that some of the aircraft used in Alaska are owned by SeaPort.

Obtshka asked for the most optimistic projection on e-ticketing. Craford reported that if SeaPort switches to the new reservation system right away, e-ticketing could be ready within 90 days. He explained that the entire company will need to utilize the new reservation system, and it might take more than 90 days to switch the entire company to the new system.

Brusselback asked how much faster the Pilatus flies than the Cessna. Bruce Phillips reported that it flies approximately 120 knots per hour faster.

Patrick asked how SeaPort determined that people will pay \$200 each way to and/or from Newport.

Craford reported that some people fly from Pendleton to the coast. He added that costs fluctuate, and some opportunity has gone down. He reported that cancellations exceed expectations, noting that more than 10% of the scheduled flights have been cancelled, and there is no revenue for these flights.

Day reported that the northwest and midwest expansions help spread overhead costs.

McConnell asked whether Craford is confident that the interline agreement would be achieved in six months. Craford noted that the plan is to pursue e-ticketing and the interline agreement concurrently. He expressed confidence that once e-ticketing is

available, SeaPort can go back to the 121 carriers they have had preliminary discussions with and work out an interline agreement,.

Walter Sherman asked about the previously referenced GES system. Craford noted that this is a travel agent tool. Sherman asked whether SeaPort tickets are available at travel agencies. Craford reported that SeaPort is available now for booking through most travel agencies, but not online agencies because they require e-ticketing ability. Sherman asked about the frequency of the SeaPort magazine, and the advertising rates. Craford reported that it is a quarterly publication and that the News-Times sells ads and keeps the revenue. He also noted that the marketing costs do not include the magazine. Sherman reported that he has not seen anything in the meeting notes pertaining to the letter that SeaPort sent to the Consortium. Bain reported that the matter will be discussed at the next meeting. Sherman stated that he thinks there are ten operations daily to Newport and Astoria. Craford responded that there are 36 operations daily in the total contiguous map.

Steve Schuster reported that there are two air carriers using the Pilatus. He reported that there was a mechanical problem with a SeaPort airplane in Newport last week, and that one passenger had to pay \$200 in change fees and spend the night. He added that if SeaPort had a code share arrangement, the passenger would not have been impacted in that manner. Craford reported that three or four other carriers are using the Pilatus in the United States, and there are more in Canada. Schuster reported that Southwest does not need interline agreements due to its size.

Mike Schulz asked whether SeaPort operates any unsubsidized routes outside Alaska and Seattle, and Craford reported that it does not. Schulz asked whether SeaPort has asked the state for help in negotiating the interline agreement. Craford responded that this has not happened yet, but that the state and the Port of Portland are waiting to assist. He added that it is simply a matter of technologically getting where SeaPort needs to be with the reservations platform in place.

Fawn Custer, Lewis Ross, Colin Owen, Tina Brush, and Maxine Demory spoke in support of SeaPort's service.

LOCAL CONTRACT REVIEW BOARD

Consider a bid protest from Henderson Land Services, LLC on the Notice of Intent to Award the Nye Creek Bio-filtration Supplemental Environmental Project.

Voetberg explained that he had reviewed the bid protest from Henderson Land Services, LLC, and recommends that the protest be considered by the City Council.

Kilbride asked whether staff could resolve the matter. It was noted that the decision is a Council responsibility. Both bidders were available for comment. A discussion ensued regarding the process that ensues when bids arrive. It was explained that Henderson Land Services, LLC did not return the entire bid document with their bid, rather returning only the actionable pages

A representative from Anderson Earth, Inc. reported that two of the three bids contained all the contract documents, so the city concluded that the bid from Henderson Land Services, LLC was nonresponsive. He added that if all three bidders had submitted only the actionable pages, he would understand the city manager's decision. He urged Council to support the intent to award, and award the contract to Anderson Earth, Inc.

A representative of Henderson Land Services, LLC, stated that as the apparent low bidder, he was awaiting contact by the city. He noted that he called the engineering office on September 8, and was informed that the bid was considered nonresponsive. He added that he had submitted every actionable page, but what were not submitted were 70 pages of boiler plate information.

MOTION was made by Brusselback, seconded by Obteshka, to approve the bid protest submitted by Henderson Land Services, LLC for the Nye Creek Bio-filtration Supplemental Environmental Project, and determine Henderson Land Services, LLC to be a responsive bidder. The motion carried unanimously in a voice vote.

ACTION ITEMS

Award of contract for the Nye Creek Bio-filtration Supplemental Environmental Project. MOTION was made by Obteshka, seconded by Brusselback, to authorize the Public Works Department to issue a Notice of Award for the Nye Creek Bio-filtration Supplemental Environmental Project to the low bidder, Henderson Land Services, LLC of Lake Oswego, Oregon, in the amount of \$42,900, and authorize the city manager to execute all necessary contract documents. The motion carried unanimously in a voice vote.

Consideration of creating an Airline Sustainability Task Force. McCarthy explained that the task force would discuss options for continued air service at the end of the subsidy period. A brief discussion ensued regarding the composition of the task force. MOTION was made by Brusselback, seconded by McConnell, to adopt Resolution No. 3481, creating an Airline Sustainability Task Force. Walter Sherman asked about the mission statement. The motion carried unanimously in a voice vote.

Consideration of bid proposals for restrooms at 9th and Hurbert Streets and the Bayfront. Voetberg explained the request. Obteshka asked whether the price differential was due to façade differences. Steve Dickinson, representing the Parks and Recreation Department, reported that there are two different companies, two different projects, and two different locations. MOTION was made by McConnell, seconded by Patrick, to award the bid proposal by Public Restroom Company to provide a nautical-themed facility on the Bayfront across from Port Dock 1, in the amount of \$111,602; and to award the bid proposal by North Bank Excavation to provide an art deco-themed restroom at 9th and Hurbert Streets, in the amount of \$99,500, and authorize the city manager to execute all necessary contractual documents on behalf of the City Council. The motion carried unanimously in a voice vote.

Consideration of Amendment No. 1 to the 2009 Statewide Airport Pavement Maintenance Program IGA between the city and the Oregon Department of Aviation for additional taxiway painting. Voetberg explained that the city currently has an agreement with the state for pavement management. He added that additional work has been identified, and Reno has determined that the bidder could also perform the additional work, but an amendment would have to be made to the IGA with the state. MOTION was made by Patrick, seconded by McConnell, to approve Amendment No. 1

to the intergovernmental agreement between the city and the Oregon Department of Aviation, in the amount of \$18,771.57, for additional taxiway sign painting, and authorize the city manager to execute all necessary documents relating to the Amendment on behalf of the city, and to authorize the city manager to apply for FAA entitlement money for this work which requires a five percent local match equaling \$928.58. The motion carried unanimously in a voice vote.

Consideration of recommendation from Destination Newport Committee to expend room tax contingency funds for a PDXposed winter episode and bonus commercials. McConnell explained that the request has been forwarded from the Destination Newport Committee. It was noted that PDXposed is moving from KGW to Fox, and segments will be aired twice as much than at KGW. MOTION was made by Patrick, seconded by Bertuleit, to accept the recommendation from the Destination Newport Committee to expend \$20,000 from room tax contingency funds for a PDXposed winter episode plus bonus commercials, and authorize the city manager to execute all necessary contract documents on behalf of the City Council. Patrick asked whether PDXposed could use any existing footage. The motion carried unanimously in a voice vote.

Designation of voting delegate for the 84th annual League of Oregon Cities Conference. MOTION was made by Bertuleit, seconded by McConnell, to designate Bain as the voting delegate, with Voetberg as alternate, at the upcoming League of Oregon Cities Conference. The motion carried unanimously in a voice vote.

Modifications to the Revenue Guarantee Agreement for coastal airline service. McCarthy reported that she had prepared a modification to the revenue guarantee agreement for coastal airline service. She explained that one of the provisions requires the vendor to have an interline ticketing agreement by June 15. She noted that on that date, SeaPort was notified they were not in compliance, and they responded with a letter asking for an extension of time in meeting that term of the agreement. She stated that the Consortium met and discussed the request and recommended to their appropriate governing bodies that a modification be made extending the provision to have an interline ticketing agreement until March 15, 2010. She added that another recommendation was to remove the requirement that SeaPort enter into an interline baggage agreement. She noted that language has been added to require continuous and diligent work toward securing e-ticketing and online ticketing agency access for Consortium customers. She noted that the City Council, Port of Astoria Commission, and SeaPort Air have to ratify the modification.

Craford noted that the modification is acceptable to SeaPort.

Walter Sherman stated that he did not find a mention of SeaPort's noncompliance in the minutes.

Mike Schulz reported that when the city initially opened proposals, it was prepared to award the contract to Cape Air, and that SeaPort had protested, so the process had been reopened, and SeaPort was the successful proposer. He noted that the two key elements in the RFP were the interline baggage agreement, and the interline ticketing agreement. He noted that when he was asked to work on this contract, he was given a study on the

feasibility of air service to the coast, and the key ingredient to success/sustainability was having interline baggage and ticketing agreements in place. He added that the city entered into a contract with a vendor, and part of that contract requires these two agreements. He asked Council to protect the taxpayers and citizens of Newport and get something back for it.

Craford stated that SeaPort has never stopped pursuing an interline ticketing agreement or the necessary technology. He added that SeaPort is not asking for elimination of the requirement, but an extension. He stated that SeaPort would purchase a 121 reservation system and implement it immediately, providing Council acts favorably on the modification to the agreement.

Bertuleit stated that the counter is supposed to be open during certain hours, and that it is not always staffed. He asked when the next edition of the SeaPort magazine will be issued. Craford stated that he is not on speaking terms with the airport manager, and that he had found out, yesterday, through a notem, that the runway will be closed. He noted that there is no communication from staff to staff.

Walter Sherman asked whether SeaPort has had discussions with airlines on interline agreements. Craford reported that SeaPort has had preliminary discussions with domestic 121 carriers.

Kilbride asked whether termination is the alternative. Patrick asked whether there are any provisions in the Connect Oregon II grant regarding failure to comply with contract provisions. Bain stated that Council needs to find ways to make this contract work. McCarthy noted that there are many considerations, including the impact on Astoria's service, and possible breach of contract. She added that Newport felt strongly that the vendor should perform. She reported that the Port of Astoria and the Oregon Department of Aviation were much quicker to recommend modification. McConnell noted that everyone concurred about the interline baggage. Kilbride stated that he does not see much choice, and that the city cannot terminate unilaterally without consulting Astoria. He added that this is not perfect and not exactly what we agreed to, but he noted that there is no viable alternative. Joan Stanton asked whether Council was going to agree because there is no choice. Schulz suggested returning some of the subsidy. He added that he believes Council has another option, and that is to leave the contract as stands. Colin Owen stated that he is a satisfied customer. Ray Emerick spoke in support of SeaPort. MOTION was made by Brusselback, seconded by McConnell, to follow the recommendations of the staff and Air Service Consortium board and approve the modifications to the contract by eliminating the interline baggage agreement, and extending the time for acquiring an interline ticketing agreement until March 15, 2010. The motion carried in a voice vote with Patrick voting no.

COUNCIL COMMENTS

Bertuleit asked that the city manager direct staff to look into the Joyce Gaffin issue.

ADJOURNMENT

Having no further business, the meeting adjourned at 9:58 P.M.

Margaret M. Hawker, City Recorder

William D. Bain, Mayor