



**Sawmill Cove Industrial Park
Board of Directors Meeting
September 21, 2009 – 3:00 PM
SEDA Conference Room
329 Harbor Drive – Suite 212**

A. CALL TO ORDER

The Chair called the meeting to order at 3:06 pm.

B. ROLL CALL

Board Members Present: Grant Miller Trevor Harang Lowell Frank
Charles Horan

Board Members Absent: Chris Fondell

City Representatives: Jim Dinley Theresa Hillhouse Dan Jones

Others Present: Garry White Linda Wilson Ed Ronco (KCAW)
Greg Miller (Cove Partners/Starwest LLC via phone 3:55pm)

C. REVIEW OF MINUTES – August 27, 2009

MOTION: M/S Harang/Frank moved to approve the minutes of August 27, 2009.

ACTION: Motion PASSED unanimously 4/0 on a voice vote.

D. CORRESPONDENCE AND OTHER INFORMATION (NONE)

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA (NONE)

F. REPORTS

1. SCIP Management Report (included in packet)

Mr. White referred to the printed report provided in the packet and reported the following:

- Cove/Starwest has been actively marketing and is focused on the high value market, not the commodity market.
- The website for Eternal Water, a New Zealand bottling company, is a model for what Cove/Starwest would like to do. www.eternalwater.com
- The Four Seasons Hotel chain will be purchasing bottled water to place in their hotel rooms.
- Construction of a bulkhead (phase one of a deepwater dock) at SCIP was discussed with the USDA Deputy Under Secretaries during their visit. The Under Secretaries showed interest in Sitka projects.
- There is new interest in bulk water. As per the contract with TAB all inquiries are being referred to TAB for 90 days. The City's bulk water contract with TAB ends on December 9, 2009. There may be some competition for bulk water after the TAB contract expires.
- STA is still reviewing Lot 15 for the Tannery.
- The Assembly approved the Purchase and Sale Agreement for the Stores Building/Lot 22 at their last meeting. However, closing is being held pending confirmation of a clean title. Also EDA is reviewing the grant to determine the City's repayment obligations.
- Vandals broke into the Carpenters' shop and the building has been boarded up again.

Mr. Horan asked if any action had been taken to have an engineer look at the Utility Dock to see if and how the dock might be fixed to a useable condition. Fred Monrine (*spelling*) had been suggested as a possible

engineer to do the job. The Harbor Master could be consulted to determine what uses there might be for the dock if it were fixed.

Mr. White stated that he would look into this.

G. PERSONS TO BE HEARD (NONE)

H. UNFINISHED BUSINESS

1. Strategic Plan

Mr. White distributed copies of the full Strategic Plan to replace copies in the packet that have missing pages.

Mr. White advised the Board that the Strategic Plan will be presented to the Assembly at tomorrow night's meeting and will come up early on the agenda under item VI. "Special Municipal/Committee/Commission Reports." All SCIP Board members should attend.

Mr. Horan stated that the Board should not read the entire Strategic Plan to the Assembly or speak too long, but cover each strategy and specific result and allow time for questions. The goal would be to at least get a nod of agreement for each item and to get some acknowledgement that the Assembly has read and understands the Strategic Plan. Mr. Horan offered to take the lead on the dock issue.

Mr. Miller agreed that each issue should be covered briefly, with time for the Assembly to ask questions. The cruise ship aspect of the dock may need to be postponed until other potential funding is known.

Mr. Horan stated that it is evident that for a dock to be feasible there must be a cruise ship component.

Ms. Hillhouse advised that there are pending legal issues that are of concern. A case was just filed with the Alaska Supreme Court regarding voter initiatives. The past initiative that would affect the SCIP dock was deemed invalid as a standing initiative.

Mr. Horan asked if this will prevent the Assembly from giving consent for the SCIP Board to prepare a plan for dock development, if that plan includes a cruise ship component.

Ms. Hillhouse stated that if CBS retains ownership of the property, no vote is required. But there could be an advisory vote.

Mr. Miller stated that so far the intent of the SCIP Board has always been that the City would retain ownership and control of the property.

Mr. Hillhouse advised that it needs to be made clear to the Assembly, up front, that the SCIP Board is proposing to prepare a plan with the City retaining ownership of the property. It was determined that it is not legal to have a standing initiative, such as the Clear Vote initiative that there must be a public vote before any property at SCIP valued at over X amount can be sold.

Mr. White stated that the most recent City legislative packet does not mention cruise ship use regarding a dock at SCIP. Instead, the request is only for construction of a bulkhead. The Assembly approved this legislative packet.

Ms. Hillhouse emphasized that it was only in last year's legislative packet that the cruise ship wording was dropped related to construction of an SCIP dock was dropped.

Mr. White stated that a dock facility at SCIP is needed to improve the properties marketability and that it is easier to get State and Federal funding and support for the bulkhead which could be used in the near future for movement of supplies and equipment during the Blue Lake expansion project.

Mr. Dinley informed the Board that there is absolutely no funding available at the City level, not even to develop the plan. Mr. Dinley pointed out that since the bulkhead is already in the Assembly approved legislative list, why even bring it up again.

Mr. White stated that the bulkhead is #2 on the CBS priority list that was sent to the State Legislature. However projects are not necessarily funded in priority order.

Ms. Hillhouse suggested that the SCIP Board should get Assembly affirmation for the Strategic Plan and that funding is a separate issue. Preparing a Strategic Plan is part of the Assembly ordinance related to management of SCIP.

Mr. White advised the Board that they had approved the current Strategic Plan for presentation to the Assembly, however there is an addendum related to the dock that has not been approved by the Board and needs to be discussed.

Mr. Horan stated that the memo is an addendum to a portion of the Strategic Plan, specifically Strategy number 2, Plan A.

MOTION: M/S Horan/Harang moved to submit the memorandum to the Assembly as an addendum to the Strategic Plan, via email, before the meeting.

Ms. Hillhouse recommended amending bullet point number 3 on page 1 to add the following sentence in bold: **“However, this proposition did not bar the City from retaining the property and operating a dock.”**

MOTION to Amend: M/S Horan/Harang moved to add, the sentence **“This proposition does not require a vote if the City and Borough of Sitka retains ownership of the dock property.”**

ACTION: Motion to Amend PASSED 4/0 on a roll call vote
Grant Miller – Yes Trevor Harang – Yes Charles Horan - Yes
Lowell Frank – Yes Chris Fondell – Absent

ACTION: Main Motion PASSED as Amended 4/0 on a roll call vote
Grant Miller – Yes Trevor Harang – Yes Charles Horan - Yes
Lowell Frank – Yes Chris Fondell – Absent

I. NEW BUSINESS

1. Cove Partners/Starwest LLC Water Rates

Mr. Greg Miller joined the meeting at 3:55 via teleconference.

Mr. White referred to a Memorandum dated September 10, 2009 (included in packet) regarding Cove Partners/Starwest LLC water rates. The memo lists the suggested parameters for an agreement with Cove/Starwest based upon the prior agreement between TAB and CBS.

The bullet points listed on the first page were quickly reviewed and discussion moved on to the issue of water rates and terms.

Mr. White read the three points related to water rates:

- Water Payment shall begin at \$0.005 per gallon and rise uniformly each year to \$0.01 per gallon on the earlier of (i) October 1, 2014 or (ii) when purchaser's production reaches 100 million gallons.

- Between October 1, 2019, and October 2024 water rates shall raise uniformly each year from \$0.01 per gallon to \$0.0125 per gallon.
- Beginning October 1, 2024, and at the beginning of each succeeding year, water rates shall be adjusted based on the average of the most recent published "Consumer Price Index for All Urban Consumers," using the "All Items" figure for Anchorage, Alaska, and the "All Items" figure for Seattle Washington.

Mr. Miller stated that he would like to keep the new contract as simple as possible.

Ms. Hillhouse stated that the water contract can be executed upon Assembly approval if the other issues are resolved. The agreement regarding reverts still needs to be fulfilled. Ms. Hillhouse suggested drafting the water agreement based on the parameters in the September 10, 2009 memo, bring the draft back to the SCIP Board for approval and then take it to the Assembly. However, the effective date of the water contract cannot be until after the \$170k is posted to fulfill the other agreement. Also some term limit on the water needs to be included. A perpetual agreement is not legally viable.

Mr. Greg Miller stated that he wants to have the same deal that TAB was given. In order to compete and raise capital, Cove/Starwest, cannot have limitations on the availability of water. A ten-year term would not work.

Ms. Hillhouse stated that the City would work with Cove on a water agreement, but there are legal constraints against a contract in perpetuity. The TAB agreement ended in 20 years.

Mr. Greg Miller suggested a term of 99 years.

Mr. Horan suggested forty years.

Mr. Greg Miller stated that a 40 to 50 year term would be fine.

Mr. Horan emphasized that there would be a CPI price adjustment over the term of the agreement.

Mr. Horan suggested a start-up term of 15 years, with three 10-year options to renew.

Mr. White suggested adding a provision that if the plant closed for 18-24 months the contract would be null and void.

Mr. Grant Miller agreed that there should be something included about non-performance that would negate the contract, and asked why the contract could not simply be for 50 years up front.

Ms. Hillhouse responded that the State permit for water allocation has a time limit of 40 to 50 years. The prior agreement with TAB coincided with the SOA allotment.

Mr. Greg Miller asked for the support of the SCIP Board and the best option the City could provide.

Mr. White suggested the City Attorney draft the contract based on the parameters in the memo with the addition of time limits.

Ms. Hillhouse stated that to the best of her recollection, the SOA permit runs to 2020 and suggested the initial term end on June 30, 2020. June 30 is the end of the City and State fiscal year and this would make things simpler. Ms. Hillhouse suggested all effective dates be changed to June 30 in the contract. The City is limited by the SOA ADL appropriation of the water permit. The current allotment is a maximum of 400 million gallons per year.

Mr. Dinley stated that CBS has no problem with the upper limit, but there should be some lower limit.

Mr. Horan suggested that the contract go away if Cove/Starwest has 36 months of non-production.

Discussion continued regarding the appropriate time limits to include in the contract.

Discussion yielded the following amendments to the draft parameters of the water contract regarding water rates:

1. Water Payment shall begin at \$0.005 per gallon and rise uniformly each year to \$0.01 per gallon on the earlier of (i) ~~October 1, 2014~~, **June 30, 2014** or (ii) when PURCHASER'S production reaches 100 million gallons.
2. Between ~~October 1, 2019~~, **June 30, 2019** and ~~October 1, 2024~~, **June 30 2024** water rates shall raise uniformly each year from \$0.01 per gallon to \$0.0125 per gallon.
3. Beginning ~~October 1, 2024~~, **June 30, 2024**, and at the beginning of each succeeding year, water rates shall be adjusted based on the average of the most recent published "Consumer Price Index for All Urban Consumers," using the "All Items" figure for Anchorage, Alaska, and the "All Items" figure for Seattle Washington.
4. **The initial term shall be fixed to June 30, 2020.**
5. **Four 10-year options to renew at the adjusted price shall be granted.**
6. **This contract is void if there are 36 months of no water sales under this agreement.**

MOTION: **M/S Horan/Harang** Moved to approve the bullet points presented in the September 10, 2009 memo as amended.

ACTION: **Motion PASSED** 4/0 on a roll call vote
Grant Miller – Yes Trevor Harang – Yes Charles Horan - Yes
Lowell Frank – Yes Chris Fondell – Absent

I. 2. CBS Electric Department – Lot 7

MOTION: **M/S Harang/Frank** Moved to approve the Electric Department short-term lease as presented.

ACTION: **Motion PASSED** 4/0 on a roll call vote
Grant Miller – Yes Trevor Harang – Yes Lowell Frank – Yes
Charles Horan – Yes Chris Fondell – Absent

I. 2. Marine Services RFP

Mr. White reported that only one proposal was received. The Fairhaven Shipyard proposal would not create direct competition for current local business as their target market would be vessels in the 60' to 225' range. The Shipyard has contracts with NOAA, AMHS, and USCG, etc... An estimate for the cost to install a 600 ton capacity boat lift (Rolls Royce Syncrolift) is \$5 million installed. One option in the proposal is for the Shipyard to put up the money for infrastructure in exchange for lease considerations. The proposal is a detailed concept plan with a more comprehensive plan to be developed if this goes ahead.

Mr. Harang stated that this is a good initial proposal.

Mr. Miller agreed, stating that is was well detailed for a concept plan and would take up a large portion of the park.

Mr. Horan commented that the proposal appeared to be to operate a facility that does not yet exist and does not include feasibility and market information. How many 60' to 225' vessels are within the market area and

likely to use the facility? What are the projected gross revenues? Mr. Horan suggested that the Board needs more feasibility and revenue information.

Mr. Frank stated that as he understands the proposal, the Shipyard would be expanding to Sitka as a tie in to the Bellingham facility.

Mr. Horan stated that his reading of the proposal has Sitka providing the infrastructure. Mr. Horan emphasized his desire to be assured that the Shipyard has looked at the feasibility.

There was Board consensus to continue dialog with Fairhaven Shipyard regarding their proposal.

ADDITIONAL ITEMS

Mr. Miller stated the Board should work on the Utility Dock fix for near term use by the City during the Blue Lake expansion project.

Mr. White requested placing the Alaska Department of Fish and Game lease of Lot 17 on the next SCIP agenda. The request was approved.

J. ADJOURNMENT

MOTION: **M/S Frank/Horan** Moved to adjourn the meeting.

ACTION: **Motion PASSED** 4/0 on voice vote.

The meeting adjourned at 5:10 pm.