



**Sawmill Cove Industrial Park
Board of Directors Meeting
January 14, 2010 – 3:00 PM
SEDA Conference Room
329 Harbor Drive – Suite 212**

A. CALL TO ORDER: The Chair called the meeting to order at 3:01 p.m.

B. ROLL CALL

Board Members Present: Grant Miller; Chris Fondell (left 5:05 pm); Trevor Harang; Charles Horan

Board Members Absent: Lowell Frank

City Representatives: Jim Dinley; Theresa Hillhouse; Michael Harmon (arr. 3:30)

Others Present: Garry White; Jack Ozment; Linda Wilson; Rich Riggs; Dan Stockel Jr.; John Sherrod; Craig Giamona

C. REVIEW OF MINUTES – December 14, 2009

MOTION: M/S Harang / Fondell Moved to approve the minutes of December 14, 2009.

ACTION: Motion PASSED 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)

- Cove deposited the \$170k into a CBS controlled escrow account. The money will be used to fix the electric system and roof of the bottling plant.
- \$487k for the SCIP bulkhead was approved as part of the Federal Omnibus Appropriations Act. The bulkhead is ranked 13th on the State priorities request and 2nd on the Federal request for funding.
- The Director visited Fairhaven Shipyard in Bellingham and found that Puglia Engineering's proposal for a shipyard has changed. Puglia is now looking at a 5k ton lift at a cost of \$21 million instead of the original 600 ton lift at \$5 million. Company representatives said that a 600 ton lift would not be large enough to support year around employment.
- Sitka is in a HUD Zone and Bellingham is not. Being in a HUD Zone gives businesses preference for Federal contracts. This is one reason Sitka is attractive to Puglia for development of a shipyard.
- STA is still looking at the Carpenter's Shop. Preliminary examination of the site found not hazardous materials. There has been significant progress in cleaning up the building and lot.
- EDA will allow CBS to keep the \$78k from the grant attached to the Stores Building as long as \$78k in future repairs/upgrades is spent on the Administration Building.
- The Boat Company building is now back in CBS ownership and can be leased for passive storage with a sprinkler waiver.
- Theobroma Chocolate Company has moved out of the Administration Building. Theobroma owes approximately \$10k to the City in lease payments and \$70k remains due on the promissory note.
- ADF&G lease has been finalized and vehicles are now being stored at SCIP.

G. PERSONS TO BE HEARD (NONE)

H. UNFINISHED BUSINESS

1. Proposed Changes to Bulk Water Contract

The amended "Purchase Agreement for Raw Water in Bulk for Export Version 2010" is included in the packet in draft form.

The Director and Municipal Attorney reviewed the Bulk Water Agreement with TAB and drafted changes as per discussions at the previous SCIP Board meeting. Changes include:

- o Minimum export amount has been increased from 20 million gallons to 50 million.
- o The elastic guarantee has been adjusted based on performance
- o The exclusivity clause (section 5.2) has been deleted allowing the City to enter into multiple Bulk Water contracts.

Discussion of the Board yielded the following:

- o CBS needs to retain control of the delivery end of the water pipe to keep it accessible to multiple users.
- o A port tariff schedule needs to be developed and preserved.
- o Add language to clarify that the elastic guarantee allows for moving forward or backward only one step at a time.

3. TAB Bulk Water Contract (taken out of order before H.2.)

3:52 pm – TAB representative, Terry Trapp, added via teleconference – off at 4:40 pm

Mr. Trapp requested a withdrawal of the previous 90 day contract extension request and stated that TAB wants to go forward with a new agreement as discussed and is prepared to pay the \$58k owed to the City and \$100k for the new contract.

Discussion continued on the difference between a "new contract" and extension of the existing contract with amendments.

Mr. Trapp requested that the \$100k be credited toward any water purchased and exported in 2010 as per the 2009 extension. The Board agreed that the \$100k should be applied as a credit toward any water shipped in 2010.

MOTION: M/S Horan / Harang Moved to recommend to the Assembly that they approve Amendment #2 to the Bulk Water agreement based on points set out in the January 11, 2010 memorandum from Garry White to the Sawmill Cove Board of Directors and including proposed amendments to the contract as reviewed by the Board.

ACTION: Amended Motion PASSED - 4/0 with a roll call vote.

Grant Miller – Yes Trevor Harang – Yes Charles Horan – Yes Chris Fondell – Yes
Lowell Frank – Absent

2. Bulk Water Proposals (taken out of order after H.3.)

a.) 4:44 pm – Aqueous representatives, Ric Davidge and **Orie** Santillo, added via teleconference – off at 4:48 pm.

Mr. Davidge stated that his group would like to move forward with their proposal and provided the following points for consideration:

- PND has looked at options for construction of a bulk water loading facility and they estimate it would take 18-20 months to design and build a facility.
- A used facility, for sale in Valdez, is being considered.
- A VMAXX tanker has been identified as the best option for transport. It has a shallower draft (16' less draft than normal tanker) and a better turning radius.
- Aqueous is in active negotiation with buyers.
- Construction of new tankers would take about a year.
- Aqueous representatives would like to appear before the Assembly on January 26th.
- If Aqueous builds loading infrastructure, they would expect priority use of the facility and expect to max out the physical limitations of the facility. Due to flow restrictions, it will take 2 1/2 to 3 days to fully load one tanker.
- They have already been negotiating with a local fuel vendor to provide fuel for the tankers.
- First delivery of water would take place in about thirty months based on the time to construct the needed infrastructure.
- Aqueous understands that the bulk water contract is going to be competitive going forward and requests the same starting water allotment granted to TAB.

b.) 5:00 pm – American Water representative, James Pak, added via teleconference

Mr. Pak referred to the letter of interest included in the packet and made the following points for the Board's consideration:

- American Water has been looking at the status and potential for bulk water export from Sitka for over a year.
- The company is also considering bulk water available from other sources/locations.
- They are aware of Sitka's history with other companies regarding water.
- Tanker ships are likely the best way to efficiently move bulk water. However, it is very expensive to clean a used tanker for food-grade bulk water use.
- Alternative technologies have not proven effective. Medusa bags, for example, did not hold together in rough seas.
- American Water would like the opportunity to present a formal proposal.

Mr. Miller stated that the Board will entertain multiple proposals and may have multiple competing contracts for bulk water.

I. NEW BUSINESS

1. Proposed Lot for STA

- Lot 16 – the Carpenter's Shop does not include set-backs and when subdivided, set-backs would be required.
- In creating a proper lot for the Carpenter's Shop results in a space greater than 10k square feet. (two options were provided in the packet)
- The Carpenter's Shop is larger than the STA originally wanted and is more valuable than the bare lot originally proposed. The original Board consideration given to STA for the tannery was \$20k for 10k square feet of bare land for twenty years. This may need to be adjusted.

The Board agreed that, STA Tannery Subdivision Version 1, the smaller lot option of 13,175 square feet, was preferred.

Mr. Harmon stated that, before subdividing, it would help to know the plan STA has for parking on the lot.

2. Civil Defense Siren

The Sitka Fire Department will install a civil defense siren on a 40' pole near the pump house. This is out of the way and should pose no problem for other SCIP tenants.

J. ADJOURNMENT

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

ACTION: Motion PASSED 3/0 on voice vote.

The meeting adjourned at 5:30 p.m.