



**Sawmill Cove Industrial Park
Board of Directors Meeting
October 30, 2008 – 3:00 PM
SEDA Office
329 Harbor Drive, Suite 212**

A. CALL TO ORDER

The Chair called the meeting to order at 3:02 pm.

B. ROLL CALL

Board Members Present: Grant Miller Trevor Harang Charles Horan Chris Fondell (left at)

Board Members Absent: Lowell Frank

Others Present: Garry White Linda Wilson Joan Travostino (City Executive Council via phone)
Kent Sullivan Daniel Bruce Greg Miller Paul Schwindt Harry Govind

C. REVIEW OF MINUTES – September 25, 2008

MOTION: **M/S Harang / Fondell** moved to approve the minutes of the September 25, 2008 SCIP Board meeting.

ACTION: **Postponed to later in the meeting.**

D. CORRESPONDENCE AND OTHER INFORMATION (NONE)

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

F. REPORTS

1. Sawmill Cove Management Report

Copies of the October 27, 2008 report were distributed in the packets. However the report was not reviewed at this time in order to allow Cove Partners LLC to make their presentation to the Board.

G. PERSONS TO BE HEARD (NONE)

H. UNFINISHED BUSINESS

1. TAB Property – Cove Partners LLC

Representatives of Cove Partners LLC, Greg Miller, Paul Schwindt and Harry Govind made a presentation to the Board regarding their business plan for use of their property at SCIP. Also present were Kent Sullivan and Daniel Bruce, attorneys representing Cove Partners LLC.

Key points from the presentation are:

- Cove Partners LLC representatives toured the bottling plant at SCIP and found the facility to be in need of substantial repairs and clean up before it could be brought to working condition.
- Harry Govind, owner of Smart(fx) beverage company, was chosen to assist Cove Partners LLC in developing a viable business plan for the bottling plant in Sitka due to his experience in this industry.
- Smart(fx) makes beverages and snack foods targeted at the health market.

- Smart(fx) model is to “think big, start small, and scale up.”
- Mr. Govind believes that the failure of past bottling businesses at SCIP was that they started too big, did not focus on creating value added products, and did not work efficiently to keep expenses within reason.
- The water used for Smart(fx) beverages goes through 9 steps of purification, the last being oxygenation. Toronto water is recycled wastewater that is treated and then released back into the reservoir. This is the base source for Smart(fx) water.
- Water taken straight from Blue Lake was tested against Nestle brand bottled water. The Nestle water turned green indicating contamination, while the Sitka water remained clear due to its purity.
- Japan is the top market for high end bottled water based beverages and the Japanese are very concerned about purity and cleanliness.
- Mr. Govind has two bottling plants in Canada that are both about one quarter the size of the plant at SCIP. These bottling plants are maintained to a very high sanitation standard, meeting the Japanese demand for cleanliness. Other major customers for Smart(fx) are in India and Malaysia.
- The main challenge to operating a successful bottling plant in Sitka is the production cost. A review of TABs old balance sheets show that production costs were as high as 75% of the wholesale price when the industry standard is closer to 50%. Mr. Govind believes that using Cove Partners new business model with increased efficiency could bring down production costs to approximately 60% of wholesale price by the end of the first year of operation. During the second year of business, costs should continue to decline and reach a level close to the industry standard.
- Major expense items, identified on the TAB balance sheet, that need to be reduced were: electricity, telephone service, freight and warehousing.
- The cost to bring the building and equipment up to working standards is estimated at \$250-\$300K. This is a one time cost.
- The beverage business generally has a slow cash flow cycle with about six months between costs expended to produce and payment received for final product.
- And additional investment of \$1.5 to \$2 million over a two year period will be required to get the business running in the black.
- The key to the success of a new bottling plant venture is to focus on value added, high-end, quality products and not to compete with mass-market bottling companies.
- Key advantages: Sitka’s has a source of very pure water to start with. Sitka is closer to the Asian markets than Toronto and can take advantage of its proximity to the new port in Prince Rupert to reduce outgoing freight costs. Mr. Govind already has established connections and customers in Asian markets.

Mr. Sullivan emphasized that in order for investors to bring their money to the table to start this new bottling business, the reverters in the TAB Purchase and Sale Agreement would have to go away.

Mr. Schwindt stated that he did not know about the reverters until after Cove Partners LLC purchased the TAB property.

Ms. Hillhouse explained that Dick Kearns, TAB’s President, proposed the reverters in order to close the deal to purchase the property.

Mr. Dinley stated that everything is negotiable, but the City would need to have a good reason to set aside the reverters. A viable business plan would go a long way toward this.

Mr. Miller agreed to work on and provide a pro-forma business plan as soon as possible on the condition that any details of the plan remain confidential until a deal is finalized.

Mr. White suggested that it would be helpful to include a summary of why the past bottling businesses failed and what the new business model does to avoid the same pitfalls.

Ms. Hillhouse suggested that the City Financial Director could review the business plan and provide his recommendations to the Assembly, without revealing proprietary details in a public forum.

After discussion, the SCIP Board came to a consensus that they would like a little more time to review the Cove Partners proposal and to see a pro-forma business plan before scheduling another meeting. Another SCIP Board meeting can be scheduled on short notice with Cove Partners and after this next meeting the SCIP Board will take their recommendation to the Assembly.

Ms. Hillhouse advised that any resolution regarding this matter would likely require two readings by the Assembly.

Mr. Bruce assured the Board that Cove Partners LLC would proceed with all speed to meet SCIP requests for further information.

C. REVIEW OF MINUTES – September 25, 2008 (Return to this agenda item)

MOTION on the Floor: M/S Harang/Fondell moved to approve the minutes of the September 25, 2008 SCIP Board meeting

DISCUSSION: **Mr. Horan** recommended changes to the Motion regarding recommendations by the City Attorney on page 3 of 6. The changes were read allowed and are as follows with additions in **bold italic** and deletions in ~~strike through~~:

MOTION: **M/S Horan/Fondell** moved to accept the recommendation made by City Attorney, Theresa Hillhouse, and outside council, Joan Travostino during our Executive Session:

1. For us to contact Mr. Sullivan in response to the letters we received ~~so we will~~ **can** summarily respond to some of ~~your~~ **their** legal arguments, ~~but we would like to have you~~ **while having them** preserve those legal arguments and;
2. Move forward ~~to~~ with a meeting with this Board, because of the nature of this public Board **in that** we have legal constraints for mediation;
3. Have a meeting with this Board ~~with yourself or~~ **and** any representatives from Cove Partners LLC to discuss proposals ~~you would have~~ regarding the reversionary provisions, **for instance, which ones they may if you** find ~~some acceptable~~ **some which ones they think that** need modifications, extensions, ~~etc.... on those~~
4. We ~~would also~~ ask that at that meeting Cove Partners be prepared to explain to the Board what may be their business plan for the operation of that property **as this that** may have **a** strong bearing for the **Board's decisions** on why they may give up certain reversionary provisions and;
5. ~~If it is agreeable for you~~ To have that meeting, ~~we would like to get that~~ scheduled within the next couple of weeks.
6. If Cove Partners is not willing to go forward with such a meeting, which is required in our public process, ~~the our~~ recommendation ~~from council~~ is to ~~just~~ have this matter go forward to the Assembly ~~and they can~~ **to** take this issue up ~~instead~~.

NEW MOTION: M/S Harang/Fondell moved to approve the minutes of the September 25, 2008 SCIP Board meeting as amended.

ACTION: Motion PASSED 4/0.

***** Mr. Fondell had to leave the meeting at this time.**

I. NEW BUSINESS

1. FY 2010 State Legislative Priorities

Mr. Harang advised that, from his perspective as an AML employee, he does not foresee room for another shipping company in Sitka's small market. Both AML and Northland are settled at their current locations and not likely to move in the foreseeable future. Therefore, shipping business should not be counted in the pro-forma plan for a dock.

Mr. Horan agreed, stating that he did not envision the multi-purpose dock serving existing shipping business, but to provide for new business particularly container ship business related to the port of Prince Rupert. He suggested moving forward to demonstrate the feasibility of a dock at SCIP and prepare for seeking voter approval for the 2009 election.

Mr. White that an RFP for a boat haul out facility should be done soon.

Mr. Horan suggested looking at RFP examples from other communities.

The Board came to consensus on the following Legislative Priorities for 2010:

The Waterfront Development Matching Fund

Priority 1 – Intermodal Bulkhead Dock

Priority 2 – Shoreline Protection for Boat Haul Out

MOTION: **M/S Harang / Horan** moved to keep the legislative priorities the same as the previous year, except to remove the “Pulp Dock Upgrade,” and with requested funding amounts to be determined by Garry White and Marlene Campbell.

ACTION: **Mostion PASSED 3/0**

2. SCIP Strategic Plan Presentation (DRAFT) - Postponed to a future meeting.

3. Schedule for Assembly Work Session - Postponed

J. ADJOURNMENT

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

ACTION: **Motion PASSED unanimously 3/0**

The Meeting Adjourned at 6:07 pm.