



A. CALL TO ORDER

The Chair called the meeting to order at 3:33 pm.

B. ROLL CALL

Board Members Present: Grant Miller Trevor Harang Chris Fondell
Charles Horan (arrived at 3:50pm)

Board Members Absent: Lowell Frank

City Representatives: Jim Dinley Theresa Hillhouse Michael Harmon Jack Ozment
Preston O’Connell

Others Present: Garry White Linda Wilson
Brent England (SCIP Site Manager) Cheryl Westover (Assembly) Craig Giammona (Sitka Sentinell)
John Sherrod Monica Matz (ADF&G) Debbie Lyons (Sitka Trail Works)
Mike Knauss (SCIP lessee) Pete Derensis (SCIP lessee)
Dick Kearns (TAB President - via phone starting at 4:20pm)

C. REVIEW OF MINUTES – November 24, 2008

MOTION: M/S Harang/Fondell moved to approve the minutes of the December 17, 2008 SCIP Board meeting, subject to the following amendment.

Page 2 of 4, paragraph 4 shall be revised to read as follows:

“Ms. Hillhouse advised the Board that the Assembly authorized ~~to become~~ Cove/Starwest **to become** the beneficiary in any legal action against the title company to clear the liens that were in place at the time of property transfer from TAB to Cove Partners LLC. Currently Cove/Starwest owns the bottling plant, ~~and the rights to 1.1 MGD of water.~~
.... (Final sentence not changed.)

ACTION: Passed 3/0 on a voice vote (Mr. Horan arrived after the vote)

D. CORRESPONDENCE AND OTHER INFORMATION

Mr. White reported that Sitkans for Responsible Government are in the process of appealing their case to the Alaska Supreme Court.

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA

Item H.3 – Marine Services RFP (Draft) was moved to the end of the agenda.

F. REPORTS

1. Sawmill Cove Management Report

Mr. White reviewed the Sawmill Cove Management Report provided in the packets.

- Property transfer for Silver Bay Seafoods was completed on December 31, 2008.
- STA is researching plans to relocate the Tribal Tannery to Lot 17 and wants to start building this spring. The Building engineer will have to accommodate a fire line running under the property.
- Tongass Biofuels will be terminating their lease of an area in the Stores Building as it is not a suitable environment for their needs. Particularly due to flooding and leaks in the Stores Building.
- There was significant flooding in the Administration Building.
- Representatives from the City Electric Department have been invited to the next SCIP Board meeting to discuss possible joint development projects at SCIP related to the Blue Lake dam expansion.

Mr. England, on behalf of Scott Brylinsky, reported that as part of efforts to bring all lease agreements into compliance, two notices were sent to Peter Roddy regarding his lease for storage of personal property at SCIP. Both notices were returned by the US Post Office as being undeliverable. Since no contact with Mr. Roddy has been made by phone or mail, the next step is to determine the legal process required to remove Mr. Roddy's property.

Mr. England also reported that the cell phone repeater is now connected and working; and that the Public Works Department will be working to break up and remove several piles of concrete from the SCIP site this summer.

G. PERSONS TO BE HEARD (NONE)

H. UNFINISHED BUSINESS

1. Sitka Trail Works Material Storage

Mr. Horan was recused from discussion and voting on this issue due to his position on the STW Board and potential conflict of interest.

Ms. Lyons referred to the Memorandum of Understanding (included in the packets) between Sitka Trail Works and various entities, including the City. All of the entities in the MOU have committed to "Create a process of interagency cooperation to complete the projects listed in the Sitka Area Trail Plan." This does not include any funding obligation. The Sitka Area Trail Plan was signed by the City Administrator in 2004.

Ms. Lyons advised that the timber currently stored on Lot 3 at SCIP was recovered from the old Coast Guard dock and saved for future STW projects. Projects were delayed due to funding availability. The timber has, therefore, been at SCIP longer than anticipated. However, this timber is scheduled to be used for the Herring Cover Trail project in the spring/summer of 2009.

Ms. Lyons stated that Sitka Trail Works commits to having all of the timber removed from the SCIP site on or before September 1, 2009.

MOTION: **M/S Harang/Fondell** moved to allow Sitka Trail Works to keep the lumber at the current site at Sawmill Cove following the terms of storage set out in the August 17, 2005 letter, except that the rent-free area shall be reduced from 10,000 square feet to 1,500 square feet; and with the understanding that the lumber be removed by September 1, 2009; and that the lot be cleaned up and left in original condition.

ACTION: **Passed 3/0** on a roll call vote as follows:
Grant Miller – Yes Trevor Harang – Yes Chris Fondell – Yes
Charles Horan - Abstain Lowell Frank – Absent

2. Cove Partners LLC

Mr. White reported that the legal representative for Cove Partners, Kent Sullivan, has stated that they want to move forward as quickly as possible but are waiting on a confidentiality agreement.

Ms. Hillhouse stated that the confidentiality agreement sent to Cove is basically the same one used during the Silver Bay Seafoods purchase of property at SCIP. The agreement is based on submission of financial documents for review by the City Finance Director only. The Finance Director would make his recommendation to the Assembly based on his review of the documents.

Ms. Hillhouse advised that there are basically two separate issues to consider:

1. Any presentation to the SCIP Board of Directors is open to the public, and can be done at any time. Such a presentation should show how the new proposed business can succeed where TAB failed.
2. Proof of financial viability of the parties involved is subject to the proposed confidentiality agreement. The City is waiting for a signed agreement and the return of the City Finance Director who is currently out of town.

Mr. Horan emphasized the need for a commitment from Cove Partners to make a significant investment in the bottling facility. Success cannot be guaranteed, but a commitment to invest \$1 million dollars shows intent. The reverters can be removed upon a firm commitment to invest a significant sum in the bottling plant.

Mr. Miller stated that there has been some ambiguity in communication with Cove that is holding the Board back from dropping the reverters, and asked if Cove Partners really understands that the SCIP Board will recommend to the Assembly that the reverters be dropped if that commitment to invest is in hand.

Mr. Fondell expressed concern that a reluctance to commit \$500k to \$1 million minimum in the new business signals that something is wrong.

Mr. Sherrod suggested that a legal document be drafted that will immediately remove the reverters upon proof of X amount of money being invested.

Ms. Hillhouse stated that the problem is Cove does not want to commit until the reverters are removed and the reverters won't be removed until they commit.

Mr. White was instructed to contact Cove Partners and communicate clearly that the lack of a commitment to invest is the sticking point to having the reverters removed and to arrange for a second appearance before the SCIP Board in the near future.

3. Marine Services RFP (Draft)

MOVED to end of agenda

4. TAB Bulk Water Update

Dick Kearns, President of True Alaska Bottling was added to the meeting via teleconference at 4:20 pm

Mr. Miller requested a response from Mr. Kearns on the motion made at the last Assembly meeting related to TAB's request for a one-year extension of its bulk water contract.

Mr. Kearns stated that a non-refundable payment of \$100k was not a problem, however the payment would need to be split into two installments. The City has the first \$50k on deposit and all encumbrances will be removed. TAB would like to be able to invest in the infrastructure needed to move the water from shore to ship and therefore would seek a later date for payment of the remaining \$50k. Amendments to the contract's 90 day referral clause (5.2) are also acceptable. However, providing a copy of any portion of the contract TAB has to sell bulk-water is not possible as the contract includes a strict confidentiality clause that does not allow him to show the contract to anyone.

Mr. Kearns also stated that he will take the position not to dispute the \$68k that TAB owes to the City and that he is willing to agree in writing that this is an owed debt.

After some discussion Mr. Kearns agreed to provide a redacted portion of the confidentiality clause in the bulk water sales contract.

Mr. Ozment stated that the Assembly will want to see proof of a contract with a ship date before they will approve an extension.

Mr. Kearns stated that it will take three to five months to work through the permitting process with the Corps of Engineers and a specific shipping date is therefore uncertain.

Mr. Miller stated that it may not be critical to see a contract if \$100k is committed and the \$68k debt to the City will also be paid.

MOTION: M/S Horan/Fondell moved to recommend to the Assembly that they extend the bulk water sale contract with TAB for one year, from December 8, 2008, contingent upon:

1. Revising section 5.2 of the contract to provide for start dates and 30 day progress updates on third party clients;
2. That the City receives a non-refundable payment of \$118k in cash from TAB at the time of the extension, and that \$18k of that money will go toward outstanding bills that TAB owes to the City with \$100k retained by the City unencumbered; and
3. That TAB agrees to pay, and not contest, the outstanding balance of its current debts owed to the City, by December 1, 2009; and
4. That Mr. Kearns will present an affidavit attesting to the existence of a contract to sell bulk water that he is not allowed to share due to a confidentiality agreement.

ACTION: Motion PASSED 4/0 on a roll call vote as follows:

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

I. NEW BUSINESS (Item I.3. brought forward to accommodate City staff)

3. Stores Building

Mr. O'Connell reported that a major flood in the Stores Building resulted in up to one foot of water on both levels with a cascade down the stairwell. One SBS worker received a minor electrical shock, but was unharmed. During investigation into the condition of the building, and an examination of the history regarding

fire regulation waivers, it was found that, in his opinion, such waivers were granted in error and are not valid. The building cannot be used without a working sprinkler system that meets current State fire code. Therefore, all tenants will be given notice to vacate the building. Storage is one of the uses that does require a sprinkler system. The building's tenants must vacate by March 1st and the building will be sealed until such time as it is brought into compliance with the fire code. There are additional health and safety issues with the building, but at this time the lack of proper sprinklers is the reason for the closure.

Mr. O'Connell will issue the notice for closure of the building, but it is up to the landlord to notify each tenant.

Mr. White advised that Tongass Biofuels is already in the process of moving out and will be out by the end of January. He will give notice to Silver Bay Seafoods and the Lighthouse Fellowship. These are the only current tenants of this building.

Mr. White asked if the situation with the Stores Building includes any liability that might apply to the Director of Board of SCIP.

Ms. Hillhouse stated that as long as the Director and Board members are operating within the duties of the Board, they are protected from liability under the City's liability coverage.

Mr. White reminded the Board that \$30k was approved in the FY09 budget for a new sprinkler system in the Stores Building. After research by Scott Brylinsky, it was determined that a new sprinkler system would cost \$45k and that an additional \$15k would have to be funded. Rather than go forward with a request for additional funding, the SCIP Board of Directors decided to wait until an overall assessment of the building's condition was completed. Other capital improvements were also considered as being of a higher priority, including replacement of the rain leaders. Additional failure of the rain leaders contributed to the recent flooding.

Mr. White recommended consideration of the capital expense to fix the Stores Building to a market rate leasable condition vs. the actual market for the space. Perhaps selling the building is the more fiscally responsible option.

Ms. Westover supported the idea of moving this property into private hands as the City has no money for fixing it and would likely not find any significant benefit in doing so.

Continued discussion yielded the following:

- a. Yes, the Board is interested in selling the Stores Building as is via an RFP that should be well advertised both locally and regionally
- b. Criteria in selecting the winning RFP shall not be based solely on the highest monetary bid.
- c. A minimum bid shall be determined that covers the value of the land, but may or may not include any value for the building.
- d. Under the Sitka General Code – SCIP is not subject to the competitive bid process.
- e. That jobs created/employment credits may be considered in lieu of X dollars.
- f. The cost to demolish the building may be as much as or more than its current value.

Mr. White was directed to research the criteria that can be used in an RFP for sale of the Stores Building and bring this information back to the SCIP Board.

1. ADF&G Storage Request

Mr. White stated that the Alaska Department of Fish and Game has requested a lease of space at SCIP for the storage of approximately ten cars and five boats. This may or may not be a seasonal storage lease. The area

found to be most appropriate is next to Fortress of the Bear and is about 4,000 square feet. ADF&G would fence the area and provide keyed access to authorized users. At market rate this lease would be about \$113 per month.

Ms. Hillhouse advised that the City is working on standardizing short-term leases.

MOTION: M/S Harang / Horan moved that the SCIP Board authorize Director, Garry White, to develop a short-term, month-to-month lease with ADF&G for storage space within the area referred to, at a rate of \$0.34 per square foot per year.

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

2. Absolute Fresh Request (Postponed due to lack of information)

4. FY '10 Budget

Mr. Dinley stated that due to budget shortfalls, all City departments are being asked to develop a FY2010 budget that is at least 3% less than FY2009.

Mr. White reported that SCIP is currently expected to generate about \$200k less in the coming year with the majority of this due to the loss of lease revenues from Silver Bay Seafoods. Money from the sale of property to SBS will come back into the SCIP budget over the next three to four years. The draft FY2010 SCIP budget shows a 17% reduction in operational expenses with major cuts in repairs and maintenance, and the purchase of office supplies and small tools. A capital budget still needs to be developed.

Mr. Horan suggested confirming that the interest generated from the \$3 million Silver Bay monitoring account is going toward the SCIP budget. SCIP should receive income back into the budget from revenues generated by SCIP including: the sale of property, interest from the bathymetric account, bulk water sales, leases, etc...

Mr. Horan suggested evaluation of the inter-departmental services line item, stating that \$45,488 seems high and might be subject to a reduction. The other item to look at for possible reduction is insurance, also listed at \$45,000.

Mr. White stated that revenues generated from property taxes collected and the sale of utilities services at SCIP are not directed back to the SCIP, but are put into a different enterprise fund.

J. ADJOURNMENT

MOTION: M/S Horan/Harang

ACTION: Motion PASSED unanimously 4/0

The Meeting Adjourned at 6:12 pm.

NOTE: Discussion of agenda Item H.3 Marine Services RFP (Draft) was postponed to the next SCIP Board meeting.