



**Sawmill Cove Industrial Park
Board of Directors Meeting
December 14, 2009 – 3:00 PM
SEDA Conference Room
329 Harbor Drive – Suite 212**

A. CALL TO ORDER: The Chair called the meeting to order at 3:00 p.m.

B. ROLL CALL

Board Members Present: Grant Miller; Chris Fondell; Trevor Harang; Charles Horan

Board Members Absent: Lowell Frank

City Representatives: Jim Dinley; Theresa Hillhouse (arr. 3:34 pm)

Others Present: Garry White; Cheryl Westover; Jack Ozment; Terry Trapp (TAB); Daniel Stockel (Alaska Hook & Line); Dan Stockel (Alaska Hook & Line); Joel Hansen (Boat Company); Ed Iwamoto (Theobroma); Craig Giamona (Sentinel); Ed Ronco (KCAW); Rick Davidge (Aqueous – via phone at 4:20 pm); Linda Wilson (SEDA)

C. REVIEW OF MINUTES – November 19, 2009

MOTION: M/S Harang / Fondell Moved to approve the minutes of November 19, 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)

- There has been no recent communication from Cove Partners. Cove attorneys are working with the City Attorney regarding transfer of the \$170k to CBS.
- Some funding consideration for construction of a bulkhead (Phase I of a multipurpose dock) appears be supported by Federal Government. The \$487k is an appropriation for Sitka Waterfront Development and is in the FY 2010 Omnibus Appropriations Act before the Senate.
- Puglia Engineering is still working on putting together the requested proposal documents.
- STA is still moving on the tannery. The carpenters shop is being surveyed to determine the costs for remodeling and to identify any hazardous materials on the site. STA will need a release of the grant funds for remodel of the existing building versus new construction.

G. PERSONS TO BE HEARD (NONE)

H. UNFINISHED BUSINESS (NONE)

I. NEW BUSINESS

1. Boat Company Building

- The Boat Company can take advantage of a tax break if the property is donated back to the City before the end of 2009.

- CBS has assessed the property.
- Transaction paperwork has been prepared, including quit claim deeds for the building and tidelands.
- The Boat Company requests that their lease be terminated at the time of property transfer.
- The City is doing a title search to identify and liens.

MOTION: **M/S Horan / Harang** Moved to recommend to the Assembly that they accept The Boat Company proposal to terminate the current lease that expires in October 2010, as long as they concurrently gift the property back to the City and Borough of Sitka.

Discussion resulted in an amendment to the motion.

AMMENDED MOTION: M/S Horan / Harang Moved to recommend to the Assembly that they accept The Boat Company proposal to terminate the current lease that expires in October 2010, as long as they concurrently gift the property back to the City and Borough of Sitka **with a title that is free and clear.**

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. TAB Bulk Water Contract

- TAB's bulk water contract expired on December 8, 2009.
- A 45 day cure letter has been sent.
- TAB is requesting a 90 day extension to the contract (information included in packet), to March 8, 2010, to allow time for finalization of a pending contract.
- As per the previous one-year contract extension, all money owed to the City was due on December 1, 2009. The \$58,839.74 owed for back lease payments has not been received.

Mr. Trapp (TAB CEO) provided a discussion guide – “Presentation by True Alaska Bottling to Sawmill Cove Board” and reviewed the document.

- A separate company, Alaska Resource Management (ARM), was formed focused solely on bulk water.
- In 2008 TAB formed a strategic relationship with S2C Global (S2C Global now owns 50% of Alaska Resource Management).
- A contract to supply bulk water to Iraq is being developed.
- S2C Global has procured two food grade vessels (stainless steel) that can each transport 79 million gallons of fresh water.
- There is no infrastructure on the receiving end, however plans are being developed for construction of a tank farm at a port in the United Arab Emirates with a bottling plant to be built next to it. These projects could be ready to move into the construction phase in early 2010.
- Once a contract is signed, construction of the needed infrastructure would begin at both ends.
- Export of the first water could take place before the end of 2010.
- Both Asia and the Middle East are markets for bulk water, however the first real customers are likely to come from the Middle East due to economics.
- The cost for transporting the water is reduced for a Middle East customer that can supply its own oil.
- Desalinization can increase the salinity of the source water and this has become a concern.

Ms. Hillhouse advised that any extension of the current contract would require completion of the contract terms within that time period. Therefore, TAB would have to be able to export a minimum of 20 million gallons within that 90-day extension in order to meet the terms of the contract.

Discussion yielded the following:

- The SCIP Board would like the opportunity to consider other bulk water proposals and do away with the exclusivity clause in any future bulk water contracts.

- CBS needs to receive some financial consideration for each bulk water contract or contract extension. Such payment could be a credit against future bulk water sales.
- TAB needs to pay all money owed to CBS before it can receive support for a contract extension or new contract.
- In order to make a viable extension to the TAB contract the minimum shipment clause would have to be deleted or the extension period would need to be longer than 90-days.

Ms. Hillhouse suggested that TAB an alternative would be to grant TAB an 90-day option for a contract extension. During that time TAB would need to pay all money owed CBS and deposit a specified amount for the contract, and modifications of the original lease would be made.

The Board instructed the Director to work with TAB to develop a revised water sale agreement that includes the following:

- Current allocations.
- Elimination of the exclusivity clause.
- Covers any warranties on the water.
- Requires TAB to pay all money owed to CBS prior to contract initiation.
- Payment of \$100k for a one-year contract (may be split into quarterly payments).
- The \$100k will be credited against future water sales. If no sales are made within that one-year period the money is forfeited to CBS.
- An elasticity clause is included to allow for a future increase in the water allotment based upon successful export of the previous allotment.

3. Bulk Water Proposals

Mr. Davidge (Aqueous) was brought into the meeting via teleconference at 4:20 pm.

- Aqueous provided a letter of interest that serves as notice to submit a proposal to acquire a bulk water contract with CBS after TAB's exclusivity rights have expired, after the 45 day cure period has passed – January 21, 2010. A visit would include a look at Blue Lake and PND review of the site for loading design options.
- Aqueous will be looking to acquire 8.4 billion gallons of bulk water per year for export. Initial shipments would be 84 million gallons with eventually shipments of 84 million gallons every four days.
- Ready to come to Sitka for a formal presentation at the end of January or in early February.
- There is a three-year timeline from the bulk water contract to the first shipments of water.
- PND has been hired to develop a design for the loading infrastructure. A bulk water tanker must remain stationary while loading.
- Aqueous would prefer to construct and maintain ownership of shore-side infrastructure that would revert to City ownership if the company failed.
- The Board of Directors would prefer to maintain City control of shore-side bulk water infrastructure and any dock or bulkhead that serves the movement goods in order to provide access to all interested parties.

The Director was instructed to develop a schedule for actions related to the Aqueous proposal and presentation and a list of decision points.

4. Proposed Changes to Bulk Water Contract (details in packet)

Discussion yielded the following for consideration during rewriting of the bulk water contract:

- The minimum to be shipped annually should be raised from 20 million gallons to more closely match the volume capacity of a bulk water ship (i.e. at least 50 million gallons).
- Provide an elastic guarantee that is adjusted up or down based on progress in sales with a guaranteed annual minimum.
- Any guaranteed minimum is based on water availability.

- Include, for the record, potential effects on water quality and/or quantity that may be the result of the Blue Lake dam expansion.
- Delete section 5.2 related to the 90-day exclusivity clause.
- Consider offering water credits in exchange for investment in infrastructure.
- Ensure that any infrastructure related to the movement of bulk water or other cargo is accessible to all.

The Board gave consensus to have the Director and City Attorney re-work the bulk water contract based on the changes discussed and to bring a draft back to the next SCIP meeting in January 2010.

5. Theobroma Lease

- Theobroma is on holdover status with no formal lease in place.
- A proposed payment schedule was developed and agreed to by Mr. Iwamoto, the City Finance Director and the SCIP Board of Directors.
- The payment schedule includes no lease payments made during certain low-season months and double payments made during peak season to make up for the no-payment months.
- The payment schedule agreed to does not allow for ending the calendar year with a \$0.00 balance.
- Money is still owed on the promissory note.
- There is an administrative cost involved when payments are received late.
- Theobroma was current on payments as of October 1st, however both October and November are “non-payment” months for the lease. Theobroma needs to make double payments in both December and January to make up for these two non-payment months.
- Mr. Iwamoto has scheduled a bank appointment to look at financing for cash flow and capital investment for additional equipment.
- Utilities are being paid each month as billed.
- Theobroma needs to start paying by a deadline each month or face a daily penalty, i.e. \$25 for each day payment is late. This is to act as an incentive for timely payment and reduction of administrative costs to the City.
- Theobroma needs to be current on all payments as of January 30, 2010.
- A lease will be established by January 30, 2010.
- The lease shall include a 30-day cure notice that includes triggering of the cure period if utility payments are not made on time.

MOTION: **M/S Fondell / Harang** Moved to establish a one year lease with Theobroma with a starting date of February 1, 2010 if Theobroma has paid all money owed to the City and Borough of Sitka by January 30, 2010.

ACTION: **Motion PASSED** 4/0 on a roll call vote.

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

6. Sawmill Cove Dock

- A summary of the status of a multi-purpose dock at SCIP will be included in the Director’s presentation to the Chamber of Commerce on Wednesday, December 16, 2009.

J. ADJOURNMENT

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

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

The meeting adjourned at 6:00 p.m.