

**Gary Paxton Industrial Park - Board of Directors Meeting
September 24, 2015 - 3:00 PM
Minutes**

A. CALL TO ORDER: The Chair called the meeting to order at 3:02pm.

B. ROLL CALL

Members Present: Grant Miller, Dan Jones, Scott Wagner, Charles Horan, Ptarmica McConnell
Members Absent: None

City Representatives: Mark Gorman, Jay Sweeney, Mark Buggins, Brian Bertacchi, Dan Tadic, Steven Eisenbeisz

Others Present: Garry White, Linda Wilson
Tom Hesse (Sitka Sentinel), Terry Trapp (via phone – ABWI), Trevor Harang, Roger Sudnickovich

C. REVIEW OF MINUTES – August 4, 2015

MOTION: M/S McConnell/Wagner moved to approve the minutes of August 4, 2015.

ACTION: Motion PASSED 5/0 on a voice vote.

D. CORRESPONDENCE AND OTHER INFORMATION

Invitation to attend the Sitka Seafood Innovation Summit on October 1st.

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA

Mr. Gorman advised the Board that an ordinance will be presented to the Assembly to authorize the Municipal Administrator to approve expenditures of up to \$50k from the Raw Water Fee Fund. This should make it easier to get reimbursement for related expenses from this fund.

F. REPORTS

1. GPIIP Management Report

Mr. White reported:

- The port planning feasibility study was closed last year, however there is still money for additional feasibility and/or planning studies.
- R&M Engineering Ketchikan has been contracted to do a conditional/feasibility assessment of the floating pontoon and has had a chance to examine the structure. The pontoon is in better condition than expected. R&M will provide a list of potential users/uses based on the pontoon's load capacity in early December. The pontoon is 952' in length.
- The Park Director met with some representatives of a bulk water company from Iceland in August. The Director advised them that their pricing is unrealistically low based on the costs for the infrastructure required and the costs for shipping the water. Sitka and ABWI is very far ahead of this other company.
- There is still interest for water bottling plants and this is likely to continue as the Chinese are buying up water rights in British Columbia.
- An RFP for the development/sale of Lots 16B, 19 and 20 is being finalized and should be released tomorrow.
- The EDA has said that they will be releasing the Administration from the grant covenants as of October 6, 2015. Waiting on formal documents.

Mr. Bertacchi advised the Board that he is working on potential solutions for removing the approximately 68k cubic yards of rock from the Blue Lake dam expansion project that is currently covering much of the Park. Ideally the rock will be used to fill areas along the shoreline and in the Park tidelands to create much needed additional uplands for marine and water export commerce.

G. PERSONS TO BE HEARD (none)

H. UNFINISHED BUSINESS

1. Silver Bay Seafoods Lease/Purchase Request

Mr. White reported that representatives from Silver Bay Seafoods (SBS) were not able to attend this meeting and advised that SBS wishes to table its proposal until there is significant development regarding the placement and type of dock that is going to be built. SBS is still interested in development at the Park, but this will be related to the dock.

NO ACTION REQUIRED FROM THE BOARD AS THIS ITEM WAS TABLED AT A PREVIOUS MEETING.

2. Strategic Planning – Maritime Industry Site Information

Mr. White reviewed three conceptual options for the utilization of remaining space along the waterfront and noted that an additional 1 to 1.5 acres of uplands may be created by filling a portion of the tidelands with the rock from the dam project. He advised that space will be tight, but that both a marshalling yard and marine service center yard could be accommodated with careful planning. The creation of additional uplands would be very beneficial to both ventures, including the water export business.

MOTION: Horan/Jones moved to request that the Assembly endorse the concept of prioritizing the use of approximately 68k cubic yards of excess rock from the Blue Lake dam expansion project, currently stored on property of the Gary Paxton Industrial Park, for the purpose of expanding the uplands of the Park for marine related activities including a marshalling area for a dock, marine services center yard, and marine access and to direct the Electric Department to pursue the necessary permits required to place this rock in areas along the shoreline and within the tidelands of the Gary Paxton Industrial Park.

ACTION: Motion passed 5/0 on a roll call vote:

Yeas: Dan Jones, Charles Horan, Scott Wagner, Ptarmica McConnell, Grant Miller

Nays: none

Absent:

I. NEW BUSINESS

1. Municipal Records Center Lease Termination

Mr. White advised the Board that the 10-year Municipal Records Center lease is due to terminate in November of 2016, but the CBS would like to terminate the lease early due to damage to the windows of the lease area caused by the landslide. There is also a pending sale of the building to Silver Bay Seafoods, and current tenants were advised that their leases could be terminated early when the building is sold.

Ms. McConnell recused herself from this agenda item.

MOTION: Jones/Wagner moved to recommend that the Assembly approve early termination of the Municipal Records Center lease.

ACTION: ACTION: Motion passed 4/0 on a roll call vote:

Yeas: Dan Jones, Charles Horan, Scott Wagner, Grant Miller

Nays: none

Recused: Ptarmica McConnell

2. ABWI Bulk Water Purchase Agreement Extension

Mr. Trapp requested that ABWI be granted a three-year extension of their bulk water agreement based on the following progress and ABWI investments, including:

- Ten agents working on sales and marketing the water with activity in Mexico, China, the Middle East and South America.
- A large contract with a customer in the Middle East is pending. This customer states that they have the infrastructure in place to offload water now.
- ABWI has met with representatives of all the water districts in California. There has been discussion on the potential for developing a water depot in both Northern and Southern California.
- In October, ABWI will be making a presentation to congress regarding water export to California.
- ABWI has also been working with the US Trade Department to develop new export codes for each country that could be receiving bulk water shipments.
- ABWI now has a corporate office in Seattle and has hired both a professional accounting and legal firms.
- ABWI has spent \$1.5 million to build the loading station at the Park.
- ABWI is now focusing on helping their customers develop the offloading infrastructure they need to receive the water and to secure vessels capable of transporting the water.
- Customers are lining up nicely, however, in order to enter into long-term contracts, these customers need to know that ABWI will continue to hold the rights to this water for at least several years. Potential customers will be making significant investments of their own, and the extension of ABWI's bulk water agreement is vital to securing contracts.

Board discussion included:

- The ABWI submitted a request to purchase Park property at the meeting of June 25, 2015. This request was tabled by the Board pending the outcome of negotiations regarding Silver Bay Seafoods request to purchase property.
- Mr. Jones expressed his support for establishing a tariff schedule for all of the remaining unsold property along the waterfront.
- A counter-offer of a two-year extension was considered, but not pursued.

MOTION: Jones/Wagner moved to request that the Assembly approve amendment number 6 to the bulk water purchase agreement with Alaska Bulk Water, Inc. (ABWI) to extend the agreement by 3-years based on the following criteria:

1. That the agreement is extended for a term of 3-years to December 8, 2018; and
2. That ABWI shall make a non-refundable payment of \$1,000,000 dollars to the City and Borough of Sitka (CBS) no later than December 8, 2015; and
3. That the \$1,000,000 dollars paid to the CBS shall be held as pre-purchased water credits and shall be retained by the City, unencumbered, if no water is exported during the 36-months of this extension; and
4. That the \$1,350,000 dollars paid to the City under previous agreements be carried forward as pre-purchased water credits for the duration of this extension; and
5. That ABWI provide, at no cost to the CBS, copies of the bathymetric studies done for the tidelands of the Gary Paxton Industrial Park; and
6. ABWI agrees that this Amendment No. 6 to the bulk water purchase agreement include a reduction in the guaranteed amount of water from 27,773 acre-feet per year to 27,007 acre-feet per year; and
7. CBS agrees that if any of the remaining 2,228 acre-feet of the CBS bulk water allocation held aside for proposed water bottling operations is not allocated contractually to another entity, ABWI will have the opportunity to export any or all of this water in bulk.

ACTION: Motion passed 5/0 on a roll call vote:

Yeas: Dan Jones, Charles Horan, Scott Wagner, Ptarmica McConnell, Grant Miller

Nays: none

Absent:

J. ADJOURNMENT: MOTION: M/S McConnell/Horan moved to adjourn the meeting at 4:18pm.