

**MINUTES
REGULAR MEETING OF THE BOARD OF COMMISSIONERS
HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT**

22 May 2008

PRESENT:

Commissioner Pellegrini
Commissioner Curless
Commissioner Wilson
Commissioner Hunter
Commissioner Higgins

President Hunter announced there was no Closed Session.

President Hunter called the regular meeting of the Board of Commissioners to order at 7:00 p.m.

President Hunter led those present in the Pledge of Allegiance.

PUBLIC COMMENT

Kaye Strickland, Chairman of Citizens for Port Development (CPD), stated CPD still feels the rail and the trail can co-exist. She said the rail should have access to the same funding as other transportation means in California.

Devon Bartley introduced himself to the Board of Commissioners as the new State Aquaculture Coordinator. He said he and Tom Moore from Department of Fish & Game had been meeting with local aquaculture growers in order to create a more enabling environment and to assist them in dealing with California regulations. Mr. Bartley said he was impressed with the growers' progressive business activities and thanked the Board of Commissioners for their positive work with the local aquaculture growers.

Otis Skaggs said he has lived in Humboldt County for 54 years and complimented the present Board of Commissioners and previous Board members for the clean bay and surroundings.

CONSENT CALENDAR

Commissioner Curless asked for Item A to be pulled for further discussion.

COMMISSIONER PELLEGRINI MOVED FOR THE APPROVAL OF ITEM B OF THE CONSENT CALENDAR NOT TO EXCEED \$3,914.63. COMMISSIONER HIGGINS SECONDED. MOTION CARRIED WITHOUT DISSENT.

Commissioner Curless said he would like the minutes from the May 8, 2008 meeting to include the following regarding his comments about County Supervisor Roger Rodoni, killed recently in an automobile accident: "If Mr. Rodoni's campaign is successful and gets 50% plus one vote, probably Johanna Rodoni would serve the next two years, not four years, and then she would have to run in the next general election."

COMMISSIONER CURLESS MOVED FOR THE APPROVAL OF ITEM A OF THE CONSENT CALENDAR, INCLUDING THE SUGGESTED ADDITIONAL WORDING. COMMISSIONER PELLEGRINI SECONDED. MOTION CARRIED WITHOUT DISSENT.

Commissioner Higgins said in the future he would give the Director of Administrative Services his written Commissioner report, as well as giving his report to the Board verbally, so that his report would be more accurately recorded in the minutes.

CEO REPORT

- ❖ The Mitigated Negative Declaration for the PG&E Pipeline Removal Project has been completed and is being circulated.

- ❖ 5/14: CEO, President Hunter and the Bar Pilots met with Corps of Engineers Colonel Kiley and General McMahon to discuss top priority projects, such as the need for the long-term shoal management project, maintenance dredging at the bar and entrance channel to Humboldt Bay, replacement of Buoy 9 and others. CEO reported Buoy 9 recently broke loose and is now lying on the beach at Big Lagoon. The chain and anchor for Buoy 9 are still in place and are hampering the current maintenance dredging.
- ❖ 5/17-18: National Safe Boating Weekend.
- ❖ 5/22: CEO was the guest speaker at the annual meeting of the North Coast Employer Advisory Group.
- ❖ CEO reported he has been working with the State Water Resources Control Board (SWRCB) on the Shelter Cove Fish Cleaning Station project. The Shelter Cove area has been deemed an Area of Special Biological Significance and the SWRCB is encouraging the use of Prop 84 funds to develop alternatives for disposal from the fish cleaning station. Although it was previously determined the Prop 84 funds cannot be used to pay for studies, it now appears that a phased project could include a study phase. CEO stated a phased concept proposal was sent out today to SWRCB. Commissioner Higgins said he participated on the proposal requesting \$750,000 and was impressed with CEO's ability for grant/proposal writing.
- ❖ CEO stated he continues to work with the CA Coastal Conservancy for an appraiser for the Mario's Marina property.

DISTRICT COUNSEL REPORT

District Counsel stated he received a letter from the General Counsel for Department of Fish & Game (DFG) in response to the District's request for documents related to proposed groundfish closures. Essentially, the letter says the DFG is preempted by federal law and any requests for information should be made through federal channels.

Commissioner Higgins said he felt it was obvious the state is managing on blind faith without scientific data. He said unless the state does a better job gathering data, they will be met with resistance when it comes time to consider the Marine Protected Areas.

STAFF REPORT: None

COMMISSIONER REPORTS

Commissioner Pellegrini:

- ❖ Attended the swearing in ceremony for Johanna Rodoni at the Board of Supervisors meeting.
- ❖ The Board of Commissioners recently took action to work with the District's Washington DC lobbyist to determine where best to put the District's efforts regarding the salmon disaster funds. There are currently enough votes to override the President's veto; the funds are not to be used for research or restoration efforts, but for business economic losses.

Commissioner Wilson:

- ❖ Vacated recently near Portland.

Commissioner Hunter:

- ❖ Attended the meeting with the Corps of Engineers representatives and said it was a pleasure to talk with such a responsive group. He said the Brigadier General is very concerned with the shoaling problems in Humboldt Bay.

Commissioner Higgins:

- ❖ Went trout fishing in Utah.
- ❖ Assisted CEO with the grant application for the Shelter Cove fish cleaning station and said he feels this project will serve the District and the Shelter Cove community well.
- ❖ Regarding the Marine Protected Areas, the District might be the recipient of grant funds to collaborate with scientists and fishermen to collect data in order to get something sustainable offshore, and not just a capricious closure in scenic areas or other similar exercises that might encumber access to fish, but not really be a maximum benefit to conservation.

Commissioner Wilson said he wanted to thank publicly the Regional Water Quality Control Board and the State Water Resources Control Board for their timely response regarding the Shelter Cove Fish Cleaning Station.

ADVISORY COMMITTEE REPORTS: None

OTHER: None

NON-AGENDA: None

UNFINISHED BUSINESS

A. PUBLIC HEARING ON FY 2008/09 BUDGET

District Treasurer reported the summary of the proposed FY 2008/09 Budget as follows: Revenue \$3,200,791; Operating Expenses \$2,342,640; Non-Operating Expenses \$1,269,547; Excess Revenues Under Expenses (\$411,396); Transfers to Fund Balance Designations (\$80,400); and Total after Transfers (\$491,796). District Treasurer reported the current available cash as approximately \$3.5 million. The summary reflects changes discussed at the Board's last budget hearing, including a 12.5% Woodley Island Marina slip rent and services increase and the removal of various capital expenditures. Also, during the last budget hearing, the Board directed staff to apply the increase in revenue received from Woodley Island Marina slip fees and services to the cost of future marina maintenance dredging. District Treasurer cautioned the Board that applying the increased revenue to future expenditures does not help to balance the deficit to marina accounts currently proposed.

President Hunter asked Director of Administrative Services a question about the slip rents revenue vs. rents and concessions revenue. She said she would confirm the accuracy of the numbers.

Commissioner Pellegrini said she thought as a result of the last budget discussion, the marina revenues would be projected from a 100% occupancy rate. Commissioner Higgins responded he understood that would require a program that would incorporate double-mooring or setting up mooring buoys. He said that would be grist for the mill for the committee. Commissioner Pellegrini responded not if the marina was at 100% capacity.

CEO stated it is important to remember the 80% is a budget figure; it does not represent how many vacant slips there are in the marina. The 80% is a conservative number used based on historical averages.

Commissioner Pellegrini asked if there was a policy on practice where slips are set-aside for transients. CEO responded the only official transients slips are at the end of D-dock and on the Breakwater.

James Woodard, local fisherman, suggested smaller annual rate increases would be easier on the tenants than a large rate increase every 7 years.

Ken Bates, representative for Humboldt Fisherman's Marketing Association, said there seems to be a lot of empty spaces in the marina, some have been vacant over one year. He suggested side-tying boats in order to maximize occupancy, as they do in other marinas. He also provided some charts with financial information on the marina and suggestions for increasing revenue.

President Hunter closed the Public Hearing on FY 2008/09 Budget.

NEW BUSINESS

A. CONSIDERATION OF APPROVAL TO NEGOTIATE AN AGREEMENT WITH GOLDMAN, SACHS & CO. TO PROVIDE FINANCIAL ADVISORY SERVICES RELATED TO THE POSSIBLE CONCESSION, LONG-TERM LEASE OR OTHER ARRANGEMENT INVOLVING ALL OR A PORTION OF THE REDWOOD MARINE TERMINAL AND ASSOCIATED PROPERTIES.

CEO stated as a result of the Board of Commissioners hiring the Director of Maritime Commerce, that one of Mr. Lacy's jobs has been to raise the awareness of the Port of Humboldt Bay in Sacramento and through the Redwood Marine Terminal Feasibility Study process. The District has received an unsolicited proposal from Goldman, Sachs & Co. to act in the capacity of financial advisor to find investors and to develop infrastructure financing for the Redwood Marine Terminal.

Jeff Holt, Vice President of the Public Sector and Infrastructure Banking of the Investment Banking Division for Goldman, Sachs & Co. spoke to the Board of Commissioners about his proposal of an exclusive engagement where the District engages Goldman Sachs as their exclusive financial advisor in connection with the possible concession, long-term lease or other arrangement involving all or a portion of the District's Redwood Marine Terminal and certain other properties currently owned by the District, including the railroad owned by NCRA.

Mr. Holt said California gateways are a scarce resource and he will look for a private investor interested in putting the rail and port in service as a single unit to promote growth and development in this region. He said there is a tremendous amount of interest in maritime assets.

COMMISSIONER PELLEGRINI MOVED FOR THE AUTHORIZATION FOR THE BOARD PRESIDENT, CEO, DISTRICT COUNSEL, DISTRICT TREASURER AND DIRECTOR OF MARITIME COMMERCE TO NEGOTIATE A PROPOSED AGREEMENT WITH GOLDMAN, SACHS & CO. TO PROVIDE FINANCIAL ADVISORY SERVICES RELATED TO THE POSSIBLE CONCESSION, LONG-TERM LEASE OR OTHER ARRANGEMENT INVOLVING ALL OR A PORTION OF THE REDWOOD MARINE TERMINAL AND ASSOCIATED PROPERTIES. COMMISSIONER CURLESS SECONDED.

Commissioner Higgins said he was confused about the order of negotiating an agreement before the business plan for the Redwood Marine Terminal was distributed. He also said he did not think there was any detriment to having Goldman, Sachs & Co. be the District's sole representative. Commissioner Higgins said the proposal sounds good but how does the District reconcile marketing the opportunity when the Harbor Revitalization Plan says container shipping is not a competitive activity for Humboldt Bay.

Mr. Holt responded in the last 24-36 months there has been a shift in the thinking of evaluation of this type of asset. He said this project would require a very long-term lease, possibly 50, 75 to 99 years in order to amortize the investment and he said Humboldt Bay is clearly a viable alternative for a spill-over port.

Commissioner Higgins asked about the relationship between the Northwestern Pacific Railroad and the Harbor District. Mr. Holt said NPR has a long-term lease to operate the railroad, options out to 99 years.

President Hunter asked if hiring Goldman, Sachs & Co. on a contingent basis means no money would change hands until someone bids on the projects. Mr. Holt responded they work on a "success fee" basis, a fee is set that is a percentage of the gross proceeds.

President Hunter stated the action at this meeting is to authorize the committee to negotiate a proposed agreement, not to finalize an agreement.

Commissioner Wilson asked Mr. Holt if he has spoken to the NCRA. Mr. Holt said he had a conversation with NWPRR and it was a very positive conversation. He said you cannot improve the port without the railroad and you cannot improve the railroad without the port. NWPRR has a long-term lease on the railroad. Commissioner Wilson said NWPRR has a lease on the south end and an option they have not exercised on the north end, so no obvious control. Mr. Holt responded an option is control.

Commissioner Wilson asked if Goldman, Sachs & Co. is asking the Board of Commissioners for an exclusive agreement. Mr. Holt said Goldman Sachs is offering to act as the District's agent to help acquire through an option process or other processes the principals. Goldman Sachs cannot participate as investor. Goldman Sachs represents almost every west coast port. Commissioner Wilson said that

concerns him because when you have that kind of representation across the board, you may not be sure who you are representing.

Commissioner Pellegrini said she would like Humboldt Bay to be a model green port. Mr. Holt said time is spent at the front end to fashion what type of project will be built. If the investors do not keep to the document, the District keeps their money and the improvements.

Commissioner Higgins asked how long the arrangement would extend. Mr. Holt said he hopes to negotiate an agreement that Goldman Sachs will represent the District going forward if it takes a year or whatever it takes to get us to a financial close. Commissioner Higgins asked if nothing happens in three years, does the project go to the back burner. Mr. Holt replied there is no one source of funding, there are multijurisdictional issues and permitting issues, etc.; therefore there is no set time frame. It is important to bring the bankers on up front and then determine what is needed to get to the finish line so as not to miss an opportunity.

Andy Colonna asked if this project is such a good idea why Goldman Sachs is choosing to represent the District and not to the actual project. Mr. Holt replied it is not the right investment for their fund. They have a minority investment in SSA, which has depleted their maritime industry investment funds.

Jerry Saner said Mr. Holt appeared to be very knowledgeable about his industry and asked if he had any direct knowledge of the geography and location of the railroad, Highway 101 south through the Eel River Canyon. Mr. Holt said the rail is already leased to a company, which takes it out of many concerns of jurisdictional elements. Mr. Saner said many will criticize the project because of the amount of money it will take to get the rail operational. Mr. Holt said that will not matter, it is not up to them. The amount of money required is a fact.

Sid Berg, President of the Humboldt – Del Norte Building and Construction Trades Council, thanked Director of Maritime Commerce for bringing Goldman Sachs to Humboldt County and thanked the Board of Commissioners for their consideration of this agenda item. He said an operating port is needed to bring good union jobs and develop the local economy.

Melvin McKinney said he agreed the railroad is needed, but asked about the feasibility of the width of the entrance channel. He said when you consider Humboldt Bay, you must consider the upkeep and maintenance in and out of the bay. Mr. Holt stated between \$1-3 million will be spent by each bidder to do their independent feasibility study.

Mark Matteoli said he thought the proposal was amazingly reasonable and asked if the Harbor District bears any concern for the costs or is that passed along to the investors. Mr. Holt said if a private investor is willing to put in the money for the project, then the Harbor District does not bear any costs.

Marcus Brown, Timber Heritage Association, said the project is not just about the money, it is about the environment and the rail and the port and the recreation.

Charles Ollivier asked if anyone cares to talk about a job. He said the county is suffering, local jobs are needed. He recommended the Board of Commissioners vote yes on this agenda item.

Leo Sears said the railroad and harbor are the future of the community and told they Board of Commissioners "You have made my day".

Kaye Strickland said the effort to bring back the railroad has been going on for 40 years. She said she helped with the funding and permitting of Woodley Island Marina. This area needs stable, long-term jobs. She said we need jobs to keep people here, the same people who will be walking on the trails.

Bill Bertain said there is a symbiotic relationship between the port and the railroad. Over the last 16 years, the Harbor District has loaned money to NCRA and an MOU has been signed. He cautioned the Board of Commissioners to be shrewd and careful as the projects develop, do not lose control of their own destiny. This is a great opportunity for the community. Mr. Bertain remembered Lloyd Hecathorn,

who felt the landbridge of port and railroad would offset the lost of jobs in the fishing and timber industries. He said good things will happen and thanked the RAPIT representatives for all their work as well.

Commissioner Wilson said what was on the table is negotiation for the Redwood Dock, but what Mr. Holt has asked for is also negotiating for the railroad. He said there seemed to be a difference in the expectations.

President Hunter said his understanding is the Board of Commissioners has to deal with District assets only.

District Counsel said the District was created by the Legislature of the State of California and Appendix II of the Harbors and Navigation Code clearly includes the railroad as a part of the services connected to the port. The Board of Commissioners cannot speak for the railroad, but the Board's charge from the State legislature is very clear that cooperation with the rail system beyond the boundaries of the District is essential in accomplishing the overall goal. Goldman Sachs has to put the two pieces, port and railroad, together to have a complete package. Mr. Holt said the only agreement to consider at this meeting is hiring Goldman Sachs to represent the Harbor District in looking to put the project together.

Commissioner Wilson asked who else offers this type of service. Director of Maritime Commerce replied there are 4 or 5 others, but Goldman Sachs is by far #1 in dealing with the public sector.

Commissioner Wilson stated he would vote "no" on this item because the TranSystems Business Plan is not yet available. He said he is also concerned with an exclusive financial advisor and is not excited about being a representative for NCRA. He also said the 2003 Harbor Revitalization Plan was not adopted because CEQA has not been done and the Board should not do things included in the Harbor Revitalization Plan without doing the CEQA review.

Commissioner Higgins said he would also vote "no" because he had not heard compelling arguments of economic viability and there is no viability for the railroad. He said approving this agenda item locks the Board of Commissioners into an unviable project and closes the door on other options.

MOTION CARRIED WITH COMMISSIONERS WILSON AND HIGGINS DISSENTING.

B. CONSIDERATION OF ONE-YEAR EXTENSION TO PERMIT A-2007-04 TO RECLAMATION DISTRICT NO. 768 FOR LEVEE REPAIR.

COMMISSIONER HIGGINS MOVED FOR THE APPROVAL OF A ONE-YEAR EXTENSION TO PERMIT A-2007-04 TO RECLAMATION DISTRICT NO. 768 FOR LEVEE REPAIR. COMMISSIONER CURLESS SECONDED. MOTION CARRIED WITHOUT DISSENT.

C. CONSIDERATION OF APPROVAL OF NOMINATION FOR ROY CURLESS TO SERVE AS A SPECIAL DISTRICT REPRESENTATIVE TO SERVE A FOUR-YEAR TERM AS A VOTING MEMBER OF THE HUMBOLDT LOCAL AGENCY FORMATION COMMISSION (LAFCO).

COMMISSIONER PELLEGRINI MOVED FOR THE APPROVAL OF NOMINATION FOR ROY CURLESS TO SERVE AS A SPECIAL DISTRICT REPRESENTATIVE TO SERVE A FOUR-YEAR TERM AS A VOTING MEMBER OF THE HUMBOLDT LOCAL AGENCY FORMATION COMMISSION (LAFCO). COMMISSIONER WILSON SECONDED. MOTION CARRIED WITHOUT DISSENT.

Commissioner Higgins asked if a mandate of LAFCO was to prevent sprawl and maintain green spaces. Commissioner Curless said LAFCO does not have jurisdiction in that area.

ADMINISTRATIVE AND EMERGENCY PERMITS: None

The Regular Meeting of the Board of Commissioners adjourned at 9:20 p.m.

APPROVED BY:

RECORDED BY:

____Signature on File_____
Roy Curless
Secretary

____Signature on File_____
Patricia L. Tyson
Director of Administrative Services