

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

May 8, 2014

PRESENT:

Commissioner Newman
Commissioner Dale
Commissioner Marks
Commissioner Wilson
Commissioner Higgins

President Marks called the Executive Closed Session to order at 6:05 p.m.

President Marks adjourned the Executive Closed Session at 6:55 p.m.

President Marks called the Regular Meeting of the Board of Commissioners to order at 7:03 p.m.

President Marks led those present in the Pledge of Allegiance.

District Counsel reported on the Executive Closed Session as follows: Status of negotiations with the Harbor District Labor Negotiator: no action taken; Status on Conference with Real Property Negotiator Freshwater Pulp Mill boiler sale and EPA provisions and remediation costs: no action taken.

PUBLIC COMMENT:

Kent Sawatzky stated he has a correspondence from the Harbor District to Mike Wheeler, County of Humboldt, regarding the General Plan amendment for sewer treatment on the Samoa Project. He is concerned about the low-income housing aspect using coastal land. He said he supports having moderate-income housing on the peninsula to support the workforce needed there, but the coastal-dependent industrial property should not be used for low-income housing.

CONSENT CALENDAR:

COMMISSIONER HIGGINS MOTIONED FOR THE APPROVAL OF MINUTES FROM THE NOVEMBER 14, 2013 BOARD MEETING. COMMISSIONER NEWMAN SECONDED. MOTION CARRIED WITHOUT DISSENT.

CEO REPORT:

CEO reported the Redwood Terminal 2 cleanup is going well.

- The 200-truck contract for the pulp liquor transporting is complete and the 500 truck contract with MP Environmental Services is signed. The first empty tank has been cut down.
- Recology is exercising their jurisdiction on non-hazardous material regarding the EPA's RFP for 1,000 tons.
- The Regional Water Board NPDES has been terminated and they are requesting more testing of the demolition piles and dioxin.
- The EPA Director of the Superfund Division and the Chief of Emergency Management visited the site and the Congressman Huffman has requested additional funding.
- The ERTN for Energistycs Inc. has been signed and the deposit received for the Wood Pellet Mill Project.
- CEO reported he made a trip to Nehalem Dredging to document the dredge equipment and organize the loading and hauling.
- There is currently a RFP for a Forklift for Redwood Terminal 2, a RFP for Trucking Services to transport dredge equipment, and a RFP for Financial Services for the Bond and New Market Tax Credits, all of which will be under Board consideration May 22, 2014.
- There are also Dredge Disposal Permits, which will go out next week.

Commissioner Higgins asked if things were fairly organized at Redwood Terminal 2. CEO responded yes, very organized.

STAFF REPORTS:

Director of Conservation:

- ❖ Reported the scope of work for the dredge material disposal is being finalized and a RFP for permitting the site will be distributed soon.
- ❖ Sent a letter to Caltrans requesting them to clean up two billboards that had fallen in the marsh along HWY 101.
- ❖ Had a meeting with the California Department of Public Health to talk about the Pre-permitting project. Had a discussion today about coming up with mitigation options for Caltrans to restore and create salt marsh habitats.

Director of Facility Maintenance:

- ❖ Reported that CEO had put him on a task to lower water and sewage bills. A new meter was installed and now the Harbor District will be paying for the discharge only and he hopes to lower the bill by 2/3.
- ❖ Maintenance crew went down to Shelter Cove for the annual cleaning and servicing of the discharge pipe. There has been concern about buildup of sand in the parking lot, but after checking it out crew found no buildup or need for debris removal. A full cable replacement on the discharge pipe is necessary because the anchor pin is worn away. Crew is going back next week to replace approximately 270 ft of cable. Commissioner Higgins asked if they will have to re-drill holes. Director of Facilities Maintenance said that is a possibility.
- ❖ He thanked Commissioner Dale and his crew who helped with the F Dock replacement project.

District Counsel:

- ❖ Reported he has been spending a lot of time on the Coast Seafoods Loan Agreement.

District Planner:

- ❖ Said the Water Trails environmental document is ready to go. He has a letter out to City of Arcata and Humboldt County asking to allow for a consolidated coastal permit process.
- ❖ Was asked to write a comment letter responding to the County referral on the Samoa Town Master Plan. It is a timing issue. The multi-family project which is a very small portion, will be located away from the industrial area, and had already been approved. Land uses were approved several years ago. Commissioner Higgins asked if the comments were about Danco and their property and not about the Harbor District property. District Planner said yes. Commissioner Wilson said it is regarding a ½ acre of conversion of coastal and industrial property for the waste-water treatment part, but that it actually services the coastal dependent portion rather than the industrial land. It is not changing the use and it is only enhancing the ability of the coastal dependent industrial property. They will address it more directly at the next meeting. District Planner said he would be happy to help with that.
- ❖ He reported that they wrapped up the Tiger Grant application and thanked Director of Administrative Services for "pushing the button."
- ❖ There was a cultural resources determination for the marina building at Shelter Cove potentially requiring cultural resources investigation. He was asked to reach out to a cultural resources specialist. He met with Jamie Roscoe and they came up with a strategy to do some auguring in from the edges to do a characterization at a much lower cost and to assist the applicant to distribute a request for bids for the work.

District Treasurer:

- ❖ Reported that he has met with staff to schedule timeframes for completion of monthly financials. Commissioner Marks asked if everything looked good. Treasurer said yes, there is a lot going on.

COMMISSIONERS REPORTS

Commissioner Higgins:

- ❖ Participated in the Budget Committee Meeting on Monday.

Commissioner Wilson:

- ❖ Attended the EPA tour of the Redwood Terminal 2 property on Tuesday with Commissioner Marks. He said both he and Commissioner Marks were concerned by the extent of contamination, but were jazzed about the forward movement of the site.
- ❖ Attended the reception for the Fisheries Joint SubCommittee in Sacramento. He invited the Fisheries Joint SubCommittee Chair, Bonnie Lowenthal, to visit Humboldt Bay.
- ❖ Attended a multi-agency meeting of the Working Waterfronts Opportunities Collaboration Committee.

Commissioner Marks:

- ❖ Also attended the EPA tour.
- ❖ Went to Fields Landing to look at a sunken boat and worked with others to figure out a resolution.

Commissioner Dale:

- ❖ Went to the Joint SubCommittee meeting on Fisheries and Aquaculture. He really appreciates that Humboldt County was represented so well.

Commissioner Newman:

- ❖ He attended the Joint SubCommittee Meeting in Sacramento.

OTHER

PRESENTATION BY HUMBOLDT STATE UNIVERSITY SENIOR PRACTICUM STUDENTS ON SEA LEVEL RISE

Yvonne Everett's, HSU Department of Environmental Science and Management students: Jim Finn, Sydney Stuart, and Denise Chong made a presentation on how sea level rise might affect Humboldt Bay.

Commissioner Dale said that he met with the students several times and thinks the Sea Level Rise Program is of great value.

Commissioner Higgins said they were very detailed and their diction was excellent.

Commissioner Wilson asked if there was any opportunity for expanded aquaculture. Mr. Finn said there is a lot of opportunity for expanded mariculture and aquaponics. Ms. Chong said the Brownfields would be less of a threat if they are monitored and then in turn could be used as sites for aquaponics.

Kent Sawatzky asked what benchmark they used to base their research upon and asked what kind of an impact a natural disaster could have on the rest of the Bay if those areas were to wash out into the Bay. Mr. Finn said it was not quantified in time and that there are many things that could happen, but possible future natural disasters should not limit planning efforts for the future of the bay.

Lonnie Hollenbeck said the Pine Island Glacier has grown in speed by 74% in the last 10 years. He is impressed that the Board brought in the HSU students and every available resource to gather information.

PRESENTATION BY ANDREW CIOCCA, STERN BROTHERS – BOND REFINANCING

Mr. Ciocca, Stern Brothers, said his father handled the Harbor Districts' bond refunding in 2004. He has over \$10 billion in California municipal debt experience and also has local experience serving the City of Eureka in 2010 and Humboldt Bay Harbor, Recreation and Conservation District in 2004. Mr. Ciocca introduced attorney Cameron Weiss, who deals mainly with tax exempt matters. Mr. Weiss helped the Port of Santa Cruz with refinancing and ultimately saved them enough money to purchase a dredge. He has 24 years of experience in California public finance law as well as local experience serving Del Norte County and Humboldt County.

Mr. Ciocca said that compared to traditional underwritings, private placements are competitively priced, faster, cheaper, and require less continuing disclosure. Private placements are usually purchased by one investor or bank. There are no underwriter fees, lower legal and document fees, and often there are no rating agency fees. There is a shorter marketing term, less legal documentation, and often, rating agency presentations are not required. Private placement allows the District the opportunity to access +/- \$217,000 in current reserves and reduce outstanding debt, to save +/- \$215,000 over the life of the debt, to level outstanding debt service, and to eliminate onerous terms in current indentures. It also requires less staff time.

The proposed schedule is as follows: week 1, District meeting to review proposed refunding; week 2, kick-off conference call discussing financing strategy and discuss circulation of Request for Proposals to placement banks; week 3, call review circulation of Request for Proposals to placement banks and circulate RFP to placement banks; week 4, receive clarification questions regarding RFP from placement banks, review and discuss questions received, and issue responses to clarification requests; week 5, receive bids to RFP, call to discuss bids and choose placement bank, inform placement banks of award, and Trustee Issues call on bonds and loan; week 6, first round of document review; week 7, second round of document review and agreement with investor is submitted for District Board approval; week 8, final document review and documents are signed; week 10, close bond sale.

New Market Tax Credits, Federal Guarantees and Direct Loans, State Economic Development Loans, and Private Activity Bonds or Debt are available to the District for the proposed Private Activity Financing. The purpose of the New Market Tax Credits program is to encourage private investment in economically disadvantaged areas and communities. Stern Brothers has worked with multiple clients in the placement of New Market Tax Credits to complement traditional municipal debt. There are a broad range of Federal programs which should be investigated as both credit enhancement and as direct loans. An avenue of investigation into State Economic Development Loans would be the California Infrastructure and Economic Development Bank (CIEDB), which makes direct loans to job creating projects. Mr. Ciocca has structured four CIEDB loans for a broad range of uses including port facilities.

Commissioner Higgins said Mr. Ciocca caught his interest with the bond restructuring. He said it seems very complicated, but they did a great job with the presentation.

Commissioner Wilson recommended that a subcommittee be created to hear the pitches and to work with the CEO on refinancing and future financing. CEO said he and the Board are also building a relationship with bond counsel. Commissioner Marks asked CEO if the RFP would come out before the next meeting. CEO said yes, the responses would come in on May 21, 2014.

Commissioner Dale asked if the bond refinancing expense is paid up front. Mr. Weiss said they work on a fully contingent basis. They want to develop a relationship with their clients to continue business with them. Commissioner Dale asked if the cost would be greater than the savings, Mr. Weiss said the service is all factored in after the fact and there is no out of pocket expense.

District Treasurer said he thinks the bond refinancing is a great idea and there is a lot of information available for research.

Kent Sawatzky asked if the refinancing was long term, if there are prepayment penalties, and if the rate is locked in. Mr. Weiss said the bond buying program is tapering and will ultimately conclude sometime around November 2014, which will spur the fear of inflation. Prepayment penalties are negotiable.

Karen Brooks said she would like to see the pay-off done within a shorter timeline.

President Marks suggested creating a committee to review the bond refinancing and New Market Tax Credits. Commissioner Wilson said he would like to be on the committee as long as it is defined and the RFP is reviewed. CEO said the RFP is already out and will be reviewed. Commissioner Dale said he would also be on the committee.

NON-AGENDA: None

UNFINISHED BUSINESS

A. CONSIDERATION OF ADOPTION OF FY 2014/15 PRELIMINARY BUDGET.

Director of Administrative Services said the Board of Commissioners recently held a Budget Workshop. This is the consideration of the FY 2014/15 Preliminary Budget; and if it is adopted tonight with or without changes, then it goes to the public for a 30-day public comment period. It will then be reviewed again in a public hearing and first reading by the Board on the first meeting in June. The second meeting in June will be the second reading and adoption. The summary of the FY 2014/15 Preliminary Budget is as follows: total revenue is \$6,862,597; the operating expenses are \$2,259,024; the non-operating expenses (capital expenses, debt payment) are \$4,400,048; the excess revenues over (under) expenses are \$203,525; deduct single-use revenues (Woodley Island Marina Dredge Surcharge and Float Replacement) of \$170,000; the total budget balance is \$33,525. The revenue does include \$2.4 million for Redwood Terminal 2, which includes the sale of the boiler and will also off-set the non-operating expenses. The annual tax revenue is the same as the last fiscal year because updated figures are not yet available. There are no proposed increases in slip rent, transient rentals, dredge surcharge, or float replacement fees for the marina. Borrowing and New Market Tax Credits are included at \$1.3 million as well as the Brownfields Loan at \$500,000. The salaries and wages were left at last fiscal years' dollar amount until the Union Contract is finalized. Included is the cost for two new Harbor Maintenance 1 employees. CEO explained that if the funding is not there, improvement projects will not begin.

COMMISSIONER HIGGINS MOTIONED FOR THE ADOPTION OF FY 2014/15 PRELIMINARY BUDGET.
COMMISSIONER NEWMAN SECONDED.

Kent Sawatzky said between one half and one third of the projected income is accounted for as being received. He urged the Board to be conservative and said that a lack of accuracy can lead to questions. He asked if \$700,000 was a down payment for parcels B, C & 4 or are they going to pay for it in cash. There will be time to go over it later as it is a preliminary budget and not a final.

Karen Brooks asked for more clarification on the difference between the projected numbers and the actual numbers. She said Fields Landing seems to have more revenue than projected. CEO stated that is due to new renters on the site. Ms. Brooks asked why there was nothing in the capitol columns. Director of Administrative Services said that was due to an oversight.

President Marks reminded the public that it was a preliminary budget and not final.

MOTION CARRIED WITHOUT DISSENT.

NEW BUSINESS

A. DISCUSSION OF DEDICATED OF KING SALMON FISHERMAN'S CHANNEL AND BEACH – LONNIE HOLLENBECK.

Lonnie Hollenbeck said he is a King Salmon resident on the King Salmon Improvement Committee and is proposing the Board consider dedications to former District CEO Jack Alderson and former District Commissioner Jimmy Smith.

Commissioner Newman said it was a great idea and asked how to move forward. President Marks said it would be on the next agenda.

Commissioner Wilson said he knows the history and out of respect for Mr. Alderson, this project needs to be well thought out.

Kent Sawatzky said he strongly supports the project. He spoke to Jack Alderson and said he is very interested. He said it is very appropriate for a contribution to the community of King Salmon.

President Marks asked when the appropriate time would be. District Counsel said the appropriate time would be when we close with PG&E and have the title. The Harbor District will rename the bridge and issue a press release so the public uses the new name. Mr. Hollenbeck asked if the bridge can be renamed through Escrow. District Counsel said Escrow can only change the description, not the name.

President Marks said the Board will move forward when appropriate.

B. CONSIDERATION OF COAST SEAFOODS COMPANY NOTE LEASE SECURITY.

CEO said the Board of Commissioners has discussed this several times. The District's commitments are to extend the tideland lease through 2055. Upon payment of the note, the lease reverts to five years and has an option for another five years. Coast Seafoods may apply their lease payments to the note balance in lieu of payment to the District if the District defaults. Upon the District receipt of a.) grant funds for addressing the pulping liquors, or b.) proceeds from site improvements (boiler sale); the District shall immediately apply 90% of such revenues toward the Coast Seafoods Note.

District Counsel said the pay off period is 2 years. The 40-year pay -off is formal and an incentive to pay the note in full within 2 years.

COMMISSIONER WILSON MOTIONED FOR APPROVAL OF THE COAST SEAFOODS COMPANY NOTE LEASE SECURITY. COMMISSIONER HIGGINS SECONDED.

Commissioner Newman said 2055 is concerning, but he is comfortable with it.

Commissioner Higgins said the points have been resolved to his satisfaction.

District Counsel said the trucking contract would be held in limbo if the Coast Seafoods Company Note Lease Security does not get approved. The Harbor District must continue the transport of the liquors from the Pulp Mill.

Kent Sawatzky recommended finding out exactly how much the lease is. He said it is extremely irresponsible to make a decision without knowledge of the numbers.

Commissioner Higgins asked if the lease prices are fixed and known. CEO said yes.

Director of Conservation said this item is entirely separate from the Pre-permitting project. The Pre-permitting project and the Coast Seafoods lease do not interact at all.

Debbie Provolt said only the promissory note document was made public and asked if any of the other documents would be made public as well. CEO said all the documents are public and were in the last meeting's packet. Mrs. Provolt asked if the lease payments would be going into restricted public trust accounts and if the funds are used to repay debt on the Pulp Mill will that transfer public trust rights to the Pulp Mill site. District Treasurer said the payments will be treated as tideland revenue just as if we had received the regular lease payments. Mrs. Provolt said the Harbor District is using the funds to pay off a loan that uses property as collateral on which a majority is not subject to public trust rights. Mrs. Provolt suggested to ask the question to the State Lands Commission. Even if it did subject a portion of the property to be subject to public trust, it would not be a bad thing as long as the funds were treated properly. She said the Harbor District Board should know the answer to her question.

Karen Brooks said it is absolutely critical to transport the liquors off of the property. She applauds Coast Seafoods for stepping up to the plate, but she thinks that lease extensions should be offered to other lessees. She said it does not seem fair. She said she is concerned with the \$2.2 million for improvements on the property.

Commissioner Wilson said that 3.5% on an unsecured loan is very unusual. He said there is a risk in every decision, but he said the Board and staff has been doing their due diligence.

President Marks said that as long as he is on the Commission he will do his best to expedite the transportation of the liquors off of the site. He said they have explored this and discussed it many times.

MOTION CARRIED WITHOUT DISSENT.

C. CONSIDERATION OF ESTABLISHING SHELLFISH RAFT USE AT WOODLEY ISLAND MARINA.

Director of Administrative Services said staff has looked at the marina's waiting list and have determined that the majority of people on the waiting list are waiting for smaller slips. Six slips are available for flupsy placement. This will provide the ability to increase marina occupancy and generate an additional \$15,000 revenue per year and allow smaller shellfish producers to occupy space at a reasonable cost - \$300 per month. The flupsies will be required to have CF numbers, be movable by an outboard motor, and they do have to obtain an operating permit from the District for \$250/yr. Bodega Bay also offers this option. Director of Conservation said the flupies would need proper screening on pumping intake, carrying capacity, and they would require that equipment is new or sanitized. CEO said he does not see it being any issue.

Commissioner Wilson asked what the staff was asking for. CEO said for direction to move forward and the next thing the Board will consider is a Negative Declaration at a future meeting.

COMMISSIONER HIGGINS MOVED FOR THE ESTABLISHMENT OF SHELLFISH RAFT USE AT WOODLEY ISLAND MARINA. COMMISSIONER WILSON SECONDED.

Todd VanHerpe, Humboldt Bay Oyster Company, said he would like to sign up to rent a slip for flupsies. It works in other places, why not here at Woodley Island Marina. He said if there is an ability to move the flupies to good water, then that is a great opportunity. It will give him some seed security. Seed is not always available. Redwood Terminal Berth 2 would be the best location. Commissioner Higgins asked if Redwood Dock 1 would be a good location. Mr. VanHerpe said Redwood Dock 1 would also be a good location.

Sebastian Elrite, Aqua-Rodeo Farms, said he thinks the CF number and steering consol requirements can be accommodated. He said tying it in with standard marina practices with a Negative Declaration makes a lot of sense.

MOTION CARRIED WITHOUT DISSENT.

D. CONSIDERATION OF APPROVAL OF A LETTER TO HUMBOLDT WASTE MANAGEMENT AUTHORITY REQUESTING A WAIVER OF FEES.

COMMISSIONER NEWMAN MOTIONED FOR THE APPROVAL OF A LETTER TO HUMBOLDT WASTE MANAGEMENT AUTHORITY REQUESTING A WAIVER OF FEES. COMMISSIONER DALE SECONDED.

CEO said the standard HWMA fee is \$25.38 per ton for solid waste leaving the County. The fee supports HWMA programs and facilities. The District has 5,000 to 10,000 tons at Redwood Berth 2, resulting in a potential \$120,000-\$240,000 in fees. The Staff recommends submitting a letter requesting a waiver of these fees for the Pulp Mill based on the public benefit of the site cleanup, one time nature of the project, and the District's substantial investment in the cleanup. The letter of request would be an agenda item for the HWMA Board.

District Counsel said the EPA is really stepping up to the plate. He said any local contribution gives the District more leverage.

Commissioner Wilson spoke to Jill Geist from HWMA. He said the letter should make clear the waste is on public property.

COMMISSIONER NEWMAN ACCEPTED THE FRIENDLY AMENDMENT. COMMISSIONER DALE SECONDED THE FRIENDLY AMENDMENT.

Karen Brooks suggested to have a sign that thanks all those who have participated in the project. Commissioner Higgins said the Trinity Restoration program made an acknowledgment sign and it was great.

MOTION CARRIED WITHOUT DISSENT.

E. CONSIDERATION OF APPROVAL OF QUIT CLAIM DEED TO CALIFORNIA REDWOOD COMPANY FOR ROAD EASEMENT.

CEO said the easement was given to the Harbor District by Simpson with a clause that if not used within 5 years, it would be terminated. District Counsel said the District did not use the easement within the designated 5 years. The Quit Claim Deed would help California Redwood clean up their property.

COMMISSIONER HIGGINS MOTIONED FOR THE APPROVAL OF QUIT CLAIM DEED TO CALIFORNIA REDWOOD COMPANY FOR ROAD EASEMENT. COMMISSIONER DALE SECONDED.

Commissioner Wilson said it is useless to the Harbor District due to the location.

President Marks said it is a good neighbor gesture so that California Redwood does not have to file a bunch of other paperwork.

MOTION CARRIED WITHOUT DISSENT.

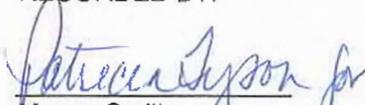
ADMINISTRATIVE AND EMERGENCY PERMITS: None

The Regular Meeting of the Board of Commissioners adjourned at 9:37 p.m.

APPROVED BY:


Greg Dale
Secretary

RECORDED BY:


Megan Smith
Clerk