

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

1 December 2005

PRESENT:

Commissioner Pellegrini
Commissioner Curless
Commissioner Fritzsche
Commissioner Hunter
Commissioner Ollivier

The Closed Session was called to order at 6:05 p.m. Closed Session adjourned at 6:45 p.m.

The regular meeting of the Board of Commissioners was called to order by President Pellegrini at 7:00 p.m. Roll call was taken. Commissioner Fritzsche lead those present in the Pledge of Allegiance.

In District Counsel's absence, CEO reported on the items discussed during Closed Session: potential lease/sale of the Samoa shop property, Simpson tideland lease assignment, Fields Landing Boat Yard, but no action was taken.

PUBLIC COMMENT

David Elsebusch stated that he felt the Board of Commissioners was enamored with China. He read out loud letters to a car magazine regarding business in China and possible motives for Chinese exports. He said he felt there must have been some embarrassment felt by President Pellegrini because the purpose of the China trip wasn't to sell goods to China, but to "suck up to the Commies." He said that before partnering with the Chinese, the Commissioners should think about America first.

Melvin McKinney said the "My Word" article printed in the Times-Standard today tells what the public is thinking about President Pellegrini's trip to China: What did we get for the money spent? He said he hopes accommodations were made for the Chinese to come here to meet about rebuilding the railroad.

David Spreen stated he wrote the "My Word" article. He suggested rethinking the partnership with the Port of Oakland, but understands it is tough to change course once a lot of time and energy has been expended.

Commissioner Hunter asked Mr. Spreen to summarize his article, and he did so.

Mr. Spreen stated he reviewed the online China report and is interested in the Foreign Trade Zone and how it might be utilized.

President Pellegrini stated she took issue with Mr. Spreen's statement that Governor Schwarzenegger was "hiding" in China following the recent special election and that the trip had been planned for a long time.

Pete Oringer stated that as part of the Humboldt Bay Management Plan, the harbor was considered a multi-faceted situation and that the committee spent a great deal of time in the beginning of the planning process mulling over the name and the hats the Harbor District wears. He said the Harbor District is a multi-function agency with charges mandated by the State and the harbor is only one aspect. He said the Harbor Revitalization Plan had been prepared so that there would be lots of information on the harbor and one of the charges in that process was to set up guidelines as to how to address issues when they come up, such as the trip to China. The HRP allows better definition of the product and what questions to ask. Importing is a fact and how does Humboldt County benefit from that.

Penny Elsebusch reminded the Board that the Headwaters Fund Board meeting was coming up and there may be discussion on the Community Investment Fund. She said there are two grant applications, the Harbor District is one.

CONSENT CALENDAR

COMMISSIONER CURLLESS MOVED FOR THE APPROVAL OF THE CONSENT CALENDAR.
COMMISSIONER FRITZSCHE SECONDED. MOTION CARRIED WITHOUT DISSENT.

CEO REPORT

- √ CEO reported that in the 2005/06 Budget, \$9,000 had been allocated for the purchase of an electric truck. Penny Elsebusch had reported to Harbor District staff that the McKinleyville Community Services District had one that they had declared surplus property. Tonight's Board action on the Consent Calendar approved the purchase of the electric truck for \$2,000 saving the District \$7,000. CEO thanked Ms. Elsebusch for the tip.
- √ 11/9: Tour of harbor with General Schroedel.
- √ 11/16: CEO attended the Headwaters Board meeting where the meeting was dedicated to the grant program, so the Harbor District's application was not on the agenda. CEO reported to the Headwaters Board on the status of the State's Goods Movement programs.
- √ CEO reported the dioxin testing results should be received tomorrow or early next week. Commissioner Hunter asked if the maintenance dredging permit could be on the Coastal Commission's December agenda. CEO replied that due to the time constraints levied on the applicant's submittal of additional information to the Commission that most likely January would be the earliest. Commissioner Hunter then asked what is the next step once the Coastal Commission approves the permit. CEO stated that if dredging cannot occur this winter, then November 2006 would be the earliest the dredging would begin. CEO also stated the Harbor District and the City of Eureka jointly spent over \$100,000 to do the testing, but lost most of the environmental window of opportunity in the meantime. Commissioner Hunter suggested meeting with Supervisor Neely, the local Coastal Commissioner, to discuss the impact on a cost/life assessment done based on a delayed project.
- √ 11/30: CEO and Administrative Assistant met in an orientation session with newly elected Commissioner Mike Wilson.
- √ Don Leonard's report on the Cruise the West meeting was received.
- √ 12/8: The Military Heritage Society will hold a reception at which time the LCI1091 will be donated to the MHS as a museum ship.

DISTRICT COUNSEL'S REPORT: None

STAFF REPORT: None

COMMISSIONER REPORTS

Commissioner Fritzsche reported he visited his son and daughter-in-law in South Carolina. They are employees of Confluence who purchased Watermark, an industry once located in Arcata. Since the purchase by Confluence, 200-300 non-union employees have been hired to build kayaks.

Commissioner Fritzsche stated the California and World Ocean Conference 2006 will be held September 17-20, 2006 and it would be advantageous for the Harbor District to have a representative available to present the Humboldt Bay Management Plan as a model to be used throughout California.

Commissioner Fritzsche stated that in the Coast and Ocean publication, an article appeared that discussed California's beach disappearance and the probable cause – moving dredge debris out to the open ocean instead of depositing on the beach.

Commissioner Fritzsche stated this is his last night as a Commissioner and he said it was a pleasure serving on such a functional board. He thanked CEO, Administrative Assistant, Jerry Scott (former District Counsel), Gerry Hansen (former District Treasurer who sent the financial standards for the District), current District Counsel and Treasurer and all of the Commissioners he has had the pleasure of serving with for the last nine years.

Commissioner Hunter shared a Coast Central Credit Union annual calendar with the Board, including Mike Wilson.

Commissioner Hunter stated that HSU President Rollin Richmond was a speaker at a recent Rotary meeting. He said he thought one of the Board's 2006 priorities should be to increase the relationship with HSU.

President Pellegrini Report on China Trade Mission

President Pellegrini made a Powerpoint presentation on her trip to China as a part of Governor Schwarzenegger's delegation to discuss goods movement in California ports. She discussed the mission of the trip, the strategy and the numerous contacts made. The main question of discussion was "What can California do to move goods more efficiently throughout the State?" Since Humboldt Bay was the only California port represented, discussion centered on Humboldt's participation and potential.

Fred Chein, the other local Harbor District delegate, stated that the mission was accomplished and that was to gain exposure of Humboldt Bay, both domestically and internationally.

Ken Davlin stated it is important to establish the Port of Humboldt Bay as a viable, working port and this trip created this role. Port of Oakland already has a trade mission with China. He said also that the Chinese representatives were able to see the Port of Humboldt Bay gain stature in the State's eyes and that the Port of Humboldt Bay has shown it has the guts to play with the big guys.

Commissioner Ollivier stated the future of the rail is related to our port development. The railroad will begin by opening the Marin County section soon. Currently 80% of the goods movement is by truck, which is inefficient. The Harbor District budget is tight, but is working on opportunities, which will not pollute the area and will bring in jobs and funding for the harbor as well as local funding for conservation and recreational projects.

President Pellegrini stated two additional items of information: 1) The US Embassy set up the meeting with Shanghai representatives and 2) Vietnam is emerging as a viable shipping center.

Commissioner Hunter stated that Redwood Dock should be where the focus is concentrated since it is the only public facility on the bay.

Ken Davlin suggested that all of the preceding information presented at this meeting should go towards the development of an RFP of Redwood Dock Modernization to be submitted for a Headwaters grant. Mr. Davlin stated it was important for President Pellegrini to go to China because it is the current center of the shipping world. He also suggested President Pellegrini give this same presentation to all the local legislators.

Kaye Strickland asked President Pellegrini if she had an opportunity to convince the Governor that he shouldn't have vetoed the recent rail bill. President Pellegrini responded that she had made progress with some of the Governor's staff about the importance of the rail and that it is imperative to show Humboldt Bay as a port beneficial to California and other Western states.

ADVISORY COMMITTEE REPORTS

a) Port of Oakland Advisory Committee Update

President Pellegrini stated the partnership with the Port of Oakland spurred the involvement with the China trip.

b) Long-Term Sediment Management Study Update

CEO reported that work is still being done on developing the State's share of the cost share program and that General Schroedel is continuing to work on the deadline extension.

Commissioner Hunter stated the Human Resources Committee met.

OTHER: None

NON-AGENDA: None

UNFINISHED BUSINESS: None

NEW BUSINESS:

A. CONSIDERATION OF RESOLUTION 2005-09 COMMENDING RON FRITZSCHE FOR HIS SERVICE AS COMMISSIONER OF THE HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT.

President Pellegrini read the resolution commending Commissioner Fritzsche and thanked him for his many years of service to the Harbor District.

COMMISSIONER CURLESS MOVED FOR THE APPROVAL OF RESOLUTION 2005-09 COMMENDING RON FRITZSCHE FOR HIS SERVICE AS COMMISSIONER OF THE HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT. COMMISSIONER HUNTER SECONDED. ROLL CALL VOTE WAS TAKEN:

COMMISSIONER PELLEGRINI – AYE
COMMISSIONER CURLESS – AYE
COMMISSIONER FRITZSCHE – ABSTAIN
COMMISSIONER HUNTER – AYE
COMMISSIONER OLLIVIER – AYE

MOTION CARRIED WITHOUT DISSENT.

Commissioner Fritzsche once again thanked everyone for their support and for the resolution.

B. CONSIDERATION OF PARTIAL LEASE ASSIGNMENT, ASSUMPTION AND CONSENT AGREEMENT FOR TIDELAND LEASE PRC 4729.41.

CEO reported in January 2005 the Harbor District accepted an Assignment from Louisiana-Pacific to Simpson Timber of the North Coast Export tideland lease. Simpson would now like the Harbor District to assign a small portion of the dock, approx. 1 acre, to Ted Kuiper as a tideland lease.

COMMISSIONER FRITZSCHE MOVED FOR THE APPROVAL OF PARTIAL LEASE ASSIGNMENT, ASSUMPTION AND CONSENT AGREEMENT FOR TIDELAND LEASE PRC 4729.41. COMMISSIONER OLLIVIER SECONDED. MOTION CARRIED WITHOUT DISSENT.

C. CONSIDERATION OF RESOLUTION 2005-10 CREATING THE POSITIONS OF BAR PILOT.

CEO reported that approximately 13 years ago, the State of California transferred the responsibility for licensing bar pilots to the Harbor District. Approximately 6 years ago, the Harbor District developed standards for pilotage in Humboldt Bay that included levels of training, professional growth and other standards that are codified in Ordinance 15. This action proposed under this agenda report is really another step in the continuum of our harbor's revitalization. Pilotage services are absolutely essential for the continued shipping in Humboldt Bay.

CEO further stated that by hiring the pilots as employees, this not only gives the pilots the assurance that they can continue their profession in Humboldt Bay regardless of the fluctuations in ship traffic, but it also gives the Harbor District the ability to ensure that pilotage services remain available to all shippers in Humboldt Bay and that those services stay at a competitive rate.

The Pilotage Committee and District Counsel have met several times on this issue and have recommended approval of this action. CEO noted that this is just the first step in this process. If this

resolution action is approved, the Board should also direct the CEO and District Counsel to begin the hiring process. The hiring process will be vetted through the Pilotage Committee and ultimately the final step will be to bring employment contracts back to the full Board for consideration. This action does not hire anyone; it merely creates the positions and starts the process.

Commissioner Hunter asked if the State is mandating the hiring of the pilots and also asked about liability.

CEO replied the State is not mandating the hiring as they have in previous pilotage issues. He also said the Master of the vessel absorbs the liability, since it is the choice of the Master of the vessel whether to take the recommendations of the pilot. Due to extreme fluctuations in the shipping in Humboldt Bay, the pilots are unable to maintain a steady salary. If there is not enough business to cover their salaries, they may raise their fees, which in turn drives business away. This action would retain the pilots in order to entice deep draft shipping. CEO also stated the pilots have knowledge in other areas the Harbor District can utilize.

COMMISSIONER CURLESS MOVED FOR THE APPROVAL OF RESOLUTION 2005-10 CREATING THE POSITIONS OF BAR PILOT AND TO DIRECT CEO AND DISTRICT COUNSEL TO DEVELOP A HIRING PROCESS FOR THE BOARD'S CONSIDERATION. COMMISSIONER HUNTER SECONDED.

Dave Spreen suggested sub-contracting with pilots out of the area to bring in as needed. Captain Tim Petruscha stated that is not a feasible idea since it would take years to qualify a pilot to bring a ship in to Humboldt Bay. He said that at this time, both pilots are boarding incoming/outgoing ships in order to stay current with the pilot requirements.

Melvin McKinney asked about the ratio of the expense to income, since the Harbor District is "almost down to being broke." He also asked if the pilots were going to be individual contractors or union pilots.

President Pellegrini stated that "due to the Board of Commissioners' foresight of putting away money into reserves in the past, I wouldn't characterize the District as being broke."

Commissioner Ollivier stated that in terms of prosperity, retaining the Humboldt Bay pilots will make money for the Harbor District in the long run.

David Elsebusch stated that he felt this is "another example of a lack of transparency that occurs in this Board all the time" since three Commissioners had no idea of this proposition, otherwise there would be a Brown Act violation.

President Pellegrini reminded him of a previous agenda report on the Humboldt Bay Bar Pilots Advisory Committee giving the scenario of what is being presented to the Board at this time.

David Elsebusch said that even though the resolution is not to hire the bar pilots, it is a definite decision that is being made and "the consequences financially are going to flow therefrom. So that is just an obfuscation to say that this is just the first step." He said he felt the resolution was creating a hiring obligation.

Commissioner Hunter reminded Mr. Elsebusch of today's earlier phone conversation during which he asked Commissioner Hunter if the Board was polled on this item. Commissioner Hunter had told him during the phone conversation that the committee was recommending this resolution to the Board and Mr. Elsebusch had agreed this was the proper protocol. Commissioner Hunter asked Mr. Elsebusch why was he changing his mind now.

Mr. Elsebusch responded that he had hoped to see an agenda report. Commissioner Hunter responded that he told Mr. Elsebusch on the phone that he would hear a report at the meeting and that the CEO had, in fact, given the report at this meeting. Mr. Elsebusch stated he wanted to hear from the committee and that the recommendation should be in writing with more of a conclusion. Mr. Elsebusch

also asked the Board how they could put in motion to hire someone if they did not know the associated costs. He felt this is not the time for hiring the pilots since there is little port business at this time.

Commissioner Fritzsche stated the resolution simply establishes the positions to go into an inventory of vacant positions the Harbor District can choose from and currently there are several.

Commissioner Hunter suggested committee reports be provided on agenda items in the future so the Board can review the facts and recommendations.

Commissioner Curless stated Harbor District Ordinance 15 states that two bar pilots will be retained in the Port of Humboldt Bay.

ROLL CALL VOTE WAS TAKEN:

COMMISSIONER PELLEGRINI – AYE
COMMISSIONER CURLESS – AYE
COMMISSIONER FRITZSCHE – AYE
COMMISSIONER HUNTER – AYE
COMMISSIONER OLLIVIER – AYE

MOTION CARRIED WITHOUT DISSENT.

D. CONSIDERATION OF COMMENTING ON EVERGREEN PULP'S VARIANCE REQUEST.

CEO reported that on December 5th, the Air Quality Hearing Board will consider issuing a variance order to Evergreen Pulp to allow them to continue operating while making needed repairs.

President Pellegrini discussed a draft of a letter presented for the Boards' approval. She reported she attended a meeting with David Tsang of Evergreen Pulp and it was reported that if the mill was shut down, a loss of \$100,000 per day would be suffered. Therefore, if the mill is ordered to be shut down, it would have to be permanent and President Pellegrini stated that Evergreen Pulp is the last shipper of pulp in Humboldt Bay.

Commissioner Hunter stated he is not ready for a gate to be placed across the entrance to the jetty. He said that Evergreen should comply with State and Federal requirements; but sometimes the media presentation of a subject is unfair and creates undue emotion. Evergreen Pulp is trying to do the right thing and our responsibility is to help them if they are indeed trying.

Commissioner Ollivier stated that Evergreen Pulp has over 180 employees who could lose their jobs.

COMMISSIONER CURLESS MOVED FOR THE APPROVAL OF COMMENTING ON EVERGREEN PULP'S VARIANCE REQUEST. COMMISSIONER OLLIVIER SECONDED.

Commissioner Fritzsche said he recalled the smell years ago coming from Louisiana-Pacific and then they invested in a filtration system to lessen the smell. He said it was good to have an owner who wants to make the needed repairs to the system that is in place.

Commissioner Hunter said the letter for Evergreen Pulp balanced the support for business with ecological and environmental issues.

Kaye Strickland said she is a strong supporter for jobs and economy and air quality balance. She said Evergreen Pulp is very community minded and willing to make the needed improvements.

Melvin McKinney, a former pulp mill worker, said that since Evergreen Pulp is in the process of working with the Hearing Board, that he considered the letter too much outside interference with the process and the Board will make the ruling under the law.

David Elsebusch said the public hasn't seen the draft of the letter and the Board of Commissioners should let the Hearing Board do their job and go through the process. He also said both sides should be presented in order for the Board of Commissioners to consider.

Commissioner Hunter stated he felt the Hearing Board should grant the variance and then if Evergreen Pulp did not make the required repairs and upgrades, the Harbor District Board of Commissioners would then reconsider their support. Commissioner Hunter read the draft letter aloud.

Penny Elsebusch said that the newspaper presents a bias/propaganda and that she agrees with the last paragraph of the proposed support letter. Humboldt County cannot afford to lose 180+ jobs and the Harbor District does have a lot to lose if the mill shuts down and there is no more shipping.

Dave Spreen stated his observation is that the letter is outside the Harbor District's primary jurisdiction and he recommended the letter be withdrawn until further public input is provided. He said the public gets confused with overlapping responsibilities.

President Pellegrini stated the Port's perspective on this issue needs to be heard.

Commissioner Ollivier stated that Evergreen Pulp is the last of Humboldt County's industrial base and the Harbor District Board of Commissioners should comment.

Kaye Strickland said the letter provides the Port's perspective and the Board of Commissioners has every right to provide it.

Commissioner Fritzsche asked if Evergreen Pulp was requesting support letters and were other agencies writing letters.

President Pellegrini said the letter is a result of the meeting she attended with David Tsang of Evergreen Pulp where he stated that he believed the Air Quality Hearing Board was going to request an 18-month shut-down of Evergreen Pulp until required repairs were made. This prompted President Pellegrini to request a draft support letter be presented for the Board's consideration. She stated that Evergreen Pulp uses the harbor and is one of the biggest shipping businesses left in Humboldt Bay. President Pellegrini said "If we can't speak about this, why are we here?"

CEO stated the Humboldt Bay Municipal Water District has submitted a letter of support for Evergreen Pulp to the Air Quality Hearing Board.

MOTION CARRIED WITHOUT DISSENT.

E. CONSIDERATION OF SECOND AMENDMENT AND AGREEMENT WITH BAYSAIL LLC TO OPERATE BOAT RENTAL SERVICES.

CEO reported that when the City of Eureka began their Boardwalk Project, Jay Dottle relocated his Hum-Boats business to Woodley Island and it has grown significantly. Mr. Dottle is ready to semi-retire and has sold all of his business except the sailing and sailing instruction portion. The proposed amendment splits the business lease and Mr. Dottle's business remains in the same spot in the marina.

Commissioner Fritzsche asked about the use of the Table Bluff Lighthouse as stated in the agreement. CEO stated that Mr. Dottle will not be maintaining an office at Woodley Island, but will use the first floor of lighthouse for paperwork storage at \$70/month.

COMMISSIONER HUNTER MOVED FOR THE APPROVAL OF SECOND AMENDMENT AND AGREEMENT WITH BAYSAIL LLC TO OPERATE BOAT RENTAL SERVICES. COMMISSIONER OLLIVIER SECONDED. MOTION CARRIED WITHOUT DISSENT.

F. CONSIDERATION OF PERMIT AND AGREEMENT WITH HUM-BOATS TO OPERATE KAYAK RENTAL SERVICES.

COMMISSIONER CURLLESS MOVED FOR THE APPROVAL OF PERMIT AND AGREEMENT WITH HUM-BOATS TO OPERATE KAYAK RENTAL SERVICES. COMMISSIONER OLLIVIER SECONDED.

MOTION CARRIED WITHOUT DISSENT.

ADMINISTRATIVE AND EMERGENCY PERMITS

CEO reported an administrative permit was issued to Louisiana-Pacific for the removal of asbestos from their dock.

The Regular Meeting of the Board of Commissioners adjourned at 9:00 p.m.

APPROVED BY:

____Signature on File____
Roy Curless, Secretary

RECORDED BY:

____Signature on File____
Patricia L. Tyson, Admin. Assistant