

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

23 March 2006

PRESENT:

Commissioner Curless
Commissioner Wilson
Commissioner Hunter
Commissioner Ollivier

ABSENT:

Commissioner Pellegrini

The Closed Session was called to order at 6:00 p.m. Closed Session adjourned at 6:24 p.m.

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

Pete Oringer led those present in the Pledge of Allegiance.

District Counsel reported on the items discussed during Closed Session: real property negotiations on the South Bay portion of Harbor District property in Fields Landing and real property negotiations regarding the lease with Evergreen Pulp. No action was taken on the items of discussion.

PUBLIC COMMENT

Gordon Leppig said he had some suggestions and comments regarding the District's website. He said he found no information regarding the District's committees on the website and thought they should be listed on the website, including the number of committees and who serves on those committees. Mr. Leppig also suggested the District's by-law and policies and procedures should also be available on the District's website. Also, more extensive Commissioner biographies, including expertise, background, and years served should also be on the website.

Pete Oringer said in January, Bill Bertain wrote a letter to the Harbor District Board of Commissioners expressing the recommendations and requests passed by motion at RAPIT's meeting of January 9, 2006. He suggested the Board's next agenda reflect discussion of RAPIT's recommendations. Mr. Oringer also suggested when the advisory committees advisory committee meets, consideration should be given extending the structure of the committees outside of the Board of Commissioners to the public in order to access a broader base to harvest talents, while the Board still maintains control.

CONSENT CALENDAR

COMMISSIONER OLLIVIER MOVED FOR THE APPROVAL OF THE CONSENT CALENDAR.
COMMISSIONER CURLESS SECONDED. MOTION CARRIED WITHOUT DISSENT.

CEO REPORT

- v March 2-17: CEO attended several conferences on port business.
 1. CAPA: discussion centered on the State's infrastructure bond program; positions were developed and the ports were unified for a statewide bond. The deadline for the June ballot was missed by the State legislature; therefore the bond may appear on the November ballot.
 2. CMANC and PNWA: Both were held in Washington DC. Legislators, legislative staffs, and various agencies were contacted during this visit regarding channel maintenance dredging funding, passage of a Water Resources Development Act, funding and support for our Short Sea Shipping program, funding for the shoaling study and other issues from the Harbor District's legislative priorities. All funding requests were received and it is possible that there will be a WRDA this year.
 3. Seatrade Convention: Held in Miami. In the past, Don Leonard of the Convention and Visitors Bureau has represented both the Harbor District and the City of Eureka. CEO reported that the Seatrade event was an opportunity to interact with the various cruise line representatives. He

said that prior to next year's conference, the Board of Commissioners should determine what piece of the cruise ship market the Harbor District wants to target, perhaps through the Harbor District's 2007-2011 Strategic planning process.

Commissioner Hunter asked if the cruise ship target is dictated by ship size. CEO replied yes, but that updated information on the limitations for the port is needed.

- ✓ CEO met with Ken Davlin to "tune up" the Headwaters Grant information
- ✓ Dredge Yaquina arrived in port 2 days ago and will work for 30 days to do the maintenance dredging on the inner channel and turning basin.
- ✓ Dredge Essayons will arrive on March 28th and will work for 25 days to do the maintenance dredging on the bar and entrance to Humboldt Bay.
- ✓ CEO and Administrative Assistant met with representatives of FEMA and OES regarding the December 2005 storm damage.
- ✓ Staff discussed plans for the 2006 Humboldt Bay Maritime Expo on September 30th.

Commissioner Ollivier asked if there would be any storm damage recovery from FEMA for the shoaling caused in the entrance to the bay. CEO replied that there is shoaling, but it is at a manageable level. Currently there is a draft restriction, but it is not as much as was expected for the amount of flooding in the Eel River. In addition, CEO noted that FEMA will not cover the shoaling as it is the responsibility of the Corps of Engineers.

Pete Oringer asked if the Harbor District has disaster preparedness documents in place, since this would be good time to re-examine procedures based on the recent storms. CEO replied that the Harbor District does have policies and procedures in place and they worked perfectly during the storms. Because the majority of the Harbor District staff has longevity, moving into the Incident Command - Emergency Operations Center mode was very smooth. Commissioner Hunter said he commended CEO for communicating with the Board of Commissioners regarding the storms and the resulting damage to Harbor District property.

David Elsebusch asked if there was a written report of the CEO's travels. CEO responded he provided a written report to the Board.

Moss Bittner asked if the issue of the damage to the rail line between Bracut Lumber and Simpson Timber Company came up during discussions with FEMA and OES. CEO replied that since the rail line is not the Harbor District's project, it did not enter into the discussion.

DISTRICT COUNSEL'S REPORT: None

STAFF REPORT

District Treasurer reported he and President Pellegrini attended a County of Humboldt meeting on March 15th, where the financial impacts to special districts caused by the implementation of the County's Redevelopment Agency were discussed. He said the best estimate of the impact on the District's revenue shows a net increase of \$8,000 over 45 years. Initially, a loss of \$1,000 - \$3,000 per year would be realized for the first 15 years and then a positive impact would occur for the next 30 years. Another table in the presentation told a different story – assuming redevelopment did nothing to increase revenue, there would be a net loss to the District of approx. \$12,000 per year in lost property taxes, for a total of approx. \$578,000.

Commissioner Hunter asked if the County was still aware of the Board of Commissioners' position that the County should wait to approve their Redevelopment Agency until the State has concluded the ERAF tax shift. District Treasurer stated the last fiscal year for the ERAF tax shift would be 2006/07.

David Elsebusch stated at the County's Redevelopment Agency meeting it was apparent the County's consultants were fed information from County staff. He said the consultant made the statement that Samoa and Fairhaven were kept in the Redevelopment plan because the redevelopment staff informed him that the Samoa Town Master Plan would not go forward without redevelopment. He questioned whether the statement is the truth; and Mr. Elsebusch stated, in his opinion, there is no credibility left to the redevelopment plan.

District Treasurer stated there are no concrete numbers and each agency has to look at the direction it wants to go. He said the consultant stated the projections were made based on information provided by County staff.

COMMISSIONER REPORTS

Commissioner Curless reported Congressman Mike Thompson attended a Fortuna Town Hall meeting on March 21st and discussed some very tough topics, including the war in Iraq.

Commissioner Wilson reported the Website Advisory Committee will meeting on March 31st. He said he already met briefly with Conservation Specialist and website consultant and Conservation Specialist provided him with about 20 different websites for examples. Commissioner Wilson said it is his intention to put as much information as possible on the District's website.

Commissioner Wilson stated the current structure of the advisory committees is confusing. He said he met briefly with Administrative Assistant, CEO and Commissioner Hunter prior to tonight's meeting regarding reforming and streamlining the standing and advisory committees structure.

Commissioner Hunter suggested the local media, particularly the new members, should be provided some education on the terminology and information regarding the differences between maintenance and deepening dredging – when the dredging will happen, where it will happen and why is it necessary.

Commissioner Hunter then introduced Moss Bittner for a report on meetings he has attended in Sacramento. He said the reason the bond bill did not make it on the June ballot was that many legislators and their staff did not understand the final language of the bill. He also attended a California Transportation Commission (CTC) meeting on March 16th where the NCRA was requesting the programming of funds previously allocated by statute. He said also CTC will be considering a statewide Master Plan for goods movement that has been submitted by CALMITSAC, in which CEO has worked diligently to make sure the Port of Humboldt Bay is recognized within the plan. Mr. Bittner stated he also met with some port planners from the firm JWD in Oakland, who said they were interested in what is happening at the Port of Humboldt Bay.

Commissioner Ollivier introduced Marcus Brown of the Timber Heritage Association. Mr. Brown reported the Arcata/Mad River Diesel 101 built in 1950 was saved from being scrapped in Louisiana and was shipped here at a cost of \$22,000. A ceremonial starting of the engines occurred on March 22nd with Commissioner Ollivier in attendance. Mr. Brown said that they are looking for volunteers to help fix the track between Arcata and Samoa and are hoping to operate the engine in 2007.

Pete Oringer thanked Humboldt Flakeboard for allowing the use of their tools to work on the engine. He said a fundraiser will be held on April 1st at the Arcata Community Center.

ADVISORY COMMITTEE REPORTS

Commissioner Hunter reported the HR advisory committee met to discuss union negotiations. He said there might be a proposal for Board of Commissioners consideration at the next meeting.

a) Port of Oakland Advisory Committee Update

CEO stated he is continuing to work with Port of Oakland staff on future meetings.

b) Long-Term Sediment Management Study Update

CEO reported staff continues to work to get the Long-Term Sediment Management Study into the state bond program.

OTHER: None

NON-AGENDA: None

UNFINISHED BUSINESS: None

NEW BUSINESS

A. CONSIDERATION OF LEASE AGREEMENT AND GUARANTY FOR A PORTION OF LEASE 4600.1 BETWEEN THE HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT AND EVERGREEN PULP.

District Counsel reported during the last Board of Commissioners meeting, the Board of Commissioners finalized the termination of the lease between Louisiana-Pacific and the Harbor District for the tidelands portion of the lease for PRC 4600.1. What is being considered at this meeting is a lease for the uplands portion of that same lease with Evergreen Pulp. The proposed lease is for a period of 5 (five) years, \$18,000/year, with a \$5,000 security deposit, and would be retroactive to January 21, 2006 when Evergreen Pulp assumed the operations from Louisiana-Pacific. District Counsel said that the title of the agenda item indicates a guaranty is necessary; but since Evergreen Pulp is not going to use the dock, a guaranty is not required. Also, the improvements left on the lease area are fairly insignificant – one building encroaches on the District property. However, the lease amount plus a 50' wide right of way for all purposes of ingress, egress and utilities are stipulated in the lease to offset the encroachment.

District Counsel stated the lease term is five (5) years with an option to renew and the current CPI will increase the lease payment amount if the lease is renewed. Also at the end of the lease period, if the Harbor District wants the improvements to the property left, the lease requires the District to pay the difference between the salvage value and the cost to remove the improvement if the salvage value is larger.

COMMISSIONER OLLIVIER MOVED FOR THE APPROVAL OF LEASE AGREEMENT AND GUARANTY FOR A PORTION OF LEASE 4600.1 BETWEEN THE HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT AND EVERGREEN PULP. COMMISSIONER CURLESS SECONDED.

Commissioner Hunter suggested the elimination of the words "and Guaranty" from the motion.

COMMISSIONER OLLIVIER AND COMMISSIONER CURLESS ACCEPTED THE SUGGESTION FROM COMMISSIONER HUNTER AND AGREED TO THE ELIMINATION OF THE WORDS "AND GUARANTY" FROM THE ORIGINAL MOTION.

Commissioner Ollivier thanked District Counsel for his good work on the finalization of the lease.

MOTION CARRIED WITHOUT DISSENT.

Commissioner Hunter took this opportunity to wish District Counsel a Happy Birthday as his birthday was on March 21st.

B. FY 2006/07 BUDGET WORKSHOP.

Commissioner Hunter stated he is very proud of the number of public meetings that will be held prior to the Board's adoption of the Final Budget for FY 2006/07 on June 27th.

District Treasurer reported the summary of the Preliminary FY 2006/07 Budget for this Budget Workshop as follows: Revenue: \$1,803,366; Operating Expenses: \$1,625,552; Non-Operating Expenses: \$2,601,200 and Excess Revenues under Expenses: (\$2,423,386). He said the Non-Operating Expenses include the maintenance dredging not completed in this fiscal year. Also, the Board of Commissioners should consider long-range planning for additional revenue in the future since the District's reserves are being spent down on various projects.

CEO made a Power Point presentation. He said under Revenue, the Tax Revenue will increase due to the end of the ERAF shift this fiscal year and no fee increases are currently being considered. Tideland Lease revenue is down due to the elimination of several leases over the last few years; however the \$948,000 received from the termination of the Louisiana-Pacific tideland lease approved during the last Board meeting will help with decreased tideland lease revenue. CEO stated it would be a good time to

consider spending some of that \$948,000 for marine terminal improvements. Under Expenses, the budgeted amount from last fiscal year for Salaries/Wages and Payroll Burden is carried over as a placeholder until the union negotiations are finalized; under Professional Services, there is an allocation for the Woodley Island West End development and the Engineer/Planner positions are still included as in the FY 2005/06 budget. Under Capital Expenditures, the maintenance dredging expense is carried over until completion and there is a placeholder in Harbor Improvement for the State bond share of the shoal management study.

Gordon Leppig had several questions regarding the budget. He asked if there is a point at which the State can take the District's surplus funds. He also stated he did not see a proposed increase in Harbor District fees. Commissioner Hunter responded that the Board of Commissioners determines the fees and staff could propose a change in the fees anytime during the budget process. Mr. Leppig asked about the amount of the Commissioners' fees and was told the President receives \$500 per month and the rest of the Board receives \$400 per month, excluding travel expenses. He also asked about the category of Recreational Enhancements and CEO responded that this category includes informational signage; costs associated with removal of exotic plants, replacement costs and enhancements to Harbor District property. Mr. Leppig suggested that since conservation and recreation are principle functions of the Harbor District, their categories should not be combined, but treated individually. CEO stated that while that is true, it is not always practicable because it is similar to splitting the revenue and expenses of the marina.

Commissioner Wilson asked if any of the staff's wages were paid by outside agencies. CEO replied that they are not and that a summary of proposed grant activity will be included in the next preliminary budget. District Treasurer stated that while grant activity is tracked during the year, it is not included in the budget because the grant funds that are received are the same as those spent during the year and they cancel each other.

CEO stated that while the Harbor Improvement Surcharge (HIS) is currently at 45% of the expected revenue, the safety benefits of the deepening and widening of the bar and entrance surpass the income received by the Harbor District. At the time the amount of the HIS to be paid by shippers was implemented by the Board, there was much more shipping traffic and it was expected that the HIS would cover 60% of the annual loan payments. CEO stated the Board of Commissioners has the authority to decrease/increase the rates of the HIS at any time.

David Elsebusch stated the grant revenue and expenses should be included in the budget because it gives the total picture of the activity throughout the year. He also asked for clarification of the Fund Balance Reservation schedule.

Gordon Leppig asked if there should be a placeholder for the bar pilots' positions approved previously by the Board. CEO responded negotiations with the bar pilots are ongoing and it is premature to put salary/wage placeholders in the budget

Commissioner Hunter suggested a "Total" column be added to the Fund Balance Reservation schedule for ease in understanding.

Commissioner Wilson said he would like to see net assets separated out from the net income in the "Analysis of Budgeted and Actual Surpluses and Deficits". CEO suggested Commissioner Wilson work with District Treasurer for clarification.

ADMINISTRATIVE AND EMERGENCY PERMITS: None

The Regular Meeting of the Board of Commissioners adjourned at 9:03 p.m.

APPROVED BY:

RECORDED BY:

____Signature on File____
Roy Curless, Secretary

____Signature on File____
Patricia L. Tyson, Admin. Assistant