



BOARD MEETING – MONDAY, JULY 31

AGENDA

3:00 PM

SEDA Conference Room – 329 Harbor Dr., Suite 212

Regular Meeting

3:00 PM

<u>Item</u>	<u>Action</u>
A. Call to Order	Acknowledge
B. Roll Call	Acknowledge
C. Review of Minutes	Motion to Approve
JUNE 8TH, 2017	
D. Correspondence & Other Information	Acknowledge/Questions
E. Changes/Additions/Deletions to Agenda	Change/Add/Delete
F. Reports	
G. Persons To Be Heard	
H. Unfinished Business	
1. Eckert Fine Beverages LLC Water Purchase Proposal	Discussion/Recommendation
2. Strategic planning	Discussion/Recommendation
I. New Business	
1. Arctic Blue Waters (Alaska) Ltd. Water Purchase Request	
	Discussion/Recommendation
J. Adjournment	

The Mission

It is the mission of the Gary Paxton Industrial Park Board and management, by direction of the Sitka Assembly, to strategically develop the park in a fiscally responsible manner that maximizes its economic benefit to the community through creation of meaningful jobs in conformance with established community plans and policies.



329 Harbor Drive, Suite 212
Sitka, AK 99835
Phone: 907-747-2660

Wednesday, July 26th, 2017

MEMORANDUM

To: Gary Paxton Industrial Park (GPIP) Board of Directors
From: Garry White, Director
Subject: Eckert Fine Beverages LLC Water Purchase Proposal

Introduction

Eckert Fine Beverages LLC is requesting to establish a water purchase agreement with the City and Borough of Sitka (CBS) to export water in containers sizes less than a 40-foot container to be bottled at a facility in the lower 48.

Brian and Michael Eckert are the principal owners of the family run business located in California. Both Brian and Michael attended the March GPIP Board meeting and presented information on the business vision for bottling Sitka water. Additionally, the Eckerts met telephonically with the GPIP Board at its April and June meetings to negotiate terms of a raw water purchase agreement.

The GPIP Board and the Eckerts were unable to come to terms on a water purchase agreement at the previous meetings.

The GPIP Director and the Eckerts have had multiple discussion since the June Board meeting to develop the suggested terms outlined below for the Board's consideration.

Bulk Raw Water Export Background

The CBS has permits to export 29,235 Acre-feet (~9.5 billion gallons) of raw water annually.

The CBS has entered into multiple water purchase agreements with multiple entities for bulk export since 1996.

Most recently, the CBS had a water purchase agreement with Alaska Bulk Water Inc. (ABWI), formerly True Alaska Bottling Company, to export bulk water from 2006-2015. ABWI paid the CBS \$1.35 million dollars during that timeframe in refundable payments to secure the water purchase agreements. ABWI was unable to meet the terms of its water purchase agreement, which resulted in termination of the agreement in December 2015.

In the spring of 2016, the GPIIP Board directed the GPIIP Director to release a Request for Proposal (RFP) to solicit proposals for exporting water. The CBS received four proposals. The GPIIP Board recommended that two separate entities be awarded water purchase agreements. Both entities were unable to make the required non-refundable payment to execute the agreements. The CBS is currently not under contract with any entity to export water.

The CBS currently retains its entire 29,235 Acre-feet (~9.5 billion gallons) of raw water allocation.

Raw Water Bottling Background

The CBS has entered into multiple water purchase agreements with multiple entities to bottle raw water since 2000. All of the water bottling contracts have been for bottling raw water locally at the GPIIP site.

Until recently, a non-refundable payment was not required to secure a water purchase agreement as the CBS received property tax and local job creation. All entities were operating out of established facilities and could begin operations relatively soon after executing of the agreement. In 2014, the CBS required a \$15,000 non-refundable payment for an entity to secure a water bottling purchase agreement. The GPIIP Board required the payment due to the lack of an establish facility and equipment to bottle water and uncertainty of when operations would begin.

Low Volume Raw Water Export Background

The Eckert proposal is the first low volume raw water export proposal to the GPIIP Director's knowledge. The export of raw water is limited to export in a container size of a 40-foot container or less. The raw water is intended to be bottled at a location in the lower 48.

A non-refundable fee to secure the raw water purchase agreement is not being recommend under the proposed terms. The proposed terms require the Eckerts to be responsible for constructing the infrastructure necessary to facilitate the loading of low volume containers at the GPIIP site. The estimate cost for the infrastructure is between \$5-\$15k. The low volume-loading infrastructure will become property of the CBS.

Proposed Water Purchase Agreement Terms

Term

- 20-Year term with four 5-year extension with consent of both parties.

Water Volume

- 100 million gallons annually for a period of 36 months.
 - Eckert must purchase and export a total of 75,000 gallons within the 36-month period or Sitka can terminate agreement.
 - Eckert must purchase and export 50,000 gallons annually after 60 months of agreement execution or Sitka can terminate agreement.

- Eckert will be allocated an addition 50 million gallon at the point when 75 million gallons are purchased and export within a 12-month consecutive period.

Additional water loading infrastructure

- Eckert will be responsible for design and construction of new water loading infrastructure for loading of 20' containers and IBC totes with CBS review and approval (Estimate cost \$5-\$15k).
- CBS will be responsible for maintenance and repair of infrastructure.
- Infrastructure will remain property of the CBS.
- Documented funds for design and construction by Eckert will be applied toward water export payments during duration of contract.

Water pricing

- Price will be \$0.01/gallon.
- After 10 years, CPI adjustment added to price based off “All items” figure for Seattle, Washington.

Other Standard language from past 2016 bulk raw water purchase agreements will be used.*

*** Additional Discussion Point**

Outside legal counsel suggested a provision in the 2016 bulk raw water purchase agreements to require entities that wish to purchase Sitka water be required to establish and maintain an on-site water quality lab. The rationale for the water quality samples was to limit the CBS's liability for downstream water quality issues related to human consumption. The following two sections of the 2016 water purchase agreements addressed the water sampling requirements.

4.3 For that portion of the raw bulk water which is made available for human consumption XXX shall, at XXX's sole cost, promptly comply with all Government Regulations relating to the condition, use or quality of such water for human consumption. XXX shall establish staff and maintain an on-site Water Quality laboratory to perform XXX's obligations under Paragraph 13.3.

13.3 XXX shall ensure that its customers take full responsibility for water product quality that they receive subsequent to XXX's on-site Quality Control laboratory tests. XXX's Quality control staff shall securely store a reasonable quantity of water sampled from each bulk water shipment for 24 months for re-analysis, if required for any reason by the Administrator. At XXX's expense the Administrator shall hire an independent third party Quality Control laboratory to monitor the security of XXX's Water Quality Control staff's water sample storage and XXX's staff's adherence to nationally recognized storage protocols.

Entities requesting to purchase water have found the water quality requirement to be excessive and expensive.

The following sections of the 2016 water purchase agreements addressed water quality issues:

CONSUMPTION, OF ALL WATER EXPORTED BY, TRANSPORTED BY, USED BY, OR SOLD BY, OR DELIVERED BY ARCTIC.

13.1 Notwithstanding anything to the contrary in this Agreement, XXX shall defend, indemnify, and hold Sitka harmless from any liability, claim, demand, action, obligation, or proceeding of any kind or nature, based upon, arising out of, or related to:

- a. any defect or flaw in the quality of raw bulk water supplied under this Agreement;

Action

- Board discussion and recommendation on water quality liability issues.
- Board discussion and recommendation of water purchase agreement to the Assembly.

Item H-2



329 Harbor Drive, Suite 212
Sitka, AK 99835
Phone: 907-747-2660

Monday, June 5, 2017

MEMORANDUM

To: Gary Paxton Industrial Park (GPIP) Board of Directors
From: Garry White, Director
Subject: Strategic Planning

Introduction

The GPIP Board met on December 15, 2016, January 9, 2017, February 21, 2017, and May 4th, 2017 to discuss development of the industrial park and to create a new strategic plan for the industrial park. The addition of a multi-purpose dock at the park has potential to influence the development of the remaining park properties.

Board discussions are outlined in the minutes of the meeting dates listed above.

The Director has drafted the attached draft 2017 GPIP Strategic Plan for the Board's review.

Action

- Continued discussion on the future of the GPIP and the strategic plan.
- GPIP Board Approval of draft 2017 GPIP Strategic Plan



Gary Paxton Industrial Park (GPIP)

Strategic Plan

Adopted by the GPIP Board
2017

Introduction

The GPIP Board developed this Strategic Plan at a planning session held in Winter/Spring of 2017. The GPIP Board recognizes that multi-purpose dock and future infrastructure improvements within the park will influence the future development of the site.

Guiding principles

1. Preserve public access and marshalling areas to the waterfront, as it is the most commercially viable waterfront left in Sitka.
2. Make lease, buy/sell or other land use decisions based on the mission of the Park – to create family wage jobs for Sitkans in a financially responsible manner.
3. Consistent with principles 1 & 2, identify and minimize negative cash flows to the City from the operation of the Park.

Plan Priority Items

The GPIP Board plans to address the following items. (Items are listed in random order)

❖ **Develop a Port Facility to accommodate the Maritime Industry.**

- Continue with development of multi-purpose dock.
- Develop a water access ramp in the northern portion of Lot 9A.
- Develop a tariff schedule to include fees for tideland and upland use.
- Lots 3, 7, 8, 9a, 9C, & 15 designated as uplands to support marine services sector and multi-purpose dock.
 - These parcels remain in public ownership.
 - Parcels developed to support maritime industry
- Lot 6 designated for future private or public development to support maritime industry.
- Lot 9b designated to support management of port facility.
- Utility Dock and adjacent uplands to be further researched for re-purpose or sale.
- Research additional development opportunities for tidelands seaward of GPIIP Uplands.
- Research if existing dolphins in the tidelands can be useful or need to be removed.
- Develop a marketing plan that presents the park to local, regional and national markets with a web-based advertising program, supplemented with other media as appropriate.
- Determine the MARSEC rules for fencing at the GPIIP.

❖ **Develop and Market remaining uplands outside of Port Facility**

- Advertise to sell or lease Lots 17, 16b, 19 and 20 in the industrial park.
- Establish access point for Lots 19 and 20.
- Release RFP for sale of the Administration Building lot.
- Remove area of GPIIP sign from Administration Building lot.
- Bring interested parties together to discuss remaining rock at GPIIP.

❖ **Market Sitka's Water Export Asset to the world**

- Continue to work with potential partners in exporting Sitka's water in Bulk.
- Continue to work with potential partners that wish to establish water bottling facilities in Sitka.
 - Identify property in vicinity of the park to locate water bottling facilities.

- Continue to research and track water export ventures around the globe.
- Investigate alternative methods of marketing water and water purchase agreements.
- Investigate additional infrastructure needed to transport, load, and off load water.

❖ **Research the development of a rock quarry in the Sawmill Cove vicinity.**

This quarry would generate revenue for the City as well as provide less expensive rock for use on Park projects.

- Market Lot 1 / blk 2 as a rock source and Lot 3 / blk3 as possible rock source.

❖ **Continue to pursue the development of a private marina in Herring Cove.**

❖ **Develop Exit Strategic for existing GPIIP Development Board.**

- Research different management concepts and entities.

Monday, July 24, 2017

MEMORANDUM

TO: GPIIP Board of Directors
FROM: Garry White, Director
SUBJECT: Gary Paxton Industrial Park (GPIP) Management Report

1. GPIIP Port Planning/Feasibility Study

The CBS commissioned a planning/feasibility study with Northern Economics (NE) to determine potential market demand for a large vessel moorage facility, a vessel haul out facility, and potential uses and location of a deep water dock. The CBS worked with NE over the fall and winter of 2013/2014, taking input from the community and helping to provide potential market demand opportunities. Funding for the planning/feasibility study came from a \$487k Federal appropriation for the GPIIP waterfront development

Northern Economics provided a preliminary screening-level feasibility assessment and planning study to the CBS in March 2014, which can be view on the www.sawmillcovc.com website.

2. Construction of a multipurpose dock at GPIIP.

The dock project is moving along fine. The 250' by 74' barge has been purchased by the contractors and in water work is being completed in Tacoma, WA. The barge is scheduled to be hauled to the Ketchikan Shipyard later this summer for haul out and epoxy coating. In water work in Sitka is scheduled for September 2017, with project completion in January 2018. **(03/20/3017)**

3. Marine Services Industries at the GPIIP.

The GPIIP Director is researching the marine industry in SE Alaska and looking for opportunities for marine service industries that would fit well with the GPIIP assets. Research is also being done to identify funding sources for marine service industries infrastructure. **(03/23/15)**

The GPIIP Board has requested that \$40,000 be allocated in the GPIIP Enterprise Fund for the Design of an access ramp to support the marine services sector at the park. The Board has received public requests to construct an access ramp as soon as possible. **(05/31/2017)**

4. Bulk Water

The CBS Administrator and GPIIP Director traveled to Washington DC to meet with the Alaska and California delegations regarding the potential to export Sitka's water to CA. **(06/29/2015)**

The GPIIP Director flew to Seattle to meet with representative of Aquaomnis, an Icelandic Bulk Water Company. The purpose of the visit of was to learn about each bulk water source and potential export projects. **(08/31/2015)**

The GPIIP Director has received multiple requests from companies interested in acquiring water for bulk export from Green Lake. **(11/02/2015)**

The GPIIP Board of Directors recommended that a RFP be released to solicit proposals for entities to export Sitka's bulk water assets. Four separate entities attended the 04/07/2016 GPIIP Board meeting expressing interest in obtaining a contract to ship Sitka's water. **(04/12/2016)**

The CBS received 4 proposals in response to the Bulk Water RFP released in April. The GPIIP Board will meet May 16th to make its recommendations to the Assembly. **(05/10/2016)**

The GPIIP recommended and the CBS Assembly approved that the CBS enter into 3 separate contracts with ABWI (2 contracts) and Arctic Blue Water Inc. for roughly 8.8 billion gallons of water annually. The CBS will receive \$1.1 million dollars in non-refundable payments that can used as water contracts from the water exporters. **(07/11/2016)**

ABWI and Arctic Blue Waters missed the contractual deadline to submit non-refundable payments to initiate the bulk water agreements. As such all contracts are null and void. The CBS is continuing to market its water assets and is will to receive proposals from any entity will to export Sitka's water. The GPIIP has suggested that it will only be willing to recommend new contracts with entities that demonstrate the ability to ship water immediately or provide payments to the CBS up front. **(08/5/2016)**

The Director continues to discuss the bulk water export venture with various groups around the globe. **(12/6/2016)**

5. Bottled Water

The Director has met with multiple potential investors into the venture of bottling water in Sitka. The existing bottling plant owners and operators have been included in the discussions. **(10/24/2013)**

The CBS Assembly approved setting tote/container water rates at \$0.01/gallon for water exported in containers larger than 5 gallons at their 3/11/2014 meeting. **(03/17/2014)**

Multiple groups have visited and contacted the Director regarding obtaining property to construct another bottling plant. **(11/02/2015).**

The CBS is continuing to market its water assets for both bottling and bulk operations. (08/05/2016)

The Director continues to work with entities interested in bottling water with Sitka water. Water sample were recently sent to a prospective client. (02/14/2017)

The Director continues to receive call from numerous entities that are interested in obtaining water for bottling operations. (05/31/2017)

6. GPIIP Property Marketing

Detailed profiles of GPIIP properties have been developed and approved by the Board. The profiles have been placed on the GPIIP website at www.sawmillcove.com and will be used for other marketing opportunities.

Marketing materials have been updated on the www.sawmillcove.com website and hard copy to reflect recent sale of property. (03/02/2015)

The sawmillcove.com website has been updated. Property marketing is still the main focus of the website. (05/31/2017)

7. Blue Lake Dam Expansion Project

The Blue Lake Dam Expansion Project has been completed. Evacuated rock from the project is still being stored on park property. Rock needs to be removed from the property for economic development to continue on the site. The CBS is still working on a solution. (05/12/2015)

The CBS Electrical Department intends to release a request for proposals of entities interested in purchasing rock stored at GPIIP. (06/29/2015)

The CBS Electrical Department has recently investigated several plans to remove rock from the property. (09/22/2015)

Rock is actively leaving the park via contracts between the CBS Electric Department and various entities. (07/11/2016)

The Director is currently working with various groups to continue to remove rock from the industrial site and bring the industrial site condition back to leasable condition. (05/31/2017)

8. Wharfage Rates

The GPIIP Board set general wharfage rates for use of the waterfront property at the park. Rock, Sand, and Gravel was set at \$1.00 per US ton; all other freight items will be on a case-by-case basis. (10/2/2012)

A full tariff schedule is being developed for the park. (07/09/2013)

A draft tariff schedule was developed by SEDA Staff and presented to the GPIIP Board for its review during its December 2015 meeting. The board provided direction to hold

off on finalizing the schedule until the dock project can be further determined.
(01/11/2016)

9. Hazard Risk Mitigation

Due to the August 18, 2015 landslide that occurred at the GPIP, the CBS is assessing its risk to allow occupancy of municipal owned property. The CBS Attorney is developing waiver language for current and future lessees of the property for day use only. The Attorney is additionally investigating the potential to lease properties to entities that wish to lease the property for overnight housing. (04/12/2016)

The CBS has hired a consultant to complete hazard risk assessment of the property surrounding the GPIP properties. A written assessment is expected this summer.
(07/11/2016)

CBS Administration has determined that the liability risk of allowing the Administration Building to be occupied is too great due to landslide risk and have terminated all leases in the building effective 9/30/2016. (08/05/2016)

10. The GPIP Board will be meeting over the winter and spring to develop an updated strategic plan for the development of the industrial site. (12-6-2016)
11. The CBS is moving forward with stabilizing the shoreline seaward of the building located on Lot 4. The shoreline has been comprised due to erosion. (05/31/2017)
12. The CBS Assembly agreed to a 99 years and increased the lease area for Fortress of the Bear. (06/05/2017)
13. The CBS Assembly agreed to accept the insurance settlement on the damaged Administration Building. (06/05/2017)
14. The CBS Assembly agreed to lease lot 9a to Northline Seafoods for a 24 month term and lease with option to purchase for lot 4 at its July 11th meeting. (07/24/2017)
15. The RFP for the Administration Building has been released. The RFP closes on 9/19/2017. (07/24/2017)



'Taste the True Nature of Water'

MEMO

TO: Garry White

DATE: July 25, 2017

FROM: Fred Paley

CC: Andy Argent
Chuck Cartier

SUBJECT: Bulk Water Purchase Agreement

The following information is to provide the Sawmill Cove Board of Directors a brief summary of the current and future activities of Arctic Blue Waters (Alaska) Inc. This company has been formed by combining Arctic Blue Waters (UK) Ltd., and Alaska Fresh Water Inc., with the objective to secure pure bulk water supplies and through an aggressive marketing and sales program execute long-term foreign "Bulk Water Sales Agreements".

Arctic Blue Waters (Alaska) Inc., is comprised of entrepreneurs with a successful track record in the water bottling business and other retail ventures in Alaska and England. The company is working with professionals from the world of shipping and logistics who have over 25 years' experience in order to assist the buyers with their transportation requirements.

It is the intent of the company to raise \$22,300,000 through private equity investors, a public trading company listed on the OTC, NASDAQ Exchange and Immigration EB-5 funds. The company has entered into an MOU/Letter of Intent with the targeted public company and has been assured that the first \$20,000,000 immigration funds are available. Management have arranged for three meetings in Vancouver on August 2nd, 2017 to meet with equity investors to raise the first \$130,000. These funds will be used to provide a \$10,000 deposit to Sitka, place a deposit for the purchase of the loading facility from Terry Trapp, and conduct sales meetings in India and the Middle East. Two of these investors will seek an additional \$1.0 million from their business associates for the project. Once the public trading company has established a trading pattern on the Exchange the EB-5 funds will be released. Arctic will become an operating subsidiary to the public company.

The Board of Directors of Arctic Blue Waters (Alaska) Inc., hope that Sawmill Cove Board Members will take into consideration the numbers of years and millions spent by the shareholders of Arctic in regards to the potential shipment of bulk water from Blue Lake. We have not given up and continue to make progress in our efforts to make this project a success.

The Time For Bulk Water Is Now

Visit www.arcticbluewaters.com or email fred.paley@arcticbluewaters.com