

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, August 28, 2012

I. Call to Order.

Eric Kueffner called the Finance Committee Meeting to order at 5:00 p.m. in room 224 of the Assembly building.

II. Roll Call.

The following members were present: Tom Donek, Scott Spickler, Michael Williams, John Bush and Eric Kueffner.

The following member was absent: Kevin Jardell.

Also in attendance was: Carl Uchytel-Port Director.

III. Approval of Agenda.

MOTION BY MR. WILLIAMS: TO APPROVE THE AGENDA AS PRESENTED.

The motion passed with no objections.

IV. Public Participation on Non-Agenda Items.

There was none.

V. Approval of July 24th, 2012 Finance Committee Meeting Minutes.

Hearing no objection, the minutes of the July 24th Finance Committee Meeting were approved as presented.

VI. Items for Action.

1. Mount Roberts Tideland Lease.

Mr. Uchytel said in summary, Docks & Harbors' process to reappraise the leased land results in a proposed annual increase from \$104K to approximately \$300K. GOLDBELT HAS HAD THEIR OWN APPRAISAL DONE BY RELIANT ADVISORY SERVICES WHO HAS DETERMINED THE PARCEL OF LAND TO BE OF NO ECONOMIC VALUE AND IS SUGGESTING THE NEW ANNUAL LEASE RENT TO BE \$0. IT IS THE PROFESSIONAL OPINION OF THE DOCKS & HARBORS' APPRAISER THAT THE GOLDBELT VALUATION AND TECHNIQUES UTILIZED WAS DONE SO ERRONEOUSLY. UPON RECEIVING THE GOLDBELT APPRAISAL, HORAN & COMPANY WAS CONTRACTED TO REVIEW THE CONTENT OF THE RELIANT REPORT. ALSO INCLUDED IN THE APPRAISAL IS A LEGAL OPINION DRAFTED BY ATTORNEY ROBERT SPITZFADEN ADVOCATING THE LAND BE VALUED SUBJECT TO THE TERMS OF THE LEASE AND CONDITIONAL USE PERMIT.

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VI. Items for Action (Continued).

Mr. Uchytel asked Mr. Charles Horan to attend the meeting via teleconference to help clarify the two different appraisal valuation techniques. The Horan & Co review suggests, in this case, the land residual technique used by Reliant is not reliable, was applied incorrectly and Reliant failed to use more appropriate techniques for which data was readily available.

Due to technical difficulty with recording equipment, there is no recording available for this meeting.

Mr. Uchytel asked the Committee for direction in negotiating a new Lease rent for the Mount Roberts Tram.

Mr. Kueffner stated he has previously worked with Goldbelt in Legal matters, but is no longer representing them currently. He did not want a conflict of interest issue and asked the committee members if anyone had a concern about his previous representation of Goldbelt.

Mr. Spickler asked if Goldbelt had been paying \$104K per year since 2009.

Mr. Uchytel said Goldbelt has been paying \$104K per year.

Mr. Kueffner asked Mr. Horan if he had used this method to appraise property.

Mr. Horan said he had used it in the past but that it was the least precise and least preferred method of appraising property.

Mr. Horan gave a recap of the method he used for his Appraisal of the Property. He said they took 4 or 5 sales of buildings in the area; separated out what part was the building and what part was the land. This is a commonly used technique. The real critical difference in the two appraisals is legal opinion and footage. What does the lease really say or mean as far as proper lease rent. The Appraiser should not determine the lease rent only value the property. The appraiser is never asked to estimate rent.

Public comment:

Derek Duncan, Vice President of Operations for Goldbelt

Mr. Duncan said The Mount Roberts Tram is important to the community as well as Goldbelt shareholders. When he was first presented with Horan's appraisal and the large increase in value and estimated lease rent, his first thought was that the increase could be the difference between operating in the red instead of the black. The Best possible use of this property is a tram. There are no other comps in Southeast. He asked if they could call Reliant and have them explain the appraisal method they used at the next meeting. We do not concur with the Horan appraisal and would like to negotiate in good faith a fair lease rent.

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VI. Items for Action (Continued).

Mr. Kueffner suggested appointing a committee to negotiate the tideland lease. He volunteered to be on the lease committee with Kevin Jardell and Tom Donek.

Mr. Uchytel asked if we need to resolve the legal issue before we proceed with negotiations.

Public comment:

Mr. Robert Spitzfaden, Attorney for Goldbelt.

Mr. Spitzfaden said the base of the lease will be fair market value of the land at it's best and highest use. You have to take into account the lease restrictions. Under appraisal standards you have to take in restrictions of the lease as well as zoning restrictions. This allows you to look at what the lease says. If you don't want it done that way then you have to say that in the lease and this lease does not include this language.

Mr. Kueffner said you are undermining what the lease provisions say. The lease is saying don't do those things. This becomes an endless loop.

Mr. Spitzfaden said the lease says you can only use the property for an aerial tramway, so it must be appraised as so.

Mr. Kueffner said this is not the way we have ever done leases.

Mr. Spitzfaden said this lease has never actually been appraised before.

Mr. Bush asked if it was Goldbelt's intent to pay zero rent.

Mr. Duncan said it was not Goldbelt's intent to pay zero rent. That was a misinterpretation of our appraisal which determined the fair market value of the unimproved land at it's highest and best use. The lease states that the base rent shall be 10% of appraised value or \$30 per square ft. of the land premises, whichever is greater.

Public comment:

Mr. Robert Loiselle, President & CEO for Goldbelt

Mr. Loiselle said clearly if the tram was not in the parcel, the parcel would have value. With Horan's appraisal our rent is going to go up 3 fold. There may be a better way to do this. The logical thing to do here is decide what a logical lease rent for this property is. We think the answer is somewhere in between.

Mr. Kueffner said we do not have the latitude to just decide what the best lease rent is, we have to follow the terms of the lease.

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VI. Items for Action (Continued).

Mr. Spickler said it seems like it would make sense to negotiate a fair value and reconstruct the lease in a way that should work for both parties.

Mr. Loiselle said the lease does require the board to come to an agreement on the lease and work in good faith.

Mr. Uchytel asked why the lease at the top of the tram is twice as much as the bottom.

Mr. Loiselle said we are not relating the two leases. We are not using the lease at the top of the Tram as a comp for the bottom.

Mr. Williams asked to be on the negotiation committee.

Mr. Bush asked if there was an assessed value for the land.

Mr. Uchytel said we have all new players in this negotiation on both sides and nobody recalls the negotiations back in 2009 over lease rent.

Public Comment:

Paul Swanson said he has been involved in a lot of ski areas on Forrest Service land and they always had to pay royalties from tickets and sales.

Mr. Kueffner created a lease committee made up of: Eric Kueffner, Tom Donek and Kevin Jardell to negotiate a fair market lease rent.

Mr. Uchytel asked if the meetings would be public or under executive session.

Mr. Kueffner said he would talk with the CBJ Attorney.

2. Aurora Harbor Project Matching Grant Money

Mr. Uchytel said Mr. Jardell requested I bring this item to the board. We had hoped to use the tug assist vessel that was in Aurora Harbor to apply for a matching grant, but it is not coming back so we have lost the \$500,000 in matching funds. He has asked the CBJ attorney if it can be used in Auke Bay. By next spring we will need to come up with another \$500,000 to replace the funds.

Mr. Donek suggested the Alaska Fish and Game matching grant. This grant program is targeted at transient vessel moorage.

Mr. Uchytel said they can use it for Statter Harbor.

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VI. Items for Action (Continued).

Ms. Becker asked if we had to have all the money before we start the project.

Mr. Uchtyl said we would like to start by replacing A & B floats in Aurora.
\$7 million would get us past the boat houses.

MOTION by Mr. Kueffner: TO LOOK INTO APPLYING FOR THE ALASKA FISH AND GAME MATCHING GRANT AND ASK UNANIMOUS CONSENT.

The motion passed without objection.

VII. Items for Information/Discussion.

1. Review of Lawson Report.

Mr. Uchtyl provided a revenue report from the CBJ Lawson system as well as the FSM Harbor system.

2013 Harbors budget

Mr. Uchtyl said he has invited Angelica from the CBJ accounting department to come before the committee to explain the Lawson system reports and how they work. He has spoke to the new finance director and asked for reports better than the Lawson Reports.

VIII. Staff & Member Reports.

There were none.

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting is September 25th, 2012.

X. Adjournment.

MOTION by Mr. Donek: TO ADJOURN THE DOCKS & HARBORS FINANCE COMMITTEE MEETING AND ASK UNANIMOUS CONSENT.

The Finance Committee Meeting adjourned at 6:49 p.m.