

CITY MANAGER WEEKLY UPDATE REPORT ~ KENT MYERS

September 4, 2009

If interest rates continue to look favorable, we will propose an ordinance to refund our Water/Wastewater Revenue Bonds at the next City Council meeting. Currently, it appears that we can realize an approximate savings of 4% over the life of the bonds, or about \$400,000 if this refunding is approved. In order to proceed with this refunding, it will be necessary to adopt the bond sale ordinance at your Council meeting and waive the second reading of the ordinance. If this is not accomplished, interest rates might change by the end of September—which would reduce or eliminate the savings from the refinancing. I want to make you aware of this proposal prior to the Council meeting, so please contact Yvonne Ziolkowski or me if you have any questions.

I have attached a copy of recent correspondence from the HarborWorks Development Authority and I will add an update on HarborWorks as part of my City Manager's report at future City Council meetings. Due to the local interest in this project, we need to do everything possible to keep the community updated on the progress of this Authority.

Nathan West and I have recently been participating in meetings with representatives of the County, EDC, Peninsula College and the Incubator to discuss long-term funding plans for the Lincoln Center, Entrepreneur Institute and the Business Incubator. These discussions are progressing and all entities understand the importance of creating a long-term sustainable funding plan for these economic development programs. Attached is a copy of recent correspondence from the Business Incubator and we should have a funding proposal for the City Council to consider in 4-6 weeks.

At the last City Council meeting it was requested that the NOAA proposal submitted by the Port Authority be released for public review. I checked with the Port and they have no problem with releasing this document. Copies are now available in the City Manager's Office for anyone who wants to review them.

We continue to make a lot of progress in developing a preliminary budget for the Council to consider later this month. This week we completed the first round of discussions with department heads and made a number of reductions that will help in balancing the budget. As a reminder, the City Council's first discussion on the preliminary budget is scheduled for September 29 at 5:00 p.m.

I want to also remind you that I will not be in attendance at the next City Council meeting since I will be participating in the International City Management Association meeting that week. Bill Bloor will be serving as Acting City Manager and I will return to the office on Thursday, September 17.

Have a great three-day weekend.

-Kent Myers

September 2, 2009

The Honorable W. Ron Allen
Tribal Chairman/CEO
Jamestown S'Klallam Tribe
1033 Old Blyn Highway
Sequim, WA 98382

Subject: Your letter of August 12, 2009, Re: Rayonier Site Cleanup and Redevelopment

Dear Chairman Allen:

Thank you for your offer of cooperation and assistance from your staff in the work being undertaken by HarborWorks. As you know, we have met with the Lower Elwha Klallam Tribal Council and listened to their concerns, which closely reflect yours. We are very much aware of the historical significance of this site to the Klallam Community, given this is a reported site of a Klallam village. We are also very much aware of the significance of Y'ennis Creek which runs through the Rayonier parcels, and have been working in earnest with Rayonier to begin the stream restoration planning to which they agreed 10 years ago. We believe we are very close to seeing Rayonier actually begin this work, in conjunction with the Lower Elwha Klallam and the Washington State Department of Fish and Wildlife, as agreed to in 1999. On Monday of this week, the Board of Directors of HarborWorks authorized the agreement with Rayonier that will provide access to the site, access to the records and an agreement not to sell the property during the term of the agreement which runs for 13 months. HarborWorks also entered into an agreement with a team of firms to accomplish the due diligence which the agreement with Rayonier facilitates. This study is already underway.

As you may be aware, the City of Port Angeles is moving forward with the planning for the expansion of their sewage system to incorporate the 5-million gallon tank on the site into their treatment system. They are under an Agreed Order with the Department of Ecology to bring their combined sewer overflow (CSO) under control. Currently they have entered into an agreement with Rayonier to access the site for engineering and planning, and are moving forward with the anticipation that HarborWorks will acquire the property. In order to acquire the property and incorporate the CSO into the development framework for the parcels, we are ~~moving forward to develop alternative redevelopment scenarios that can be evaluated to~~ determine whether or not HarborWorks can purchase the property without assuming unacceptable levels of risk or liabilities (our due diligence process). We have an understanding with Rayonier that they have the primary responsibility for cleaning up the site. As you can see, all aspects of the project are currently in motion: planning for natural resource restoration, planning for future uses and infrastructure, planning for the cleanup from past uses, and doing all of the above in the environment of cultural significance to the Klallam Community as well as the people of Port Angeles.

Subject: Your letter of August 12, 2009, Re: Rayonier Site Cleanup and Redevelopment
Date: September 2, 2009

As you requested in your letter, we have invited both Scott Chitwood and Kathy Duncan of your staff to a meeting on September 10th, the first opportunity we will have had to bring representatives of agencies and tribal governments together to share information regarding the direction this project is moving. The City must move quickly to resolve the CSO issue, and the entire community would like to see the Rayonier site once again a source of high quality family wage jobs and civic pride. We look forward to working with the Klallam Community to help accomplish these goals in a manner that cultural and natural resources are respected and protected.

Regards,



Jeffrey A. Lincoln
Executive Director

CC:

Lower Elwha Klallam Tribal CEO
City Manager, City of Port Angeles
Executive Director, Port of Port Angeles
Port Gamble S'Klallam Tribal Council
Scott Chitwood, Jamestown S'Klallam Tribe
Kathy Duncan, Jamestown S'Klallam Tribe

Port Angeles
HARBOR·WORKS
Development Authority

August 31, 2009

Mr. Kent Meyers, Manager
City of Port Angeles

Subject: Replacement selection for HarborWorks Board Director, Karen McCormick.

With the resignation of Director Karen McCormick, the HarborWorks Board offers the following comments regarding her replacement. Section 7.02.4 of the Development Authority's Charter substantially describes the criteria for Board membership. Our comments are intended to support and amplify the Charter's intent.

It is important in advancing the work of the Development Authority that a replacement for Karen be selected promptly. With the signing of an agreement with Rayonier, and retention of a consulting team to conduct site due-diligence, the HarborWorks Board is launching a project that will require significant oversight and necessitate the attention of a full Board of Directors. Since Karen has set October 31st as her termination date, it would be highly desirable to have her replacement selected for our regular board meeting of November 2nd.

The most important qualification for Board membership is a strong belief in, and support for, the mission of HarborWorks, along with a balanced view of the Rayonier project's status and outcome.

From the beginning, our Board has received invaluable financial input, advice, and counsel from Karen McCormick. It is the Board's preference that her replacement bring similar financial expertise and experience to the work of the Development Authority. This is a critical need in evaluating financial risks, especially around the property acquisition.

We thank the City Council and staff for the support of HarborWorks and look forward to working with the City, Port, and Tribes to return the Rayonier Site to productive use.

Orville Campbell, President
Board of Directors.

The Incub@tor --- Lincoln Center

August 31, 2009

Jim Jones
Clallam County
223 E. 4th, Suite 4
Port Angeles, WA 98362

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City of Port Angeles

Dear Jim,

Jim Haguewood and I had the opportunity to meet with Dr. Tom Keegan last week and were pleased to hear that executives from the City of Port Angeles, Peninsula College, Clallam Economic Development Council and you have begun to discuss long term funding plans for the Lincoln Center, Entrepreneur Institute and Clallam Business Incubator. Our letter dated July 31st requested a communication from you or the group by October 1st regarding preliminary plans. We look forward to hearing from you and beginning to implement a long term sustainability plan.

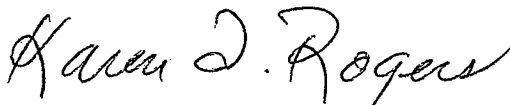
The Incubator Board of Directors believes that this planning has an opportunity to restructure the regions economic develop organizations and assets for the future. The foundation of this plan should include a complete systems approach focusing on generating innovations and supporting a culture of entrepreneurship.

The *Innovation Think Tank* proposed by Dr. Tom Keegan will highlight national and global economic trends and bring an innovative viewpoint to the region. This initiative will generate the seeds of ideas that are then implemented by local entrepreneurs. The *Entrepreneur Institute* is a vital program to turn these ideas into businesses but also helps the over 800 business startups in Clallam County enhance their business knowledge. To further support this strategy we suggest the extension of entrepreneurship courses in the regions high schools and the North Olympic Peninsula Skills Center. *The Incubator@Lincoln Center* is final piece of the system providing a home for entrepreneurs and young companies. All of these elements must be functioning together to realize positive economic impacts and create a culture of entrepreneurship.

We urge you and the other executives to approach your discussions and planning by looking at this system approach. The economic future of Clallam and Jefferson County will be driven by small business, entrepreneurship and innovations.

We look forward to hearing from you soon.

Respectfully,



Karen Rogers
President, Clallam Business Incubator

Cc: Dr. Tom Keegan, Peninsula College
Kent Meyers, City of Port Angeles
Jane Pryne, Port Angeles School District
Linda Rotmark, Clallam EDC

