


HarborWorks
Public Development Authority

Board Meeting
July 6, 2009



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2009-2010 Budget Preliminary Discussion

Short Term Goals – 60-90 Days

What we said we were going to do:

- Property Acquisition – Rayonier
 - Due Diligence Requests for Qualifications
 - Environmental
 - Archeological
 - Prepare draft agreements for establishing working parameters with Rayonier
- DOE Grant Submission for Planning Grant
- Establish scope of work and contract for legal services

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What we did:

- Applied for DOE Grant (\$200,000 – Integrated Planning)
- Opened discussions with Rayonier to gain agreement to conduct due diligence – Draft Agreement Submitted to Rayonier
- Drafted Budget
- Drafted RFQ and distributed/advertised for consultants
- Opened discussions with Rayonier on funding:
 - Due diligence
 - Restoration of Y'Ennis Creek

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Scoped & Constrained Legal Services Agreement

- Costs and spending excessive
- Reduced scope and constrained spending to two primary elements:
 - Negotiations with Rayonier
 - Discussions with Tribes

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Budget

- Major budget elements:
 - Administrative: salaries, rents, expenses in general
 - Legal support (Separated for 2009 only)
 - Project support, including costs of specialty consultants
 - Additional Element: Reserve
- DOE Grants require payment by agency before reimbursement – Agency must have cash
- Public Agencies should not obligate funds without funds on hand (Consultant Contracts).

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Costs

- Agency costs are forecast to the “Agreement to Acquire” milestone: August 2010
- Budget cost is an estimate only, and costs will not be known until contracts can be negotiated for services
- Two ways to budget:
 - Budget to Task – Scope and price first, then budget
 - Manage tasks to Budget – Establish budget first
- The more we spend the lower the risk, so there must be a balance between how much we spend and how much we can reduce the risk.

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Costs

- Planning budget:
 - Environmental and Engineering services to support due diligence
 - How much to clean up
 - What is the value uncontaminated
 - What can be done with the property to support intended uses, which will establish the value based on future uses
 - What uses will support the highest land value for sale purposes, or what is the expected revenues from leases
 - Budget: \$300,000

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Diminishing Marginal Returns

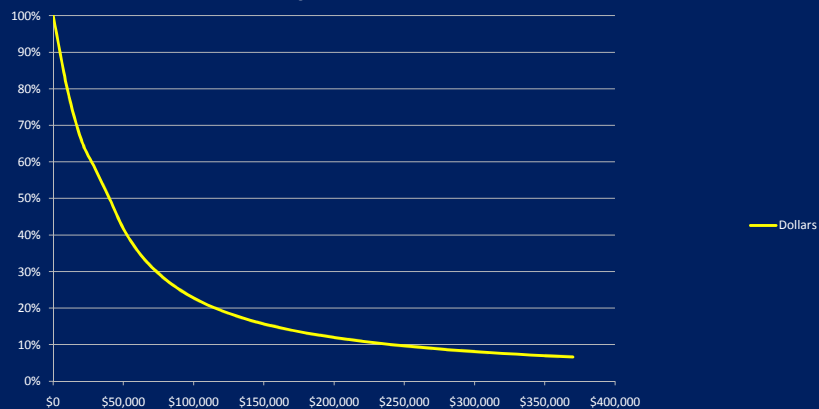
- \$300,000 is approximately one man-year of labor for a senior level engineer or environmental project manager
- Our costs will include testing, evaluation, data analysis, cost estimating, etc., as well as appraisals by senior staff that can cost as much as \$200/hour
- This level of effort should give us a comprehensive evaluation of the costs versus values of the property
- We could spend more, but for each increment of additional effort (\$), the amount of risk reduced will be diminished

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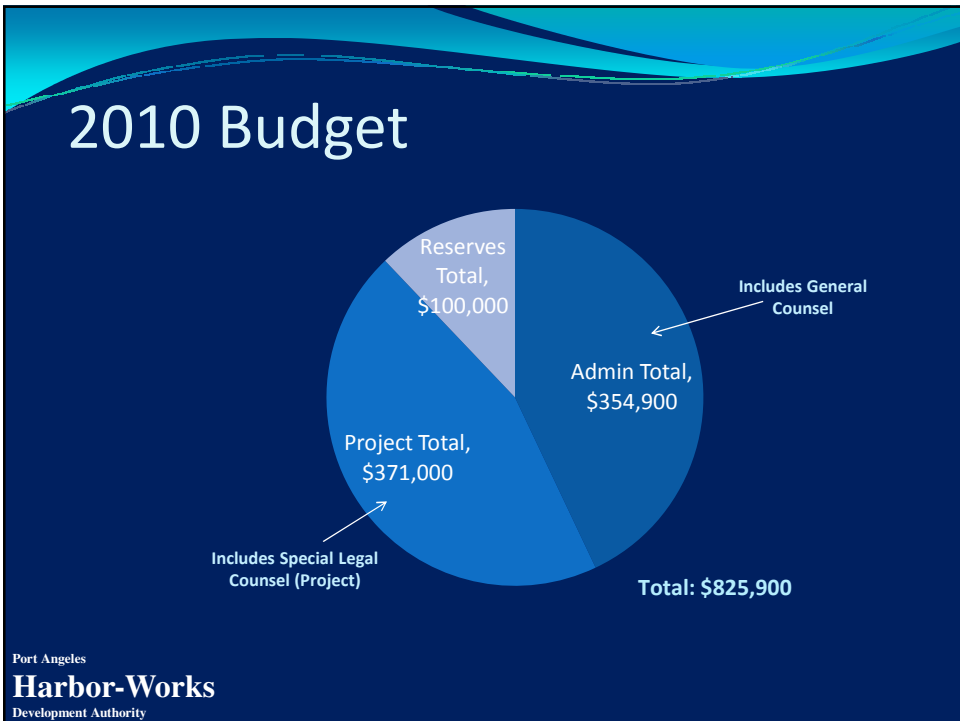
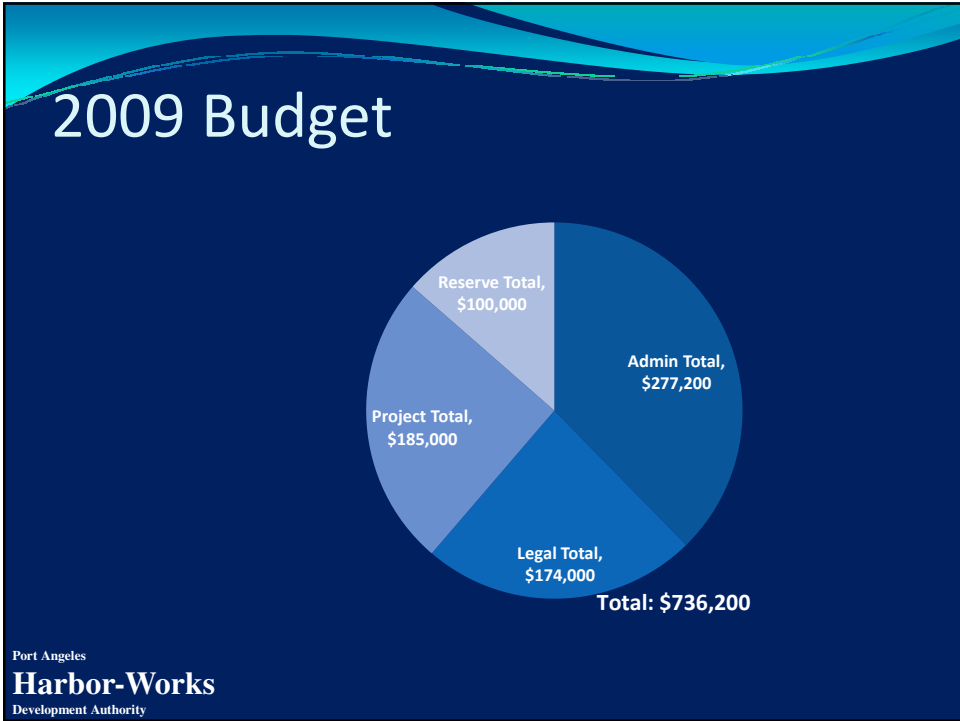
Diminishing Marginal Returns \$/Risk



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Sources of Revenue - Funding

- Balance of loans from City and Port, currently estimated at \$116,000 as of the end of May 2009
- DOE Grant estimated at \$200,000
- Possible funding by Rayonier
- Additional loans from City and Port

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Cash Flow

Budget Item	Credit	Debit	Balance
2008 Loans	300,000		300,000
2008 Expense		25,034	274,966
2009 Expense - Jan-May '09		158,014	116,952
Current Cash Balance 6/1/09			116,952
DOE Grant	200,000		316,952
Expense - Jun-Dec '09		483,631	-166,679
Expense - 2010		825,900	-992,579
Funding by Others (City)	500,000		-492,579
Funding by Others (Port)	500,000		7,421

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Observations and Assumptions

- Additional funding needed before further obligations for due diligence and market studies (August 2009)
- Budget assumes further funding from Port and City
- Budget assumes funding from DOE
- Budget Assumes no “scope creep” or increased taskings
- Budget assumes moderate consultant effort and relatively low risk to get to a decision point
- Budget forecasts project efforts only through decision point (August 2010)

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Going Forward

- Budget assumes only the due diligence and redevelopment of the former mill site
- Many unknowns
- Budget revisions will likely be required as the costs become better defined

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Questions and Discussion

Sample Motion

- Move to adopt the budget for 2009-2010 subject to future revisions