



**Special Meeting Minutes
Of the Board of Commissioners
Port of Chelan County
Joint Session with Chelan County & Chelan County PUD
Tuesday, January 27th, 2008 at 1:00 pm
Chelan County Commission Chambers
327 N Wenatchee Ave, Wenatchee, WA**

Present: **Port of Chelan County**
Michael H. Mackey, Commissioner
JC Baldwin, Commissioner
Craig Larsen, Commissioner
Mark Urdahl, Executive Director
Judy Bradford, Business Manager

Chelan County
Dave England, Commissioner
Ron Walter, Commissioner
Keith Goehner, Commissioner
David Grimes, Community Planning
Mike Kaputa, Director Natural Resource

Others: Jon Eberle, Development Partners
Lisa Parks, Alliance Consulting Group
Pat Haley, Port of Douglas County
Steve Hair, KOHO Radio
Babba Moussa, Employment Security
Mayor Rob Eaton, City of Leavenworth
Michelle McNiel, Wenatchee World

Chelan County PUD
Norm Gutzwiler, Commissioner
Carnan Bergren, Commissioner
Ann Congdon, Commissioner
Randy Smith, Commissioner
Dennis Bolz, Commissioner
Rich Riazzi, General Manager
Wayne Wright/Executive Manager-District Services Group
Carol Wardell/Executive Manager-Legal Services Group
Jeff Smith/Community & Intergovernmental Relations Dir
Sheila Salmon/ Recording Secretary
Steve Lachowicz, Corporate Communications
Shaun Seaman, Director of Assets/Natural Resource Div.
Joe Jarvis, Executive Manager-Operations
Greg Carrington, Hydro Services Director
Ron Slabaugh, Water Resource Manager
Kele Hampton, Environmental Permit Coordinator
Tracy Yount, Director External Affairs Division

Each public agency called its meeting to order one at a time. Port of Chelan County Commission President Mike Mackey called the special meeting of the port commission to order at 1:04 pm. The meeting was recorded and is posted in its entirety on the Chelan County PUD website www.chelanpud.org.

Jeff Smith, Chelan County PUD, was delegated to act as facilitator for the tri-commission meeting. After introductions around the table, Commissioners received reports, updates and/or held discussion on:

- **Lake Wenatchee water quality study**
Mike Kaputa and Kele Hampton provided a brief report and update for commissioners. At this time there is no data to indicate there is a water quality problem in Lake Wenatchee. The monitoring will continue.
- **Wenatchee River Valley river water quality**
Mike Kaputa and Ron Slabaugh provided an update on this project. The study to identify the most cost effective way for resolving the expected state requirements to reduce phosphorus in the Wenatchee River.

The water quality study the Department of Ecology (DOE) put together has moved through the agency and public comment periods and was submitted to the Environmental Protection Agency (EPA) for review in January. Next step in the process is implementation.

In the implementation phase, the regional core strategy group will need to identify a couple of less expensive alternatives to the expensive treatment plant upgrades. The group plans to meet with DOE to discuss next steps to implementation. This is a collaborative effort for the core strategy group and DOE.

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Mayor Eaton noted the City of Leavenworth is not satisfied with comments back from the DOE. Leavenworth has another 10 years on its treatment system's life. He questioned letting DOE go forward to the EPA. Eaton suggested slowing the process down to get answers to the questions yet unanswered before placing the financial burden on the communities.

- ***Blackbird Pond collaborative project***

Blackbird Pond is a collaborative project in Leavenworth to assist in the recovery of Wenatchee River steelhead with a short-term acclimation pond and to reestablish the kids fishing pond. Steelhead stocked in March for one and half months will be released in May. The pond will then be stocked with catchable sized rainbow trout to reestablish a kids' fishing pond soon thereafter.

- ***Recessionary Impacts on Chelan County***

Chelan County PUD: Rich Riazzi, Chelan County PUD General Manager, briefly explained the financial markets meltdown impacted the Chelan County PUD's access to capital, and the PUD is in a capital intensive business. PUD has been faced with 5 year rates instead of 30 rates in refinancing to raise capital. Dam rehabilitation work and relicensing are very capital intensive. The recession has decreased demand for energy which has led to falling prices for energy. This area is in the early stages of a dry water year (93% of normal at this time). The approved budget was based on \$51 million in revenues which has dropped to \$39 million dollars in expected revenues. Currently at a \$13 million dollar drop in expected revenues with \$15 million dollar drop in revenues the level at which potential customer surcharges must be considered to balance the budget.


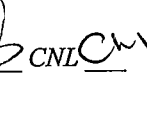

Further reductions in the budget would do harm to the life of the PUD assets and decrease reliability to an unacceptable level of PUD customer satisfaction. Currently, PUD management is researching financial options on debt with repayment schedules to try to further insulate customers from a rate surcharge.

Port of Chelan County: Babba Moussa, the NCW regional economist for Employment Security, briefed and discussed with Commissioners the status of the local labor market. Jobless rate for the Wenatchee MSA at the end of December 2008 is 7.6%. The sharpest decline in nonfarm employment in many years was due primarily to a downturn in the manufacturing subsector, a large drop in retail employment, and a decline in natural resources, mining and construction industries. Although employers in the government sector, along with businesses in education and health services, leisure and hospitality industries created jobs, the gains were not enough to offset the losses, leading to a net year-over-year drop of 1,000 nonfarm jobs and a jump in the unemployment rate and jobless claims. Chelan Douglas counties are far from experiencing the kind of jobless rate experienced at the beginning of the decade.

Moussa stressed heavily the need for a skilled workforce. In a recession, the most vulnerable labor sector is the low skilled jobs.

Mark Urdahl reported the port is finalizing the location of a new business to Olds Station that will employ approximately ten people. The level of inquiries has not fallen off materially from businesses looking for a place to locate. The Port is looking for ways to help some of the small Chelan County communities that are struggling with community based projects.

Direct Recessionary Impacts: The Peshastin mill site which is under a sale agreement with an extension that ends in March will probably not close and property

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will remain in Port ownership. The property will be ready to go when the economy turns around.

Preparatory work is being done on the Cashmere mill site. Port should be able to push bids for work out into the community and do some upgrades to the property that make long term economic sense.

Olds Station tenant counts are over 400 employees with more than 300 employed in the private sector. The bulk of the 300 private sector jobs are engaged in production of product sold outside the district which brings in new dollars into the county.

Port recognizes the PUD's investment in the fiber optic system that has positively contributed to the Port's economic development efforts.

Commissioner Craig Larsen updated Commissioners on the growth of enplanements (up 3%) at Pangborn Airport, partly due to larger aircraft added in August. The rental car revenue at the airport is up 15% year-over-year.

Horizon Air has stated it would like more traffic coming out of the Pangborn. It is about making money. Horizon returned the fourth daily flight in January. Mid-day flights may be in jeopardy. It appears the early morning departure and late evening flight arrival may be on solid ground.

Every chance we get, we need to make the case that we need to extend the runway. The larger planes are landing, but Pangborn is an airport under restrictions for ice in the winter and full payloads in the summer. We need to be in the airport without restrictions.

Relocating grant road is the most cost effective option for extension of the runway. A 7000 foot runway is what is needed; FAA has verified the need. Process will move forward in February for the selection of how to lengthen the runway.

Terminal expansion will be accomplished this summer. The terminal renovation and upgrade project is ranked high on several of the local economic stimulus project lists. The Ports' goal is to halt the rate of increasing red ink at the Pangborn. Airport has a set of large dollar fixed costs and capital projects with a variable revenue stream. The airport is a highly regulated environment.

Chelan County: Commissioner Walter noted this is a different type of recession than 2001. The ag industry has diversified in crops and the wine industry, several spin-offs of technology, there have been several entrepreneurial start-up businesses, the medical industry is strong and expanding, the county has done several sub-area plans, and the county is working closer with the cities in providing services. All of this creates a climate for small businesses to locate here.

Commissioner Goehner noted the sole function of the county is to do government, to provide the services. A number County functions are funded by other agencies so a cut in that other agency funding means a cut in jobs. Cutting staff makes it difficult to provide some services. At a point now, there is no other place to cut costs but in personnel. It will be a real challenge will be for the County to provide governmental services with less people and keep at the expected level of service.

Jon Eberle commented that the data center business has provided not just construction jobs, but on-going local employment for the three county area. A new prospect for a data center needs 20 acres and 10-20 megawatts of power; but would produce approximately 100 jobs. The public utilities and the power they generate are the economic engine driving

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data centers interest. This data center would be in the \$100-\$200 million dollar range of initial investment; plus the personal property taxes and property taxes would be in the range of \$2.5 million dollars annually. The data center jobs are the \$80-\$100,000 annual salary.

Discussion ensued on power production, allocation and recognition of hydro electric as a renewable energy. Commissioners agreed to sign a position paper in support of hydro electric as a renewable energy. Chelan County needs to prove to the State that hydro power is green. The PUD staff will draft the position paper and deliver it to each agency within the next week for consideration, approval and signature.

Mayor Rob Eaton updated commissioners on the City of Leavenworth's Icicle Station project, and expressed appreciation for the help and support the agencies in Chelan County have given the project. The project has been awarded a \$1 million public works trust fund loan to complete the design and engineering for the \$21 million dollar infrastructure project downtown. Icicle Station project is going out to bid tentatively in 3 weeks. Agreement for land lease with is signed with Amtrak and BNSF. Construction is scheduled to begin April 10th with train service scheduled to start October 17th of this year.

Brief discussion on tourism in Leavenworth ensued.

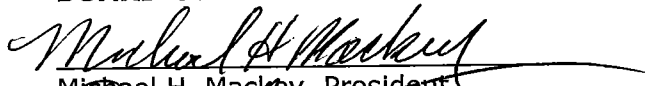
Hydro being renewable right now is 15%; it is being considered to raise to 20%. As economic development occurs


The next tri-commission meeting will be scheduled for April.

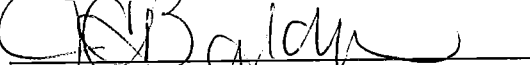
The tri-commission meeting adjourned at 3:00 pm with no action taken.




Dated and approved this 19th day of February, 2009.

BOARD OF COMMISSIONERS


Michael H. Mackey, President


Craig N. Larsen, Vice President


JC Baldwin, Secretary

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