

Remarks of Patrick Higgins to the NCRA Board (Public Comment)

November 18, 2009

Good Morning,

My name is Patrick Higgins and I am a member of the Humboldt Bay Harbor, Recreation and Conservation District. I'd like to thank you for the opportunity to address you this morning. As I explained at your last meeting in Healdsburg, I have been appointed by the Harbor District Commission to chair a committee to negotiate payment of the \$176,000 that you owe us at the end of the year. I took the initiative at the direction of my Commission to engage you and to seek a dialog, perhaps through formation of an NCRA committee, to work with our Harbor District committee.

I am disappointed that the NCRA staff and board have chosen instead to take the business of your financial condition and your obligation to the Harbor District into closed session despite the fact that there is no current active litigation. I have sought the opinion of Harbor District Attorney Paul Brisso and this is not a correct action under the Brown Act. Your lack of engagement on this issue given your financial condition gives me substantial concern that I will now explain more fully. My remarks going forward here are my own and should not be construed as the official stance of the Harbor District Commission.

I have with me here a copy of the financial characterization of the NCRA provided to your board by Director Tom Mc Donald. As of June 30 your liquid assets were \$100,000 and you owed \$2 million. You are projected to lose money over the next decade (Figure 1) and the NWP will not be remitting dividends from anticipated freight until the operator Mr. Williams makes \$5 million after taxes.

Although you will generate only \$50,000 in revenue over expense in 2009-2010, your obligations are \$450,000 including the \$176,000 you owe the Harbor District (Figure 2). In the event that NCRA is unable to make good on their obligation to the Harbor District, our note allows us to attach your most productive revenue streams, which would make it difficult for you to operate. I will now restate that our Commission has the greatest goodwill towards the NCRA.

However, I am personally very concerned that I do not see the frank discussion of your financial condition. You should be re-organizing and rethinking your business model or you are likely to fall into Chapter 9 bankruptcy similar to the City of Vallejo. If you were operating more like a business, which I believe is necessary given these challenging times, you would consider cutting your losses in Humboldt County and transfer of your right-of-way to the Harbor District. We have port and rail authority and so such a transfer makes sense from a governmental standpoint, although I am aware that it would require legislation. What would happen to our rail right-of-way in the event that you do not plan rationally and move expeditiously? One outcome could be the piece-meal sale of the right-of-way and the end to any potential for rail going forward.

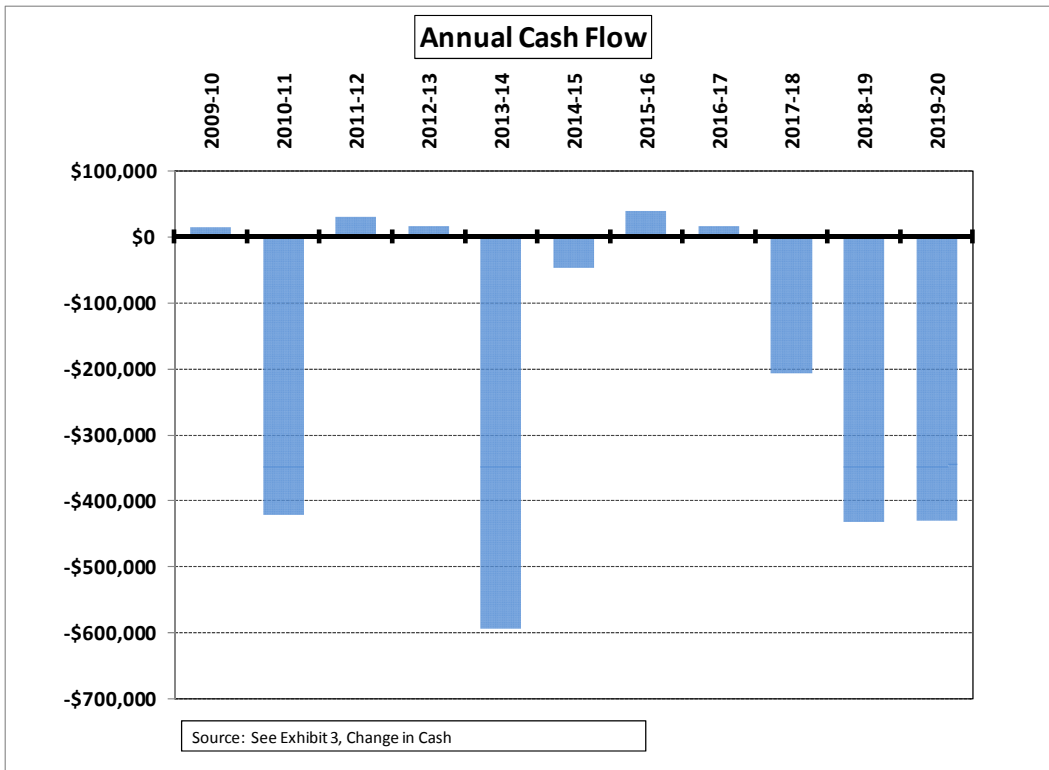


Figure 1. Annual NCRA cash flow from 2009-2010 from McDonald presentation.

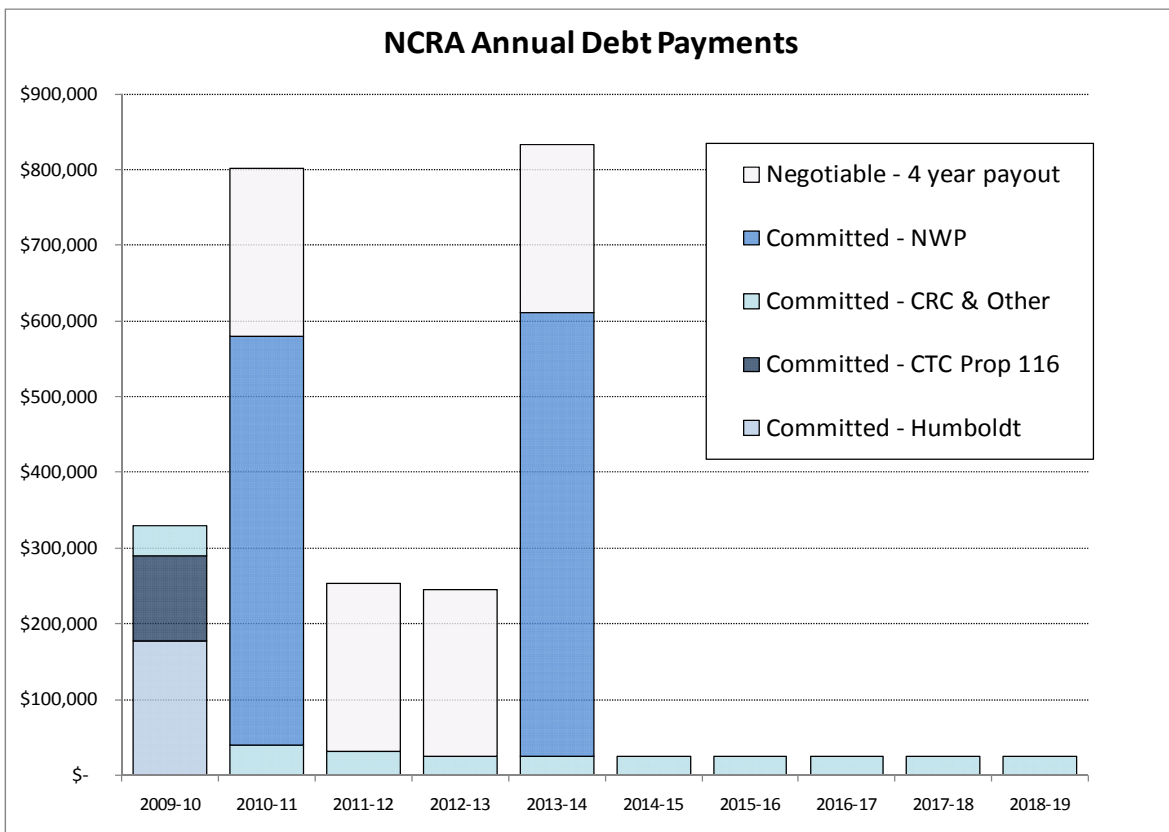


Figure 2. NCRA annual debt payments 2009-2010.

Our Harbor District and the NCRA shared a common vision, but over the last six months we have made major efforts to change direction. It required sometimes painful disclosures and discussion, but I believe we will reverse our negative cash-flow trends and rebuild our financial position over the next several years. You need to do the same.

Potential for revenue from Humboldt County is very low and likely further in the future than your organization is likely to survive. A transfer of the right-of-way would clear the path for our community to really get moving on a trail system and the historic train that both have significant economic development potential. I hope to hear a frank discussion from your board on this soon.