

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

March 16, 2004

8:04 a.m.

MEMBERS PRESENT

Representative Bruce Weyhrauch
Representative Jim Holm, Vice Chair
Representative Coghill
Representative Seaton
Representative Gruenberg

MEMBERS ABSENT

Representative Lynn
Representative Berkowitz

OTHER LEGISLATORS PRESENT

Representative Beth Kerttula
Senator Kim Elton

COMMITTEE CALENDAR

OVERVIEW - DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES

TAPES

04-35, SIDE(S) A & B
04-36, SIDE(S) A

CHAIR BRUCE WEYHRAUCH convened the meeting of the House State Affairs Standing Committee at 8:04 a.m.

SUMMARY OF INFORMATION

CHAIR WEYHRAUCH introduced Commissioner Mike Barton, Alaska Department of Transportation/Public Facilities (DOT/PF); and Deputy Commissioner Tom Briggs, Director, Alaska Marine Highway System (AMHS), Alaska Department of Transportation/Public Facilities. He explained that the House State Affairs Standing Committee has plenary jurisdiction over DOT/PF relating to public facilities. Currently, AMHS maintains a headquarters in Juneau at an area designated as three-mile. The proposed lease property [Wards Cove Plant] will house the headquarters in Ketchikan. There is tremendous public interest in this

proposal, therefore, the House State Affairs Standing Committee is holding this public hearing.

There were no questions from the committee prior to the beginning of testimony.

CHAIR WEYHRAUCH outlined the points he wanted Commissioner Barton and Deputy Commissioner Briggs to address as follows: A background of what the lease is; why the state thinks it is in the public interest to have this move take place; some of the background on what led to the decision to have the lease and to make the move; why it is in the best interest of AMHS to have a lease on that particular building and move the personnel from Juneau to Ketchikan; what the beneficial impact is to AMHS; and what the cost is to the public.

COMMISSIONER BARTON addressed the governor's concern regarding the fiscal situation and having the state operate in a more efficient and business-like manner. Shoreside management near the fleet provides better opportunities for management to interact with the actual operations. The department and the governor believe that this move will be beneficial and will, in the long run, be a more cost effective, efficient way to run AMHS; give better service to Alaskans and help enable AMHS to reduce the amount of general fund subsidy that it requires. The estimated costs of the move are between \$340,000 to \$520,000. Savings of about \$240,000-plus are anticipated. The Ketchikan Gateway Borough will reimburse the move cost through lease-payment incentives in the form of reduced lease payments until after the cost of the move is amortized. He related his understanding that the reduced lease rate will be effective until 100 percent of the cost of the move is amortized.

COMMISSIONER BARTON, in response to Chair Weyhrauch's question as to whether that was his "understanding" or if that is what the lease actually says, responded that he thinks that is what the lease says. However, he said that he does not have a copy of the lease with him. He informed the committee that the lease has not been signed, and is still being reviewed. In response to a comment from Representative Gruenberg, Commissioner Barton said that although the decision to enter into the lease has not been made, the decision to move the headquarters [of AMHS] to Ketchikan have been made, the lease is still in the works. The decision to move was made after December 8, 2003.

COMMISSIONER BARTON, in response to Chair Weyhrauch, specified that he had been involved with the decision-making process of

this move since last fall when the Ketchikan Gateway Borough approached the State of Alaska. He deferred to Deputy Commissioner Briggs for the answer to the questions about the personnel being included in the process. Commissioner Barton recalled that George Cappaci, General Manager, AMHS, was involved in advising the personnel of the plans.

DEPUTY COMMISSIONER BRIGGS stated there were no formal discussions with the employees. In response to Chair Weyhrauch's question of "Why?", Deputy Commissioner Briggs said "we hadn't gotten to that point yet." He explained fully what his tasks were at that time. In further response to Chair Weyhrauch, Deputy Commissioner Briggs said his job was to work with the borough to negotiate a position in which a formal offer could be made.

CHAIR WEYHRAUCH restated his original question to Mr. Briggs regarding who was supposed to be talking to AMHS staff regarding the proposed move.

DEPUTY COMMISSIONER BRIGGS responded that he and Commissioner Barton, and down through the general manager were discussed as the people who were to do that. Mr. Briggs related that he had also requested that the Department of Personnel, Diane Corso and her staff, put together a team to sit down with AMHS employees to discuss a potential move.

DEPUTY COMMISSIONER BRIGGS, in response to Representative Gruenberg's questions, responded that the governor had made the decision to move AMHS headquarters to Ketchikan. He went on to say that Ketchikan has been trying for years to get AMHS headquarters to move there. Mr. Briggs reviewed the positive aspects of moving AMHS headquarters to Ketchikan.

CHAIR WEYHRAUCH referred to a February 2003, Welsh, Whitney architect's study of the Ward Cove building [which is the building the Ketchikan Gateway Borough proposes to house AMHS headquarters]. The report discussed existing asbestos, mold, windows that couldn't be opened, and suggested that a hazardous materials survey should be performed. He asked Deputy Commissioner Briggs if he could perform that survey.

DEPUTY COMMISSIONER BRIGGS responded that Vern Jones, Department of Administration, Division of General Services, would be able to answer that question since Department of Administration is administering the lease. Deputy Commissioner Briggs said the Steve Flodin report discusses the windows. The Department of

Administration requires a complete hazardous materials survey; as a condition of the lease. He mentioned that the problems with the building will be remediated before AMHS occupies it.

COMMISSIONER BARTON recalled that the building must meet all state and federal laws and regulations.

CHAIR WEYHRAUCH again asked if a hazardous materials survey was going to be performed before the state signs the lease.

COMMISSIONER BARTON deferred to the Department of Administration; but related his understanding that the building will be certified for occupancy before any staff are moved into the space.

CHAIR WEYHRAUCH asked if DOT/PF would recommend that such a survey be completed prior to the signing of the lease.

COMMISSIONER BARTON said he would be happy to make such a request in writing.

CHAIR WEYHRAUCH asked if DOT/PF will recommend that the state require a structural engineering survey be done prior to the signing of the lease.

COMMISSIONER BARTON responded in the affirmative.

CHAIR WEYHRAUCH spoke of a May 2003 report from SRI International written when the National Oceanic and Atmospheric Administration (NOAA) had considered docking a ship on that area. He asked if shoreside power is available to AMHS vessels at the docking area.

DEPUTY COMMISSIONER BRIGGS answered in the affirmative. The survey notes some concern in the area of the Comprehensive Environmental Response Liability Act (CERCLA) with regard to susceptibility to shared liability for on-site contamination unless environmental due diligence assessments were performed.

CHAIR WEYHRAUCH asked if the Department of Law has reviewed this proposal for potential liability to the State of Alaska in the case of a substance being found either on-site or off-shore. He also inquired as to the potential up-welling of those hazardous substances. Chair Weyhrauch expressed concern over the process being too abrupt and hasty. He stated he doesn't feel there has been adequate time or sufficient information for the public to understand what is happening.

DEPUTY COMMISSIONER BRIGGS said he was only recently made aware of that report and has not had a chance to review it. However, he assured the committee that he would take this information to the Department of Administration. He further assured the committee that the state would never put any of its employees or the state in harm's way. He said he will recommend that the Department of Law and the Department of Administration review the report before the lease is signed.

REPRESENTATIVE GRUENBERG queried Deputy Commissioner Briggs about a March 15, 1997, report on Impact Analysis from Information Insights, which is fairly negative.

DEPUTY COMMISSIONER BRIGGS stated he was familiar with that report and agreed that it is a very negative report. He also spoke to the advantages of having the shipyard near the docking facility. In response to Chair Weyhrauch, Deputy Commissioner Briggs agreed that any information covering this subject would be made available to the legislature. In response to a question from Representative Seaton, Deputy Commissioner Briggs explained that currently work is being done to AMHS ships in various locations around the country.

General discussion was held on various aspects of ship maintenance and requirements by AMHS for overhauls and general maintenance.

CHAIR WEYHRAUCH initiated discussion with Deputy Commissioner Briggs as to why the Wards Cove location was chosen over other places in the state.

DEPUTY COMMISSIONER BRIGGS offered that the Ketchikan Gateway Borough came forward with the lease offer. He noted that he was never directed not to look at any other offers that might come up.

REPRESENTATIVE KERTTULA asked how the shipyard in Ketchikan is currently managed and who here in Juneau is responsible for interacting with the shipyard.

DEPUTY COMMISSIONER BRIGGS responded that Alaska Ship and Drydock, under a contract from AIDEA, operate the shipyard. He explained that the contact is on a project-by-project basis - port engineers are primarily the ones to interact with the shipyard.

CHAIR WEYHRAUCH stressed the importance of encouraging industrial development in all areas of the State of Alaska.

REPRESENTATIVE KERTTULA asked the commissioner and deputy commissioner to comment on the impact to the community as well as to the employees who are going to be affected by this move. In previous studies the impact is shown to be great.

DEPUTY COMMISSIONER BRIGGS explained how the efficiency of AMHS will be maintained and possibly improved by the relocation.

CHAIR WEYHRAUCH asked if the Marine Transportation Advisory Board (MTAB) had reviewed and approved the move.

DEPUTY COMMISSIONER BRIGGS answered that it had not.

A short discussion of the MTAB involvement or non-involvement followed with Chair Weyhrauch being very firm in believing MTAB should have been more involved in this entire issue.

REPRESENTATIVE GRUENBERG commented on being involved with people in the Naval fleet in comparison with AMHS ships and their ability to interface with the people on the ships to more effectively manage and communicate.

DEPUTY COMMISSIONER BRIGGS agreed with that idea. He said he doesn't see the disadvantage of having shoreside management in Ketchikan. In response to a comment from Representative Gruenberg relative to the amount of time Deputy Commissioner Briggs spent talking to his predecessors, Deputy Commissioner Briggs responded that he only talked with Greg Dronker, Assistant Director and head of Marine Engineering for AMHS and George Cappaci, General Manager, AMHS.

CHAIR WEYHRAUCH announced he was opening up public testimony and asked that the commissioner and deputy commissioner remain in the room while the general public testified.

DEPUTY COMMISSIONER BRIGGS explained that there are marine safety officers in Ketchikan. The Captain of the port is here in Juneau. He said he has no idea whether there are plans to move the Captain of the port to Ketchikan. In response to Chair Weyhrauch's comment regarding how the system will save any money if no one moves and all of the staff have to be replaced, Deputy Commissioner Briggs clarified that it was never the intent of AMHS to save money by losing people.

DEPUTY COMMISSIONER BRIGGS, in response to Representative Seaton's question, said the lease at three mile is privately owned and is in effect until 2014. The Department of Administration is responsible for managing that contract. The estimation is that the space will be filled fairly quickly. In response to Representative Holm, Deputy Commissioner Briggs confirmed that this move is an administrative proposal for a better administration rather than a proposal to save money. He related his opinion that this proposal is so close to break-even that the contention is justified.

PAT DAVIDSON, Director, Legislative Audit Division, spoke to her review of the discussion paper prepared by Pacific Marine Technical Services in terms of the cost savings that were addressed in the paper. She pointed out that "the true value of the two alternative leases isn't necessarily going to be the value of the three mile lease." In response to a question from Representative Gruenberg regarding that she was only being asked to look at the lease issue, she responded that she was given a stack of documents and asked if, in a short amount of time, she could read through them and make comments. She stated she focused on those areas she knew the most about. Ms. Davidson explained that originally her involvement came about because there were requests made of the Legislative Budget and Audit Committee to do an audit. These types of issues, in her opinion, would take a full audit to evaluate, therefore, she said she is unable to comment on these other matters.

DAVID LANDIS, Vice Mayor, City and Borough of Ketchikan, spoke positively to the proposal and the lease and the appropriateness of the Wards Cove Plant to house AMHS headquarters. He went on to say that the building in question is a very fine building structurally and environmentally sound. The Ketchikan Gateway Borough is prepared to address [the state's] concerns, whatever they may be, he said.

REPRESENTATIVE SEATON asked Vice Mayor Landis if, in his opinion, the reason for the move was a cost savings to the state.

VICE MAYOR LANDIS responded that [the reason for the move] was two-fold, referring to the management advantages that Deputy Commissioner Briggs spoke of as well as the cost savings that mentioned by Ms. Davidson.

JACK SHAY, Member, Assembly of City and Borough of Ketchikan, pointed out that there are 43-45 positions, less than 3/10 of 1

percent of the Juneau workforce affected. Mr. Shay also pointed out that Juneau is the only community in Southeast that is growing. He went on to comment that when the M/V Taku is taken out of service and the other new ferries are put into service, Juneau will regain at least 40 positions.

BRUCE BOTELHO, Mayor, City and Borough of Juneau, spoke to the standards set by Chair Weyhrauch in relation to the proposed move and the myths that he considers surround the proposed move. He suggested certain actions that he believes the legislature should take. In response to a comment by Representative Gruenberg regarding the potential of other state agencies moving to different communities, Mayor Botelho said it is his feeling that it is important to know what impacts of such moves are, particularly when they are as monumental as these.

BOB DOLL, Executive Director, Better Ferries for Alaska, explained that Better Ferries for Alaska is a coalition of organizations with a common interest in the enhancement of Alaska's ferry system and the improvement of the service that it provides to the coastal communities of Alaska. He stressed the unease of the coalition with the proposed move of AMHS headquarters from Juneau to Ketchikan. Mr. Doll listed several points for the committee and general public to consider regarding the move. He also offered the opinion of the coalition that the information that has been made available is somewhat fictitious, and he made corrections that were of his own opinion.

REPRESENTATIVE SEATON asked Mr. Doll whether the Emergency Incident Command System that has been established, not just for Homeland Security but for all kinds of emergencies, involves the AMHS. He also asked whether the movement of people who might be involved in this Command System negatively impact the system, should AMHS be removed from the system.

MR. DOLL indicated that he is not totally familiar with all of the details of the Command System.

CHAIR WEYHRAUCH requested that an answer be submitted to the committee in writing by whoever can answer it.

CHAIR WEYHRAUCH announced that there would only be time for the testimony of two other people and asked that all others wishing to testify submit their comments to the committee in writing.

JIM SEPEL, Marine Surveyor, expressed his surprise with the recent announcement by the governor of the proposed move of AMHS headquarters to Ketchikan. He said he doesn't agree that this is a wise move. Mr. Sepel went on to urge the committee to request a proper cost benefit analysis on this proposed move.

FAYE BAIN, retired Leasing and Fiscal Manager, Department of Administration, directed her comments to the lease and related her opinion that it's not complete and contains sections that are contradictory. As someone who is completely familiar with the way a lease should read, she highlighted the following questions: 1. What is the accurate number of square feet? 2. Is the space at three mile going to be backfilled in a timely manner? She also highlighted that the building is old, damp, moldy, and has inadequate wiring. However, the cost benefit analysis that is included in the lease does not talk about tenant improvements over and above what the Ketchikan Gateway Borough said it will do. She commented further that the committee should look at all of the costs involved, as this paperwork does not cover them well.

CHAIR WEYHRAUCH encouraged those interested to give the committee their comments in writing. He asked that Deputy Commissioner Briggs also address any further comments to the committee in writing.

ANNOUNCEMENTS

There were no announcements.

COMMITTEE ACTION

The committee took no action.

ADJOURNMENT

The overview was adjourned at 9:50 a.m.

NOTE: The meeting was recorded and handwritten log notes were taken. A copy of the tape(s) and log notes may be obtained by contacting the House Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address), (907) 465-2214, and after adjournment of the second session of the Twenty-Third Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.