

**ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

Anchorage, Alaska
September 10, 2015
9:04 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Senator Anna MacKinnon, Vice Chair
Representative Kurt Olson
Representative Lance Pruitt
Representative Steve Thompson
Representative Sam Kito
Senator Lyman Hoffman
Senator Cathy Giessel
Senator Bert Stedman (via teleconference)

MEMBERS ABSENT

Senator Click Bishop
Representative Mark Neuman (alternate)
Senator Pete Kelly (alternate)

OTHER LEGISLATORS PRESENT

Representative Louise Stutes
Representative Geran Tarr (via teleconference)
Representative Andy Josephson
Representative Liz Vazquez
Representative Chris Tuck (via teleconference)

COMMITTEE CALENDAR

APPROVAL OF MINUTES
EXECUTIVE SESSION
RELEASE OF AUDITS
PROCUREMENTS
ENALYTICA CONTRACT NOVATION

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

RENA DELBRIDGE, Staff

Representative Mike Hawker
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Hawker as chair of the Legislative Budget and Audit Committee, explained the proposed Enalytica, Inc., contract novation, and responded to questions.

ACTION NARRATIVE

[9:04:26 AM](#)

CHAIR MIKE HAWKER called the Legislative Budget and Audit Committee meeting to order at 9:04 a.m. Representatives Hawker, Kito, Olson, and Pruitt, and Senators MacKinnon, Stedman (via teleconference), Giessel, and Hoffman were present at the call to order. Representative Thompson arrived as the meeting was in progress. Representatives Stutes, Tarr (via teleconference), Josephson, Vasquez, and Tuck (via teleconference) were also in attendance.

APPROVAL OF MINUTES

[9:05:56 AM](#)

CHAIR HAWKER announced that the first order of business would be the approval of the minutes.

[9:06:08 AM](#)

SENATOR MACKINNON made a motion to approve the minutes from the meeting of June 23, 2015.

CHAIR HAWKER objected; ascertained that there were no other objections; and announced that the minutes from the meeting of June 23, 2015, were approved.

[9:06:45 AM](#)

SENATOR MACKINNON made a motion to approve the minutes from the meeting of July 22, 2015.

CHAIR HAWKER objected.

SENATOR MACKINNON made a motion to delete from page 5 the word "of" in the first line of text following the "9:53:10 AM" timestamp [thereby fixing a typographical error]; and to [fix]

on page 7 the quote in the paragraph following the "10:00:13 AM" timestamp to more accurately reflect the relationship indicated by the speaker between increases in certain populations and [decreases in assessment performances]. There being no objection, it was so ordered.

CHAIR HAWKER - regarding the motion to approve the minutes from the meeting of July, 22, 2015 - ascertained that there were no objections to approving those minutes as corrected, and announced therefore that the corrected minutes from the meeting of July 22, 2015, were approved.

EXECUTIVE SESSION

[9:08:19 AM](#)

CHAIR HAWKER announced that the committee would next go into executive session.

[9:08:37 AM](#)

SENATOR MACKINNON made a motion to move to executive session under Uniform Rules 22(b)(1) and (3) for the purpose of discussing matters which the immediate knowledge of would adversely affect the finances of government unit, [and matters that may by law be required to be confidential]; and for the purpose of discussing confidential audit reports under AS 24.20.301. There being no objection, the committee went into executive session at 9:09 a.m.

CHAIR HAWKER brought the committee back to order at 11:54 a.m. Present at the call back to order were Representatives Hawker, Kito, Olson, and Thompson, and Senators MacKinnon, Giessel, and Hoffman.

RELEASE OF AUDITS

[11:54:58 AM](#)

CHAIR HAWKER announced that the next order of business would be the release of audit reports.

[11:55:07 AM](#)

SENATOR MACKINNON made a motion for the final audit report regarding the State Board of Parole sunset review to be released to the public. There being no objection, it was so ordered.

[11:55:30 AM](#)

SENATOR MACKINNON made a motion for the preliminary audit reports regarding the Division of Alaska Pioneer Homes; the Alaska Agricultural and Fisheries Products Preference Use by State Entities; the Commercial Fisheries Entry Commission (CFEC); the Citizen's Advisory Commission on Federal Areas; and the Real Estate Commission sunset review to be released to the appropriate agencies for response. There being no objection, it was so ordered.

PROCUREMENTS

[11:56:09 AM](#)

CHAIR HAWKER announced that the next order of business would be procurements.

[11:56:15 AM](#)

SENATOR MACKINNON made a motion that the committee authorize the legislative auditor to extend the Division of Legislative Audit's Anchorage's office-space lease under AS 36.30.080 for a total lease extension of up to 10 years in the amount of \$4,453 per month for the first year with annual Consumer Price Index (CPI) adjustments each additional year beginning July 2017.

CHAIR HAWKER objected; clarified that the correct statutory reference for that motion is AS 36.30.083; ascertained that there were no other objections; and indicated that the motion [as corrected] passed.

[11:57:15 AM](#)

SENATOR MACKINNON made a motion that the committee authorize the legislative auditor to solicit for specialized information-technology expertise to review the State of Alaska's new Integrated Resource Information System (IRIS).

CHAIR HAWKER objected; explained that [if passed,] the motion authorizes the solicitation of [specialized expertise], not the awarding of [a contract] as that would require specific

committee approval; ascertained that there were no other objections; and announced that the motion passed.

[11:58:00 AM](#)

SENATOR MACKINNON made a motion that the committee authorize the legislative auditor to solicit and award a contract for an amount not to exceed \$215,000 for a performance review of the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation. There being no objection, it was so ordered.

[11:58:36 AM](#)

SENATOR MACKINNON made a motion that the Legislative Budget and Audit Committee authorize the chair, as the procurement officer, to enter into a contract with The Menges Group, the apparent winner of the Medicaid Reform and Expansion Consultant [request for proposals (RFP)], in an amount not to exceed \$350,000. There being no objection, it was so ordered.

ENALYTICA CONTRACT NOVATION

[11:59:23 AM](#)

CHAIR HAWKER announced that the final order of business would be a proposed contract novation involving Analytica, Inc.

[11:59:45 AM](#)

RENA DELBRIDGE, Staff, Representative Mike Hawker, Alaska State Legislature, on behalf of Representative Hawker as chair of the Legislative Budget and Audit Committee, explained that Janak Mayer and Nikolaos Tsafos - who individually hold consulting contracts with the Alaska State Legislature through the Legislative Budget and Audit Committee to provide information about oil and gas taxation/fiscal issues and a liquefied natural gas (LNG) project - have formed the company Analytica, Inc., and are therefore seeking novation of their two individual contracts such that their new company would stand as the single obligor under a single contract. All rights and responsibilities set forth in the two individual contracts would shift to the new company, with the only material changes being that the new single contract would reference the one company rather than the two individuals; there would be only one maximum contract amount, payable to the company, rather than two separate maximum

amounts payable to the individuals, and that single amount would not exceed the two individual amounts combined; and the name of Laura Pierre [as project manager] would be changed to that of Rena Delbridge. If the proposed contract novation is agreed to, Mr. Mayer and Mr. Tsafos would still be performing all the work they individually agreed to perform, and for the same price, but they would be performing it under the name of the new company.

MS. DELBRIDGE, in response to questions and comments, confirmed that there would be no change in what was referred to as the "economic substance of the contract, the relationship between the [State of Alaska] and these contractors"; that the contract novation would result in Analytica, Inc., becoming the contracting party in place of Mr. Mayer and Mr. Tsafos individually; that legal counsel has been engaged to address details of the proposed contract novation; that under the terms of the new contract Mr. Mayer and Mr. Tsafos would still be contractually bound to perform all the work promised under their individual contracts; and that the new contract would expire on the same date as those individual contracts, that being January 31, 2016.

[12:06:07 PM](#)

SENATOR MACKINNON [made a motion that] the committee agree to the novation [of] and related amendments [to] the contracts between the Legislative Budget and Audit Committee and Janak Mayer, and between the Legislative Budget and Audit Committee and Nikolaos Tsafos, both dated January 19, 2015; and authorize the chair of the Legislative Budget and Audit Committee to enter into a novation agreement between the Legislative Budget and Audit Committee, Janak Mayer, Nikolaos Tsafos, and Analytica, Inc.

SENATOR MACKINNON added that the novation is considered to be in the best interest of the Legislative Budget and Audit Committee and will be in accordance with Section 160(b) of the Alaska Legislative Procurement Procedures.

CHAIR HAWKER ascertained that there were no objections to [the motion], and indicated that [the motion] passed.

[12:07:13 PM](#)

CHAIR HAWKER - prior to adjourning the meeting - relayed that at some point the committee would be addressing performance-review reports regarding the Department of Health and Social Services

(DHSS), and reports from the Department of Education and Early Development (EED) and the Department of Administration (DOA) required under the 28th Alaska State Legislature's House Bill 278; that on September 25, 2015, the committee would be [hosting] an all-day seminar regarding gasline issues in anticipation of a possible upcoming special session; and that Enalytica, Inc., would be presenting at that seminar.

[12:09:43 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 12:09 p.m.