

1/21/04

OVERVIEW:

DENALI

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1/21/04



DENALI COMMISSION

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Denali Commission Update House/Senate Finance Committee January 21, 2004

1. Total obligated funds (1999 – 2003)

Denali Commission funds	\$292M
Matching funds	\$251M
<u>Total</u>	<u>\$543M</u>

2. Cumulative Commission funding allocations (1999 – 2003)¹

Energy (bulk fuel & power projects)	61%
Health Care	22%
Other Infrastructure	5%
Training	4%
Economic Development	3%
Administration	5%

3. Sources of potential FY04 funding²

Energy & Water	\$52.25M
TAPL	\$3.99M
DOE	\$47.5M
HRSA	\$33.5M
USDA – RUS	\$14.25M
Labor	\$6.65M
EPA	\$3.33M
USDA –RD	\$0.95M
HUD	\$1.9M
<u>Total</u>	<u>\$164.3M</u>

4. FY04 Legislative Initiatives³

Elder Assisted Care	\$4M
Domestic Violence Shelters	\$5M
Teacher Housing	\$5M
Multi-Use Facilities	\$2.5M
Washeterias	\$2.5M
Solid Waste	\$0.95M
Public Broadcasting	\$4.75M
Training	\$6.65M
Economic Development	\$1.9M
S.E. Intertie System	\$6.1M
Hope line relocation	\$0.1M
Tok/Chistochina line	\$2M
Fire Island line	\$0.75M
<u>Total</u>	<u>\$32.1M</u>

¹ As a percentage of total obligated Denali Commission funds (\$292M)

² Only funds from the Energy & Water Appropriations bill have been secured to date (\$52.25M)

³ In addition to core Commission programs (bulk fuel, rural power, & health care).

Denali Commission

Alaska State Legislature

January 21, 2004

Good afternoon and thank you for the opportunity to share this time with you.

Each year since its' inception, I have come before you in my capacity as Federal Co-chair of the Denali Commission to provide you a report on our activities, to share our lessons learned and our intentions for the upcoming year, and to seek your guidance. We have our next Quarterly Meeting in Sitka later this week, so I appreciate this opportunity to touch base with you before that.

I also think of this meeting as an opportunity for you to hold me accountable.

Of course, I am the Commissioner responsible to the federal government for what the Commission as a whole does, or fails to do, within the authorities provided to us. I am the one charged with day to day effective and efficient operation of the Commission.

I enjoy the help of several Congressional Committees of Jurisdiction, of our Federal Office of Management and Budget, our Inspector General and Auditors, and of the Secretaries of Commerce, Health and Human Services, Agriculture, Energy, among other departments of federal government, and of Alaska's Congressional Delegation.

But I have also committed to our State Co-chair, and to the Alaskan public we jointly serve, to be accountable to them. Today I look to you as representatives of all the people of Alaska to express your thoughts on what we are doing, how we are doing it and to offer any suggestions how to proceed next year.

We seek to be the most transparent agency possible. We seek comprehensive community based and regionally supported planning of sustainable public infrastructure, particularly in rural communities. We seek sustainability and efficient use of federal funds through effective collaborations among tribal, local, regional, state, and federal agencies, as well as non-profit and other entities throughout the State.

I have provided ready access to all our projects, performance measures and outcomes with our annual report, and at our web site – which includes real time data that is updated daily. Our results speak for themselves, so without delay – I'd like to invite your comments, questions and suggestions.

Thank you.



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Denali Commission Investment Policy

January 2004

Objective

The Denali Commission (Commission) is committed to accelerating the building of sustainable infrastructure in rural Alaska to enhance the health and safety of rural residents and to provide the underpinnings for economic opportunity. The Commission will invest the limited funds with which it is entrusted in the most conscientious and sustainable manner possible with the objective of maximizing the benefits to rural Alaskans.

General Policy

Commission investments are directed by federal law, by the Commission's Guiding Principles and by specific allocation decisions made by the Commission. Infrastructure needs of rural Alaska are enormous compared to available funding, thus, it is imperative that each dollar be invested in a way that will maximize the sustainable long term benefits to Alaskans.

The Commission will promote investment in infrastructure where the promise of sustainability (facility and services) can reasonably be demonstrated both now, and in the future. Infrastructure sustainability can be enhanced by adapting available technology and appropriately sizing facilities to meet the particular needs and circumstances of communities.

The Commission will site infrastructure so as to minimize potential damage from environmental threats such as flooding and erosion. If it is not possible to do so, long term investments will not be made.

Where the needs of two or more communities in close proximity to one another can be adequately and more cost effectively served by a single facility, that option will be selected over separate facilities for each community.

The long term sustainability of Commission investments is highly dependent on the good faith of the recipients of those investments. In evaluating potential investments the Commission will give priority to project proponents who have historically demonstrated good faith in making and keeping financial commitments. Previous demonstrations of bad faith, particularly for previous Commission investments, may preclude additional investments.

Factors which will influence investment decisions:

• **Size of community and population trends**

Infrastructure will be sized to meet needs that can reasonably be projected over the design life of the project. If population is increasing, appropriate excess capacity will be provided to accommodate growth. Decreasing population may result in a smaller facility than the current population would dictate. For communities with populations under 100, particularly those with populations declining 20% or greater over a 10 year census period, special attention will be given to appropriate design and sizing of facilities. Some small communities have demonstrated significant economic potential. These communities may serve as a shipping hub, have a seafood processing plant or be in close proximity to other communities. Such examples establish a case for economic potential and reliability in predicted revenue streams, all to be considered when determining an appropriate scale of infrastructure for a community.

• **Imminent environmental threats**

Facilities will be placed so as to be protected from imminent environmental threats such as flooding and erosion. Long term investments generally will not be made in areas that are subject to imminent environmental threats.

• **Proximity/access to existing services and/or facilities**

In determining the need for a new facility, a careful evaluation of existing access to services or facilities will be performed. Investments will be made where critical unmet needs are demonstrated. When like facilities or services can be merged or collocated to avoid duplication, enhance services, or reduce operating costs, a joint use agreement may be used as a condition for investment. Where existing facilities can be renovated or expanded to adequately meet community needs at significantly lower life-cycle costs than new construction, that option will be favored. Where a single facility can reasonably serve the needs of two or more communities, and is more cost effective than multiple facilities, the Commission will invest in a single facility.

• **Per capita investment**

While there are many factors which may explain extreme variations in per capita investment in communities, the Commission will compile and review this data to ensure that there is reasonable equity in the distribution of funds across all rural Alaska communities.

- **Unit cost**

Unit cost of construction varies widely across the state for a number of reasons including the technology employed and/or designs utilized. High unit cost tends to work counter to project sustainability. Some of the variables impacting unit cost (project location, soil conditions, etc.) are not controllable, but many others are. The Commission will make every reasonable effort to control unit cost by working with award recipients through its Partners to ensure that the most appropriate technology and designs are used.

- **Good Faith**

The long term sustainability of Commission investments is highly dependent on the good faith of the recipients of those investments. In evaluating potential investments the Commission will give priority to advocates who have historically demonstrated good faith in making and keeping financial commitments. Previous demonstrations of bad faith, particularly for previous state or federal investments or failure to pay taxes, may preclude additional investments.

- **Priority to be placed on needs of existing communities**

The Commission will give priority to the critical infrastructure needs of existing communities before considering proposals to create new communities unless there is a congressionally directed relocation of an existing community.

- **Borough Government**

The Commission recognizes that borough governments promote equity among Alaskans and that the existence of a state-chartered regional government increases the probability that basic infrastructure and services provided with Denali Commission funds will be sustained over the long term.

Implementation

The Commission will consider all available information regarding each of the factors identified above and any other relevant information in making investment decisions. In cases where sustainability of an investment is questionable, the Commission, either directly or through its Partners, will work with project proponents to attempt to find workable solutions. It will be incumbent on requestors to provide pertinent information that is not otherwise available and to actively engage in the effort to develop workable solutions. Solutions may involve smaller scale or mobile facilities and may include multi-community or regional management approaches. If no workable sustainable solution is apparent, the Commission or its Partners may suggest alternative means to access critical services.

Decisions regarding questionable investments will be made by the Commission's Chief of Staff. Any decisions made relative to this policy may be appealed first to the Federal Co-Chair and ultimately to the full Commission.

Issued by: _____ Date: _____

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RESOLUTION NO. 01-15
A RESOLUTION REGARDING SUSTAINABILITY FOR DENALI COMMISSION FUNDED
INFRASTRUCTURE PROJECTS

WHEREAS, the Commission is charged with developing infrastructure to serve rural Alaskan communities, with preference given to those that are economically distressed and with particular regard to health and safety needs; and

WHEREAS, the Commission recognizes that healthy and safe communities depend on sustainable infrastructure; and

WHEREAS, one of the Commission's GUIDING PRINCIPLES states that projects must be sustainable, and sustainability is one of the Commission's CORE VALUES; and

WHEREAS, the U.S. Congress, through legislation drafted by Senator Ted Stevens, has directed the Commission to ensure that all infrastructure projects demonstrate sustainability as a prerequisite for Denali Commission funding; and

WHEREAS, both the U.S. Congress and the Alaska State Legislature have strongly advised the Denali Commission to avoid the creation of un-funded future liabilities for either the State or Federal governments; and

WHEREAS, the cost of constructing, operating, maintaining, renewing, and replacing infrastructure in rural Alaska is considerably more expensive than infrastructure in urban Alaska or the 48 contiguous states; and

WHEREAS, most communities in rural Alaska are economically distressed with unemployment levels several times the national average, and with income levels a fraction of the national level; and

WHEREAS, the high cost of services in rural Alaska and the operation and maintenance of rural infrastructure is currently assisted by a number of programs including the Power Cost Equalization Program, Low Income Heating and Electric Assistance Program, Remote Maintenance Worker Program, Rural Utility Business Advisor Program, government subsidized loans, and other means; and

WHEREAS, operating efficiencies and cost reduction can be achieved through a variety of means including, simplification and standardization, increasing the scale or regionalization of utility systems or other infrastructure system in order to achieve the required management capacity, and combining fuel orders to acquire economies of scale; and

WHEREAS, consistent application of sound business principles is a fundamental prerequisite to sustainable infrastructure or services; and

WHEREAS, life cycle cost of infrastructure increases dramatically when sustainability principles are not applied:

NOW THEREFORE BE IT RESOLVED, that the Denali Commission reconfirms its commitment to sustainability for Commission funded infrastructure projects as a CORE VALUE and as a GUIDING PRINCIPLE with the following understanding:

- Sustainability, by definition, includes all costs associated with management, operation and maintenance, renewal and replacement (after the design life has been achieved) necessary to maintain an acceptable level of service.
- The high cost of infrastructure in rural Alaska makes it infeasible for the total costs of all services in all communities to be borne by local users, however, **to the extent feasible**, user rates should include all costs necessary to achieve sustainability.
- All practical steps should be taken, including simplification of projects, standardization of infrastructure, combining of utilities, regionalization of utility management structures, bulk purchase of fuels, training and development of management personnel and other actions that reduce the cost of sustainable infrastructure.
- Before Denali Commission funding is applied to the construction of any infrastructure project there must be a sound business plan. The Denali Commission considers sound business planning as a key process in defining sustainability to ensure funded infrastructure projects will be operated and maintained and demonstrating how all costs, which are necessary to assure a sustainable project or level of service, will be covered.
- All parties to the Commission within their spheres of responsibility, as individual entities or in collaborative efforts, will seek to reduce the cost of sustainable rural utilities and support subsidies that are demonstrated as necessary to ensure that basic infrastructure and essential services are available in rural Alaska at an affordable cost.

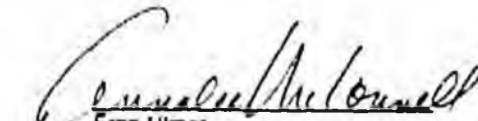
CERTIFICATION

We, the undersigned, hereby certify that the Denali Commission is comprised of seven members (or their duly appointed alternate), of whom six, constituting a quorum, were present at a meeting duly and regularly called, noticed, convened and held this 20th day of September, 2001, and that the foregoing Resolution was duly adopted at said meeting by the affirmative vote of seven members (Jeff Staser voting proxy for Jim Sampson), and opposed by 0 members, and that said Resolution has not been rescinded or amended in any way.

DATED this 20th day of September, 2001

SIGNED


Jeff Staser
Federal Co-Chair


Fran Ulmer
State Co-Chair



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Alaska State Legislature's Representative

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