

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9759 SENATE TRANSPORTATION



# Communications Cost Analysis for AMHS Move to Ketchikan

Exhibit B

Network and Mainframe Computer Costs	Quantity	Price each	JUNEAU		KETCHIKAN		
			Monthly Charges Paid by DOT HQ	Monthly Charges paid by AMHS	Installation charges	New Monthly Charges	Monthly Charges paid by AMHS
<b>Juneau Headquarters Office (3mile)</b>							
WAN Charges							
Cisco 2501 Router w/software, cables	1				\$ 3,500.00		
KPU 3500 DSU/CSU	1				\$ 1,042.50		
Port Charge	1				\$ 1,979.00		
Port Address/Monthly	1		\$ 299.31			\$ 299.31	
Internet User Access Address	1				\$ 100.00		
Digital 56kbs circuit installation	1				\$ 276.00		
Circuit Monthly charges	1					\$ 96.00	
TN3270 Sessions	54			\$ 1,323.00			\$ 3,814.56
<b>SNA Gateway</b>							
Data Line Installation	1				\$ 60.00		
Data Line Charges (Prorated 1st year One-time Charges)	12	\$ 88.00			\$ 1,056.00		
SNA Sessions	14			\$ 343.00			\$ 988.96
SNA Printer Connections on DOT HQ Controller	3			\$ 73.50			\$ 211.92
<b>Juneau Central Office (Glacier Ave.)</b>							
SNA Controller							
Data Line Installation for 2 drops	1				\$ 120.00		
Data Line Charges for 2 drops (Prorated 1st year One-time Charges)	12	\$ 176.00			\$ 2,112.00		
SNA Sessions	81			\$ 1,984.50			\$ 5,721.84
<b>Wiring for new building</b>							
SNA Drops	94	\$ 150.00			\$ 14,100.00		
Network Connections	85	\$ 225.00			\$ 19,125.00		
Backbone Wiring	5	\$ 225.00			\$ 1,125.00		
<b>Divorce From DOT 3Mile Building</b>							
CCMAIL Post Office	1				\$ 2,000.00		
CCMAIL Router	1				\$ 3,500.00		
<b>Total WAN and TN3270 Charges</b>			\$ 299.31	\$ 3,724.00	\$ 50,095.50	\$ 395.31	\$ 10,737.28
<b>Total Annual Charges</b>			\$ 3,591.72	\$ 44,688.00	one-time	\$ 4,743.72	\$ 128,847.36
<b>Net new costs</b>					\$ 50,095.50	\$ 1,152.00	\$ 84,159.36

**NOTES & ASSUMPTIONS:**

- 1 Move takes place July 1, 1997
  - 2 All AMHS Headquarters 3 Mile and JCO personnel in one building in Ketchikan. If multiple building are required then costs will increase dramatically.
  - 3 Move occurs before RMS3 purchase of equipment and WAN Connection to Ketchikan. Must move SNA Connections because JCO office computers can not currently support Advanced Software.
  - 4 Ketchikan currently can only support a 56K line on the WAN and 14.4 on SNA which will greatly reduce the speed of connections.
  - 5 All DOA DIS Data Center Charges are based upon FY97 rates.
- TN3270 and SNA Lu Charges
- |         |          |
|---------|----------|
| HUB     | \$ 24.50 |
| NON-HUB | \$ 70.64 |
- 6 Spreadsheet based on data supplied by AMHS; annual net calculations by Information Insights

**Alaska Marine Highway System  
Ketchikan Administrative Office Move Study  
Employee Survey Results**

Information Insights was contracted by AMHS to analyze the impacts on AMHS of a proposed move of AMHS administrative offices from Juneau to Ketchikan. This survey will allow us to more accurately estimate the financial and human costs and benefits of such a move. Your answers will be held in strict confidence by Information Insights; only aggregated results will be reported to AMHS in our final report.

For purposes of this survey, please assume a move has been approved, new administrative facilities acquired in Ketchikan, appropriations have been made for all costs, including employee/family relocation costs in accordance with appropriate collective bargaining agreements, and the office relocation will take place in spring 1998.

1. Would you accept the transfer of your position to Ketchikan?  
10% Definitely      18% Probably      31% Not Sure  
13% Definitely Not      28% Probably Not

If you checked Definitely, Probably, or Not Sure, go to question #2

If you checked Definitely Not or Probably not, would you (check all that apply):

- 94% Seek alternate employment with the State in Juneau  
53% Seek alternate employment in Juneau  
6% Retire  
17% Seek alternate employment elsewhere in Alaska  
12% Seek alternate employment outside Alaska

Go to question #3

2. How many school-age children live with you in your home?  
0.3 Elementary    0.2 Middle School    0.2 High School    [Averages reported]  
 How many children and dependents would move with you if you decide to move to Ketchikan? 1.8 [Averages reported]
3. What do you think would be the costs or benefits for AMHS, its customers, or the State of Alaska of moving your position from Juneau to Ketchikan?  
 [Text responses will be included in the final report]

4. Information about you: We will use the following information to develop estimates of cost of the move, economic impact on the communities of Juneau and Ketchikan, and employment impacts in Juneau and Ketchikan.

- a. What is the category of your current position?  
54% Clerical/Technical    18% Professional    23% Managerial    5% Executive
- b. How long have you worked for AMHS?  
15% Less than one year    31% 1 to 5 years    54% more than 5 years
- c. Are there comparable jobs to yours in Juneau outside AMHS?  
48% Yes    13% Nearly    26% No    13% Not sure

d. Does your spouse work in Juneau?

18% Yes, for the State of Alaska 33% Yes, for another employer

15% No 33% No Spouse

If your answer to this question is yes, what is the category of his/her current position?

22% Clerical 67% Professional 0% Managerial 11% Executive

e. How long does it take for you to commute to and from work each year (round trip)?

22.9 minutes [Average reported]

f. If you own your home, what is its approximate value? \$207,600 [Average reported]

If you rent your home, what is your monthly rent? \$777 [Average reported]

g. What is your approximate household annual income?

0% Less than \$20,000 44% \$20,000 to \$40,000 21% \$40,000 to \$60,000

15% \$60,000 to \$80,000 8% \$80,000 to \$100,000 15% over \$100,000

5. What do you think would be the costs and benefits for AMHS, its customers, or the State of Alaska of moving AMHS administrative offices from Juneau to Ketchikan?

[Text responses will be included in the final report]



# STATE OF ALASKA

## DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

ALASKA MARINE HIGHWAY SYSTEM / SYSTEM DIRECTOR

TONY KNOWLES, GOVERNOR

P.O. BOX 25535  
JUNEAU, ALASKA 99802-5535  
PHONE: (907) 465-3959  
FAX: (907) 465-2474

February 26, 1997

The Honorable Jerry Ward  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Senator Ward:

This letter is in response to your questions as stated in your February 1, 1997 letter. I will attempt to deal with your questions in the order contained in your letter.

1. *Prince of Wales Island Survey Questions and Survey Cost*

A copy of the survey questions was included in our August 23, 1996 transmittal. However, I am enclosing another copy for your information. The survey was performed in conjunction with the Prince of Wales Island Service Alternatives Study performed by Art Anderson Associates for AMHS in 1994. There is no separate price attributable to this small piece of the overall public involvement survey. The study was a federally funded (FHWA) project.

2. *Claims Paid by Risk Management in Connection with Intoxicated People Coming Off the ferries*

According to Risk Management, there are no claims which have been filed against the state due to intoxicated passengers embarking/disembarking the AMHS ferries in the past ten (10) years.

3. *How Many People Working AMHS Administration have had Experience in the Fleet*

- (1) Three (3) Port Engineers
- (2) One (1) Former Operations Manager
- (3) One (1) Passenger Services Inspector
- (4) One (1) Labor Relations Specialist

In addition to the above, we currently have three (3) IBU vessel employees working on specific assignments in the personnel section.

There are at least six (6) additional employees in AMHS with maritime experience. In addition, there are several additional employees with food service industry experience, travel industry experience, and general transportation experience. Many employees are long time AMHS employees who have worked with the fleet over a number of years.

As pointed out in previous responses, experience as a vessel employee in the fleet would not assist in meeting the state's Class Specification for qualifying as an Accountant III or IV, nor would it assist in the performance of those specialized duties. It would not qualify you for a Personnel Officer II, Procurement Specialist IV, or Transportation

There are at least six (6) additional employees in AMHS with maritime experience. In addition, there are several additional employees with food service industry experience, travel industry experience, and general transportation experience. Many employees are long time AMHS employees who have worked with the fleet over a number of years.

As pointed out in previous responses, experience as a vessel employee in the fleet would not assist in meeting the state's Class Specification for qualifying as an Accountant III or IV, nor would it assist in the performance of those specialized duties. It would not qualify you for a Personnel Officer II, Procurement Specialist IV, or Transportation Planner II registers. These positions with revised classification specs typically require a college degree and a specified number of years of related experience.

The positions of Port Captain and Assistant Port Captain have license requirements with specified vessel tonnage rating. The Port Engineer must have a Chief Engineer license or be able to complete the licensing requirement within a 6 month period.

4. *Decision Document on Bar Closure*

A copy is enclosed.

5. *Aurora Gulf Crossing Written Second Opinion*

This has not been accomplished. The vessel work was competitively bid out this year because of a federal project. Since the vessel is not scheduled for overhaul until next year there is plenty of time to complete this item.

6. *Commissioner Perkins Mission Statement*

As Commissioner Perkins stated during his recent comments to the Legislature, this will be done in the context of the Southeast Transportation Plan.

7. *Report on the Status of the Computerized Maintenance System, including work environment, cost of employee and project history*

The inventory program is written and installation on the vessels is in the final process. It is designed with a shore based system in Engineering which will receive weekly updated inventory and maintenance information from each of the AMHS vessels.

The employee responsible for the design and implementation of the system is a Vacation Relief Chief Engineer. Prior to 1995 he was working on various aspects of the system on his own time. In early 1995 he was task with

designing and installing an inventory system. during the last two years he also has worked relief Chief Engineer assignments and ship yard assignments as a Port Engineer. Therefore, his time has not been 100% focused on this system. His annual salary is \$71,000 without benefits. Several vessel engineers have also been working with the relief chief on their time off on the design.

There are programs available on the market. These costs \$55,000 to \$100,000 per vessel without modification. Each of the existing programs required modifications for the AMHS operation. After discussing the options of either purchasing an off-the-shelf or developing an in-house program with the Port Engineer and vessel engineers, it was decided to develop a custom, in-house program using personnel

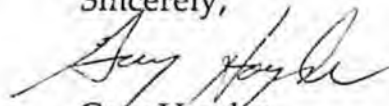
The program is written in a standard language making it useful should the system go to a package program for all vessel departments at a later date. Recent quotes from two Chief Engineers using the system will be helpful:

"...We now use the program constantly in our day-to-day operations in the engineering department. Far too much time and energy have been expended in this program to dismantle it at this point. Again, I express my support and request your help in keeping this program operating in the AMHS fleet."

"...The Vessels now all have a working Inventory program and computers for the first time in 20 years, like any new programs and software there is still bugs and glitches that require fixes and upgrades. Keep up the good work."

If I can be of further assistance, please feel free to contact me at 465-3959.

Sincerely,



Gary Hayden  
System Director

Enclosures

cc: Joseph Perkins, Commissioner, DOT&PF

## Alaska Marine Highway System Service Alternatives Study Public Opinion Survey

The Alaska Marine Highway System has commissioned a study of service alternatives for the Prince William Sound and Prince of Wales Island/Outer Ketchikan areas. The AMHS is studying several ways to improve ferry service in these regions.

**YOUR OPINIONS ARE IMPORTANT TO US.** We want to know what you think about ferry service to your area. Please take a few minutes to fill out this questionnaire. Your participation in this study will help the AMHS deliver better service.

When you are finished, please tape the survey closed before mailing back. The postage paid return address to the McDowell Group should be facing outward.

Thank you for your help on this important project!

*(Please circle the corresponding number next to your response)*

1. How many trips have you taken on the Alaska Marine Highway Ferries over the past year? *(Please count all round trips as two trips aboard the AMHS ferry)*

0 None	3 Eight to ten trips
1 One to three trips	4 Eleven to fifteen trips
2 Four to seven trips	5 MORE than 15 trips
  
2. Would you have used the ferry more often if service to your area had been more frequent?
 

0 Yes	
1 No	
98 Not Sure	
  
3. Would you have used the ferry more often if faster travel times - less stops along the way which would speed up travel time and/or new ferries able to travel at faster speeds - had been available?
 

1 Yes	
2 No	
98 Not Sure	
  
4. How many other adults and children from your household usually travel with you on the Alaska Marine Highway ferry?
 

4-A	Number of Adults	4-B	Number of Children
1	One	4	Four
2	Two	5	Five
3	Three	6	Six or more

5. What was the primary purpose of your trip(s) on board the ferry?

- 1 Business Only
  - Education/Training
  - Seeking employment in other community
  - Relocation (moving to other area)
  - Military
  - Personal Business (purchases/family accounting, etc.)
- 2 Business/Pleasure
- 3 Vacation/Pleasure
- 6 Shopping trips only
- 4 Visiting Friends and Relatives
- 5 Medical
- 97 Other

6. Where do you travel most often on the ferry?

Destination	Trip Purpose	Bring Auto?	
1 Ketchikan	_____	Yes	No
2 Sitka	_____	Yes	No
3 Juneau	_____	Yes	No
4 Washington	_____	Yes	No
5 Prince Rupert	_____	Yes	No
6 Cordova	_____	Yes	No
7 Whittier	_____	Yes	No
8 Valdez	_____	Yes	No
9 Other	_____	Yes	No

7. How satisfied are you with the service provided by the AMHS ferries?

- 1 Very Satisfied
- 2 Satisfied
- 3 Unsatisfied
- 4 Very Unsatisfied

8. How would you rate the following services provided by the Alaska Marine Highway System?

Please circle the corresponding number 1 through 5.

	VERY POOR	POOR	FAIR	GOOD	EXCELLENT
Overall					
Accommodations	1	2	3	4	5
Seating	1	2	3	4	5
Schedule/Convenience	1	2	3	4	5
Personnel on Board	1	2	3	4	5
Departure Locations	1	2	3	4	5
Food	1	2	3	4	5
Bar	1	2	3	4	5
Terminal Amenities	1	2	3	4	5
Barrier Free Accessibility	1	2	3	4	5

9. What do you like MOST about the service provided by the AMHS?

\_\_\_\_\_

\_\_\_\_\_

10. What do you like LEAST about the service provided by the AMHS?

\_\_\_\_\_

\_\_\_\_\_

11. What improvements (if any) could be made to improve access from your home to the ferry terminal?

*Please circle the first and second most important.*

- |    |                      |   |  |
|----|----------------------|---|--|
| 1  | Better roads         | 5 | Security for parked vehicles                 |
| 2  | Improved bus service | 6 | Accurate and up to date schedule information |
| 3  | Cab service          | 7 | No improvements needed                       |
| 4  | Closer terminal      |   |  |
| 97 | Other _____          |   |  |

12. How important is it to have the following services on board the Alaska Marine Highway ferries?

*Please rate each service on a scale of Very important to Not at all Important*

	Very Important	Important	Somewhat Important	Not at all Important
Accommodations/ Staterooms	1	2	3	4
Seating	1	2	3	4
Bar	1	2	3	4
Food	1	2	3	4
Showers	1	2	3	4
Theater	1	2	3	4
On board movies/ live presentations	1	2	3	4
Arcade for children/ Video games	1	2	3	4
Playroom for children	1	2	3	4
Lockers/ Storage Facilities	1	2	3	4
Barrier Free Accessibility	1	2	3	4

13. The AMHS is studying several alternatives to the ferry service now being offered in your area - do you have specific ideas for changes you would like to see to the service now being offered?

\_\_\_\_\_

14. Would you be willing to pay higher fares to have your specific improvements to service and schedules implemented?

- |   |     |    |                     |
|---|-----|----|---------------------|
| 1 | Yes | 98 | Don't Know/Not Sure |
| 2 | No  | 97 | Comment _____       |

15. Some of the service alternatives being considered are listed below. Which of these alternatives would you like to see done to improve service to your area? *First, second, third choices please,.....*
- \_\_\_\_\_ Adding faster passenger-only ferries to existing service
  - \_\_\_\_\_ Adding self-propelled barges for carrying commercial vehicle and RV traffic during the summer, freeing up regular service for smaller private vehicles.
  - \_\_\_\_\_ Replacing existing ferry with fast auto/passenger ferry of equivalent size
  - \_\_\_\_\_ Providing ferry service to communities not currently served
  - \_\_\_\_\_ Faster service (fewer stops) between departure port and destination
  - \_\_\_\_\_ Like the service just how it is.
16. Would you be willing to trade less frequent vehicle service for more frequent and faster passenger service?
- 1 Yes
  - 2 No
  - 98 Don't Know/Not Sure
  - 97 Comment \_\_\_\_\_
17. How important is it that ferry service be offered with arrivals and departures occurring between 7AM and 11PM?
- 1 Very Important
  - 2 Important
  - 3 Somewhat Important
  - 4 Not at all Important
18. Faster passenger-only ferry service could allow for tourism development in your community. How important do you feel tourism development is in your area?
- 1 Very Important
  - 2 Important
  - 3 Somewhat Important
  - 4 Not at all Important
19. Do you think the AMHS ferries should be used to increase tourism development in your area?
- 1 Yes
  - 2 No
  - 98 Don't Know/Not Sure
  - 97 Comment \_\_\_\_\_
20. Are you or someone in your household physically challenged?
- 1 Yes
  - 2 No
21. What category best describes your age group?
- 1 Under 19 years
  - 2 19 - 24 Years
  - 3 25 - 34 Years
  - 4 35 - 44 Years
  - 5 45 - 54 Years
  - 6 55 - 64 Years
  - 7 Over 65 Years

# MEMORANDUM

STATE OF ALASKA

Department of Transportation & Public Facilities


To: Joseph L. Perkins, P.E.  
Commissioner

Date: April 24, 1996

File No: BAR\_DEC\_.WPD

Log No: M0395-96

Telephone No: 465-3959

 From: Gary L. Hayden  
System Director  
Alaska Marine Highway System

Subject: Bar Service Decision  
Document

A decision document on bar service on the Alaska Marine Highway System vessels is attached for your review and action.

The decision timing is important with the M/V Taku returning to service in May and the subcontractor for the bar arrangements on the Ocean Class Vessel(OCV) project set to build a mockup of the food service areas, including the bar. It would save time and unnecessary expense, if we can delay the mock up construction and submit a revised arrangement. If the decision is to close bar service, the transition is best made as the vessels return to service from shipyard status.

Please let me know, should you wish to discuss this further prior to making your decision.

**Decision Document**  
**Alaska Marine Highway System**  
**FY 97 Budget Reductions & Bars on Vessels**

**Issue**

The proposed budget for FY 97 will require AMHS to reduce its operating expenses. One cost area to examine is services provided on board the vessel. After reviewing the cost and the revenues generated through liquor sales, a decision is needed as to whether we continue to provide liquor sales through the bars, or discontinue bar service and reduce crew level by elimination of the bartender position.

**Background**

Currently, AMHS operates bars on the M/Vs Taku, Malaspina, Matanuska, Columbia, and LeConte in the Southeast System. The M/Vs Tustumena and Bartlett in the Southwest System do not have formal bar areas. The Bartlett liquor sales are performed by the cashier, steward, or in some cases the Chief Steward. The M/V Tustumena has a bartender assigned to the vessel, but this position regularly performs other duties.

The M/V Aurora bar was closed in earlier 1994 after requests of the communities served. The bartender was a permanent bid assignment on that vessel and we had to continue to pay the employee bartender wages until the employee secured another comparable permanent bid position.

**Analysis**

A recent review of the revenue generated and cost (labor, licenses & liquor) to provide this on board service revealed that for FY95 we lost approximately \$77,819.00 system-wide. The M/V Columbia bar service is the only bar service that is consistently profitable. The profitability of bar service on the M/V Columbia is largely a function of being on the longer Bellingham run and it offers beer and wine service with meals. The other mainline vessel bars all took in fewer revenues than the cost to provide the service (see attached worksheet).

The review confirms the decision to eliminate bar service on the M/V Aurora was a good one. The bar service on the two (2) feeder vessels is not profitable. The current community sentiment appears to be elimination of bar service on the M/V LeConte. The bar service on the M/V LeConte costs approximately \$36,000 more than it generates in revenue.

AMHS is prohibited, by contract, from abolishing the bartender classification. However, if the decision is to eliminate bar service system-wide, we would treat

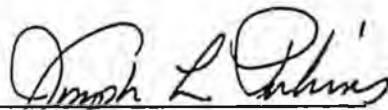
it as a reduction in force. The affected employees would work as Displaced Regularly Assigned Employees(DRAEs), until they were able to secure other permanent bid positions, or bump down in the system.

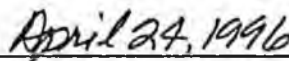
**Decision**

The primary mission of the AMHS is to provide safe, reliable, basic transportation to the communities we serve. The resources and energies of the system should focus on the mission. The public does not travel with us because we provide liquor service, nor will they cease ferry travel should we eliminate this service.

In order to reduce costs through reductions in manning levels, the decision of the department is to eliminate bar service on all vessels except for the M/V Columbia.

- Approved
- Disapproved

  
\_\_\_\_\_  
Joseph L. Perkins, P.E.  
Commissioner

  
\_\_\_\_\_  
Date

**92-95 BAR ANALYSIS  
SOUTHEAST SOUTHWEST VESSELS  
REVENUE/ EXPENDITURES**

FY YEAR	VESSEL	LIQUOR	LICENSE	AVG. WITH		TOTAL EXPENDITURE	REVENUE	PROFIT (LOSS)	OPS WEEKS
				BENEFITS	PERS. SVCS.				
92	TAKU	18,500	583	108,908		127,991	113,403	(14,588)	22.4
92	MALASPINA	12,394	583	79,205		92,182	91,464	(718)	22.4
92	MATANUSKA	24,416	583	127,535		152,534	163,686	11,153	43.7
92	COLUMBIA	33,146	583	90,659		124,388	183,151	58,764	33.4
92	AURORA	10,984	450	86,172		97,606	56,330	(41,276)	45.9
92	LECONTE	9,195	450	64,743		74,388	42,616	(31,772)	46
<b>FY92 SE TOTAL</b>		<b>108,635</b>	<b>3,232</b>	<b>557,222</b>		<b>669,089</b>	<b>650,650</b>	<b>(18,439)</b>	<b>214</b>
93	TAKU	8,630	583	48,289		57,502	42,681	(14,821)	13.3
93	MALASPINA	21,737	583	123,393		145,713	151,159	5,446	45.6
93	MATANUSKA	23,294	583	90,748		114,625	129,654	15,029	34.7
93	COLUMBIA	40,342	583	90,716		131,641	203,735	72,095	33.4
93	AURORA	11,633	450	73,971		86,054	61,164	(24,890)	43.6
93	LECONTE	6,925	450	61,607		68,982	37,122	(31,860)	46.1
<b>FY93 SE TOTAL</b>		<b>112,561</b>	<b>3,232</b>	<b>488,724</b>		<b>604,517</b>	<b>625,515</b>	<b>20,998</b>	<b>217</b>
94	TAKU	18,878	583	105,379		124,840	110,837	(14,003)	45.9
94	MALASPINA	15,766	583	82,451		98,800	112,903	14,103	27.9
94	MATANUSKA	27,294	583	90,172		118,049	147,284	29,235	44.3
94	COLUMBIA	29,375	583	79,191		109,149	129,586	20,437	22.3
94	AURORA	4,827	450	55,405		60,682	32,068	(28,614)	34.1
94	LECONTE	6,631	450	68,104		75,185	32,589	(42,596)	44.9
<b>FY94 SE TOTAL</b>		<b>102,771</b>	<b>3,232</b>	<b>480,702</b>		<b>586,705</b>	<b>565,267</b>	<b>(21,438)</b>	<b>219</b>
95	TAKU	12,799	583	106,034		119,416	79,044	(40,372)	44.7
95	MALASPINA	17,910	583	126,272		144,765	124,034	(20,731)	43.7
95	MATANUSKA	11,767	583	77,619		89,969	76,577	(13,392)	26.1
95	COLUMBIA	30,678	583	80,022		111,283	147,437	36,154	27.3
95	AURORA	-	450	-		450	166	(284)	46.3
95	LECONTE	6,342	450	58,991		65,783	27,537	(38,246)	37.3
<b>FY95 SE TOTAL</b>		<b>79,496</b>	<b>3,232</b>	<b>448,937</b>		<b>531,665</b>	<b>454,795</b>	<b>(76,870)</b>	<b>225</b>
<b>SE GRAND TOTAL 92-95</b>		<b>403,463</b>	<b>12,928</b>	<b>1,976,684</b>		<b>2,391,975</b>	<b>2,296,227</b>	<b>(95,748)</b>	<b>875</b>

**92-95 BAR ANALYSIS  
SOUTHEAST SOUTHWEST VESSELS  
REVENUE/ EXPENDITURES**

FY YEAR	VESSEL	AVG. WITH			TOTAL EXPENDITURE	REVENUE	PROFIT (LOSS)	OPS WEEKS
		LIQUOR	LICENSE	BENEFITS PERS. SVCS.				
92	TUSTUMENA	5,768	450	20,614	26,832	13,942	(6,672)	38.4
92	BARTLETT	3,111	450	2,683	6,244	9,257	6,574	34.1
<b>FY92 SW TOTAL</b>		<b>8,879</b>	<b>900</b>	<b>23,298</b>	<b>33,077</b>	<b>23,199</b>	<b>(99)</b>	<b>73</b>
93	TUSTUMENA	6,357	450	20,287	27,094	27,873	779	44.4
93	BARTLETT	4,882	450	2,598	7,930	11,350	3,420	35.4
<b>FY93 SW TOTAL</b>		<b>11,239</b>	<b>900</b>	<b>22,885</b>	<b>35,024</b>	<b>39,223</b>	<b>4,199</b>	<b>80</b>
94	TUSTUMENA	2,011	450	19,784	22,245	18,076	(4,169)	44.4
94	BARTLETT	4,185	450	2,439	7,074	12,360	5,287	35.4
<b>FY94 SW TOTAL</b>		<b>6,196</b>	<b>900</b>	<b>22,223</b>	<b>29,319</b>	<b>30,436</b>	<b>1,117</b>	<b>80</b>
95	TUSTUMENA	5,449	450	20,013	25,912	19,140	(6,772)	44.4
95	BARTLETT	1,906	450	2,540	4,896	10,719	5,823	35.4
<b>FY95 SW TOTAL</b>		<b>7,355</b>	<b>900</b>	<b>22,554</b>	<b>30,809</b>	<b>29,859</b>	<b>(950)</b>	<b>80</b>
<b>SW GRAND TOTAL 92-95</b>		<b>33,669</b>	<b>3,600</b>	<b>80,960</b>	<b>128,228</b>	<b>122,717</b>	<b>4,267</b>	<b>312</b>
92	SE/SW	117,514	4,132	580,519	702,165	673,849	(28,316)	286.3
93	SE/SW	123,800	4,132	511,609	639,541	664,738	25,197	296.5
94	SE/SW	108,967	4,132	502,925	616,024	595,703	(20,321)	299.2
95	SE/SW	86,851	4,132	471,490	562,473	484,654	(77,819)	305
<b>GRAND TOTAL SE/SW 92-95</b>		<b>437,132</b>	<b>16,528</b>	<b>2,066,543</b>	<b>2,520,203</b>	<b>2,418,944</b>	<b>(101,259)</b>	<b>1,187</b>

NOTE: Personal services derived from average wage by ship by position from the EIS system. These do not include overtime.

Expenditures do not include any portion of overhead costs associated with procurement, warehousing or stock handling.

Vessels TAKU, MALASPINA & MATANUSKA - 90% of the average wage was used. This percentage was used to reflect that positions may perform other duties.

Vessels Aurora & Leconte - 65% of the average wage was used, since these positions perform other duties routinely. The bar service on the Aurora was eliminated and therefore personal services do not appear in FY95.

Vessel M/V TUSTUMENA - 65% of the average wage was used, the vessel does not have an actual bar area and positions perform other duties routinely.

Vessel M/V BARTLETT - 5% of the average wage for a Steward was used, the vessel does not have a bartender assigned to the vessel.

# Alaska State Legislature

Chairman,  
Judiciary Committee

Member,  
Resources Committee  
Rules Committee  
Committee on Committees



State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-3873  
Fax: (907) 465-3922

352 Front Street  
Ketchikan, Alaska 99901  
(907) 225-8088  
Fax: (907) 225-0713

*Senator Robin L. Taylor*

## MEMORANDUM

**TO:** Gary Hayden, Director  
Alaska Marine Highway System

Senator Jerry Ward, Chairman  
Senate Transportation Committee

**FROM:** Senator Robin Taylor

**DATE:** 3/6/97  
**RE:** Information Request

\*\*\*\*\*

Thank you for providing me with a copy of the RFP for the economic analysis you commissioned on moving the AMHS central offices to Ketchikan. It is my understanding that you have received an initial draft report from the contractor.

Although the report is in draft form I request you provide copies to this office and to the Senate Transportation Committee as soon as possible. The committee plans to take up Senate Bill 27 next week and the committee members should have advance access to this document.

Although this \$25,000 study was commissioned even before a bill was filed, the target completion date for a final report is not until the end of April. That is too late to be of benefit to the Legislature as it deals with Senate Bill 27.

Please provide the requested copies of the draft report before the close of business tomorrow.

Thank you.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

**DEPARTMENT OF TRANSPORTATION  
AND PUBLIC FACILITIES**

ALASKA MARINE HIGHWAY SYSTEM / SYSTEM DIRECTOR

P.O. BOX 25535  
JUNEAU, ALASKA 99802-5535  
PHONE: (907) 465-3959  
FAX: (907) 465-2474

February 26, 1997

The Honorable Senator Robin Taylor  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Senator Taylor:

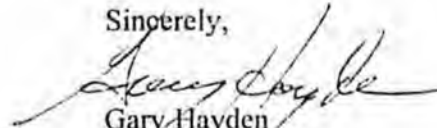
A copy of the Economic Analysis RFP on the relocation of AMHS central offices to Ketchikan is enclosed per your request of February 22, 1997. We have not received a final report from the contractor, since they still had several elements needing further review. The contractor planned to survey the current staff to ascertain how many employees would actually consider relocating to Ketchikan. This is important due to the relocation cost estimates, and to determine the level of positions needing to be filled, and whether a sufficient resource pool exists in Ketchikan. We could find ourselves in a situation of hiring and training replacements in Juneau then relocating them to Ketchikan.

I will follow-up with the contractor to get a status on an anticipated completion date. It is in the best interest of AMHS and the State to know, to the closest degree possible, the cost impact.

As to your question on the Tustumena trip to the ASD and its non-revenue status, the decision was made because there wasn't the potential for significant revenue. There was only two weeks to market the trip. The Traffic Manager contacted some commercial customers and didn't find interest in the run at this time of the year. The crew size was reduced and additional dock rental was avoided.

If I can be of further assistance, please contact me at 465-3959.

Sincerely,



Gary Hayden  
System Director

Enclosures

cc: Joseph Perkins, Commissioner, DOT& PF

STANDARD AGREEMENT FORM

1. Agency Contract Number <b>MT- 1152</b>		2. ASPS Number <b>N/A</b>		3. Financial Coding <b>25070001/10</b>		4. Agency Assigned Encumbrance Number	
5. Vendor Number				6. Alaska Business License Number			
This contract is between the State of Alaska:							
7. Department of <b>Transportation and Public Facilities</b>				Division <b>Alaska Marine Highway System</b>			
8. Contractor <b>Information Insights</b>							
Mailing Address <b>542 Fourth Ave. Ste. 300</b>		Street or P.O. Box		City <b>Fairbanks</b>		State <b>AK</b>	
						ZIP-4 <b>99701-4714</b>	
9. ARTICLE 1. Appendices: Appendices referred to in this contract and attached to it are considered part of it.							
ARTICLE 2. Performance of Service:							
2.1 Appendix A (General Provisions), Articles 1 through 14, governs the performance of services under this contract.							
2.2 Appendix B sets forth the liability and insurance provisions of this contract.							
2.3 Appendix C - Information Insights proposal dated December 5, 1996.							
ARTICLE 3. Period of Performance: The period of performance for this contract begins <u>January 1 1997</u> and ends <u>April 30, 1997</u>							
ARTICLE 4. Considerations:							
4.1 In full consideration of the contractor's performance under this contract, the State shall pay the contractor a sum not to exceed <u>324,970</u> in accordance with the provisions of Appendix D.							
4.2 When billing the State, the contractor shall refer to the Authority Number or the Agency Contract Number and send the bills to:							
10. Department of <b>Transportation and Public Facilities</b>				Attention: Division of <b>Alaska Marine Highway System</b>			
Mailing Address <b>PO Box 25535, Juneau, AK 99802-5535</b>				Attention: <b>Finance Section</b>			
11. CONTRACTOR							
Name of Firm <b>Information Insights</b>							
Signature of Authorized Representative <i>Brian Rogers</i>						Date <b>1/8/97</b>	
Typed or Printed Name of Authorized Representative <b>Brian Rogers</b>							
Title <b>Project Manager</b>				Employer ID No. (EIN) or SSN <b>92-0089908</b>			
12. CONTRACTING AGENCY:							
Department/Division <b>DOT/DF - AMHS</b>				Date <b>1-8-97</b>		Signature of Head of Contracting Agency or Designee <i>Mark O'Brien</i>	
Signature of Project Director <i>Brenda Markey</i>				Typed or Printed Name <b>Mark O'Brien</b>			
Typed or Printed Name of Project Director <b>Brenda Markey</b>				Title <b>Contracting Officer</b>			
Title <b>Support Services Manager</b>							

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

## Article 2

### APPENDIX A GENERAL PROVISIONS

#### Article 1. Definitions.

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in signing this contract.

#### Article 2. Inspection and Reports.

- 2.1 The Department may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 The contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

#### Article 3. Disputes.

- 3.1 Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided in accordance with AS 36.30.620-632.

#### Article 4. Equal Employment Opportunity.

- 4.1 The contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, physical handicap, sex, marital status, changes in marital status, pregnancy, or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, physical handicap, age, sex, marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 The contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of the contract.

#### Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

#### Article 6. No Assignment or Delegation.

The contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

#### Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

#### Article 8. Independent Contractor.

The contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

#### Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any Subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

#### Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. The contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

#### Article 11. Governing Law.

This contract is governed by the laws of the State of Alaska. All actions concerning this contract shall be brought in the Superior Court of the State of Alaska.

#### Article 12. Conflicting Provisions.

Unless specifically amended and approved by the department of Law the General Provisions of this contract supersede any provisions in other appendices.

#### Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

#### Article 14. Covenant Against Contingent Fees.

The contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, contingent fee, or brokerage except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage, or contingent fee.

APPENDIX B<sup>1</sup>  
INDEMNITY AND INSURANCE

**Article 1. Indemnification**

The contractor shall indemnify, hold harmless, and defend the contracting agency from and against any claim of, or liability for error, omission or negligent act of the contractor under this agreement. The contractor shall not be required to indemnify the contracting agency for a claim of, or liability for, the independent negligence of the contracting agency. If there is a claim of, or liability for, the joint negligent error or omission of the contractor and the independent negligence of the contracting agency, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "Contractor" and "contracting agency", as used within this article, include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "independent negligence" is negligence other than in the contracting agency's selection, administration, monitoring, or controlling of the contractor and in approving or accepting the contractor's work.

**Article 2. Insurance**

Without limiting contractor's indemnification, it is agreed that contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the contractor's policy contains higher limits, the state shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the Contracting Officer prior to beginning work and must provide for a 30-day prior notice of cancellation, nonrenewal or material change of conditions. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this contract and shall be grounds for termination of the contractor's services. All insurance policies shall comply with, and be issued by insurers licensed to transact the business of insurance under AS 21.

**2.1. Workers' Compensation Insurance:** The contractor shall provide and maintain, for all employees engaged in work under this contract, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including but not limited to Federal U.S.L.&H. & Jones Act requirements.

The policy must waive subrogation against the State.

**2.2. Commercial General Liability Insurance:** Such policy shall have minimum coverage limits of \$300,000 combined single limit per occurrence. The policy shall be written on an "occurrence" form unless specifically reviewed and agreed to by the Division of Risk Management.

**2.3. Commercial Automobile Liability Insurance:** Such policy shall have minimum coverage bodily injury liability limits of \$300,000 combined single limit per occurrence or split limits of \$300,000 per person / \$500,000 per occurrence. The policy shall cover all owned, hired and non-owned vehicles. In addition, it shall have a minimum of \$50,000 per occurrence property damage liability limits.

**Requesting Agency:**

State of Alaska  
Dept. of Transportation & Public Facilities  
Alaska Marine Highway System  
PO Box 25535, Juneau, AK 99802-5535

Contract MT-1152  
Economic Analysis: Relocating AMHS office to Ketchikan

**Understanding of the Services Required**

The decision to move the Alaska Marine Highway System administrative office to Ketchikan is a complex one. Our goal in this project is to couple the technical competence of our staff with the impartial position of people with no regional interest in the decision to produce a timely and accurate analysis. We are cognizant of the compressed time scale of the project, and have developed a three phase approach to balance rapid completion of project goals with the detailed analysis required to inform the decision:

1. Preliminary meetings to clarify project goals and methods; draft analysis of the leasing, construction and physical costs of the proposed move (Sections A-C and J below).
2. Draft analysis of the impact of the proposed move on AMHS operations (Sections D, G and H below).
3. Draft analysis of the impact of the proposed move on the communities of Juneau and Ketchikan (Sections E, F and I below).

Following submittal of the draft document on 5 January, there will be a content review by AMHS staff. Meetings will then be held to finalize content, revisions made and the final document prepared to meet the 15 January submittal date.

**A. Cost Analysis of a Move to Ketchikan**

To determine the costs of a move to Ketchikan, we will complete a rough inventory of equipment to be moved, determine the expected number of transferred households, and solicit a bid for moving costs for these two items. We will also estimate the approximate 'downtime' until employees resume their usual productivity following the move.

**B. Availability/Cost of Suitable Office Space in Ketchikan**

A survey of available office space in Ketchikan must be performed so that we can compare the economic feasibility of new construction versus the use of existing facilities. Since the needs of the administrative unit will be somewhat idiosyncratic compared with what is likely available, standard commercial lease rates are likely of little value.

**C. Cost of Constructing Office Space in Ketchikan**

We will establish the cost of constructing AMHS administrative offices in Ketchikan using the standard CSI (Construction Standards Institute) format. We will take into account various factors including logistics, the seasonal nature of the construction season in Ketchikan (primarily due to precipitation), and current construction systems and technology. These estimates will be based upon square foot unit costs that in turn will be determined through interviews with the AMHS personnel in Juneau.

**D. Benefits to AMHS of Ketchikan/Juneau Location**

To study the direct effects of a proposed move of the AMHS, we will conduct a logistics study of current operations and the availability of satisfactory modes of communications between the various associated offices and the administrative unit. We will estimate expected productivity by carefully considering the mix of internal and external operations, the current communications modes, and the specific proposal for the types of operations that may be moved. Our analysis will consider a variety of contingencies for the proposed scale of the move.



**E. Impacts of Move on Ketchikan/Juneau: Housing Markets**

We will examine a variety of location-specific benefits that the AMHS must consider. Both Ketchikan and Juneau provide the intuitive physical link to the marine highway. However, the State of Alaska must concern itself with other factors such as the cost of operations in each alternative location, the level of displacement of other enterprises in each location, the types of links that can be established between AMHS administration and local enterprises, and the substantial effect of a relocation on local employment and public facilities.

This analysis is challenging because Ketchikan is currently undergoing an employment transformation as a result of recent decisions by Ketchikan Pulp. While the tools of input/output analysis and regional employment multipliers must be considered, our in-depth understanding of the methodology will be critical because Ketchikan is not in a steady state. We expect that a major relocation of the AMHS Administrative Office will have a substantial effect on the local economy and therefore requires special consideration in this analysis.

Of special concern is the effect such a proposed move would have on the local housing market. We will identify and apply reasonable assumptions that must be made with regard to the housing choices of employees prone to transfer and the ability of the relevant markets to absorb the demand for housing in its various forms. A complete analysis of both the home ownership and rental markets will be conducted.

**F. Impacts of Move on Ketchikan/Juneau: Employee Payroll**

We will complete an analysis of the current and the likely future pattern of payroll, based on contingencies determined in Section D above. The pattern of payrolls in the communities considered is necessary to determine the overall effect on the communities because the injection of new income into Ketchikan will have a very different effect given the employment slack in the Ketchikan economy. We will extrapolate past data from Ketchikan to incorporate recent structural changes in the Ketchikan economy. We propose to study both the direct and the indirect effect of the proposed shift in payroll on the Ketchikan region.

**G. Ketchikan Workforce Analysis**

Related to the employment analysis in Section F, we will consider the ability of the Ketchikan employment market to meet the needs of the AMHS administrative move. Expectations of the composition of resignations and the desired composition of the new administrative facility will be formulated. We will further include study of the existing composition of the AMHS administrative office and the strategic plan for the new office. In addition, results from the study of the housing market from Section E will aid our estimation of successful relocation of administrative employees.

**H. Effects of Distance on Business Processes**

We will carefully consider the need for direct and indirect interaction between AMHS administrative employees and legislative and agency personnel. In Section D above we described the need to develop alternative relocation contingencies so that the relocation strategy does not frustrate the necessary business of the AMHS administrative unit. Travel costs, dependability, and availability will be among the factors we consider in light of alternative communications technologies suitable for internal operations of the administrative unit.

**I. Impacts of Move on Ketchikan/Juneau: Service Economy**

We must establish that the community of Ketchikan can meet the service needs of the influx of administrative employees. To accomplish this we will assess the services available in the Ketchikan area and the ability of the Ketchikan community to satisfy increased demand as a consequence of the relocation. Our primary tool for this analysis will be interviews with service providers in Ketchikan. This is a necessary ingredient of the input-output analysis, which assumes that the community can readily expand the level of infrastructure to accommodate increased activity. Such a reserve capacity must be determined to permit confidence in the regional multiplier analysis described in Sections E and F above.



**Economic Analysis Proposal  
Relocating AMHS Administrative Office to Ketchikan**

12 December, 1996

**J. Status of Available Authorization for a Building Project**

As part of a general review of the current status of the project, we will review alternative financing mechanisms for the project and will report on available funding and financing options from the State of Alaska, the Alaska Industrial Development and Export Authority, the Ketchikan Gateway Borough, the City of Ketchikan, or other possible financing entities.

**Relevant Qualifications and Experience of Proposed Staff**

Sections A - B and D - I will be completed by Dr. Colin Read, Ph.D. in Economics and Associate Professor of Economics at the University of Alaska Fairbanks. Dr. Read is a nationally recognized expert in housing markets and the only housing professor in Alaska. In addition, Dr. Read teaches and does research in Alaskan regional issues and is well-schooled in the special techniques involved in regional analysis. These skills include employment analysis, regional multiplier effects, and the influence of transportation networks on local growth.

Assisting Dr. Read will be Dr. Ken Osterkamp, Ph.D. in Political Science and Director of Information Technology at Information Insights. Dr. Osterkamp has extensive research and analytical experience, as well as expertise with the computer technologies that will be used to support this project.

Section C will be completed by Charles Bettisworth. Charles Bettisworth and Company is an eleven member architectural firm that in the last five years has completed over \$80 Million in projects throughout Alaska. CBCo has maintained a continuous involvement in Ketchikan since 1982, including:

- being part of the team that developed the original designs for the Ship Maintenance Facility in Ketchikan, a project that included an on-site office complex;
- preparation of construction documents for the Marine Highway System provisioning warehouse;
- the Southeast Alaska Visitor's Center completed and dedicated in 1995.

Section J will be completed by Brian Rogers, who has extensive experience in the provision of public facilities and the legislative and budgetary considerations in the required authorization. Mr. Rogers gained his experience in such analysis through his tenure as an Alaska legislator, Vice President for Finance at the University of Alaska, extensive consulting experience in similar projects, and participation in various private sector business ventures. Mr. Rogers will also be responsible for overall project management.

**Cost Proposal and Schedule**

Cost Proposal: Total Project Budget \$24,970

Consultant	Hourly Rate	Activity	Hours				Budget
			Total	Osterkamp	Read	Bettisworth	
B. Rogers, Project Manager	\$100	Planning Meeting	4	4	4		\$1,000
C.B. Bettisworth, Architect	\$100	Draft Document: Analysis and Preparation					
Dr. Read, Economist	\$80	A. Analysis of a Move to Ketchikan	16	15			\$2,250
Dr. Osterkamp, Researcher	\$150	J. Variable Cost of Suitable Office Space in Ketchikan	8	8			\$1,200
		K. Cost of Constructing Office Space in Ketchikan				8	\$800
		D. Benefits of a Move to Ketchikan/Juneau Location	14	14			\$2,100
<b>Travel Costs</b>		E. Impacts of Move on Ketchikan/Juneau: Housing Markets	20	20			\$3,000
2 RT tickets: Juneau	\$1,100	F. Impacts of Move on Ketchikan/Juneau: Employee Payroll	12	12			\$1,800
2 RT tickets: Ketchikan	\$1,200	G. Ketchikan Workforce Analysis	8	8			\$1,200
Hotel: 8 room-nights	\$500	H. Effects of Distance on Business Production	10	10			\$1,500
Car: 6 days	\$200	I. Impacts of Move on Ketchikan/Juneau: Service Economy	12	12			\$1,800
Per diem: 10 person-days	\$420	J. Status of Available Authorization for a Building Project				8	\$800
Total Travel	\$3,420	Final Document: Analysis and Preparation					\$3,300
		Project Management					\$800
		Travel costs					\$3,420
Note: per diem at State rate (\$42 per day)							
<b>Totals</b>			<b>126</b>	<b>126</b>	<b>20</b>	<b>8</b>	<b>\$24,970</b>



### Economic Analysis Proposal Relocating AMHS Administrative Office to Ketchikan

12 December, 1996

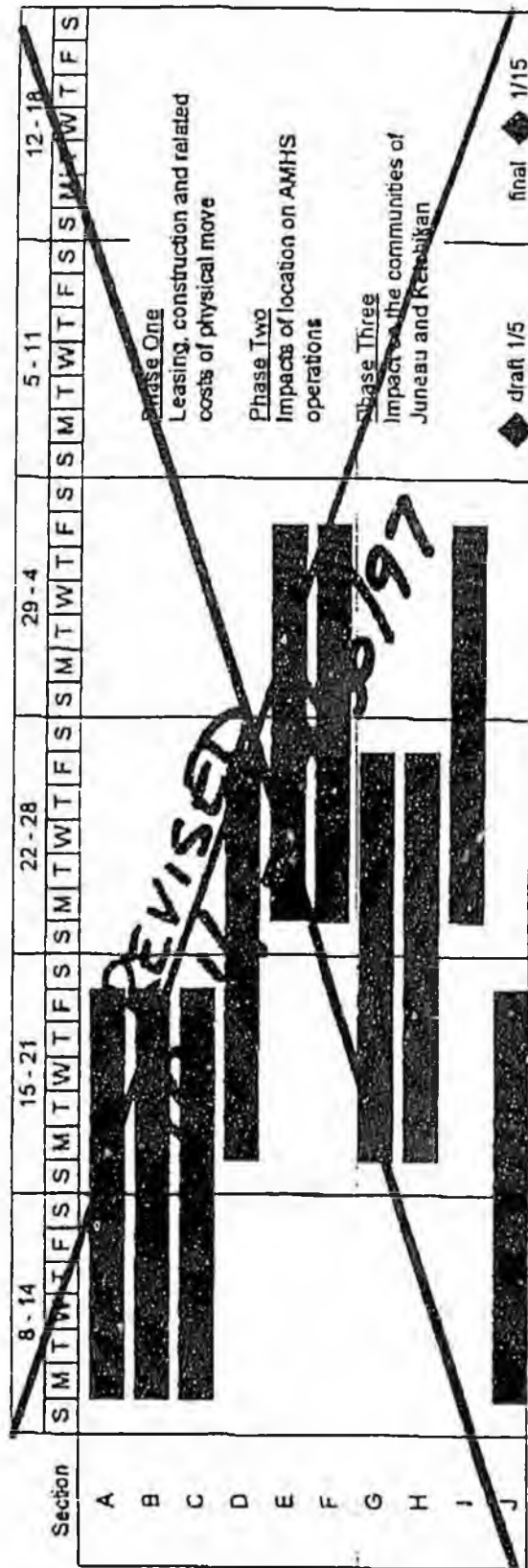
#### Schedule

The three phases of the project will be completed in the order shown at right. Each succeeding phase depends in part on the phase before it.

There will need to be an initial meeting to clarify project goals and methods. This meeting should occur early on, preferably the week after the project has been awarded. This would give information insights a week to do preliminary investigation. Present at this meeting would be Brian Rogers, Project Manager; Dr. Read, Economist; and Dr. Osterkamp, Researcher.

Drs. Read and Osterkamp would travel on to Ketchikan from this meeting to continue their research there.

The Project Manager, Brian Rogers, would also meet physically with the AMHS staff at some point during the final document preparation stage to address any concerns that might arise late in the project and to present the final document.



Appendix D

Consultant	Hourly Rate	Activity	Hours				Budget
			Read	Osterkamp	Rogers	Bettisworth	
B. Rogers, Project Manager	\$100	Planning Meeting	4	4	4		\$1,000
C.B. Bettisworth, Architect	\$100	Draft Document: Analysis and Preparation					\$0
Dr. Read, Economist	\$90	1 Outline of Significant Issues	4	8	8		\$1,640
Dr. Osterkamp, Researcher	\$60	2 Initial Fixed Costs	12	16	4	6	\$3,040
		3 Ongoing Operational Costs	24	32	8		\$4,880
		4 Economic Impact	16	16	4		\$2,800
		5 Document Preparation	16	24	8	2	\$3,880
		Final Document: Analysis and Preparation	8	12	6		\$2,040
		Project Management			6		\$600
		Travel costs					\$5,090
		<b>Totals</b>	<b>84</b>	<b>112</b>	<b>48</b>	<b>8</b>	<b>\$24,970</b>
<b>Travel Costs</b>							
4 RT tickets: Juneau	\$2,300						
2 RT tickets: Ketchikan	\$1,600						
Hotel: 6 room-nights	\$570						
Car: 5 days	\$200						
Per diem: 10 person-days	\$420						
<b>Total Travel</b>	<b>\$5,090</b>						

Note: per diem at State rate  
(\$42 per day)

STATE OF ALASKA  
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES  
ALASKA MARINE HIGHWAY SYSTEM  
P.O. BOX 25535  
JUNEAU, ALASKA 99802-5535

REQUEST FOR PROPOSALS

CONTRACT MT-1152  
ECONOMIC ANALYSIS - RELOCATING AMHS ADMINISTRATIVE OFFICE TO  
KETCHIKAN

This Request for Proposals (RFP) is being made under the professional services procurement rules for agreements of \$25,000 or under.

Consultants responding to this RFP will be evaluated primarily on the following items:

1. The consultant's qualifications, experience and expertise within the subject area.
2. The consultant's understanding of the services required.
3. The proposed cost and schedule of the services.

To be considered, proposals should address the following items:

1. Understanding of the Services Required.

Response must outline in as specific a format as possible, the objective and scope of the proposed agreement as perceived. Do not repeat the scope of work provided, but elaborate on the conditions or specifics deemed significant to demonstrate a complete understanding of the technical and substantive issues necessary to accomplish the services required.

2. Relevant Qualifications and Experience of Proposed Staff.

Response must list all individuals who will be involved in performance of the services required.

Further response should describe the qualifications and experience of each listed individual in terms of his or her educational, managerial and substantive experience which is directly related to the proposed agreement.

Relevant projects the individual has worked on and the extent of responsibilities may be included.

3. Schedule and Cost Proposal

The consultant should provide a schedule showing each major phase of the work to be performed and a projected completion date for each phase.

The schedule should contain specific milestones which can be used to manage contract performance and on which compensation can be negotiated and paid.

The cost proposal should consist of an estimate of the hours and staff required to perform each task or subtask and the hourly rate for each named individual or job classification.

4. Period of Performance

Work shall commence upon receipt of Award/Notice To Proceed and be completed by ~~January 1, 1997.~~ DRAFT BY 1/6/97 AND FINAL DUE 1/15/97. NOTIFIED BY PHONE

5. Project Description

Provide economic analysis of factors related to the relocation of the administrative offices of AMHS to Ketchikan.

6. Scope of Work

Work with AMHS staff to identify all factors to be covered in the analysis. The following areas have been tentatively identified as relevant to this study:

- a. Cost analysis of a move to Ketchikan. Include estimated costs for relocating the office and staff.
- b. Determine the availability of suitable office space in Ketchikan and the estimated cost to lease a facility that will meet the needs of AMHS.
- c. Establish a cost to construct an office facility on or near the Ketchikan Ferry Terminal.
- d. Evaluate the benefits to the AMHS of being located in Ketchikan and Juneau.
- e. Describe the impacts to Ketchikan and Juneau, should the offices move to Ketchikan, including the impact on the housing markets in both locations.
- f. In terms of employee payroll, what is the current AMHS contribution to each community and how would this change.

CONTINUED  
RFP MT-1101

- g. Assess the costs associated with acquiring and training new personnel based on anticipated resignations resulting from the move. Evaluate the job applicant pool in Ketchikan and assess its ability to meet AMHS staffing demands.
- h. Evaluate productivity and travel costs associated with not having direct access to the Legislature, Governor's Office, Commissioner's Office, S.E. Region (for shoreside projects), Headquarters staff, etc.
- i. Affect on services as a result of move - laundry, food, etc.
- j. Describe the status of available authorization for a building project and the funds appropriated.

7. Available Documentation

- a. "AMHS Administration Building Program," by A.E. Rogers Architects, February 2, 1993.

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Offerors shall carefully review this RFP for defects and questionable or objectionable material. Offerors comments concerning defects and questionable or objectionable material in the RFP must be made in writing and received by the Contracting Officer at least ten days before the proposal opening at the following address:

Mark O'Brien, Contracting Officer  
MT-1152 - ECONOMIC ANALYSIS - RELOCATING AMHS ADMINISTRATIVE  
OFFICE TO KETCHIKAN  
Alaska Marine Highway System  
P.O. Box 25535  
Juneau, AK 99802-5535

Addenda

Addenda providing additional information, changes, clarifications, or interpretations of the request for proposals, may be issued by the state from time to time during the time allowed for proposal preparation. Oral interpretations will not be given. No addendum will be issued later than five (5) days from the proposal due date without extending the due date.

CONTINUED  
RFP MT-1101

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Proposals will be received by AMHS, on behalf of the State of Alaska, up to 3:00 p.m. prevailing time, December 6, 1996 and will not be opened by the Selection Committee until after that time.

Limit your proposal, including price if requested, to not more than four (4) 8.5 X 11 pages. Each printed side of each sheet, including covers, transmittal, etc., equal one page. One copy of the proposal should be sent to:

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Or Delivered to:

3132 Channel Drive #310  
Juneau, Alaska 99801

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An offeror may protest the award of the AMHS. The protest must be filed in writing to the Procurement Officer, Alaska Marine Highway System, and must include the following information: (1) the name, address and telephone number of the protester; (2) the signature of the protester or the protester's representative; (3) identification of the contracting agency and the solicitation or contract at issue; (4) a detailed statement of the legal and factual grounds of the protest, including copies of relevant documents; and (5) the form of relief requested. Protests will be treated in accordance with AS 36.30.560 -- 610.

CONTINUED  
RFP MT-1101

## CONDITIONS UNDER WHICH RFP IS ISSUED

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This RFP is written in accordance with Alaska Statutes 36.30 and 2 Alaska Administrative Code 12.

### Compliance

In the performance of a contract that results from this RFP, the contractor must comply with all applicable federal, state and local regulations, codes and laws; be liable for all required insurance, licenses, permits and bonds; and pay all applicable federal, state and local taxes.

Offerors will fully comply with all terms of the request for proposals. Offerors that do not comply are nonresponsive and may be rejected.

### Firm Offer

For the purpose of award, proposals made in accordance with this RFP must be good and firm for a period of 120 days following delivery of the proposal.

### Late Proposals

Proposals received after the time and date set for their receipt will not be accepted and will be returned to the offeror unopened.

### Proposal Rejection

The State reserves the right to reject all proposals at any time prior to award, and to waive formalities when it is in the State's best interest to do so. The State may reject proposals if they are incomplete, fail to acknowledge addenda, are improperly signed, or conditioned in any way. The State is not liable for any costs incurred by the offeror in proposal preparation.

### Contract Funding

The agreement that is entered into as a result of this RFP is subject to the availability and appropriation of funds.

CONTINUED  
RFP MT-1101

Conflict of Interest

An officer or employee of the State of Alaska may not seek to acquire, be a party to, or possess a financial interest in this contract if (a) the officer or employee is an employee of the administrative unit that supervises the award of this contract; or (b) the officer or employee has the power to take or withhold official action so as to affect the award or execution of the contract.

Assignment(s)

Assignment of rights and duties under a contract resulting from this RFP is not permitted unless authorized in writing by the Department of Transportation and Public Facilities, Alaska Marine Highway System.

Subcontract(s)

Within five working days of notice, the successful offeror must submit a list of the subcontractors they propose to use, if any, in the performance of the proposed agreement. The list must include the name of each subcontractor and the location of the place of business for each subcontractor and evidence of each subcontractor's valid Alaska business license, if any.

Force Majeure

The contractor is not liable for the consequences of any failure to perform, or default in performing, any of its obligations under an agreement entered into as a result of this RFP, if that failure or default is caused by any unforeseeable Force Majeure, beyond the control of and without the fault or negligence of the contractor. For the purpose of this agreement, Force Majeure will mean war (whether declared or not); revolution; invasion; insurrection; riot; civil commotion; sabotage; military or usurped power; lightning; explosion; fire; storm; drought; flood earthquake; epidemic or quarantine.

Disputes

Any dispute arising out of the agreement resulting from the RFP shall be resolved under the laws of Alaska. Any appeal of the administrative order or ruling and any action to enforce any provision of this agreement or to obtain any relief from or remedy in connection with this agreement may be brought only in the Superior Court for the First Judicial District of Alaska.



**Information Insights**  
 542 Fourth Avenue, Suite 300  
 Fairbanks, AK 99701-4714  
 (907) 452-2463 - fax (907) 452-3143  
 e-mail: info@infoinsights.com

February 27, 1997

Brenda Markey, Support Services Manager  
 Alaska Marine Highway System  
 Department of Transportation & Public Facilities  
 PO Box 25535  
 Juneau, AK 99802-5535

via fax: 465-2469

Dear Brenda:

You asked for an update to the schedule for completion of contract MT-1152 (Economic Analysis, Relocating AMHS Administrative Office to Ketchikan).

The Standard Agreement Form signed by DOT/PF and Information Insights on January 8, 1997, called for a contract period of January 1, 1997 to April 30, 1997. AMHS System Director Gary Hayden and I discussed and agreed to the following contract milestones within the contract performance period:

- |     |  |                  |
|-----|--|------------------|
| (1) | Comment Draft on Major Issues            | February 1, 1997 |
| (2) | Completion of First Draft — Major Issues | March 15, 1997   |
| (3) | Comment Draft on Final Report            | April 15, 1997   |
| (4) | Final Report                             | April 30, 1997   |

Please let me know if you need any further refinement to this schedule.

Sincerely,



Brian Rogers  
 Project Manager

cc: Gary Hayden, System Director

# Alaska State Legislature

*Chairman,*  
Judiciary Committee

*Member,*  
Resources Committee  
Rules Committee  
Committee on Committee



State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-3873  
Fax: (907) 465-3922

352 Front Street  
Ketchikan, Alaska 99901  
(907) 225-8088  
Fax: (907) 225-0713

*Senator Robin L. Taylor*

## SPONSOR STATEMENT

### Senate Bill 27

Ten years ago, Acres International, a Canadian firm contracted to study the Alaska Marine Highway System, reported what it termed "an extraordinary degree of mistrust between ship and shore that has its root in the overall relationship between management and staff".

Acres stated flatly that "ship systems and operations cannot function in isolation from the shore, both are interdependent. There must therefore be an effective dialogue between the two, outside contract negotiations. Planning forums for the ship to understand management's prerogatives, and the shore to respond to ongoing needs of each vessel are essential".

In the decade since the Acres Report, little has happened to end the isolation between ship and shore and many believe the situation described 10 years ago is worse today.

SB 27 has been called a "jobs grab", intended to help Ketchikan's ailing economy. Such charges are untrue. Senate Bill 27 is intended to end the isolation between the fleet and the administration. Locating some or all of the administrative offices on state-owned property adjacent to the Ketchikan terminal would end that isolation and put the administration within walking distance of the fleet.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

Sponsor Statement - SB 27

Page Two

It is apparent the administration of the Marine Highway feels threatened by even consideration of this move. At the end of November, in reaction to media reports that a bill would be introduced addressing this issue, the Marine Highway director prepared a request for proposals. That RFP called for an economic analysis of relocated the AMHS administrative office to Ketchikan.

The RFP had an ambitious timeline. It was released on December 2, 1996 with a proposal deadline three days later, on December 5. The RFP originally called for completion of this \$25,000 study by January 15. That deadline has now been extended and a draft report is due by March 15.

The system director told the Finance Sub-Committee on DOT/PF that he has received an initial draft, which has been returned to the contractor for further review. AMHS has declined to provide the Senate Transportation Committee with a copy of that draft.

The relocation of some or all of the administrative offices to Ketchikan is not a new idea and was not prompted by concerns over the Ketchikan economy. It was prompted by a valid concern over the continued isolation of the Marine Highway administration from the very fleet they are hired to manage.

# Alaska State Legislature

Chairman,  
Judiciary Committee

Member,  
Resources Committee  
Rules Committee  
Committee on Committees



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**Senator Robin L. Taylor**

## MEMORANDUM

**TO:** Senator Jerry Ward, Chairman  
Senate Transportation Committee

**FROM:** Senator Robin Taylor *R.L.T.*

**DATE:** 3/10/97

**RE:** Hayden Letter 3/7/97

\*\*\*\*\*

Please request a copy of the "incomplete" draft Mr. Hayden refers to in the attached letter dated 3/7/97.

Mr. Hayden put out his \$25,000 RFP based on the speculation that a bill moving the AMHS headquarters would be introduced. He acknowledged to the Finance subcommittee on the DOT/PF budget a draft was received from the contractor.

As your committee takes up SB 27, it should have a complete picture of how AMHS obtained "accurate and more complete" information than was provided in the initial draft report. What did that report say and what "comments, corrections and additional ideas" did Mr. Hayden provide to the contractor?

At a time when Mr. Hayden and Commissioner Perkins are blaming the Legislature and their own employees for everything that is wrong at AMHS, they choose to spend \$25,000 to cover their backsides with an "analysis" commissioned before a bill was even filed! The draft already provided to Mr. Hayden is a public document and should be provided to the Transportation Committee immediately.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

# STATE OF ALASKA

## DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES ALASKA MARINE HIGHWAY SYSTEM

TONY KNOWLES, GOVERNOR

3132 CHANNEL DRIVE  
JUNEAU, ALASKA 99801-7898

TEXT: (907) 465-3959

FAX: (907) 465-2474

PHONE: (907) 465-3900

March 7, 1997

The Honorable Robin Taylor  
Alaska State Legislature  
State Capitol, Room 30  
Juneau AK 99801-1182

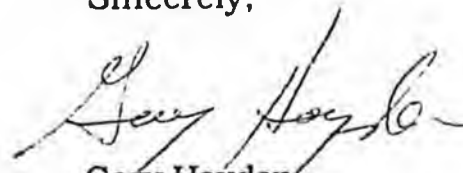
Dear Senator Taylor:

I received your request for a copy of the draft report on the economic analysis on moving AMHS headquarters to Ketchikan. We spoke to the consultant today and passed along your request. AMHS was provided a working draft which was reviewed. Comments, corrections, and additional ideas were provided. The consultant has been working on revising and updating the draft. The draft is incomplete at this time.

The schedule which we provided you, indicates a draft report is due to the Department on March 15, 1997. The consultant indicates a draft could be available a little earlier on March 13th. The consultant will also be in Juneau and could be available to the Transportation Committee on either March 14, 15, or 17.

It is requested that the hearing be delayed until March 17. This will allow the committee to have accurate and more complete information.

Sincerely,



Gary Hayden  
System Director

cc: Senator Jerry Ward, Chairman, Senate Transportation Committee

# Alaska State Legislature

Chairman,  
Judiciary Committee

Member,  
Resources Committee  
Rules Committee  
Committee on Committees



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**Senator Robin L. Taylor**

## MEMORANDUM

**TO: Gary Hayden, Director  
Alaska Marine Highway System**

**Senator Jerry Ward, Chairman  
Senate Transportation Committee**

**FROM: Senator Robin Taylor** *R.L.T.*

**DATE: 3/6/97**

**RE: Information Request**

\*\*\*\*\*

Thank you for providing me with a copy of the RFP for the economic analysis you commissioned on moving the AMHS central offices to Ketchikan. It is my understanding that you have received an initial draft report from the contractor.

Although the report is in draft form I request you provide copies to this office and to the Senate Transportation Committee as soon as possible. The committee plans to take up Senate Bill 27 next week and the committee members should have advance access to this document.

Although this \$25,000 study was commissioned even before a bill was filed, the target completion date for a final report is not until the end of April. That is too late to be of benefit to the Legislature as it deals with Senate Bill 27.

Please provide the requested copies of the draft report before the close of business tomorrow.

Thank you.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

## DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

ALASKA MARINE HIGHWAY SYSTEM / SYSTEM DIRECTOR

P.O. BOX 25535  
JUNEAU, ALASKA 99802-5535  
PHONE: (907) 465-3959  
FAX: (907) 465-2474

February 26, 1997

The Honorable Senator Robin Taylor  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Senator Taylor:

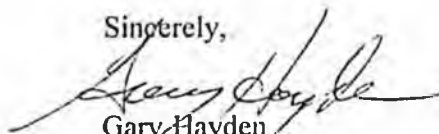
A copy of the Economic Analysis RFP on the relocation of AMHS central offices to Ketchikan is enclosed per your request of February 22, 1997. We have not received a final report from the contractor, since they still had several elements needing further review. The contractor planned to survey the current staff to ascertain how many employees would actually consider relocating to Ketchikan. This is important due to the relocation cost estimates, and to determine the level of positions needing to be filled, and whether a sufficient resource pool exists in Ketchikan. We could find ourselves in a situation of hiring and training replacements in Juneau then relocating them to Ketchikan.

I will follow-up with the contractor to get a status on an anticipated completion date. It is in the best interest of AMHS and the State to know, to the closest degree possible, the cost impact.

As to your question on the Tustumena trip to the ASD and its non-revenue status, the decision was made because there wasn't the potential for significant revenue. There was only two weeks to market the trip. The Traffic Manager contacted some commercial customers and didn't find interest in the run at this time of the year. The crew size was reduced and additional dock rental was avoided.

If I can be of further assistance, please contact me at 465-3959.

Sincerely,



Gary Hayden  
System Director

Enclosures

cc: Joseph Perkins, Commissioner, DOT& PF

STATE OF ALASKA  
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES  
ALASKA MARINE HIGHWAY SYSTEM  
P.O. BOX 25535  
JUNEAU, ALASKA 99802-5535

REQUEST FOR PROPOSALS

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ECONOMIC ANALYSIS - RELOCATING AMHS ADMINISTRATIVE OFFICE TO  
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VMO

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Provide economic analysis of factors related to the relocation of the administrative offices of AMHS to Ketchikan.

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Work with AMHS staff to identify all factors to be covered in the analysis. The following areas have been tentatively identified as relevant to this study:

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CONTINUED  
RFP MT-1101

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RFP MT-1101

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RFP MT-1101

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CONTINUED  
RFP MT-1101

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The contractor is not liable for the consequences of any failure to perform, or default in performing, any of its obligations under an agreement entered into as a result of this RFP, if that failure or default is caused by any unforeseeable Force Majeure, beyond the control of and without the fault or negligence of the contractor., For the purpose of this agreement, Force Majeure will mean war (whether declared or not); revolution; invasion; insurrection; riot; civil commotion; sabotage; military or usurped power; lightning; explosion; fire; storm; drought; flood earthquake; epidemic or quarantine.

Disputes

Any dispute arising out of the agreement resulting from the RFP shall be resolved under the laws of Alaska. Any appeal of the administrative order or ruling and any action to enforce any provision of this agreement or to obtain any relief from or remedy in connection with this agreement may be brought only in the Superior Court for the First Judicial District of Alaska.



**Information Insights**  
542 Fourth Avenue, Suite 300  
Fairbanks, AK 99701-4714  
(907) 452-2463 - fax (907) 452-3143  
e-mail: info@infoinsights.com

February 27, 1997

Brenda Markey, Support Services Manager  
Alaska Marine Highway System  
Department of Transportation & Public Facilities  
PO Box 25535  
Juneau, AK 99802-5535

via fax: 465-2469

Dear Brenda:

You asked for an update to the schedule for completion of contract MT-1152 (Economic Analysis, Relocating AMHS Administrative Office to Ketchikan).

The Standard Agreement Form signed by DOT/PF and Information Insights on January 8, 1997, called for a contract period of January 1, 1997 to April 30, 1997. AMHS System Director Gary Hayden and I discussed and agreed to the following contract milestones within the contract performance period:

- |  |                  |
|--|------------------|
| (1) Comment Draft on Major Issues            | February 1, 1997 |
| (2) Completion of First Draft — Major Issues | March 15, 1997   |
| (3) Comment Draft on Final Report            | April 15, 1997   |
| (4) Final Report                             | April 30, 1997   |

Please let me know if you need any further refinement to this schedule.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Rogers', written over a circular stamp.

Brian Rogers  
Project Manager

cc: Gary Hayden, System Director

STANDARD AGREEMENT FORM

1. Agency Contract Number <b>MT- 1152</b>	2. ASPS Number <b>N/A</b>	3. Financial Coding <b>25070001/10</b>	4. Agency Assigned Encumbrance Number
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5. Vendor Number	6. Alaska Business License Number
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This contract is between the State of Alaska, hereafter the State,

7. Department of <b>Transportation and Public Facilities</b>	Division <b>Alaska Marine Highway System</b>
---	---

8. Contractor <b>Information Insights</b>	hereafter the Contractor
--	--------------------------

Mailing Address <b>542 Fourth Ave. Ste. 300</b>	Street or P.O. Box	City <b>Fairbanks</b>	State <b>AK</b>	ZIP - 4 <b>99701-4714</b>
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9

ARTICLE 1. Appendices: Appendices referred to in this contract and attached to it are considered part of it.

ARTICLE 2. Performance of Service:  
 2.1 Appendix A (General Provisions), Articles 1 through 14, governs the performance of services under this contract.  
 2.2 Appendix B sets forth the liability and insurance provisions of this contract.  
 2.3 Appendix C - Information Insights proposal dated December 5, 1996.

ARTICLE 3. Period of Performance: The period of performance for this contract begins January 1, 1997 and ends April 30, 1997.

ARTICLE 4. Considerations:  
 4.1 In full consideration of the contractor's performance under this contract, the State shall pay the contractor a sum not to exceed \$ 24,970 in accordance with the provisions of Appendix D.  
 4.2 When billing the State, the contractor shall refer to the Authority Number or the Agency Contract Number and send the

10. Department of <b>Transportation and Public Facilities</b>	Attention: Division of <b>Alaska Marine Highway System</b>
--	---

Mailing Address <b>PO Box 25535, Juneau, AK 99802-5535</b>	Attention: <b>Finance Section</b>
---	--------------------------------------

11. CONTRACTOR		13. CERTIFICATION: I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alterations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the variety, legibility or availability of a public record constitutes tampering with public records punishable under AS 11.56.815-820. Other disciplinary action may be taken up to and including dismissal.
Name of Firm <b>Information Insights</b>		
Signature of Authorized Representative <i>Brian Rogers</i>	Date <b>1/8/96</b>	
Typed or Printed Name of Authorized Representative <b>Brian Rogers</b>		
Title <b>Project Manager</b>	Employer ID No. (EIN) or SSN <b>92-6089908</b>	

12. CONTRACTING AGENCY		Signature of Head of Contracting Agency or Designee <i>Mark O'Brien</i>	Date <b>1-8-97</b>
Department/Division <b>DOT/DF - AMHS</b>	Date <b>1-8-97</b>		

Signature of Project Director <i>Brenda Markey</i>	Typed or Printed Name <b>Mark O'Brien</b>
---	--

Typed or Printed Name of Project Director <b>Brenda Markey</b>	Title <b>Contracting Officer</b>
---	-------------------------------------

Title <b>Support Services Manager</b>	
--	--

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

## Article 2

### APPENDIX A GENERAL PROVISIONS

#### Article 1. Definitions.

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in signing this contract.

#### Article 2. Inspection and Reports.

- 2.1 The department may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 The contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

#### Article 3. Disputes.

- 3.1 Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided in accordance with AS 36.30.620-632.

#### Article 4. Equal Employment Opportunity.

- 4.1 The contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, physical handicap, sex, marital status, changes in marital status, pregnancy, or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, physical handicap, age, sex, marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 The contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of the contract.

#### Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

#### Article 6. No Assignment or Delegation.

The contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

#### Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

#### Article 8. Independent Contractor.

The contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

#### Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any Subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

#### Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. The contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

#### Article 11. Governing Law.

This contract is governed by the laws of the State of Alaska. All actions concerning this contract shall be brought in the Superior Court of the State of Alaska.

#### Article 12. Conflicting Provisions.

Unless specifically amended and approved by the department of Law the General Provisions of this contract supersede any provisions in other appendices.

#### Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

#### Article 14. Covenant Against Contingent Fees.

The contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, contingent fee, or brokerage except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage, or contingent fee.

APPENDIX B<sup>1</sup>  
INDEMNITY AND INSURANCE

**Article 1. Indemnification**

The contractor shall indemnify, hold harmless, and defend the contracting agency from and against any claim of, or liability for error, omission or negligent act of the contractor under this agreement. The contractor shall not be required to indemnify the contracting agency for a claim of, or liability for, the independent negligence of the contracting agency. If there is a claim of, or liability for, the joint negligent error or omission of the contractor and the independent negligence of the contracting agency, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "Contractor" and "contracting agency", as used within this article, include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "independent negligence" is negligence other than in the contracting agency's selection, administration, monitoring, or controlling of the contractor and in approving or accepting the contractor's work.

**Article 2. Insurance**

Without limiting contractor's indemnification, it is agreed that contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the contractor's policy contains higher limits, the state shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the Contracting Officer prior to beginning work and must provide for a 30-day prior notice of cancellation, nonrenewal or material change of conditions. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this contract and shall be grounds for termination of the contractor's services. All insurance policies shall comply with, and be issued by insurers licensed to transact the business of insurance under AS 21.

**2.1. Workers' Compensation Insurance:** The contractor shall provide and maintain, for all employees engaged in work under this contract, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including but not limited to Federal U.S.L.&H. & Jones Act requirements.

The policy must waive subrogation against the State.

**2.2. Commercial General Liability Insurance:** Such policy shall have minimum coverage limits of \$300,000 combined single limit per occurrence. The policy shall be written on an "occurrence" form unless specifically reviewed and agreed to by the Division of Risk Management.

**2.3. Commercial Automobile Liability Insurance:** Such policy shall have minimum coverage bodily injury liability limits of \$300,000 combined single limit per occurrence or split limits of \$300,000 per person / \$500,000 per occurrence. The policy shall cover all owned, hired and non-owned vehicles. In addition, it shall have a minimum of \$50,000 per occurrence property damage liability limits.

**Requesting Agency:**

State of Alaska  
Dept. of Transportation & Public Facilities  
Alaska Marine Highway System  
PO Box 25535, Juneau, AK 99802-5535

Contract MT-1152  
Economic Analysis: Relocating AMHS office to Ketchikan

***Understanding of the Services Required***

The decision to move the Alaska Marine Highway System administrative office to Ketchikan is a complex one. Our goal in this project is to couple the technical competence of our staff with the impartial position of people with no regional interest in the decision to produce a timely and accurate analysis. We are cognizant of the compressed time scale of the project, and have developed a three phase approach to balance rapid completion of project goals with the detailed analysis required to inform the decision:

1. Preliminary meetings to clarify project goals and methods; draft analysis of the leasing, construction and physical costs of the proposed move (Sections A-C and J below).
2. Draft analysis of the impact of the proposed move on AMHS operations (Sections D, G and H below).
3. Draft analysis of the impact of the proposed move on the communities of Juneau and Ketchikan (Sections E, F and I below).

Following submittal of the draft document on 5 January, there will be a content review by AMHS staff. Meetings will then be held to finalize content, revisions made and the final document prepared to meet the 15 January submittal date.

**A. Cost Analysis of a Move to Ketchikan**

To determine the costs of a move to Ketchikan, we will complete a rough inventory of equipment to be moved, determine the expected number of transferred households, and solicit a bid for moving costs for these two items. We will also estimate the approximate 'downtime' until employees resume their usual productivity following the move.

**B. Availability/Cost of Suitable Office Space in Ketchikan**

A survey of available office space in Ketchikan must be performed so that we can compare the economic feasibility of new construction versus the use of existing facilities. Since the needs of the administrative unit will be somewhat idiosyncratic compared with what is likely available, standard commercial lease rates are likely of little value.

**C. Cost of Constructing Office Space in Ketchikan**

We will establish the cost of constructing AMHS administrative offices in Ketchikan using the standard CSI (Construction Standards Institute) format. We will take into account various factors including logistics, the seasonal nature of the construction season in Ketchikan (primarily due to precipitation), and current construction systems and technology. These estimates will be based upon square foot unit costs that in turn will be determined through interviews with the AMHS personnel in Juneau.

**D. Benefits to AMHS of Ketchikan/Juneau Location**

To study the direct effects of a proposed move of the AMHS, we will conduct a logistics study of current operations and the availability of satisfactory modes of communications between the various associated offices and the administrative unit. We will estimate expected productivity by carefully considering the mix of internal and external operations, the current communications modes, and the specific proposal for the types of operations that may be moved. Our analysis will consider a variety of contingencies for the proposed scale of the move.



**E. Impacts of Move on Ketchikan/Juneau: Housing Markets**

We will examine a variety of location-specific benefits that the AMHS must consider. Both Ketchikan and Juneau provide the intuitive physical link to the marine highway. However, the State of Alaska must concern itself with other factors such as the cost of operations in each alternative location, the level of displacement of other enterprises in each location, the types of links that can be established between AMHS administration and local enterprises, and the substantial effect of a relocation on local employment and public facilities.

This analysis is challenging because Ketchikan is currently undergoing an employment transformation as a result of recent decisions by Ketchikan Pulp. While the tools of input/output analysis and regional employment multipliers must be considered, our in-depth understanding of the methodology will be critical because Ketchikan is not in a steady state. We expect that a major relocation of the AMHS Administrative Office will have a substantial effect on the local economy and therefore requires special consideration in this analysis.

Of special concern is the effect such a proposed move would have on the local housing market. We will identify and apply reasonable assumptions that must be made with regard to the housing choices of employees prone to transfer and the ability of the relevant markets to absorb the demand for housing in its various forms. A complete analysis of both the home ownership and rental markets will be conducted.

**F. Impacts of Move on Ketchikan/Juneau: Employee Payroll**

We will complete an analysis of the current and the likely future pattern of payroll, based on contingencies determined in Section D above. The pattern of payrolls in the communities considered is necessary to determine the overall effect on the communities because the injection of new income into Ketchikan will have a very different effect given the employment slack in the Ketchikan economy. We will extrapolate past data from Ketchikan to incorporate recent structural changes in the Ketchikan economy. We propose to study both the direct and the indirect effect of the proposed shift in payroll on the Ketchikan region.

**G. Ketchikan Workforce Analysis**

Related to the employment analysis in Section F, we will consider the ability of the Ketchikan employment market to meet the needs of the AMHS administrative move. Expectations of the composition of resignations and the desired composition of the new administrative facility will be formulated. We will further include study of the existing composition of the AMHS administrative office and the strategic plan for the new office. In addition, results from the study of the housing market from Section E will aid our estimation of successful relocation of administrative employees.

**H. Effects of Distance on Business Processes**

We will carefully consider the need for direct and indirect interaction between AMHS administrative employees and legislative and agency personnel. In Section D above we described the need to develop alternative relocation contingencies so that the relocation strategy does not frustrate the necessary business of the AMHS administrative unit. Travel costs, dependability, and availability will be among the factors we consider in light of alternative communications technologies suitable for internal operations of the administrative unit.

**I. Impacts of Move on Ketchikan/Juneau: Service Economy**

We must establish that the community of Ketchikan can meet the service needs of the influx of administrative employees. To accomplish this we will assess the services available in the Ketchikan area and the ability of the Ketchikan community to satisfy increased demand as a consequence of the relocation. Our primary tool for this analysis will be interviews with service providers in Ketchikan. This is a necessary ingredient of the input-output analysis, which assumes that the community can readily expand the level of infrastructure to accommodate increased activity. Such a reserve capacity must be determined to permit confidence in the regional multiplier analysis described in Sections E and F above.



**Economic Analysis Proposal  
Relocating AMHS Administrative Office to Ketchikan**

12 December, 1986

**J. Status of Available Authorization for a Building Project**

As part of a general review of the current status of the project, we will review alternative financing mechanisms for the project and will report on available funding and financing options from the State of Alaska, the Alaska Industrial Development and Export Authority, the Ketchikan Gateway Borough, the City of Ketchikan, or other possible financing entities.

**Relevant Qualifications and Experience of Proposed Staff**

Sections A - B and D - I will be completed by Dr. Colin Read, Ph.D. in Economics and Associate Professor of Economics at the University of Alaska Fairbanks. Dr. Read is a nationally recognized expert in housing markets and the only housing professor in Alaska. In addition, Dr. Read teaches and does research in Alaskan regional issues and is well-schooled in the special techniques involved in regional analysis. These skills include employment analysis, regional multiplier effects, and the influence of transportation networks on local growth.

Assisting Dr. Read will be Dr. Ken Osterkamp, Ph.D. in Political Science and Director of Information Technology at Information Insights. Dr. Osterkamp has extensive research and analytical experience, as well as expertise with the computer technologies that will be used to support this project.

Section C will be completed by Charles Bettisworth. Charles Bettisworth and Company is an eleven member architectural firm that in the last five years has completed over \$80 Million in projects throughout Alaska. CBCo has maintained a continuous involvement in Ketchikan since 1982, including:

- being part of the team that developed the original designs for the Ship Maintenance Facility in Ketchikan, a project that included an on-site office complex;
- preparation of construction documents for the Marine Highway System provisioning warehouse;
- the Southeast Alaska Visitor's Center, completed and dedicated in 1995.

Section J will be completed by Brian Rogers, who has extensive experience in the provision of public facilities and the legislative and budgetary considerations in the required authorization. Mr. Rogers gained his experience in such analysis through his tenure as an Alaska legislator, Vice President for Finance at the University of Alaska, extensive consulting experience in similar projects, and participation in various private sector business ventures. Mr. Rogers will also be responsible for overall project management.

**Cost Proposal and Schedule**

Cost Proposal: Total Project Budget \$24,970

Employee	Hourly Rate	Activity	Hours			Budget
			Read	Osterkamp	Bettisworth	
B. Rogers, Project Manager	\$100	Planning Meeting	4	4	4	\$1,000
C.B. Bettisworth, Architect	\$100	Final Document: Analysis and Preparation	15	15		\$2,250
Dr. Read, Economist	\$90	A. Analysis of a Move to Ketchikan	8	8		\$1,200
Dr. Osterkamp, Researcher	\$90	B. Willingness to Pay for Office Space in Ketchikan			8	\$800
		C. Willingness to Pay for Office Space in Ketchikan				\$800
		D. Determining Office Location	14	14		\$2,100
		E. Impacts of Move on Housing Markets	20	20		\$3,000
		F. Impacts of Move on Municipal Employees Payroll	12	12		\$1,800
		G. Ketchikan Workforce Analysis	8	8		\$1,200
		H. Effects of Distance on Business Production	10	10		\$1,500
		I. Impacts of Move on Ketchikan/Juneau Service Economy	12	12		\$1,800
		J. Status of Available Authorization for a Building Project			8	\$800
		Final Document: Analysis and Preparation	22	22		\$3,300
		Project Management				\$800
		Travel costs				\$3,420
		<b>Total</b>	<b>126</b>	<b>126</b>	<b>20</b>	<b>\$24,970</b>

Note: per diem at State rate (\$42 per day)



### Economic Analysis Proposal Relocating AMHS Administrative Office to Ketchikan

12 December, 1996

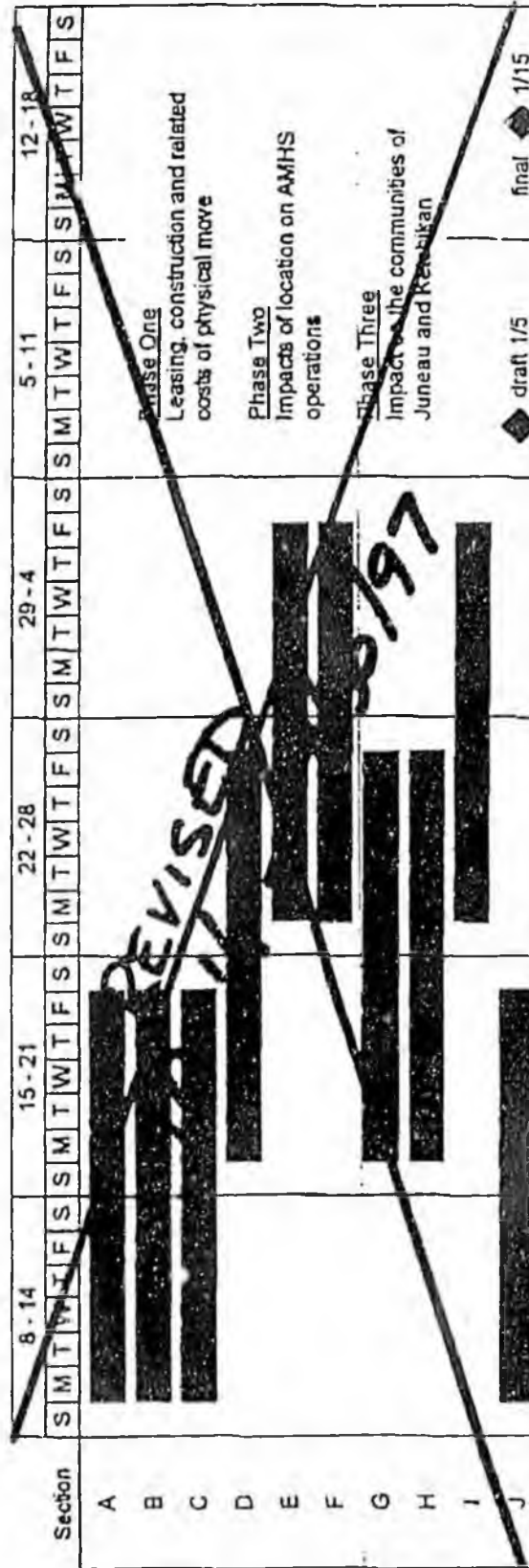
#### Schedule

The three phases of the project will be completed in the order shown at right. Each succeeding phase depends in part on the phase before it.

There will need to be an initial meeting to clarify project goals and methods. This meeting should occur early on, preferably the week after the project has been awarded. This would give Information Insights a week to do preliminary investigation. Present at this meeting would be Brian Rogers, Project Manager; Dr. Read, Economist; and Dr. Osterkamp, Researcher.

Drs. Read and Osterkamp would travel on to Ketchikan from this meeting to continue their research there.

The Project Manager, Brian Rogers, would also meet physically with the AMHS staff at some point during the final document preparation stage to address any concerns that might arise late in the project and to present the final document.



Appendix D

Consultant	Hourly Rate	Activity	Hours				Budget
			Read	Osterkamp	Rogers	Bettisworth	
B. Rogers, Project Manager	\$100	Planning Meeting	4	4	4		\$1,000
C.B. Bettisworth, Architect	\$100	Draft Document: Analysis and Preparation					\$0
Dr. Read, Economist	\$90	1 Outline of Significant Issues	4	8	8		\$1,640
Dr. Osterkamp, Researcher	\$60	2 Initial Fixed Costs	12	16	4	6	\$3,040
		3 Ongoing Operational Costs	24	32	8		\$4,880
		4 Economic Impact	16	16	4		\$2,800
		5 Document Preparation	16	24	8	2	\$3,880
		Final Document: Analysis and Preparation	8	12	6		\$2,040
		Project Management			6		\$600
		Travel costs					\$5,090
		<b>Totals</b>	<b>84</b>	<b>112</b>	<b>48</b>	<b>8</b>	<b>\$24,970</b>

Note: per diem at State rate  
(\$42 per day)

Ketchikan Daily News  
11/25/96

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Editorial

# Evaluate ferry system

Senate Majority Leader Jim Duncan, D-Juneau, calls Sen. Robin Taylor's, R-Wrangell, proposal to move ferry offices to Ketchikan a job grab.

Taylor says the move would put administrators closer to ferry repair facilities, make operations more efficient and allow the marine highway system to reduce its staff.

Sounds like a proposal that at least should be considered.

Ferry director Gary Hayden said the move would raise expenses.

But we think it should be evaluated. There is the obvious benefit to Ketchikan and could mean some job loss for Juneau. But how would ferry officials know for sure what the effects could be?

Director of the Alaska Marine Highway System is a revolving door position. Every time we turn around, a new person sits at the helm. How could any director have an overview, in-depth position on the health, well-being and operation of the system?

The ferries are under seige. Other regions don't understand the system's value to Southeast Alaska — or don't want to share federal highway funds with it. It has been criticized by those who use it, those who work on it, those who want to be served better and those who want the money for it spent elsewhere.

Closing the lounges on ferries and the proposal to close food services are poorly thought out ideas.

What the ferry system needs is a thorough going over. Ask the captains and pursers and other employees who have worked on the system for years. They will have ideas for improvements.

Ask folks who use it what they want for service. Use a variety of ways to obtain information: public hearings, telephone surveys, mail-in surveys, on the street interviews.

A recent hearing on an aspect of ferry operation was criticized because few people showed. Perhaps hearings need to be advertised better with a clearer idea of what questions will be asked.

Those worried about the ferry's future say if the system isn't fixed it will be gone in six years. If members of the public know they could lose the system, we believe they will stir themselves to speak out. Perhaps some of the hearing no-show is a sense of frustration, that those running the system are looking only at the bottom line and not at Southeast's need.

Maybe after results of a review are determined, ferry jobs won't be transferred to Ketchikan. That's fair enough.

But before any decision can be made, enough information to make one must be gathered.

From other cities

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R

**S B**

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# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. SB34 |

Revision Date: \_\_\_\_\_ Dept. Affected: DOT&PF  
 Title: "DOT Maintenance Facility at Soldotna" BRU: Commissioner's Office  
 Component: Office of the Commissioner  
 Sponsor: Senator Torgerson  
 Requester: Senate Transportation COMPONENT SERIAL NO. 530

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY97) cost: \$ 0.0

**POSITIONS**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

The Department of Transportation and Public Facilities does not anticipate any fiscal impacts as a result of this legislation. The department supports the relocation and building of the new facility and will work with the sponsor and other affected agencies to refine the financing package.

Prepared by: Sam Kito III Phone: 465-3900  
 Special Assistant  
 Division: Office of the Commissioner Date: 3/11/97  
 Approved by: *Joseph L. Dubina* Date: 3/11/97  
 Commissioner  
 Agency: Department of Transportation and Public Facilities

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Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: DOT Maintenance Facility at Soldotna BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: Senator Torgerson  
 Requestor: (S) CRA COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS-LEASE PAYMENTS		809.6	811.8	811.8	814.5	814.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>809.6</b>	<b>811.8</b>	<b>811.8</b>	<b>814.5</b>	<b>814.0</b>
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	809.6	811.8	811.8	814.5	814.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>809.6</b>	<b>811.8</b>	<b>811.8</b>	<b>814.5</b>	<b>814.0</b>

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Authorizes lease-purchase financing for up to \$6.0 million for a DOT maintenance facility in Soldotna.

Assuming current interest rates plus 75bp (3/4% per annum) and a ten year term, estimated annual lease-purchase payments will be approximately \$812 thousand. See attached debt service schedule, page 2.

To allow maximum financing flexibility and to minimize costs of this financing, the Department of Revenue recommends the changes noted on the attached, page three.

Prepared by: Forrest R. Browne *Forrest Browne*  
 Division: Treasury  
 Approved by Commissioner: Wilson L. Condon *Wilson L. Condon*  
 Agency: Revenue

Phone: 465-3750  
 Date: March 7, 1997  
 Date: March 7, 1997

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Date: 2/1/98  
 Delivered: 2/1/98

**Sizing Debt Services Schedule**  
**DOT - SOLDOTNA MAINTENANCE FAC**  
**CURRENT RATES +75bp**

Fiscal Yr	Coupon M YY	Zer Date	Coupon Cpn	Coupon Rate	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Capitalized Interest	Debt Svc Rsv Int & Prin	Cntgncy Fnd Int & Prin	Net Semi-Annl Dbt Svc	Net Fiscal Lbt Svc
2	99	8/1/98				172,296.25	172,296.25				172,296.25	
8	99	2/1/99	N	4.900	465,000.00	172,296.25	637,296.25				637,296.25	809,592.50
1	2	0				160,903.75	160,903.75				160,903.75	
8	0	2/1/00	N	5.100	490,000.00	160,903.75	650,903.75				650,903.75	811,807.50
2	2	1				148,408.75	148,408.75				148,408.75	
8	1	2/1/01	N	5.300	515,000.00	148,408.75	663,408.75				663,408.75	811,817.50
3	2	2				134,761.25	134,761.25				134,761.25	
8	2	2/1/02	N	5.600	545,000.00	134,761.25	679,761.25				679,761.25	814,522.50
4	2	3				119,501.25	119,501.25				119,501.25	
8	3	2/1/03	N	5.750	575,000.00	119,501.25	694,501.25				694,501.25	814,002.50
5	2	4				102,970.00	102,970.00				102,970.00	
8	4	2/1/04	N	5.850	605,000.00	102,970.00	707,970.00				707,970.00	810,940.00
6	2	5				85,273.75	85,273.75				85,273.75	
8	5	2/1/05	N	5.950	640,000.00	85,273.75	725,273.75				725,273.75	810,547.50
7	2	6				66,233.75	66,233.75				66,233.75	
8	6	2/1/06	N	6.050	680,000.00	66,233.75	746,233.75				746,233.75	812,467.50
8	2	7				45,663.75	45,663.75				45,663.75	
8	7	2/1/07	N	6.150	720,000.00	45,663.75	765,663.75				765,663.75	811,327.50
9	2	8				23,523.75	23,523.75				23,523.75	
8	8	2/1/08	N	6.150	765,000.00	23,523.75	788,523.75				788,523.75	812,047.50
					<b>6,000,000.00</b>	<b>2,119,072.50</b>	<b>8,119,072.50</b>				<b>8,119,072.50</b>	<b>8,119,072.50</b>

True Interest Cost (TIC).....	5.9134855
Net Interest Cost (NIC).....	5.9316235
Arbitrage Yield Limit (AYL).....	5.9134855
Arbitrage Net Interest Cost (ANIC).....	5.9316235

(Page 3 of 4)

Prepared by:	FORREST BROWNE, DOR - TREASURY
Prepared on:	3/7/97 16:17 8.05 Rpt 14
Record ID:	SOLDOTNA-1998-C :MUNIDB

SENATE BILL NO. 34

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY: SENATOR TORGERSON

Introduced: 1/13/97  
Referred: CRA, Finance

DRAFT

A BILL

FOR AN ACT ENTITLED

"An Act giving notice of and approving a lease-purchase agreement [WITH THE CITY OF SOLDOTNA] for a maintenance facility of the Department of Transportation and Public Facilities."

BE IT ENACTED BY THE LEGISLATURE ~~BY THE LEGISLATURE~~ OF THE STATE OF ALASKA:

\*Section 1. NOTICE AND APPROVAL OF THE ENTRY INTO AND FINANCING OF A LEASE-PURCHASE AGREEMENT. The state bond committee is authorized to arrange for the issuance of certificates of participation for and the Department of Administration is authorized to enter into a lease-purchase agreement [WITH THE CITY OF SOLDOTNA TO ENABLE THE CITY OF SOLDOTNA TO FINANCE AND BUILD A] for a new maintenance facility in Soldotna to be operated by [OF] the Department of Transportation and Public Facilities. The total construction, acquisition, or other costs of the project shall be less than \$6,000,000. The annual amount of the rental obligation shall be less than \$1,300,000. The total lease payments for the full term of the agreement shall be less than \$10,000,000. The state shall own the facility at the end of the lease term. This section constitutes the notice and approval

(Page 3 of 4)

required by AS 36.30.085.

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DRAFT

(Page 4 of 4)

FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

No. 1  
Bill Version: SB34  
(S) Publish Date: 3/16/97

Revision Date: \_\_\_\_\_  
Title: "An Act giving notice of and approving a lease purchase agreement .... for a maintenance facility for the DOT&PF."  
Sponsor: Senator Torgerson  
Requestor: (S) CRA

Department Affected: Administration  
BRU: General Services  
Component: Leasing

COMPONENT SERIAL NO. 81

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER * CIP receipts						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY 97) cost: \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

The bill would authorize financing and construction of a new maintenance facility for the Department of Transportation & Public Facilities in Soldotna. Since the current DOT&PF facility is state owned, there are no current lease costs in the DOA budget. The Department of Administration's role in this project is simply to execute a lease agreement on behalf of the state..

No costs for design, construction, contract compliance, building maintenance or lease payments are anticipated from the Department of Administration budget.

Prepared by: Dugan Pettv, Director *Dugan Pettv*  
Division: General Services

Phone: 465-2250  
Date: \_\_\_\_\_

Approved by Commissioner: Mark Boyer *Alison M. Edgee*  
Agency: Department of Administration

Date: 2/28/97

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Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: DOT Maintenance Facility at Soldotna BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: Senator Torgerson  
 Requestor: (S) TRA COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS-LEASE PAYMENTS		608.4	611.3	607.4	607.0	609.3
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>608.4</b>	<b>611.3</b>	<b>607.4</b>	<b>607.0</b>	<b>609.3</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	608.4	611.3	607.4	607.0	609.3
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>608.4</b>	<b>611.3</b>	<b>607.4</b>	<b>607.0</b>	<b>609.3</b>

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Authorizes lease-purchase financing for up to \$4.5 million for a DOT maintenance facility in Soldotna.

Assuming current interest rates plus 75bp (3/4% per annum) and a ten year term, estimated annual lease-purchase payments will be approximately \$609 thousand. See attached debt service schedule, page 2.

Prepared by: Forrest R. Browne *Forrest Browne* Phone: 465-3750  
 Division: Treasury Date: March 17, 1997  
 Approved by Commissioner: Wilson L. Condon *Wilson L. Condon* Date: March 17, 1997  
 Agency: Revenue

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Dated: 2/1/98  
 Delivered: 2/1/98

**Sizing Debt Services Schedule**  
**DOT - SOLDOTNA MAINTENANCE FAC**  
**CURRENT RATES +75bp**

Fiscal Yr	Coupon M YY	Zer Cpn	Coupon Rate	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Capltalized Interest	Debt Svc Rsv Int & Prin	Cntgncy Fnd Int & Prin	Net Semi-Annl Dbt Svc	Net Fiscal Dbt Svc
2	99				129,217.50	129,217.50				129,217.50	
8	99	2/1/99	N 4.900	350,000.00	129,217.50	479,217.50				479,217.50	608,435.00
1	2	0	8/1/99		120,642.50	120,642.50				120,642.50	
8	0	2/1/00	N 5.100	370,000.00	120,642.50	490,642.50				490,642.50	611,285.00
2	2	1	8/1/00		111,207.50	111,207.50				111,207.50	
8	1	2/1/01	N 5.300	385,000.00	111,207.50	496,207.50				496,207.50	607,415.00
3	2	2	8/1/01		101,005.00	101,005.00				101,005.00	
8	2	2/1/02	N 5.600	405,000.00	101,005.00	506,005.00				506,005.00	607,010.00
4	2	3	8/1/02		89,665.00	89,665.00				89,665.00	
8	3	2/1/03	N 5.750	430,000.00	89,665.00	519,665.00				519,665.00	609,330.00
5	2	4	8/1/03		77,302.50	77,302.50				77,302.50	
8	4	2/1/04	N 5.850	455,000.00	77,302.50	532,302.50				532,302.50	609,605.00
6	2	5	8/1/04		63,993.75	63,993.75				63,993.75	
8	5	2/1/05	N 5.950	480,000.00	63,993.75	543,993.75				543,993.75	607,987.50
7	6	8/1/05			49,713.75	49,713.75				49,713.75	
8	6	2/1/06	N 6.050	510,000.00	49,713.75	559,713.75				559,713.75	609,427.50
8	2	7	8/1/06		34,286.25	34,286.25				34,286.25	
8	7	2/1/07	N 6.150	540,000.00	34,286.25	574,286.25				574,286.25	608,572.50
9	2	8	8/1/07		17,681.25	17,681.25				17,681.25	
8	8	2/1/08	N 6.150	575,000.00	17,681.25	592,681.25				592,681.25	610,362.50
					<b>4,500,000.00</b>	<b>1,589,430.00</b>	<b>6,089,430.00</b>			<b>6,089,430.00</b>	<b>6,089,430.00</b>

*True Interest Cost (TIC).....6.0811634*  
*Net Interest Cost (NIC).....6.0661691*  
*Arbitrage Yield Limit (AYL).....5.9136662*  
*Arbitrage Net Interest Cost (ANIC)..... 5.9318156*

(Page 2 of 3)

Prepared by: FORKST BROWNE, DOR - TREASURY  
 Prepared on: 3/12/97 17:38 8.05 Rpt 14  
 Record ID: SOLDOTNA-1998-D :MUNIDB

# STATE OF ALASKA

## DEPT. OF ENVIRONMENTAL CONSERVATION OFFICE OF THE COMMISSIONER

**TONY KNOWLES, GOVERNOR**  
410 Willoughby Ave., Ste 105  
Juneau, AK 99801-1795  
PHONE: (907) 465-5065  
FAX: (907) 465-5070  
<http://www.state.ak.us/dec/home.htm>

April 11, 1997

The Honorable Senator Jerry Ward  
Alaska State Senate  
State Capitol, Room 423  
Juneau, AK 99801-1182

Dear Senator Ward:

You asked for information regarding cleanup costs for contaminated soils and groundwater at the Alaska Department of Transportation and Public Facilities (DOTPF) Soldotna maintenance facility. Based on our analysis of available information about the site and consultation with Mr. Dan Breedan, the DOTPF project manager for contamination at the Soldotna facility, we estimate it will cost approximately \$850,000 to complete clean up and conduct monitoring for contamination.

Our cost estimate is based on the following assumptions: (1) we have identified all areas where contamination exists and no additional areas of contaminated soils will be identified and; (2) the extent and concentration of groundwater contamination will allow for monitoring rather than full remediation. Actual cleanup costs could increase if our assumptions prove to be incorrect after we learn additional information from this summer's assessment and remediation activities. However, even if additional groundwater cleanup activities become necessary, I do not anticipate that the additional cleanup activities would prevent converting the site into a park or public access area.

Sincerely,



Michele Brown  
Commissioner

RS/MB/mh JASPARMCSWARD060 WPD

cc: Commissioner Joe Perkins, DOTPF  
Dan Breedan, DOTPF, Anchorage

# Alaska State Legislature

## Senate

**JERRY WARD**

State Capitol  
Juneau, AK 99801-1182  
Phone (907) 465-4940  
Fax (907) 465-3766

716 W. 4th Ave., Ste. 450  
Anchorage, AK 99501-2133  
Phone (907) 258-8183  
Fax (907) 258-0820

145 Main Street Loop  
Kenai, AK 99611  
Phone (907) 283-7996  
Fax (907) 283-3075

March 24, 1997

Ms. Michele Brown, Commissioner  
Department of Environmental Conservation  
410 Willoughby Avenue, Suite 105  
Juneau, AK 99801-1795

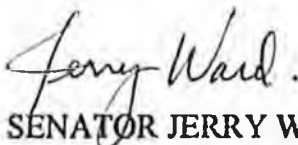
Dear Commissioner Brown:

The Senate Transportation Committee recently heard SB 34, relating to a DOT maintenance facility in Soldotna. The current facility is located on a site which is contaminated with chloride and hydrocarbon. According to DOT, some clean up work has already been started and they are in the process of committing additional funds to continue the clean up. The bill passed out of the Senate Transportation Committee with a Committee Substitute.

Just recently, I was informed by a constituent that the cost to clean up the present site could run up to \$10 million. Please advise me if this dollar amount is correct. If this figure is not correct, please provide me with the correct dollar amount determined necessary to clean up the contamination on this site. As recommendations for the use of the old site have including building a park or other public access facility, I am concerned about the extent of the contamination.

Thank you for your expeditious response to this request.

Sincerely,



Jerry Ward.

SENATOR JERRY WARD

0-LS0263AF  
Bannister  
3/19/97

**CS FOR SENATE BILL NO. 34(TRA)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTIETH LEGISLATURE - FIRST SESSION**

**BY THE SENATE TRANSPORTATION COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATOR TORGERSON**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act giving notice of and approving a lease-purchase agreement with the City  
2 of Soldotna for a maintenance facility of the Department of Transportation and  
3 Public Facilities."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 \* Section 1. NOTICE AND APPROVAL OF LEASE-PURCHASE AGREEMENT. The  
6 Department of Administration is authorized to enter into a lease-purchase agreement with the  
7 City of Soldotna to enable the City of Soldotna to finance and build a maintenance facility  
8 of the Department of Transportation and Public Facilities. The total construction, acquisition,  
9 or other costs of the project shall be less than \$4,500,000. The annual amount of the rental  
10 obligation shall be less than \$620,000. The total lease payments for the full term of the  
11 agreement shall be less than \$6,200,000. The state shall own the facility at the end of the  
12 lease term. This section constitutes the notice and approval required by AS 36.30.085.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

March 19, 1997

**SUBJECT:** CSSB 34(TRA) draft relating to DOT maintenance facility (Work Order No. 20-LS0263\F)

**TO:** Senator Jerry Ward, Chair  
Senate Transportation Committee  
Attn: Lydia

**FROM:**   
Theresa Bannister  
Legislative Counsel

This memo accompanies the bill draft described above.

1. Please be aware that the legislative notification and approval requirements of AS 36.30.085 that this bill is designed to address may violate the separation of powers doctrine in the state constitution. In other words, it is very possible that, despite AS 36.30.085, the executive branch is not required to obtain legislative approval before it goes ahead with the lease-purchase agreement for that facility.

2. Please also be aware that the draft also raises an issue under the state constitutional prohibition (art. II, sec. 19) against local and special legislation because the lease-purchase agreement is expressly stated to be with the city of Soldotna. That prohibition provides that "the legislature shall pass no local or special act if a general act can be made applicable." This constitutional provision is designed to eliminate the favoritism and logrolling that result if a legislature has the unfettered power to enact local and special acts.

The test used by the Alaska Supreme Court to determine if an act is "local" or "special" is whether it is "reasonably related to a matter of common interest to the whole state." Abrams v. State, 534 P.2d 91, 94 (Alaska 1975). If a special or local act is found to have been enacted, the question of whether a "general act can be made applicable" is specifically a matter for judicial determination. See Abrams v. State, 534 P.2d 91 (Alaska 1975) where the court determined that the act in question (relating to the Eagle River-Chugiak Borough) was both special and local legislation and then determined that a general law (the general borough law) could be made applicable.

The provision here may be considered a matter of common interest to the state since it covers a facility of a state department and arguably advances the general state interest by facilitating

Senator Jerry Ward. Chair

March 19, 1997

Page 2

the operations and mission of the department. On the other hand, it may be possible to draft a general act relating to the lease-purchase of DOT maintenance facilities. The result of a constitutional review is not obvious. If you would like further research done on this issue, please advise.

If I may be of further assistance, please advise.

TLB:jdr

97-200.jdr

Enclosure

# Alaska State Legislature



Session:  
State Capitol, Room 423  
Juneau, AK 99801-1182  
(907) 465-4921

Interim.  
716 W. 4th Avenue, Ste. 450  
Anchorage, AK 99501-2133  
(907) 258-8183

## SENATE TRANSPORTATION COMMITTEE

### MEMORANDUM

FILE COPY

DATE: March 13, 1997

TO: Senator John Torgerson

FROM: Lydia A. Jones, Legislative Assistant  
Senate Transportation Committee

RE: SCHEDULING OF SB 34

---

Thank you for your memo requesting scheduling of SB 34. It is my understanding that your aide, Mary will provide the committee with the necessary background information on this legislation. Upon receipt of this information, Senator Ward has authorized me to schedule SB 34 for hearing before the Senate Transportation Committee next week, either on March 18 or 20. Do you have a preference of date?

Also, the Senator asked me to inquire if you need any additional information on SB 68 relating to the Privatization Task Force. If so, please feel free to contact me or Craig Johnson at 4940. We will be happy to provide whatever information you require.

Thank you.

# Alaska State Legislature



## Committee Membership

Senate Finance  
Senate Resources  
Senate Rules  
Legislative Budget & Audit

*Senator John Torgerson*

**District Address:**  
145 Main St. Loop; Ste. 226  
Kenai, AK 99611  
(907) 283-2690  
fax 283-9267

**Session Address:**  
State Capitol: Room 514  
Juneau, AK 99801-1182  
(907) 465-2828  
fax 465-4779

## MEMORANDUM

DATE: March 12, 1997

TO: Senator Ward, Chair  
Senate Transportation Committee

FROM: Senator John Torgerson

RE: SB 34 - DOT Maintenance Facility at Soldotna

I would appreciate your scheduling this bill at your earliest convenience.

As you know, this facility serves both my district and a portion of yours. The project has been long supported in the area, and the City of Soldotna is ready to step forward to assist in the relocation of the shop.

I do expect some amendments in regards to bonding language (from the Department of Revenue) as well as a reduction in the costs of the project.

I had anticipated those language changes to take place in Finance Committee.

Thank you for your time and consideration.

sb 34: S(TRA) hrg: 3/12/97: mj

# Alaska State Legislature



## Committee Membership

Senate Finance  
Senate Resources  
Senate Rules  
Legislative Budget & Audit

*Senator John Torgerson*

**District Address:**  
145 Main St. Loop; Ste. 226  
Kenai, AK 99611  
(907) 283-2690  
fax 283-9267

**Session Address:**  
State Capitol: Room 514  
Juneau, AK 99801-1182  
(907) 465-2828  
fax 465-4779

## Sponsor Statement

### SB 34: DOT Maintenance Facility at Soldotna

Senate Bill 34 provides authorization to the Department of Administration to enter into a lease-purchase agreement with the City of Soldotna, so that the City can finance and build a Department of Transportation Maintenance Facility in Soldotna, Alaska.

The current facility, on about a 7 acre site, is over 30 years old and is located along the Kenai River. The facility, on the main thorough-fare in the center of Soldotna, is an eyesore to the entire community.

The new facility will be constructed on a site which is currently held by the Kenai Peninsula Borough (KPB). The KPB "owes" the State the acreage; thus there is no land acquisition cost to this project. The KPB will deed the land to whatever entity is needed to comply with the bonding requirements.

There is considerable public interest over the siting of the maintenance facility along the Kenai River. Heightened public awareness of habitat protection and water quality for the river has focused on this station.

This project has the support of the Department and appears to be the most viable option at this time.

# Alaska State Legislature



Committee Membership  
Senate Finance  
Senate Resources  
Senate Rules  
Legislative Budget & Audit

*Senator John Torgerson*

District Address:  
145 Main St. Loop; Ste. 226  
Kenai, AK 99611  
(907) 283-2690  
fax 283-9267

Session Address:  
State Capitol; Room 514  
Juneau, AK 99801-1182  
(907) 465-2828  
fax 465-4779

## Sectional Analysis

### SB 34: DOT Maintenance Facility at Soldotna

Section 1: Authorizes a lease-purchase agreement with the City of Soldotna, so that the City can finance and construct a maintenance facility. Sets out the maximum total project costs, the maximum annual rental obligation amount, and the maximum full term lease payment amount. Specifies that the state shall own the facility at the end of the lease term and that this section provides the notice and approval required by statute.

SA: SB 34: S(CRA): 3/697: mj

*Representing the Kenai Peninsula*



## KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA, ALASKA • 99669-7599  
BUSINESS (907) 262-4441 FAX (907) 262-1092

MIKE NAVARRE  
MAYOR

March 7, 1997

The Honorable John Torgerson  
Alaska State Senate  
State Capital  
Juneau, Alaska 99801-1182

Dear Senator Torgerson:

The Kenai Peninsula Borough strongly endorses Senate Bill 34, "An Act giving notice of and approving a lease purchase agreement with the City of Soldotna for a maintenance facility of the Department of Transportation and Public Facilities."

The Kenai Peninsula Borough is working in cooperation with the Department of Transportation and Public Facilities (DOTPF) to relocate the existing maintenance facility, adjacent to the Kenai River, and sand pile, adjacent to Soldotna Creek, to an approximate 48 acre borough owned parcel across from Skyview High School.

In the near future the borough will be issuing DOTPF a Right of Entry permit. Once the parcel has been platted and a final plat filed, the borough will quitclaim this parcel to the State of Alaska.

Again, the borough strongly supports any and all efforts to relocate the DOTPF Soldotna Maintenance Facility away from anadromous streams. Any assistance which you can provide to expedite this relocation matter is greatly appreciated.

Should you have any questions please contact me or Lisa Parker, Planning Director.

Sincerely,

*Mike Navarre*  
Mike Navarre  
Borough Mayor

MN/LMP/lmp

cc: Representative Gail Phillips  
Representative Gary Davis

**SB**

**42**

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. SB42

Revision Date: \_\_\_\_\_ Dept Affected: Natural Resources  
 Title: "An Act relating to the fiscal operation of the BRU: Management and Administration  
Alaska Railroad Corporation and to land acquired ... Component: Information Resource Management  
 Sponsor: Rules by Request of LB&A  
 Requestor: (S)TRA Component Serial No. 427

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	29.0					
TRAVEL						
CONTRACTUAL						
SUPPLIES	1.0					
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>30.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF	30.0					
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>30.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY97) cost: \$ none

POSITIONS	FY98	FY99	FY00	FY01	FY02	FY03
FULL-TIME	0.5	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

SB42 revises fiscal operations of the Alaska Railroad Corporation and land acquired by the State of Alaska under the pending eventual transfer of the railroad to the private sector for its ownership or operation, or both, consistent with the Alaska Railroad Transfer Act of 1982.

The Department of Natural Resources is responsible for tracking and updating all resource activity on state land. Section 6 names the Department of Natural Resources as the acting state agency who will receive title to all rail property transferred under 45 U.S.C. 1201-1214 (Alaska Railroad Transfer Act of 1982). To ensure accurate and proper record handling of land transactions on state land, the Department of Natural Resources would perform record updates to existing status plats, and develop an Alaska Railroad Land Database. Costs associated with the above activities is approximately \$30.0 (\$29.0 for personal services, 1/2 of a full-time position; and \$1.0 in cartographic supplies).

Prepared by: Carol Carroll, Director *Carol Carroll* Phone: 465-4730  
 Division: Support Services Date: 19-Feb-97  
 Approved by Commissioner: *John Brown* Date: 2-19-97  
 Agency: Natural Resources

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. SB 42

Revision Date: \_\_\_\_\_ Dept. Affected: Department of Law  
 Title: ... relating to the fiscal operations of the BRU: Civil Division  
Alaska Railroad Corporation and to land ... for railroad purposes ... Component: General Legal Services  
 Sponsor: Senate Rules Committee by request of LB&A  
 Requester: Senate Transportation Committee COMPONENT SERIAL NO. 2087

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	322.5	322.5	322.5	322.5	322.5	322.5
TRAVEL	8.7	8.7	8.7	8.7	8.7	8.7
CONTRACTUAL	58.5	58.5	58.5	58.5	58.5	58.5
SUPPLIES	6.3	6.3	6.3	6.3	6.3	6.3
EQUIPMENT	19.5					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>415.5</b>	<b>396.0</b>	<b>396.0</b>	<b>396.0</b>	<b>396.0</b>	<b>396.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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**FUND SOURCE**

(Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 GF	415.5	396.0	396.0	396.0	396.0	396.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>415.5</b>	<b>396.0</b>	<b>396.0</b>	<b>396.0</b>	<b>396.0</b>	<b>396.0</b>

Estimate of any current year (FY97) cost: \$ 0.0

**POSITIONS**

POSITIONS	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
FULL-TIME	3.0	3.0	3.0	3.0	3.0	3.0
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

This bill would place the Alaska Railroad Corporation under the Executive Budget Act (AS 37.07) and would transfer ownership of all railroad land to the state. Under this bill, land necessary for railroad operations would be managed by the corporation. The remainder of what is presently railroad land would be managed by the Department of Natural Resources.

The Alaska Railroad Corporation has its own legal counsel to advise it on land management questions. Should ownership of this land be conveyed to the state, legal advice would be provided by the Department of Law. A number of the properties of the ARRC have pre-existing environmental contamination problems. Hazardous substance cleanup and liability issues need to be resolved prior to transfer of title to these lands to the State. DNR will need legal assistance from the Department of Law in resolving these issues. Given that 38,000 acres of land are involved in the proposed transfer of title, at least two attorneys will be needed to assist in the environmental liability aspects of the transfer.

Prepared by: Fred Fisher, Director Phone: 465-3672  
 Division: Administrative Services Division *Fred Fisher for* Date: 2/13/97  
 Approved by Commissioner: Bruce M. Botelho, Attorney General Date: 2/13/97  
 Agency: Department of Law

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ANALYSIS CONTINUATION:

The federal Bureau of Land Management (BLM) has still not transferred title to certain Alaska Railroad lands in Anchorage and Fairbanks to the ARRC under the federal Alaska Railroad Transfer Act of 1982 because of environmental cleanup issues. One of the properties to which the ARRC has been granted an exclusive use license has been listed on the Superfund National Priorities List by the U.S. Environmental Protection Agency (EPA) and the ARRC was named as a defendant by the United States in an EPA cleanup law suit. The ARRC has incurred significant legal costs concerning cleanup and liability issues for this and other similar properties. The Department of Natural Resources will likely need similar legal assistance concerning these lands. If the State becomes involved in litigation concerning these lands, at least one additional attorney and potentially the hiring of outside counsel, would be required. .

A serious issue arises in section 25 of the bill which provides no flexibility for resolving cleanup and liability issues prior to DNR taking title. As written, the State could incur cleanup liabilities in the tens of millions of dollars in addition to those already potentially incurred by ARRC itself. These liabilities may involve very large future expenditures from the Oil and Hazardous Substance Response Fund or from the General Fund.

The cost estimate is based on the department's standard attorney cost schedule (\$127,000) and includes clerical support, communications, space, supplies, data processing, and other normal overhead expenses. An additional \$5,000 per position is included for direct case travel, and \$6,500 per position for one-time (FY98) equipment purchases.

**COMMENTS ON SB 42 / HB 55**

Submitted by the Alaska Railroad Corporation  
to the Senate Transportation Committee

**A. Fiscal Operations Aspect of the Bills**

- **Changes in railroad business require the ability to respond quickly with capital investment.**

The railroad industry in America is engaged in a capital intensive business which has experienced significant changes in customers' requirements, therefore significant changes in its infrastructure, equipment and technology. The Alaska Railroad Corporation has recently responded to changes like these by acquiring new high capacity hopper cars to make its coal customers more competitive. We have also purchased new passenger equipment to support the tourism segment of our business; and we have negotiated a long term contract with our largest customer to assure that our tank car fleet is one of the most modern in the business. We are currently evaluating upgrade of our locomotive fleet. While initially capital intensive, this upgrade represents a significant opportunity for long term savings.

Responding to customer needs often requires quick action. For example, the decision to acquire the new hopper cars was made during negotiations regarding export coal, in order to make that service competitive for the customer, as well as improve service to other customers. Inasmuch as this occurred during the middle of a fiscal year, it would have been difficult if not impossible to respond had it been necessary to seek administrative and legislative approval.

Subjecting ARRC to the Executive Budget Act ("EBA"), AS 37.07, will adversely affect this ability to respond quickly, and chill other financial and contractual relationships of the corporation. Moreover, it may well subject the State to direct liability for ARRC actions.

- **By assuming substantial actual control over the financial and legal obligations of ARRC and removing a substantial portion of ARRC's asset base, the state may inadvertently be subjecting itself to full liability for ARRC's operations, despite language to the contrary in AS 42.40.500.**

ARRC has been a defendant in numerous lawsuits since its creation, and the State of Alaska has never been made a party as a result of ARRC's actions, nor called upon to answer in damages in any of these cases. ARRC conducts its own separate risk management program to address the risks created by its operations, which include a mix of preventative actions, insurance and ready cash availability through lines of

credit.<sup>1</sup> Obviously, the language of AS 42.40.500 and the arm's length nature of the corporation past relationship with the State have had the intended effect and spared the State these liabilities. We fear the same will not be true once the State injects itself so substantially into the railroad's business decision-making process, and once it renders the corporation significantly less able to satisfy judgments by removing its profitable real estate base. A "state entity" version of "piercing the corporate veil" will very likely occur.

- **The proposed bill will adversely affect the corporation's ability to maintain favorable premiums and retentions in its insurance package. These increases may be so great that ARRC is unable to procure its own insurance, forcing the State to add ARRC insurance costs to its risk management program.**

Removal of real estate assets from the corporation and the resulting decrease in revenues will adversely affect the corporation's insurance costs. Assets and revenues are among a number of factors considered by the insurance underwriters every year when ARRC is placing its coverages. ARRC currently enjoys relatively low premiums for the coverage it obtains, with high self-insured retentions. It is likely that stripping ARRC of its real estate will cause premiums to increase, or the self-insured retentions to decrease, or both. Either or both of these effects may cause the corporation to be unable to place insurance on its own behalf without paying an exorbitant cost. Coupled with the increased likelihood of State liability for ARRC obligations, this could force the State to add ARRC into its own risk management program.

1. **Chilling Effect on Borrowing.**

- **Will essentially end conventional borrowing, driving ARRC capital needs into state capital budget process. For example, ARRC is considering buying 20 new locomotives, which will cost approximately \$40MM.**

The bill leaves intact several provisions regarding borrowing by ARRC, yet by placing the corporation under the EBA, the borrowing ability of the corporation is called into question. The provision of this bill that subjects ARRC to the EBA and requires ARRC

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<sup>1</sup> ARRC carries third party liability insurance coverage of \$25MM above a \$5MM self-insured retention ("SIR") (with free reinstatements, up to \$75MM in coverage is available for a single catastrophic event). For ARRC's own property damage, insurance of \$25MM is carried, subject to a \$10MM SIR. Various other specialized insurance policies complete ARRC's insurance package. The \$5-10MM SIRs are covered by dedicated lines of credit if cash on hand is not sufficient to meet an immediate need.

to request appropriations for its operating, capital and debt service expenditures may have serious consequences on ARRC's existing and future contracts/loan agreements. The corporation has several long term contracts to provide various services to customers and several long term loan agreements that require ARRC to make periodic interest and principal payments. To our knowledge, none of these agreements contains language conditioning ARRC's duty to perform on its receipt of sufficient appropriations from the legislature, as is the case in a typical state contract. Even if ARRC retains all its revenues, if it cannot expend them except in strict accordance with a legislatively approved annual budget, our existing customers/lenders may have valid concerns about our continuing ability to perform as the contract requires. If our performance is hampered by legislative or administrative revision of a proposed budget, those customers/lenders may have an argument that their contract rights have been impaired in violation of Article I, Section 15 of the Alaska Constitution.

With regard to future loans, it will be much more difficult and expensive to borrow money for operating capital or to purchase equipment, for example, on credit if this bill becomes law. It may be difficult for ARRC to assure its creditors that the legislature will appropriate sufficient money, or approve line entries in its budget, to pay the debt service on their loans. While ARRC has never mortgaged its real estate, lenders do scrutinize the corporation's revenue flow and financial statements before deciding to lend money to the corporation. Removing the contribution attributable to real estate from this bottom line will most certainly affect a lender's willingness to do business with ARRC. These same problems exist for future long term contracts with freight and real estate customers. In short, if we cannot assure our customers that we will have the funds and the authority to spend them to perform the services they require, they will go elsewhere.

## **2. Violation of Alaska Railroad Transfer Act ("ARTA").**

- **The Transfer Act specifically provided that ARRC would retain control of funds and budget, because the federal railroad had experience with having to budget and seek appropriations, and had learned the hard way that you cannot anticipate all your business opportunities, and cannot respond quickly enough to capitalize on them when they arise if forced to follow this process.**
- **The federal government may well raise this violation of ARTA as a breach in its contract with the State of Alaska transferring the railroad.**

Section 1207 of ARTA mandates that the revenues generated by ARRC be "retained and managed by the State-owned railroad for railroad and related purposes". This bill will infringe on that "management" right in several respects. For example, inclusion of ARRC under the EBA will have the effect of prohibiting the corporation from increasing

the salaries of its employees, hiring additional employees or expending any money or incurring other obligations unless all of the same were included in an operations plan approved by OMB, which must in turn comport with a budget approved by the legislature. See AS 37.07.080(d). If ARRC receives excess funds from its operations (beyond what is expected and accounted for in its approved budget), it must convince the administration to propose a revision to the Legislative Budget & Audit Committee and wait 45 days before expending the money. See AS 37.07.080(h). One can foresee a multitude of business opportunities or potential employees that will not wait the time required to obtain such approvals, and accordingly be lost to the corporation.

As noted in Section A.5. below, there does not appear to be any requirement that all of the money generated by ARRC be paid into the state treasury. However, in light of the "appropriation" language found in the bill, the bill's intent is not entirely clear. If the design is for ARRC revenues to be "state funds" which are then appropriated back to the corporation or, even if held by the corporation but only expended pursuant to an approved budget, then the corporation no longer has the "management" rights required by Section 1207 of ARTA. Moreover, if all of ARRC's revenues are not either appropriated back to the corporation or approved to be used in the corporation's budget, part of ARRC's revenue could be used to fund a program or project that is totally unrelated to the railroad. This too would violate the mandate of ARTA Section 1207.

3. **Process Adds Time and Cost Without Adding Value.**

- **ARRC's customer base will not significantly change. Participating in the budgeting process as proposed will substantially increase the costs of doing business. It is unreasonable to expect the customers to bear this additional cost.**

Numerous provisions throughout the EBA impose procedures with considerably different focus and detail than ARRC currently develops, such as the "agency program," "financial plan" and "operations plan." In addition, involvement of additional layers of governmental agencies (OMB, I R&A, etc.) to business sector decision making will delay the process and therefore result in less flexibility to react to business climate changes. All of these add cost to the procedure without adding value. The cost will ultimately be paid by the customer, or worse still, by the corporation in the form of lost opportunity.

4. **Effect of State Fiscal Year.**

- **ARRC's business is highly seasonal, and moving to state fiscal year would split the business season.**