

**SPECIAL MEETING AGENDA
NOTICE OF MEETING**

1. **CALL TO ORDER/ROLL CALL**
and introduction of new member
2. **APPROVAL OF THE AGENDA**
3. **PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA**
4. **RECONSIDERATION**
5. **APPROVAL OF MINUTES**
6. **VISITORS:** Kyra Wagner regarding Homer Farmers Market
and City Manager Walt Wrede regarding Homer Area Natural Gas Line
7. **STAFF AND COUNCIL REPORT**
8. **PUBLIC HEARING**
9. **PENDING BUSINESS**
10. **NEW BUSINESS**
 - A. Homer Farmers Market p. 1
 - B. Homer Area Natural Gas Line p. 3
 - C. Proposed Changes to Homer Sign Code p. 11
 - D. Small business development support
11. **INFORMATIONAL MATERIALS** (for discussion only)
 - A. Items of possible interest from recent City Council meeting packets p. 33
 - B. Proposed new Port & Harbor CIP projects p. 45
 - C. Alaska Economic Reports p. 53
 - D. ISER analysis: "High Oil Prices Give Alaskans a Second Chance:
How Will We Use This Opportunity?" p. 89
 - E. Memorandum from Deputy City Clerk Re: Open Meetings Act p. 93
12. **COMMENTS OF THE AUDIENCE**
13. **COMMENTS OF THE CITY STAFF**
14. **COMMENTS OF THE COUNCIL MEMBER**
15. **COMMENTS OF THE CHAIR**
16. **COMMENTS OF THE COMMISSION MEMBERS**
17. **ADJOURNMENT/NEXT MEETING DAY AND TIME**

Next regular meeting is scheduled for October 11, 2011 at 6 p.m. in the Homer City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

Anne Marie Holen

*See also draft project description
under "Informational Items"*

Subject: FW: Olympia Farmers Market: User filled in Contact Us form!

First name: Anne Marie
Last name: Holen
Address:
Address: 491 E. Pioneer Avenue
City: Homer
State: AK
Zip/Postal code: 99603
Phone: 907-435-3101
Email: amholen@cityofhomer-ak.gov
Subject: learning from experience
Message:

*One example of
how a Farmers Market
building was
accomplished*

The City of Homer is interested in helping create a permanent, weather-proof home for the Homer Farmers Market. I am wondering if you can provide information on how the Olympia market was financed and what role local government has played. Thanks much, amh

Olympia Farmers Market
Phone: 360-352-9096
URL: www.olympiafarmersmarket.com

The Market paid over \$100,000.00 for the architecture fees. The City went out for bonds and built the building. We then made payments from 1996 to 2007 to pay back the bond funds. We do not own the building but in exchange we are not charged any rent for the use of the building. We do however have to maintain a maintenance account which the City holds that always has to have \$100,000.00 in it available for the building. The land belongs to the Port which the City leases from them. We however pay the lease amount to the City and they funnel it to the Port. This fee is based on our sales and averages around \$120,000.00 per year.

--
Charlie Haney
General Manager
The Farmers Market

You are certainly welcome....if you need any other info let me know. Also if you would like a copy of our Greenbook which is our policy manual just give me an address.



City of Homer

*City Manager
491 East Pioneer Avenue
Homer, Alaska 99603
phone: 907-435-3102 fax: 907-235-3148
email: wwrede@ci.homer.ak.us*

September 21, 2011

Governor Sean Parnell
P.O. Box 110001
Juneau, AK 99811

Dear Governor Parnell:

It is the autumn equinox and a time when Homer residents had hoped to see significant progress on the construction of a natural gas line from Anchor Point, less than 20 miles north of here, through Homer and on to Kachemak City. Many believed they would see relief from high heating costs before the winter was over. Construction of the Homer Area Natural Gas Pipeline would have benefited the lower Kenai Peninsula by lowering energy costs, reducing carbon emissions, creating jobs and stimulating economic development. It could save the taxpayers \$1.5 million dollars per year in heating costs for federal, state, borough, and city buildings and facilities. The local business community expressed its strong support. I believe it is fair to say that your veto of the \$10.05 million legislative appropriation for this project has been the source of extreme disappointment in this area.

The Mayor and the Homer City Council have been hearing from disappointed and angry business owners and residents all summer. Providing support for energy projects in rural areas of the state when the private sector cannot do so is something the State has done routinely. The Homer City Council has determined that this project remains a top community priority and it recently approved an action plan to keep this project moving forward.

Thousands of community members, business owners, and taxpayers would benefit from having natural gas available in the greater Homer area. The City is working hard to prepare itself for the financing and construction of the gas distribution system within municipal boundaries once gas can be transported into the area. You can help us take a great step forward in making this decades-long dream a reality by including the project in your FY 2013 Budget.

We are aware that you and your staff are working on the budget now. Please consider the Homer Area Natural Gas Pipeline as you make budgetary decisions for the next year. We can think of very few projects that would provide the same payoff and "bang for the buck" as this one. It would be a wise investment. Please do not hesitate to contact us if you have any questions or need additional information. The City of Homer looks forward to your response.

Sincerely,

CITY OF HOMER

Walt Wrede
City Manager

Do the right thing, governor

Our esteemed Gov. Sean Parnell has given various reasons to justify his veto of the Homer Area Natural Gas Pipeline Project the Alaska Legislature intended to serve the southern Kenai peninsula.

Last year he approved a regulation station and gas pipeline to serve Anchor Point (greater area population 1,150), as well as a separate regulation station to serve Nikolaevsk.

This year he says he does not believe in projects that serve only one community, meaning a pipeline from Anchor Point through Homer to the east end of Kachemak City with a combined population 6,980, but he did approve a gas main which will only serve Nikolaevsk, population 318.

This year, the governor says the state should not do gas lines and that all other communities have paid for their own pipelines. Yet, the State has funded natural gas infrastructure for Ninilchik, Anchor Point and Nikolaevsk. This year Gov. Parnell approved \$200 million toward an in-state natural gas pipeline. The governor's words do not match the action.

More to the point, over the years the state has paid hundreds of millions for projects all over the state which are intended to offer lower and more stable energy costs and foster the economic stabilization stemming from these projects.

Last year the governor set conditions to be met before approving the pipeline, so Homer and Kachemak City did their best to meet all the stated conditions. This year the governor has a different story. Hopefully, he is capable of arriving at a third position and recognizing the economic development that will ensue when natural gas is within economic reach of the southern peninsula.

This year the governor said Homer did well in the capital budget because he allowed \$6 million in capital money to be spent for restrooms, rain shelters and a bird poop washer to help the cruise-ship business and he approved \$20 million for a power line from Soldotna to Nikiski for Homer Electric. Note the word "Homer" in Homer Electric.

He vetoed the gas line after being deluged with requests by residents and businesses asking for relief from high energy prices and after hearing public entities pleading to help ease the burden on taxpayers by lowering heating costs in public buildings. Would residents crying for relief from high energy prices choose a bird poop washer over a chance to lower their heating cost by 60 percent?

Governor: Not only is the answer 'no,' but 'hell no.'

Our governor has chosen a bird poop washer over taxpayer relief, energy cost security, economic development and lower greenhouse gas emissions. This is absurd.

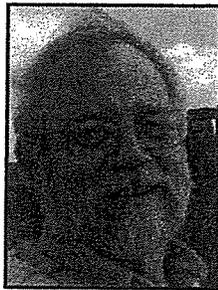
Perhaps he was looking to find budget room for the \$2 million he allowed as a present to the Great Alaska Shootout basketball games, or maybe poor little Anchorage was not doing well enough with the 13 plus pages it took to describe all the projects he approved.

I understand that the Sen. Tom Wagoner from Kenai was actively campaigning against the pipeline. The irony here comes next year when the senate district he represents will be joined to the southern Kenai Peninsula. Will this man who is actively opposed to the welfare of our community seek election as our senator?

The state administration is now preparing a budget for the governor to present to the legislature in December. This presents an opportunity for the governor to make right the unfair position he has taken, instead to aid the southern Kenai work through the economic challenges we are facing.

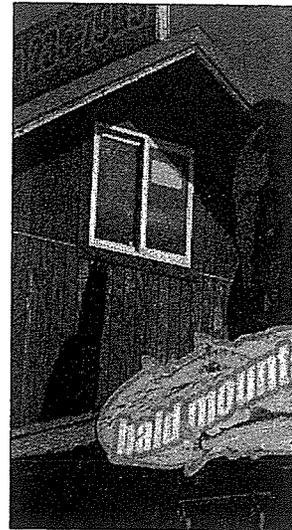
Gov. Parnell: Like many communities in Alaska, our isolated, small population cannot afford the infrastructure required to make lower cost energy available. We need help to bring the gas within reach. Help us get gas to our towns; we will do the rest. Put the pipeline in your budget.

Bill Smith represents District 8 on the Kenai Peninsula Borough Assembly.



POINT OF VIEW

By Bill Smith



Bald Mountain is a p Homer Spit sign.

Signs o

Homer steps into new governing businesses in the sion expressed at a recent the defensive in the face their ability to use sand other rules. Businesses t sumer information about

The Homer Advisory work ahead because it w people already hit hard b potential new federal reg ibut can be caught by the should try to be understa local business success by

So far, Homer business regulations, if we can ju many visitors find eye c sign at Barb's Video, the former Smokey Bay N Oldtown Steak House.

Smokey Bay Natural F that VBS held a silent au ing the proceeds to charit

There is no shortage of trip to other towns, parti ly Kenai and Soldotna, their leaders and a haven't always been as cessful as our own in achi tasteful use of signs.

While giving city staff due, however, we need those who operate local b tion for artists for nothin ing the signs, and highly g mitted to create the s at the top of their professi ate beautiful signs that ri to direct attention to a gi Champagne Palace's sign ed Barb's Video sign this j

Free developmental check for children

It's September, and a new school year has started for children five and over. But we shouldn't forget the babies, toddlers and

how your little one is tracking through those milestones. Child Checks dates will be scheduled in each southern Kenai Peninsula commu-

CITY OF HOMER

HOMER, ALASKA

City Manager

RESOLUTION 11-_____

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA APPROVING AND ADOPTING A 2011-2012 HOMER AREA NATURAL GAS PIPELINE PROJECT ACTION PLAN.

WHEREAS; The Homer community has been attempting to get natural gas to the area for many years and there appears to be strong public support to continue with this effort, especially within the business community; and

WHEREAS; Bringing natural gas to the Homer area has the potential to stimulate economic development and create jobs, lower the cost of living and doing business, and reduce carbon emissions, consistent with the Homer Climate Action Plan; and

WHEREAS; The Homer Area Natural Gas Pipeline Project was included in the FY 2012 State Capital Budget by the Legislature but was vetoed by Governor Parnell; and

WHEREAS; The Governor and his staff have already begun the process of preparing the Governor's FY 2013 Capital Budget for submission to the Legislature in January; and

WHEREAS; If the community wants to continue moving forward with this project, it is important for the City Council to make its priorities known and to adopt a clear roadmap for success.

NOW THEREFORE BE IT RESOLVED; That the Homer City Council hereby finds that construction of the Homer Area Natural Gas Pipeline is in the overall community interest and that the project remains a top Capital Improvement Project Priority; and

BE IT FURTHER RESOLVED; That the Council hereby approves and adopts the Draft 2011-2012 Homer Area Natural Gas Pipeline Project Action Plan, a copy of which is attached and incorporated herein, and authorizes the City Manager to implement the plan.

PASSED AND APPROVED, by the Homer City Council this 22nd day of August, 2011.

CITY OF HOMER

JAMES C. HORNADAY, MAYOR

ATTEST:

JO JOHNSON, CMC, CITY CLERK

Fiscal Note: An Allocation of Staff Time

HOMER AREA NATURAL GAS PIPELINE PROJECT

2011-2012 ACTION PLAN

Lobbying and Public Information

- Work with the Alaska Energy Authority and with the Governor's Office to identify areas of concern with the goal being inclusion of the project in the Governor's FY 2013 Capital Budget.
- Work with the Central Peninsula Legislators who either opposed the project or expressed reservations to identify areas of concern and attempt to obtain their support.
- Draft an updated project description for inclusion in the C.I.P. document and for distribution to the Governor, Legislators, project partners, and other interested parties.
- Keep the project webpage current in order to keep the public informed.
- Continue to work with community coalitions, organizations, and individuals that support the project and want to get directly involved.

Financing

- Work with Enstar to identify and evaluate alternative options for financing all or a part of the transmission line.
- Work with AIDEA and other financing agencies to identify and evaluate alternative financing options for the transmission line.
- Evaluate options for financing the construction of the distribution system within the community.

Completing Homer's "Plan"

- Develop a City Council position on financial participation to stimulate development of the distribution network.
- Define the "core area" boundaries, the part of the community that would benefit most by hooking up to natural gas and would be most likely to have a majority of buildings hook up quickly.
- Conduct a survey of government and public buildings that would hook-up quickly.
- Work with Enstar to develop a survey using data and pricing provided by Enstar to measure interest in making the ^{conversion} ~~conversion~~ to natural gas.
- Adopt and amendment to the Homer City Code to provide for the placement of gas utility lines in Homer public streets and ROWs.



Homer Area Natural Gas Pipeline, Phase 2

PROJECT DESCRIPTION & BENEFIT: The goal of the Homer Area Natural Gas Pipeline Project is to provide natural gas to Anchor Point, Homer, and Kachemak City from the North Fork field east of Anchor Point. Natural gas is expected to provide significant cost savings to homeowners, businesses, and major institutions including state, local, and federal agencies, as compared to fuel oil, electricity, or propane. The transmission line will serve home and business needs enroute and be able to supply 5 million cubic feet per day to Homer, which is adequate for a 30-year customer base buildout.

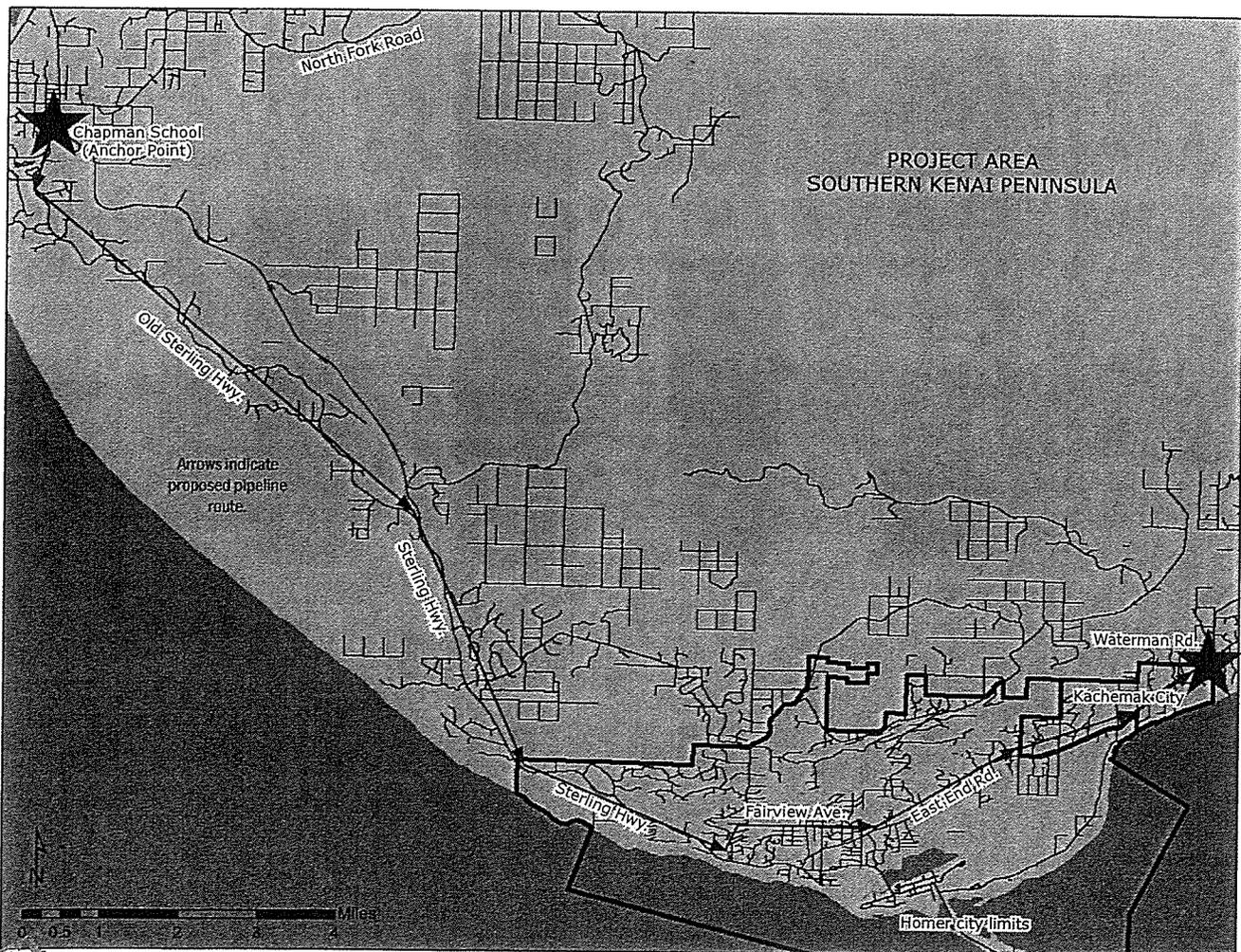
PLANS & PROGRESS: The first phase of the project, construction of a pressure reducing station on North Fork Road and approximately 3600 feet of 8-inch plastic pipe into Anchor Point, was completed in 2011 with funding approved by the Alaska Legislature. The Legislature approved additional funding for FY 2012 to extend the natural gas line to Nikolaevsk, Homer and Kachemak City; however, the Governor vetoed all but the Nikolaevsk portion.

Buildout of distribution lines to neighborhoods within Anchor Point, Homer, and Kachemak City will be a local responsibility. The estimated contribution of residents within Homer city limits for a full build-out (110 miles of streets and roads), not including service lines to individual homes and businesses, will be \$10,396,320 using Enstar's current rate of \$17.90/mile. The City of Homer continues to research and evaluate financing options for both the main transmission line and neighborhood distribution lines.

Cost: \$10,053,000

Schedule: 2012-13

Priority: 1



Comparison of Energy Rates: Subject to Energy Price Change!

Annual cost to provide Heat & Hot Water for a typical single family Home

Energy Costs on 4-25-2011 in Homer and Anchor Point Alaska

Residential Rates

Source	Unit	Average \$ Per Unit	BTU per Unit	AFUE Equipment Efficiency	Net BTU per Unit	Units per Million BTU	lbs of CO2 per Million BTU	\$ Per Million BTU	Annual Units	CO2 # per Year	Annual Cost	Average Per Month Cost
Electricity	KWH	0.14829	3,412	100	3,412	293.08	392	43.46	38,114	50,978	\$ 5,652	\$ 471
Propane	Gallon	4.657	92,000	82	75,440	13.26	184	61.73	1,768	29,929	\$ 8,234	\$ 686
#1 Fuel Oil	Gallon	3.99	135,500	82	111,110	9.00	214	35.91	1,200	34,796	\$ 4,788	\$ 399
For Comparison: Residential Natural Gas (G1 Rate) in Kenai, Soldotna & Anchorage												
Natural Gas	CCF	0.91214	103,000	82	84,460	11.84	153	10.80	1,578	24,868	\$ 1,439	\$ 120

Sales Taxes not included

Each source will vary with market prices.

Electricity & Natural Gas prices include monthly customer charge.

#1 Fuel Oil is Jet A (low sulfur)

Fuels priced at typical delivery quantities

Note: Combustion equipment efficiency can vary widely. A constant 82% efficiency is used to enable a base comparison between fuels and electricity. Many gas and oil fired units function at higher efficiencies.

KWH=Kilowatt Hours

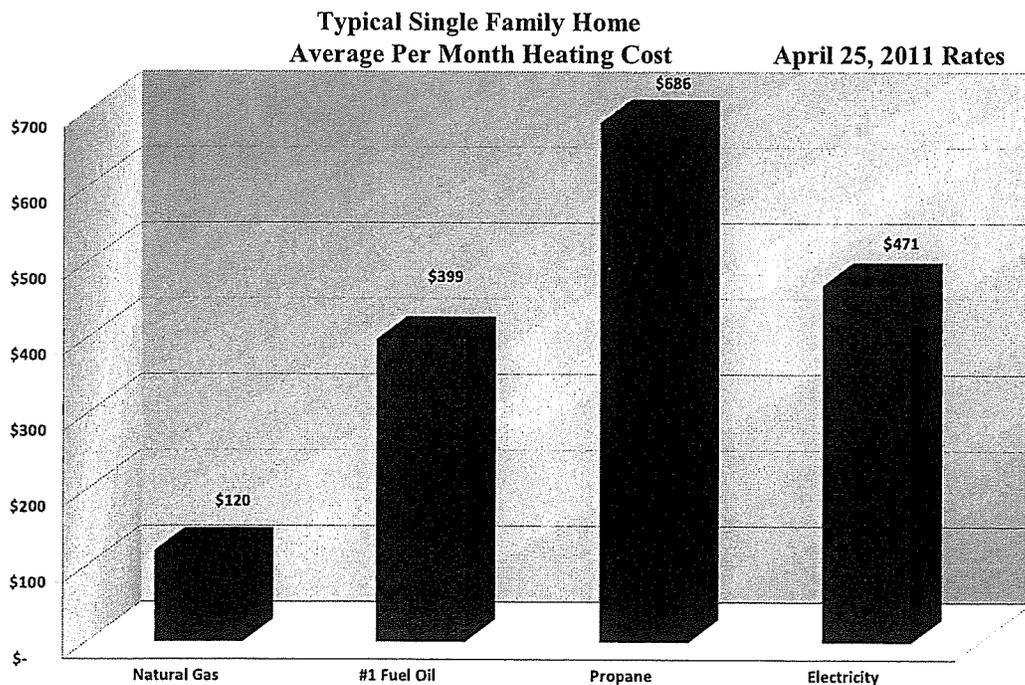
AFUE= Annual Fuel Utilization efficiency

BTU= British Thermal Unit (Amount of heat needed to raise 1 pound of water 1 degree farenheit)

CO2= Carbon dioxide

CCF= Hundred Cubic Feet

Prepared by Bill Smith



Summary Comparison of Natural Gas and Fuel Oil Costs in Homer Area Public Facilities

Kenai Peninsula Borough Schools Heated with Fuel Oil	Annual Fuel Use, Gallons	Annual Fuel Oil \$	Equivalent Natural Gas CCF	Annual Natural Gas \$	Potential Annual Savings
Homer Flex	1,048	\$ 3,678	1,353	\$ 1,234	\$ 2,444
Homer High School	74,786	\$ 261,564	99,359	\$ 88,680	\$ 172,884
Homer Middle School	24,027	\$ 84,033	31,921	\$ 27,155	\$ 56,878
Paul Banks Elementary	18,435	\$ 64,669	24,492	\$ 20,835	\$ 43,834
West Homer Elementary	36,595	\$ 128,374	48,619	\$ 43,834	\$ 84,541
School Maintenance Building	2,647	\$ 9,635	3,517	\$ 2,992	\$ 6,643
Potential Homer Area KPB School District Annual Savings					\$ 367,224

City of Homer Facility Heated with Fuel Oil	Annual Fuel Use, Gallons	Annual Fuel Oil \$	Natural Gas CCF	Annual Natural Gas \$	Potential Annual Savings
Homer Public Library	9,915	\$ 36,289	13,173	\$ 11,206	\$ 25,083
Homer Animal Shelter	8,064	\$ 29,514	10,714	\$ 9,114	\$ 20,400
Sewer Treatment Plant	7,641	\$ 27,966	10,152	\$ 8,636	\$ 19,330
Homer Airport	8,858	\$ 32,420	11,768	\$ 10,011	\$ 22,409
Police Station	1,032	\$ 3,777	1,371	\$ 1,251	\$ 2,526
HERC 1, B&G Club, College	11,817	\$ 43,250	15,700	\$ 13,356	\$ 29,895
HERC 2, Pub Works	2,785	\$ 10,193	3,700	\$ 3,213	\$ 6,980
Public Works Building, Shop	2,827	\$ 10,347	3,756	\$ 3,261	\$ 7,085
Harbor Rest Rooms	2,348	\$ 8,594	3,119	\$ 2,654	\$ 5,940
Port Maint Bldg	1,938	\$ 7,093	2,575	\$ 2,236	\$ 4,857
City of Homer Facility Heated with Electricity	Annual KWH Use	Electric Heat \$			
Public Works Building, Offices	51,600	\$ 8,112	1,677	\$ 1,426	\$ 6,685
City Hall	76,400	\$ 12,010	2,483	\$ 2,112	\$ 9,898
Fire Hall	114,240	\$ 17,959	3,712	\$ 3,224	\$ 14,735
Potential Annual Savings for City of Homer Facilities					\$ 175,825

Other Public Facilities Heated with Fuel Oil	Annual Fuel Use, Gallons	Annual Fuel Oil \$	Natural Gas CCF	Annual Natural Gas \$	Potential Annual Savings
Islands & Ocean Visitor Center	25,392	\$ 101,570	33,736	\$ 28,699	\$ 72,871
KBRR Bunnel St. Shop	775	\$ 3,100	1,030	\$ 939	\$ 2,161
KBRR Warehouse	1,542	\$ 6,168	2,049	\$ 1,779	\$ 4,389
KBRR Bay Ave Lab	252	\$ 1,008	335	\$ 305	\$ 703
KBRR Modular Office, K'mak Dr	1,717	\$ 6,868	2,281	\$ 2,081	\$ 4,787
UAA KPC Kachemak Bay Branch	10,160	\$ 40,335	13,498	\$ 11,483	\$ 28,852
ADF&G Office/Shop	4,155	\$ 15,124	5,520	\$ 4,696	\$ 10,428
AK State Courthouse	4,437	\$ 16,151	5,895	\$ 5,015	\$ 11,136
AK State Office Bldg, Lake St.	2,640	\$ 9,610	3,507	\$ 3,046	\$ 6,564
DOT Maintenance, Baycrest	3,336	\$ 12,677	4,432	\$ 3,770	\$ 8,906
Kachemak Community Center	1,000	\$ 3,990	1,329	\$ 1,212	\$ 2,778
US Post Office	15,170	\$ 55,219	20,154	\$ 17,988	\$ 37,230
South Peninsula Hospital	141,174	\$ 535,049	187,560	\$ 167,403	\$ 367,647
DOT Airport Facilities (2 of 4)	6,858	\$ 26,060	9,111	\$ 7,751	\$ 18,309
Other Public Facilities Annual Savings					\$ 576,763

CCF = Hundred Cubic Feet

Blended Natural Gas & Electricity rates include monthly customer charges

Annual Savings realized by Conversion to Natural Gas for the listed Public Facilities	\$ 1,119,811
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Estimated Amounts

Prepared by: Bill Smith 4/27/2011

Anne Marie Holen

Subject: Proposed sign ordinance changes
Attachments: SR 11-99 Sign 9.21.11.docx; Draft Sign Ord. 8.26.11 Public Hearing.docx; Proposed Amendments to the Homer Sign Code press release.docx

From: Rick Abboud
Sent: Tuesday, September 20, 2011 11:03 AM
To: Anne Marie Holen
Subject: RE: What do you want to talk about?

AM

I am enclosing the public notice, public hearing version of the sign ordinance, as well as our next staff report. One thing not found in the press release is the definition for mobile signs that would be prohibited. It is the intent of the Commission to revisit this and make sure it does not apply to vehicles engaged in routine day to day activities as opposed to trailers parked for the sole intent of gaining signage prohibited by code. We had a full house at our last meeting and the Commission will take comments under consideration and hold additional public hearings as changes are introduced.

Rick

Proposed Amendments to the Homer Sign Code

Due to citizen concerns, the City's Planning Department has been working with the Planning Commission to make changes to sign regulations. The changes center on a few subjects, the proliferation of sandwich boards throughout the community the last few years and the inability to equally enforce provisions of the sign code on the spit. The Department has been fielding many concerns that sandwich boards displayed on the spit and around town were encroaching into the rights-of-way and sidewalks creating hazards for pedestrians and vehicles and being displayed permanently. Also, Signage on the spit has been expanding beyond what is allowed and sign permits cannot be obtained for new boardwalk businesses.

The Homer Advisory Planning Commission has proposed a new way to allocate signage among multiple structures on a single lot. Each building would have a sign allowance, as opposed to the current maximum sign allowance of 150 square feet per lot shared between the multiple businesses. Buildings are proposed to be regulated according to amount of wall frontage; large buildings would be allowed more signage, small buildings less signage.

Safety is one concern for the proposed elimination of commercial sandwich boards. The proliferation of sandwich boards on sidewalks, bike lanes and roadways causes bikes and pedestrians to walk or bike around the sandwich boards, and into traffic. There is some allowance left for temporary signs such as civic event signs, political signs, and For Sale/Rent signs. In the end, businesses would need to permanently mount their signs.

The Homer Advisory Planning Commission also looked at ways to avoid flappin' banners. In the future, banners would need to be mounted on a rigid surface.

The City's Planning Office invites business owners to contact them at 235-3106 for specifics on how the proposed changes might affect the signage on their buildings. A presentation regarding the proposed amendments will be given at the 6:30pm Planning Commission Meeting on September 7th and an opportunity for public comment to the Commission will follow. If you are unable to attend the meeting, written comments may be submitted through the Planning Department.

More information: <http://www.cityofhomer-ak.gov/>



City of Homer Planning & Zoning

491 East Pioneer Avenue
Homer, Alaska 99603-7645

Telephone (907) 235-8121
Fax (907) 235-3118
E-mail Planning@ci.homer.ak.us
Web Site

www.ci.homer.ak.us

STAFF REPORT PL 11-99

TO: Homer Advisory Planning Commission
THROUGH: Rick Abboud, City Planner
FROM: Dotti Harness-Foster, Planning Technician
MEETING: September 21, 2011
SUBJECT: DRAFT sign ordinance

At the September 7, 2011 planning commission meeting business owners testified on the draft sign ordinance. In summary, the business owners are passionate about their sandwich and urged the commission to reconsider the ban on commercial sandwich boards. Several business owners spoke in support of the banners. Bill Smith indicated that he would submit written comments. It was suggested that the commission review the wording that prohibits signs on motor vehicles.

The United States Sign Council recommends dealing with vehicle signs in the “Prohibited” section:

“Signs placed on or painted on a motor vehicle or trailer parked with the primary purpose of providing signage not otherwise allowed by the Code; Prohibited is any sign displayed on a parked trailer or truck or other vehicle where the primary purpose of the vehicle is to advertise a product, service, business, or other activity. This regulation shall permit the use of business logos, identification or advertising on vehicles primarily and actively used for business purposes and/or personal transportation.”

Gig Harbor, WA 17.80.120(f) prohibits such signs by:

“Signs attached to or placed on a vehicle or trailer parked on public or private property; provided, however, this provision shall not be construed as prohibiting the identification of a firm or its products on a vehicle operating during the normal course of business. Franchised buses and taxis are exempt from this provision.”

Portland, OR 32.12.030 (C) Prohibitions.

“Signs placed on or painted on a motor vehicle or trailer parked with the primary purpose of providing signs not otherwise allowed by the code;”

Of these provisions, the first one from the USSC is preferred because it avoids the discussion about what is “normal course of business.”

If the commission chooses to reconsider the ban on temporary signs for businesses, the option to display only during business hours, or a maximum of 12 hours is a compromise. Enforcement would be a late night sweep to remove temporary signs in the public ROW.

1 CITY OF HOMER
2 HOMER, ALASKA

3 Planning

4 ORDINANCE 11-
5

6 AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA,
7 AMENDING HOMER CITY CODE 21.60.040, DEFINITIONS; HOMER CITY
8 CODE 21.60.060, SIGNS ALLOWED ON PRIVATE PROPERTY WITH AND
9 WITHOUT PERMITS; HOMER CITY CODE 21.60.070, PERMITS
10 REQUIRED; HOMER CITY CODE 21.60.090, SIGNS IN THE PUBLIC
11 RIGHT-OF-WAY; HOMER CITY CODE 21.60.100, SIGNS EXEMPT FROM
12 REGULATION UNDER THIS CHAPTER; HOMER CITY CODE 21.60.110
13 SIGNS PROHIBITED UNDER THIS CHAPTER; HOMER CITY CODE
14 21.60.130, TEMPORARY SIGNS-PRIVATE PROPERTY; HOMER CITY
15 CODE 21.60.150, TIME OF COMPLIANCE-NONCONFORMING SIGNS AND
16 SIGNS WITHOUT PERMITS; AND HOMER CITY CODE 21.60.170,
17 ENFORCEMENT AND REMEDIES; AND REPEALING HOMER CITY CODE
18 21.60.120, GENERAL PERMIT PROCEDURES; HOMER CITY CODE
19 21.60.140, TEMPORARY SIGNS-PUBLIC RIGHTS-OF-WAY; AND HOMER
20 CITY CODE 21.60.160, VIOLATIONS; REGARDING THE REGULATION OF
21 SIGNS.
22

23
24 THE CITY OF HOMER ORDAINS:
25

26 Section 1. Homer City Code 21.60.040, Definitions, is amended to read as follows:
27

28 21.60.040 Definitions. ~~In~~ For the purpose of this chapter, **in addition to terms defined**
29 **in HCC §21.03.040,** the following words and phrases shall have the meanings set forth in this
30 **section** ~~chapter.~~

31 "Abandoned sign-" **means a** ~~Any sign containing copy~~ that refers to a business or activity
32 that is no longer being conducted or pursued.

33 "Animated sign-" **means a** ~~Any sign~~ that uses flashing lights, movement or change of
34 lighting to depict action or create a special effect or scene, **or that includes characters, letters,**
35 **or illustrations whose message changes at least one time per day; provided that a changing-**
36 ~~A sign on which the only copy that changes is an electronic or mechanical indication of time or~~
37 ~~temperature~~ **does not cause a sign to be** ~~shall be considered a time and temperature portion of a~~
38 ~~sign and not an animated sign for purposes of this chapter.~~

39 "Banner-" **means a** ~~Any sign~~ of lightweight fabric or similar material that is **attached to**
40 **a rigid structure along its entire circumference** ~~mounted to a pole or a building by a~~
41 ~~permanent frame at one or more edges. A flag, as defined in HCC § 21.60.040, shall not be~~
42 ~~considered a banner.~~

[**Bold and underlined added.** Deleted language stricken through.]

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Files\Content.Outlook\LW4R7NQ4\Draft Sign Ord 8 26 11 Public Hearing.docx

43 "Beacon-" ~~means a~~ Any sign that emits ~~with one or more beams~~ of light, capable of
44 being directed in one or more ~~any director or directions or capable of being~~ rotated or moved.

45 "Building marker-" means a wall Any sign cut or etched into masonry, bronze, or similar
46 material that includes only the building name, date of construction, or historical data on historic
47 site.

48 "Building sign-" means a Any sign that is attached to and supported by any part of a
49 building, but that is not a freestanding sign ~~unless it is supported in whole or in part by~~
50 ~~structures or supports that are placed on, or anchored in, the ground and that are independent~~
51 ~~from any building or other structure.~~

52 "Changeable copy sign-" means a A sign that includes ~~or portion thereof~~ with
53 characters, letters, or illustrations that can be changed or rearranged without altering the face or
54 the surface of the sign, and A sign on which the message changes less often ~~more than one time~~
55 ~~per day shall be considered an animated sign and not a changeable copy sign for purposes of this~~
56 ~~chapter; provided that a A-changing~~ sign on which the only copy that changes is an electronic
57 or mechanical indication of time or temperature does not cause a sign to be ~~shall be considered~~
58 ~~a time and temperature portion of a sign and not a changeable copy sign for purposes of this~~
59 ~~chapter.~~

60 "Commercial message-" means letters, graphic material or a combination thereof Any
61 sign wording, logo, or other representation that, directly or indirectly, names, advertises, or calls
62 attention to a business, brand, product, service or other commercial activity.

63 "Department." The Planning and Zoning division or department of the City.

64 "Electoral sign-" means a Any sign used for the purpose of advertising or promoting a
65 political party, or the election or defeat of a candidate, initiative, referendum or proposition at an
66 election.

67 "Flag-" means the flag Flags of the United States, the State, the City, a foreign nations
68 having diplomatic relations with the United States, and any other flag adopted or sanctioned by
69 an elected legislative body of competent jurisdiction. ~~A flag shall not be considered a banner for~~
70 ~~purposes of this chapter.~~

71 "Freestanding sign-" means a Any sign supported, in whole or in part, by structures or
72 supports that are placed on, or anchored in, the ground and that are independent of ~~from~~ any
73 building or other structure.

74 "Ground sign-" means A ground sign is a freestanding sign that is placed directly on the
75 ground with ~~having or appearing to have~~ a foundation or solid base beneath 50 percent or more
76 of the longest horizontal dimension of the sign.

77 "Handbill." Any flyer, notice or brochure advertising or promoting any product, business,
78 cause, political candidate or issue, and intended for distribution to the general public.

79 "Incidental sign-" means an A sign, generally informational, or directional sign that is
80 incidental and subordinate has a purpose secondary to a principal the use of the lot on which
81 it is located, such as "no parking," "entrance," "loading only," "telephone," and other similar
82 directives. ~~No sign with a~~ and that bears no commercial message that is legible from outside
83 that a position off the lot on which the sign is located shall be considered incidental.

[**Bold and underlined added.** Deleted language stricken through.]

84 "Lot." See HCC § 21.32.030.

85 "Marquee." Any permanent roof-like structure projecting beyond a building or extending
86 along and projecting beyond the wall of the building, generally designed and constructed to
87 provide protection from the weather.

88 "Marquee sign." **means a** Any sign attached **in any manner** to, in any manner, or made a
89 part of, a **permanent roof-like structure projecting beyond a building, generally designed**
90 **and constructed to provide protection from the weather** marquee.

91 "Non-conforming sign." Any lawfully pre-existing sign that does not conform to
92 regulations of this chapter that became applicable after erection of the sign.

93 "**Official traffic control device**" means a sign not inconsistent with Alaska Statutes
94 **Title 28, placed or erected by authority of a state or municipal agency or official having**
95 **jurisdiction, for the purpose of traffic regulating, warning and guiding.**

96 "Off-premise sign." **means a** A sign containing a commercial or non-commercial
97 message drawing attention to goods or services, business or other activity not offered or
98 conducted on the lot on which the sign is located.

99 "Pennant." **means a** Any lightweight plastic, fabric, or other material, whether or not
100 containing a message of any kind suspended from a rope, wire, or string, usually in series,
101 designed to move in the wind.

102 "**Permanent sign**" means a sign that is not a temporary sign.

103 "Portable sign." means a Any sign not permanently attached to the ground or other
104 permanent structure, or a sign designed to be transported, including signs designed to be
105 transported by means of wheels; signs converted to A- or T- frames; menu and sandwich board
106 signs; balloons used as signs; umbrellas used for advertising; and signs attached to or painted on
107 vehicles parked and visible from the public right of way, unless said vehicle is used in the
108 normal day-to-day operations of the business.

109 "Principal building." **means a** The building in which is conducted the principal use of the
110 lot **is conducted** on which it is located. Lots with multiple principal uses may have multiple
111 principal buildings, but storage buildings, garages, and other accessory structures shall not be
112 considered principal buildings.

113 "Projecting sign." **means a** Any **building** sign **attached** affixed to a building or wall **and**
114 **that protrudes** in such a manner that its leading edge extends more than six inches beyond the
115 surface of **the** such building or wall.

116 "Public sign." **means** A Public Sign is an **off-premise** off-premises sign **placed by a**
117 **governmental agency to** that provides direction **or information, or to identify** or identifies
118 public facilities such as parks, playgrounds, libraries, or schools or to a distinct area of the City,
119 such as Pioneer Avenue, the Homer spit, Old Town and entrances to the City. Public Signs may
120 identify categories of services available, but may not carry any other commercial message.
121 Public signs are non-regulatory.

122 "Residential sign." **means a** Any sign located in the Rural Residential, Residential Office
123 or Urban Residential zoning districts that contains no commercial message except for advertising

[**Bold and underlined added.** Deleted language stricken through.]

124 for goods or services legally offered on the premises where the sign is located, if offering such
125 services at such location conforms ~~to with~~ all requirements of the zoning code.

126 "Roof sign, integral:" ~~means a Any~~ sign erected and constructed as an integral part of a
127 ~~normal~~ **the roof of a building** structure, such that no part of the sign extends vertically more than
128 two feet above the highest portion of that roof of which it is a part.

129 "Setback:" ~~means the~~ **The distance between a sign located on a lot and the closest** lot
130 line ~~and the sign~~.

131 "Sign:" ~~means a Any~~ device, fixture, placard, or structure that uses any color, form,
132 graphic, illumination, symbol, or writing to advertise, announce the purpose of, or identify the
133 purpose of a person or entity, or to communicate information of any kind to the public.

134 ~~"Suspended sign." A sign that is suspended from the underside of a horizontal plane~~
135 ~~surface and is supported by such surface.~~

136 "Temporary sign:" ~~means a Any~~ sign that is **not affixed permanently to a building or**
137 **to a permanent support or foundation,** ~~used only temporarily and is not permanently mounted~~
138 **including without limitation menu or sandwich board signs.**

139 "Wall sign:" ~~means a Any~~ sign attached parallel to, but within six inches of, a wall,
140 painted on the wall surface of, or erected and confined within the limits of an outside wall of any
141 building or structure, which is supported by such wall ~~or building~~ **or structure**, and which
142 displays only one sign surface.

143 "Window sign:" ~~means a Any~~ sign, pictures, symbol, or combination thereof, designed to
144 communicate information about an activity, business, commodity, event, sale, or service, that is
145 placed inside a window or upon the window panes or glass and is visible from the exterior of the
146 window.

147
148 Section 2. The title and subsection (a) of Homer City Code 21.60.060, Signs allowed on
149 private property with and without permits, are amended to read as follows:

150
151 ~~21.60.060 Signs allowed on private property with and without permits.~~ a. Signs shall be
152 allowed on private property in the City ~~in accordance with, and~~ only in accordance with Table 1.
153 If the letter "**A**" appears for a sign type in a column, such sign **type** is allowed without prior
154 permit approval in the zoning district represented by that column. If the letter "**P**" appears for a
155 sign type in a column, such sign **type** is allowed only with prior permit approval in the zoning
156 districts represented by that column. Special conditions may apply in some cases. If the letter
157 "**N**" appears for a sign type in a column, such a sign **type** is not allowed in the zoning districts
158 represented by that column under any circumstances. **If the letters "PH" appear for a sign**
159 **type in a column, such sign type is allowed in the zoning districts represented by that**
160 **column only with prior approval by the Commission after a public hearing.**

161 b. Although permitted under the previous paragraph, a sign designated by an **"AP"**
162 or **"PS"** in Table 1 shall be allowed only if:

[**Bold and underlined added.** Deleted language stricken through.]

163 1. The sum of the area of all building and free standing signs on the lot **does**
164 **not exceed** ~~conforms with~~ the maximum permitted sign area for the zoning district in
165 which the lot is located as specified in Table 2; **and**

166 2. The characteristics of the sign conform ~~to with~~ the limitations of Table 3;
167 Permitted Sign Characteristics, and with any additional limitations on characteristics
168 listed in Table 1 or Table 2.

169 c. Any sign **type that is** not listed on the following tables **is prohibited** ~~are not~~
170 ~~permitted, with or without a permit.~~

171
172 Section 3. The Key to Tables 1 through 3 that follows Homer City Code 21.60.060,
173 Signs on private property, is amended to read as follows:
174

KEY to Tables 1 through 3	
RR Rural Residential	GBD Gateway Business District
UR Urban Residential	GC1 General Commercial 1
RO Residential Office	GC2 General Commercial 2
INS Institutional Uses Permitted in Residential Zoning Districts (a)	<u>EEMU East End Mixed Use</u>
CBD Central Business District	MC Marine Commercial
TC Town Center District	MI Marine Industrial
	OSR Open Space Recreation
	PS Public Sign Uses Permit
<u>AP</u> = Allowed without sign permit	
<u>PS</u> = Allowed only with sign permit	
N = Not allowed	
PH = Allowed only upon approval by the Planning Commission after a public hearing	
For parenthetical references, e.g., “(a),” see Notes following graphical portion of table.	

175
176
177 Section 4. Table 1 following Homer City Code 21.60.060, Signs on private property, is
178 amended to read as follows:

[Bold and underlined added. Deleted language stricken through.]

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180

Sign Type	RR	UR	RO	INS (a)	CBD	TC	GBD	GC 1	GC 2	<u>EEM</u> <u>U</u>	MC	MI	OSR	PS	
<u>Freestanding</u>															
Residential (b)	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	N	N	<u>N</u>	N	N	<u>AP</u>	PI	
Other (b)	N	N	N	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u> (jk)	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>	N	PI	
Incidental (c)	N	N	<u>AP</u> (d)	<u>AP</u> (d)	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>A</u>	<u>AP</u>	<u>AP</u>	N	N	
<u>Building</u>															
Banner	N	N	N	N	<u>PS</u>	<u>PS</u>	N	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>	N	N	
Building Marker (e)	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>A</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	N	
Identification (d)	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>A</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	N	
Incidental (c)	N	N	<u>AP</u> (f)	<u>AP</u> (c)	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>A</u>	<u>AP</u>	<u>AP</u>	N	N	
Marquee (g)	N	N	N	N	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>	N	N	
Projecting (g)	N	N	N	N	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>	N	N	
Residential (b)	<u>AP</u>	<u>AP</u>	<u>AP</u>	N	<u>AP</u>	<u>AP</u>	<u>AP</u>	N	N	<u>N</u>	N	N	<u>AP</u>	N	
Roof	N	N	N	N	N	N	N	N	N	<u>N</u>	N	N	N	N	
Roof, Integral	N	N	N	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>	N	N	
Suspended (g)	N	N	N	S	S	S	S	S	S		S	S	N	N	
Temporary (gh)	<u>AN</u>	<u>AN</u>	<u>AN</u>	<u>AN</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>A</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>A</u>	
Wall	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>	<u>AP</u>	<u>A</u>	
Window	N	N	<u>AP</u>	N	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>	N	N	
<u>Miscellaneous</u>															
Banner (c)	N	N	N	N	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>	N	N	
Flag (hi)	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>A</u>	<u>AP</u>	<u>AP</u>	<u>AP</u>	<u>A</u>	

[**Bold and underlined added.** Deleted language stricken through.]

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Portable	N	N	N	N	S	S	S	S	S		S	S	N	N
----------	---	---	---	---	---	---	---	---	---	--	---	---	---	---

181 Notes to Table 1:

182 a. This column does not represent a zoning district. It applies to institutional uses permitted under
183 the zoning code in the RR, UR and RO zoning districts. Institutional is defined as an established
184 organization or corporation of a public, non-profit, or public safety/benefit nature, i.e., schools, churches,
185 and hospitals.

186 b. No commercial message allowed on sign, except for a commercial message drawing attention to
187 goods or services legally offered on the lot, except signs approved by the state of Alaska Department of
188 Transportation and signs that meet the requirements of HCC § 21.60.092.

189 c. No commercial message of any kind allowed on sign if such message is legible from any location
190 off the lot on which the sign is located.

191 d. Only address and name of occupant allowed on sign.

192 e. May include only building name, date of construction, or historical data on historic site; must be
193 cut or etched into masonry, bronze, or similar material.

194 f. No commercial message of any kind allowed on sign.

195 ~~g. If such a sign is suspended or projects above a public right of way, the issuance and continuation~~
196 ~~of a sign permit shall be conditioned on the sign owner obtaining and maintaining in force liability~~
197 ~~insurance for such a sign in such form and such amount as the City planner may reasonably from time to~~
198 ~~time determine, provided that the amount of such liability insurance shall be at least \$500,000 per~~
199 ~~occurrence per sign.~~

200 **gh.** The conditions of HCC § 21.60.130 of this ordinance apply.

201 **hi.** Flags of the United States, the state, the city, foreign nations having diplomatic relations with the
202 United states and any other flag adopted or sanctioned by an elected legislative body of competent
203 jurisdiction. These flags must be flown in accordance with protocol established by the Congress of the
204 United states for the stars and stripes. Any flag not meeting any one or more of these conditions shall be
205 considered a banner sign and shall be subject to regulations as such.

206 **ij.** Permitted on the same terms as a temporary sign, in accordance with HCC § 21.60.130, except
207 that it may be free standing.

208 **jk.** The main entrance to a development in GBD may include one ground sign announcing the name
209 of the development. such sign shall consist of natural materials. Around the sign grass, flowers and shrubs
210 shall be placed to provide color and visual interest. The sign must comply with applicable sign code
211 requirements.

212

213 Section 5. Table 2 following Homer City Code 21.60.060, Signs on private property, is
214 amended to read as follows:

Table 2. Maximum Total Sign Area Per Lot by Zoning District						
<u>Table 2 Part A</u>						
The maximum combined total area of all signs, in square feet, except incidental, building marker and flags (b) shall not exceed the following according to district:						
R	UR	RO	RO (e)	INS (a)	OSR	PS (d)

[Bold and underlined added. Deleted language stricken through.]

4	4	6	50	20	4	32
Table 2 Part B						
In all other districts not described in Table 2 Part A, the maximum combined total area of all signs, in square feet, except incidental, building marker and flags, shall not exceed the following:						
<u>Square feet of wall frontage (c):</u>			<u>Maximum allowed sign area per lot Principle Building:</u>			
750 s.f.	and	over	150 s.f.			
650	to	749	130 s.f.			
550	to	649	110 s.f.			
450	to	549	90 s.f.			
350	to	449	70 s.f.			
<u>2000</u>	to	349	50 s.f.			
<u>0</u>	<u>to</u>	<u>199</u>	<u>30 s.f.</u>			
In all districts covered by Table 2 Part B, on any lot with multiple principal buildings or with multiple independent businesses or occupancies in one or more buildings, the total allowed sign area may be increased beyond the maximum allowed signage as shown in Table 2 Part B, by 20%. This additional sign area can only be used to promote or identify the building or complex of buildings.						
In all districts covered by Table 2 Part B, freestanding signs, when otherwise allowed, shall not exceed the following limitations:						
Only one freestanding sign is allowed per lot, except one freestanding Public Sign may be additionally allowed. A freestanding sign may not exceed ten (10) feet in height. The sign area on a freestanding sign (excluding a Public Sign) shall be included in the calculation of maximum allowed sign area per lot and shall not exceed the following:						
One business or occupancy in one building – 36 sq ft						
Two independent businesses or occupancies or principal buildings in any combination – 54 sq ft						
Three independent businesses or occupancies or principal buildings in any combination – 63 sq ft						
Four or more independent businesses or occupancies or principal buildings in any combination – 72 sq ft						

215
216
217
218

Section 6. Table 3 following Homer City Code 21.60.060, Signs on private property, is amended to read as follows:

	Table 3.											
Sign Type	RR	UR	RO	INS (a)	CBD	TC	GBD	GC1	GC2	<u>EEMU</u>	MC	MI
Animated (b)	N	N	N	N	<u>PS</u>	<u>PS</u>	N	<u>PS</u>	N	<u>P</u>	<u>PS</u>	N
Changeable Copy (c)	N	N	N	N	<u>PS</u>	<u>PS</u>	N	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>

[Bold and underlined added. Deleted language stricken through.]

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Illumination Internal	N	N	N	<u>PS</u>	<u>PS</u>	<u>PS</u>	N	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>
Illumination External	N	N	N	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>
Neon (d)	N	N	N	N	<u>PS</u>	<u>PS</u>	N	<u>PS</u>	<u>PS</u>	<u>P</u>	<u>PS</u>	<u>PS</u>

Notes to Table 3

- a. The INS column does not represent a zoning district. It applies to institutional uses permitted under the zoning code in the RR, UR and RO zoning districts. Institutional is defined as an established organization or corporation of a public, non-profit or public safety/benefit nature, *i.e.*, schools, churches and hospitals.
- b. Animated signs may not be neon or change colors or exceed three square feet in area.
- c. Changeable Copy signs must be wall or pole mounted, and may not be flashing.
- d. Neon signs may not be flashing and may not exceed 32 square feet.
- e. The PS column does not represent a zoning district. It applies to Public Signs permitted under the zoning code, in all zoning districts.

219
220 Section 7. Homer City Code 21.60.070, Permits required, is amended to read as follows:

221
222 21.60.070 Sign permits Permits required. a. **No person may place, construct, erect or**
223 **modify a sign for which** ~~If a sign requiring a provision of this chapter requires a permit~~
224 **without first obtaining a permit for the sign** ~~under this section~~ ~~the provisions of this chapter is~~
225 ~~to be placed, constructed, erected, or modified on a lot, the owner of the lot shall secure a sign~~
226 ~~permit prior to the construction, placement, erection, or modification of such a sign in~~
227 ~~accordance with the requirements of HCC § 21.60.120.~~

228 **b. Applications. An application for a sign permit shall be submitted to the**
229 **Department on an application form or in accordance with application specifications**
230 **published by the Department. An application for a permit for a sign that is not an off-**
231 **premise sign shall be submitted by the owner of the lot where the sign is to be located, or by**
232 **a tenant leasing all or part of the lot when the sign names, advertises, or calls attention to a**
233 **business, brand, product, service or other commercial activity of the tenant.**

234 **c. Fees. An application for a sign permit shall be accompanied by the applicable**
235 **fees established by the Homer City Council from time to time by resolution.**

236 **d. Action. Within seven working days after the submission of a complete**
237 **application for a sign permit, the Department shall either:**

238 **1. Issue the sign permit, if each sign that is the subject of the application**
239 **conforms in every respect with the requirements of this chapter; or**

240 **2. Reject the sign permit if a sign that is the subject of the application**
241 **fails in any way to conform to the requirements of this chapter. In case of rejection,**
242 **the Department shall specify in the rejection the section or sections of this chapter to**
243 **which the sign does not conform.**

244
245 Section 8. Homer City Code 21.60.090, Signs in the public right-of-way, is amended to
246 read as follows:

[Bold and underlined added. Deleted language stricken through.]

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247
248 21.60.090 Permanent Signs in the public rights-of-way. No person may place,
249 construct or erect a permanent sign shall be allowed in a the public right-of-way, except for
250 the following:

251 a. ~~Permanent Signs. Only the following permanent signs, including:~~

252 a1. Official traffic control devices.

253 b. Public signs erected by or on behalf of a governmental body to post legal notices,
254 identify public property, convey public information, and direct or regulate pedestrian or
255 vehicular traffic;

256 c2. Informational signs of a public utility regarding its poles, lines, pipes, or facilities;
257 and

258 d3. Signs containing commercial messages that have been must be approved by the
259 State of Alaska Department of Transportation, ~~Tourist Oriented Directional Signing Program.~~

260 b. ~~Temporary Signs. Temporary signs for which a permit has been issued in~~
261 ~~accordance with HCC § 21.60.140, which shall be issued only for signs meeting the following~~
262 ~~requirements:~~

263 1. ~~The signs shall contain no commercial message; and~~

264 2. ~~The signs shall be no more than two square feet in area each.~~

265 3. ~~Notwithstanding (1) and (2), such signs calling attention to civic events~~
266 ~~shall be no more than four square feet in area, if freestanding, or if street banner, may not~~
267 ~~exceed the width of traveled portion of road.~~

268 e. ~~Emergency signs. Emergency warning signs erected by a governmental agency, a~~
269 ~~public utility company, or a contractor doing authorized or permitted work within the~~
270 ~~public right-of-way.~~

271 d. ~~Other Signs Forfeited. Any sign installed or placed on public property, except in~~
272 ~~conformance with the requirements of this section, shall be forfeited to the City and subject to~~
273 ~~confiscation. In addition to other remedies hereunder, the City shall have the right to recover~~
274 ~~from the owner or person placing such a sign the full costs of removal and disposal of such sign.~~

275
276 Section 9. Homer City Code 21.60.100, Signs exempt from regulation under this chapter,
277 is amended to read as follows:

278
279 21.60.100 Signs exempt from regulation under this chapter. The following signs shall be
280 exempt from regulation under this chapter:

281 a. Any sign bearing only a public notice or warning required by a valid and applicable
282 federal, state, or local law, regulation, or ordinance.

283 b. Any emergency warning signs erected by a governmental agency, a public utility
284 company, or a contractor doing authorized or permitted work within a public right-
285 of-way.

[**Bold and underlined added.** Deleted language stricken through.]

286 c. Any sign inside a building, not attached to a window or door, that is not legible from a
287 distance of more than three feet beyond the lot line of the lot or parcel on which such sign is
288 located,

289 d. Works of art that do not contain a commercial message;

290 e. Holiday lights between October 15 and April 15;

291 f. Traffic control signs on private property, such as a stop sign, a yield sign, and similar
292 signs, the face of which meet Department of Transportation standards and that contain no
293 commercial message of any sort.

294 g. Signs in existence before February 11, 1985, but such signs shall not be replaced,
295 moved, enlarged, altered, or reconstructed except in compliance with this chapter.

296
297 Section 10. Homer City Code 21.60.110, Signs prohibited under this chapter, is amended
298 to read as follows:

299
300 21.60.110 Signs prohibited under this chapter. All signs not expressly permitted under
301 this chapter or exempt from regulation hereunder in accordance with HCC § 21.60.100 are
302 prohibited in the City. Without limiting the foregoing, examples of prohibited signs include:

303 a. Beacons;

304 b. Pennants;

305 c. Strings of lights not permanently mounted to a rigid background, except those exempt
306 under HCC § 21.60.100;

307 d. Inflatable signs and tethered balloons;

308 e. Animated signs that are neon, change colors, or exceed three square feet in area;

309 f. Placement of hand bills, flyers, or bumper stickers on parked vehicles other than by
310 owner;

311 g. **A sign on a motor vehicle or trailer that is parked on or off a business premises**
312 **for the primary purpose of displaying the sign. It will be presumed that a motor vehicle or**
313 **trailer bearing a sign is parked for the primary purpose of displaying the sign if the sign is**
314 **both:**

315 **1. Legible from a public right-of-way at a distance of 100 feet or more, and;**

316 **2. The motor vehicle or trailer is parked at the same location continuously**
317 **for four or more hours, or on a recurring daily schedule.**

318 h. Abandoned signs, which shall be removed by the owner or lessee, if any, of the lot
319 upon which the signs are located. If such owner or lessee fail to remove such signs after an
320 opportunity for a hearing before the Planning Commission and fifteen days written notice to
321 remove given by the City, then (i) the owner or lessee has committed a violation, and (ii) the City
322 may remove the signs and collect the cost of removal from such owner or lessee, who shall be
323 jointly and severally liable for such cost.

324
325 Section 11. Homer City Code 21.60.120, General permit procedures, is repealed.

326
 [Bold and underlined added. Deleted language stricken through.]

327 Section 12. Homer City Code 21.60.130, Temporary signs-private property, is amended
328 to read as follows:

329
330 21.60.130 Temporary signs-Private property. a. **General. All temporary signs are**
331 **subject to the following requirements:**

332 **1. A temporary sign may not be an illuminated, animated, or changeable**
333 **copy sign.**

334 **2. Unless a smaller area is required by another provision of this chapter, the**
335 **area of a temporary sign shall not exceed 16 square feet.**

336 **3. A temporary sign whose message pertains to a specific date, event, or time**
337 **period shall not be displayed for more than seven days after that date or the**
338 **conclusion of the event or time period.**

339 **b. Commercial. A temporary sign that bears a commercial message is** ~~on private~~
340 ~~property shall be allowed~~ subject to the following requirements:

341 a. Term. A temporary sign shall not be displayed for more than 14 days in any 90-
342 day period, except a sign offering for sale or lease the lot on which the sign is located,
343 which is allowed as long as the property is for sale or lease.

344 b. Number. Only one temporary sign per lot is allowed.

345 **1b. The sign may not be an off-premise sign.**

346 **2. There may be no more than** ~~Only one~~ **such** temporary sign per lot is allowed.

347 **3. The purpose of the sign shall be limited to the following**

348 **i. Advertising the property on which the sign is located for sale or for**
349 **rent; or**

350 **ii. Advertising a temporary sale of household goods on a lot occupied**
351 **by a dwelling.**

352 **c. Non-commercial. Temporary signs that do not bear a commercial message are**
353 **allowed in any number, subject to the square footage limitations in this chapter.**

354
355 Section 13. Homer City Code 21.60.140, Temporary signs-Public right-of-way, is
356 repealed.

357
358 Section 14. Homer City Code 21.60.150, Time of compliance-Nonconforming signs and
359 signs without permits, is amended to read as follows.

360
361 21.60.150 Time of compliance-Nonconforming signs and signs without permits. a.
362 Except as otherwise provided herein, the owner of any lot or other premises on which exists a
363 sign that does not conform with the requirements of this chapter or for which there is no current
364 and valid sign permit must remove such sign or, in the case of a nonconforming sign, bring it
365 into conformity with the requirements of this chapter.

366 b. Signs that were prohibited by Ordinance 84-33(S), as amended by Ordinances 86-18,
367 89-8 and that are prohibited in this chapter are illegal and must be removed immediately.

[Bold and underlined added. Deleted language stricken through.]

368 c. Any sign that was constructed and continues to be maintained in accordance with the
369 applicable ordinances and other laws that existed prior to an amendment to this code, but which
370 becomes unlawful as a result of an amendment to this code, is lawfully nonconforming. A sign
371 that is lawfully nonconforming under this subsection may remain in place and continue to be
372 maintained **until the information on the face of the sign is changed, or** for a period of one year
373 after the effective date of the amendment, **whichever occurs first**. If any action is taken that
374 increases the degree or extent of the nonconformity with the amended code, the sign loses lawful
375 nonconforming status and must be removed immediately. ~~A change in the information on the~~
376 ~~face of an existing nonconforming sign is allowed.~~ At the end of the period during which the
377 lawfully nonconforming sign is allowed to remain in use, the sign shall either be removed or the
378 owner must obtain a permit, if required, and complete all other steps and make any modifications
379 necessary to bring it into full compliance with this code.

380 d. Any sign that was constructed and continues to be maintained in accordance with the
381 applicable laws that governed territory prior to its annexation to the City, but which becomes
382 unlawful under this code as a result of annexation to the City, is lawfully nonconforming. A sign
383 that is lawfully nonconforming under this subsection may remain in place and continue to be
384 maintained **until the information on the face of the sign is changed, or** for a period of one year
385 after the later of (i) the effective date of the annexation of the territory or (ii) the effective date of
386 the ordinance that assigns the territory in which the sign is located to a zoning district under the
387 Homer zoning code, **whichever occurs first**. If any action is taken that increases the degree or
388 extent of the nonconformity with the code, the sign loses lawful nonconforming status and must
389 be removed immediately. ~~A change in the information on the face of an existing nonconforming~~
390 ~~sign is allowed.~~ At the end of the period during which the lawfully nonconforming sign is
391 allowed to remain in use, the sign shall either be removed or the owner must obtain a permit, if
392 required, and complete all other steps and make any modifications necessary to bring it into full
393 compliance with this code.

394 **(e) Notwithstanding the remainder of this section, a nonconforming banner or**
395 **temporary sign shall be removed no later than January 1, 2012.**

396
397 Section 15. Homer City Code 21.60.160, Violations, is repealed.

398
399 Section 16. Homer City Code 21.60.170, Enforcement and remedies, is amended to read
400 as follows:

401
402 21.60.170 Enforcement and remedies. In addition to the remedies provided in HCC
403 **Chapter 21.90, violations of this chapter are subject to the following remedies:**

404 a. **A person designated to enforce this title under HCC 21.90.020 may remove a**
405 **temporary sign placed in a public right-of-way in violation of this chapter. The person**
406 **responsible for the illegal placement shall be liable for the cost incurred in removing the**
407 **sign.** ~~Any violation or attempted violation of this chapter or of any condition or requirement~~

[**Bold and underlined added.** Deleted language stricken through.]

408 adopted pursuant hereto may be restrained, corrected, or abated, as the case may be, by
409 injunction or other appropriate proceedings pursuant to law.

410 **b. Notwithstanding any other provision of this title:**

411 **1. An appeal to the Planning Commission from an enforcement order that**
412 **requires the abatement or removal of a temporary sign placed on private property**
413 **in violation of this chapter must be filed within seven days after the date of**
414 **distribution of the enforcement order to the person whose property is the subject of**
415 **the enforcement order.**

416 **2. An appeal from a final decision of the Planning Commission regarding an**
417 **enforcement order that requires the abatement or removal of a temporary sign**
418 **placed on private property in violation of this chapter must be taken directly to the**
419 **Superior Court** A violation of this chapter shall be considered a violation of the zoning
420 code of the City, subject prosecution and, upon conviction, subject to fines pursuant to
421 HCC § 21.90.100.

422 e. The City shall have and may exercise all remedies provided for or allowed by City
423 code or other law for the violation of the zoning code.

424 d. All remedies provided herein shall be cumulative. To the extent that state law may
425 limit the availability of a particular remedy set forth herein for a certain violation or a part
426 thereof, such remedy shall remain available for other violations or other parts of the same
427 violation.

428
429 Section 17. Sections 1 through 16 of this Ordinance are of a permanent and general
430 character and shall be included in the City Code.

431
432 Section 18. This Ordinance shall become effective on January 1, 2012.

433
434 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this _____ day of
435 _____ 2011.

436
437 CITY OF HOMER

438
439
440
441 _____
442 JAMES C. HORNADAY, MAYOR

443 ATTEST:

444
445
446
447 _____
448 JO JOHNSON, CMC, CITY CLERK

[Bold and underlined added. Deleted language stricken through.]

449 YES:

450 NO:

451 ABSTAIN:

452 ABSENT:

453

454 First Reading:

455 Public Hearing:

456 Second Reading:

457 Effective Date:

458

459 Reviewed and approved as to form:

460

461

462

463 _____
Walt E. Wrede, City Manager

464 Date: _____

Thomas F. Klinkner, City Attorney

Date: _____

[Bold and underlined added. Deleted language stricken through.]

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Files\Content.Outlook\LW4R7NQ4\Draft Sign Ord 8 26 11 Public Hearing.docx

MANAGERS REPORT
August 8, 2011

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE

UPDATES / FOLLOW-UP

1. Lobbyist Contract: I recently had a conversation with Linda Anderson about a contract for next year. She inquired whether the City is interested in a new contract. She said that Anderson group is very much interested in continuing to work with the City of Homer. She proposed no change in the contract terms or in the compensation amount. I told her that I would discuss this with the Council and let her know. Linda will be in Homer for the Harbormaster's conference that runs from October 10th through the 13th. She will be helping to make a presentation about the fish tax legislation. Council has a meeting on Monday the 10th and it is conceivable that you could meet with Linda and talk to her directly about this. Unless Council wants to talk about this topic prior to the September 24th meeting, I will plan to insert the money for a lobbyist into the budget that will be submitted at that time.
2. Derelict Vessels: The Port and Harbor Director and the City Attorney were successful in having another derelict vessel removed from the harbor last week. This was a monumental effort that took over a decade. The City Attorney's office has completed a legal review of Federal maritime law and the City Code and Tariff. Guidelines and protocol for Port and Harbor staff have been developed that will be very helpful when it becomes necessary to deny access to port and harbor facilities.
3. The Fishing Hole: I have had several conversations with ADF&G staff over the past few weeks about the Fishing Hole. ADG&G is interested in doing whatever it can to assist the City in obtaining funding for dredging. ADF&G states that it is unable to make its own budget request for dredging however, it hopes the Council will include the project on its CIP Priority list. If it does so, ADF&G will try to provide support with Legislators. ADF&G may come to a future meeting as a visitor to describe how important it thinks dredging is for future productivity at the lagoon. We have tentatively discussed September 26 and October 10.
4. Svedlund and Pioneer: The new Senior Center Director, Keren Kelley, came to visit this week and reported that seniors who drive and the Senior Center Board are very concerned about safety at the corner of Svedlund and Pioneer. Making a left hand turn is problematic and there are line of sight issues. The Board asked whether the City would consider a stop sign at that intersection on Pioneer. I told Keren about the intersection study that was conducted several years ago which identified the most dangerous intersections in need of traffic control. I also told her about right turn only discussions taking place at the Transportation Committee level. I also told her that I would bring this issue to the attention of the Chief of Police, the Council, and the State Traffic Engineer. Keren said that the Board would likely follow-up with a letter to either me or the Council.

5. Copier Savings: We recently revamped and renewed the City's leasing and service contract for Xerox copy machines. This covers the copy machines in all city departments. We were able to get the newest, most energy efficient machines and still save \$12,000 over what we are paying now. Terry and Regina were able to pull this off by synchronizing the expiration date for all of the machines and by making use of an already negotiated state contract. (political subdivisions of the state are able to do this). I am letting you know about this not only because I am pleased about the savings, but also because there will be other opportunities to take advantage of state negotiated contracts in the future. I believe the language in the City's procurement code could be amended to make it more clear that taking advantage of negotiated state contracts is consistent with the City procurement code. Recall that we discussed this issue before related to vehicles.
6. Animal Shelter: Council members recently asked several questions about the Animal Shelter within the context of the soon to begin budget discussions. One question had to do with the 5% annual increase in the existing contract. The other had to do with what it might cost to staff the facilities with employees. Chief Robl has concluded that it would likely take one full time employee and two part time employees if the City were to keep the Shelter open to the public the same hours that it is now. Regina will be running the numbers on what that might cost. With benefits, it would likely be more than the City is paying under the current contract. Also, the City would then have to begin paying for things that it is not now such as food, supplies, fuel, vehicle maintenance, etc. It is important to note that the 5% increase each year is not just compensation, it was intended to cover increases in fixed costs (fuel especially). The Chief has met with Sherry Bess and she has stated that she is willing to exercise a contract option for two more years with no increase. Attached is a memorandum and recommendation from the Chief on how to move ahead.
7. MOU/Frequency Sharing Agreement: At recent Council meetings we discussed the FCC requirement that all two way radios go to "narrow band" by January 2013. We discussed this most recently in association with the ordinance that just passed to purchase narrow band radios for the Public Works Department. The Borough is assisting public safety agencies with the conversion this month and in order to do that, a frequency sharing agreement is necessary. This is an important public safety issue because it will allow local and state public safety agencies to communicate with each other on the same channels during disasters, emergencies and mutual aid situations. The FCC requires that license holders of radio frequencies must grant permission in writing for other entities to use that frequency. The State, Borough, cities and emergency service areas within the Borough are party to the agreement. The MOU has a place to list the resolution number of the approving board if applicable. We have already signed the agreement because time was of the essence. We can bring back an "after the fact" resolution if Council wishes but did not think it was necessary because this seemed routine, there is no monetary or contractual obligation, and the City can get out of the agreement with 30 days notice.
8. State Small Business Credit Initiative (SSBCI). Last week, Council Members Hogan, Zak and I participated in a teleconference regarding the SSBCI. This is a Federal program designed to extend credit to start-up businesses and to businesses who either have problems obtaining credit or are located in areas where lending is restricted. The

program funds are generally intended for states but in this case, Alaska did not take the money. A representative from the Governor's office stated that the state did a lot of research on this but in the end, after consulting with local banks, decided that the program was not needed here. If states don't take the money, it can be available to municipalities under certain conditions. In essence, a municipality would accept a grant and then use the money to work with local banks to extend credit to local businesses. Cities can do this by providing capital access support, collateral support, loan guarantees, loan participation, or venture capital. In essence, the City would get into the banking business. The deadline for applications is September 27 which is a very short timeline. The application process is rather complicated. Council member Hogan has sponsored a resolution in support of investigating the program and authorizing the administration to apply. So, I will save any further comments for discussion.

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MANAGERS REPORT
September 12, 2011

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE

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MANAGERS REPORT
September 26, 2011

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE

W. Wrede

UPDATES / FOLLOW-UP

1. Lobbyist Contract: Linda Anderson, the City lobbyist will be at the October 10 Council meeting. She will be in town that week because she is also helping to give a presentation on the proposed changes to the fish tax at the State Harbormasters Conference at Lands End October 10 through 13. Her presence at the October 10 meeting provides several opportunities. First, this is the meeting that the Council approves the CIP List and the Resolution outlining the Top 15 priorities. Linda will be available to take part in that conversation and associated legislative strategy discussions. Second, Council members expressed an interest in talking to Linda and to each other about her contract. The timing on this is good since Council is about to leap into budget discussions. Linda has expressed an interest in entering into another contract for next year at the same rate of compensation. She also said that she would prefer to talk about the contract in executive session so that everyone can speak freely. This would be conducted similar to what occurred with Tom Klinkner (performance review and contract discussions). A Special Meeting/Executive Session has been scheduled for 4 PM that day for this purpose.
2. CIP List: Speaking of the CIP List, Anne Marie reports that so far, only two Council members have filled out their CIP priority forms. Please be sure to do so as soon as you can. Anne Marie will need them well in advance of the October 10 packet deadline (October 5) in order to compile everything and provide the Council with a complete work product that it can review and take action on.
3. More CIP Stuff: Representative Seaton had discussions with Governor Parnell regarding the gasline project. The emphasis was on getting the pipeline in the Governor's budget next year. While the Governor has made no commitments, one thing seems pretty clear. If this project makes it into the Governor's budget, the City should not expect to see any other large CIP projects approved this year. Smaller projects would still have a chance and our Legislators will receive some of their own discretionary funding for projects in their districts. This is important to keep in mind as the Council approves its CIP List and legislative strategy for next year.
4. Gas Pipeline: The City staff is working to implement the Pipeline Action Plan the Council adopted several meetings ago. The project website has been updated and the CM will be talking about the project at Upcoming Rotary and Board of Realtors meetings. A letter has been drafted asking the Governor to include the project in his capital budget next year. On the Tuesday the 26th, I will be traveling to Soldotna to meet with Senator Wagoner, Representative Olson, and Enstar. Later meetings with Speaker Chenault, Commissioner Bell, and the AEA Director are scheduled or being scheduled.

5. STIP: The Department of Transportation and Public Facilities (ADOT/PF) has circulated a new Statewide Transportation Improvement Program (STIP) document for public review. DOT/PF representatives were here last week to talk about the new STIP. City reps at the meeting included Carey Meyer, Bryan Hawkins, Rick Abboud and myself. Rick drafted comments on the STIP on behalf of the City and the letter is attached for your information. Also attached is a description of all projects included that are of local interest. We emphasized that the Homer Intersections Project and the Main St. Intersection and upgrade was omitted and needed to be added. We will be working to get those projects a higher score in the next few months.
6. Emergency Management Training: The Homer Volunteer Fire Department and the Homer Airport DOT/PF staff will be conducting an airport mass casualty drill this Friday. Also, the State is proposing to conduct a tsunami preparedness and response workshop for communities on the Kenai Peninsula and Prince William Sound in late October or early November. Homer and Seward have both offered to host the workshop. The workshop is intended to be for staff and emergency responders. We have suggested that an evening session be added for the community with an emphasis on preparedness and response. This suggestion has been received favorably. More on this topic later. The City and Borough continue to work on local activation of the tsunami warning sirens.
7. The Draft Budget: As this report was being written, we were right in the middle of finalizing the draft budget for FY 2012. The budget schedule adopted by the Council called for the draft budget to be delivered to the Council on September 26th but not introduced by Ordinance until October 24. We had some preliminary discussions (no motions were made or adopted) about moving up the budget ordinance introduction to September 26th to give Council more time to work on it and to avoid the prospect of having a special meeting right before Christmas. For a variety of reasons, the budget preparation process is not moving quickly enough to get an ordinance on the agenda for this meeting (September 26th). However, we do still intend to have the draft budget in your boxes on the 26th or 27th. I will be prepared to discuss it in detail during the Manager's Report. The budget ordinance and associated resolutions will be ready for introduction on October 10th, which is still sooner than scheduled, and should help.
8. FEMA Maps: The Federal Emergency Management Agency (FEMA) has circulated new flood insurance hazard maps for public review. The maps make some significant changes to the status of some parcels on the Spit, including parcels owned by the City. These changes could have impacts on construction standards and the ability to get flood insurance for business people leasing City land. Some existing infrastructure along Fish Dock road is affected. The Planning Commission is scheduled to discuss this at its meeting on September 21. We do not believe that FEMA has done a good enough job explaining the changes and the implications for development on the Spit. Much of the language is very difficult to understand and interpret, even for folks who have some background in the flood insurance program. Rick has requested an extension of the comment period and that FEMA conduct a public meeting here. At some point the City will have to submit official comments and the Council will be asked to adopt an ordinance amending the code and accepting these maps. Rick will be available for questions and answers. Please let us know if you would like a fuller

briefing on this. The City could contest these findings but it would be expensive and highly technical. It might be a good use of the City's resources to use dredge spoils to raise the elevation of some lots.

9. Sign Code Revisions: The Planning Commission is working on amendments to the sign code. The primary focus of the amendments has to do with sandwich boards, banners, and the signage allowable on lots that contain multiple businesses. A staff presentation and public hearing has taken place on the draft ordinance and the Commission will be discussing it further at its meeting on September 21. The tentative plan is to consider further amendments and then have another public hearing. Attached is a copy of a press release describing the changes for your information. Extensive comments were received at the first hearing. The minutes of the hearing and the draft ordinance as it stands at the moment can be provided for you easily if you want to track this issue.
10. Boys and Girls Club: Last week, Mike Navarre came to visit. He is on the Board of the Kenai Peninsula Boys and Girls Club. Mike wanted an update on where we are with the Club occupying this building and what the prospects might be for allowing the Club to stay beyond December 30. I relayed the Council's support for the Club but that it needed to find tenant who could pay rent. We discussed a host of hypothetical possibilities but mostly just exchanged information. But, Boys and Girls Club has a strong interest in staying in that building and you can expect some sort of request or proposal from the Board in the not too distant future.
11. HERC Building: Some of you may not be aware of this but when the City accepted title to the old intermediate school, it was named the Homer Education and Recreation Complex (HERC). City employees and most internal documents still refer to it as the HERC Building. I bring this up because Council has indicated that it would be willing to discuss education and recreational uses if a suitable paying tenant cannot be found. Prior Council may have had this in mind given the name. Our current contract with the School District for the Community Schools Program expires in June and that may lend some urgency to having this discussion. The staff is working on a proposal to place the Community Recreation and Parks functions in this building with the idea that they would manage the building and lease parts of it out for educational or recreational functions. Even now, we get requests to rent portions of the building. We were recently approached about renting the GYM for a large exhibit. So, this is a topic we should likely get on the agenda, maybe this winter after we get past the budget.

ATTACHMENTS

1. Letter to Governor re: Gas Pipeline Project
2. Letter to DOT/PF re: STIP
3. Press Release / Proposed Sign Code Amendments
4. Homer Area STIP Projects



Load and Launch Ramp Reconstruction

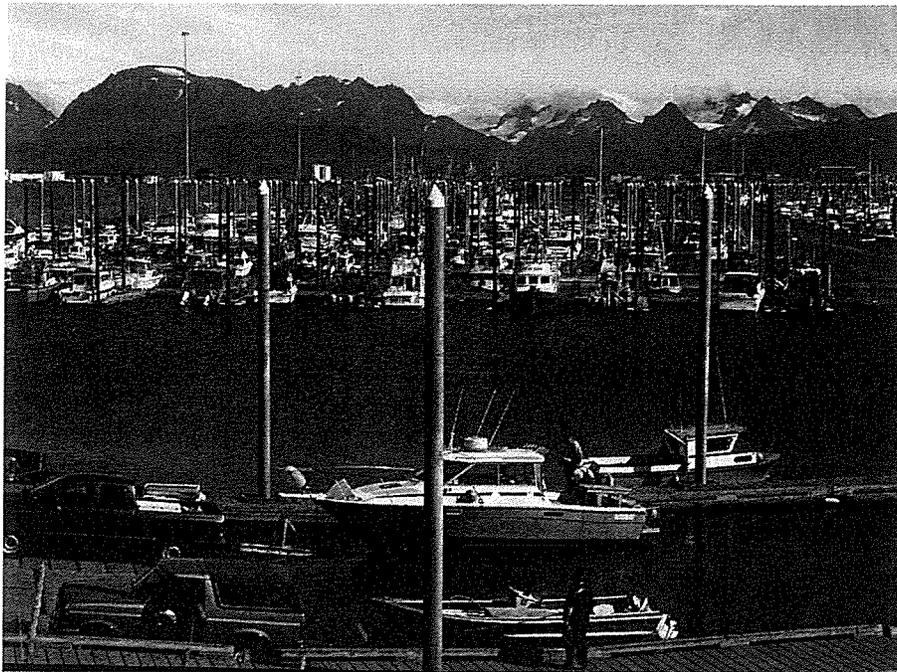
PROJECT DESCRIPTION & BENEFIT: Homer's Load and Launch Ramp is a key feature of the Small Boat Harbor, providing access to Kachemak Bay for small boaters from around south-central Alaska. The existing ramp is suffering from age-related wear and tear and needs to be replaced. This project will reconstruct the entire facility, replacing all 5 lanes along with the floats and piles.

PLANS AND PROGRESS: The Alaska Department of Fish and Game supports this project and has stated its intent to provide grant funds to accomplish the work. However, the grant requires a 25% local match (approximately \$1 million).

Cost: \$4 million

Schedule: 2012-2013

Priority Level: 1



The Load and Launch Ramp in Homer's Small Boat Harbor sees heavy use in the summer.

PROPOSED NEW PROJECT



Harbor Sheet Pile Loading Dock

PROJECT DESCRIPTION & BENEFIT: This project will construct a sheet pile loading pier between the existing barge ramp and the fuel dock on the east side of the Small Boat Harbor. It is estimated that the dock will be 225 feet long and dredged to -17 feet. This dock would be used to transfer heavy loads by crane onto barges and landing crafts. It would also serve as mooring for large shallow-draft vessels that are now mooring on the System 5 float. The project will stimulate the shipping and freight sectors of the local economy, creating jobs and providing revenues for Port & Harbor operations.

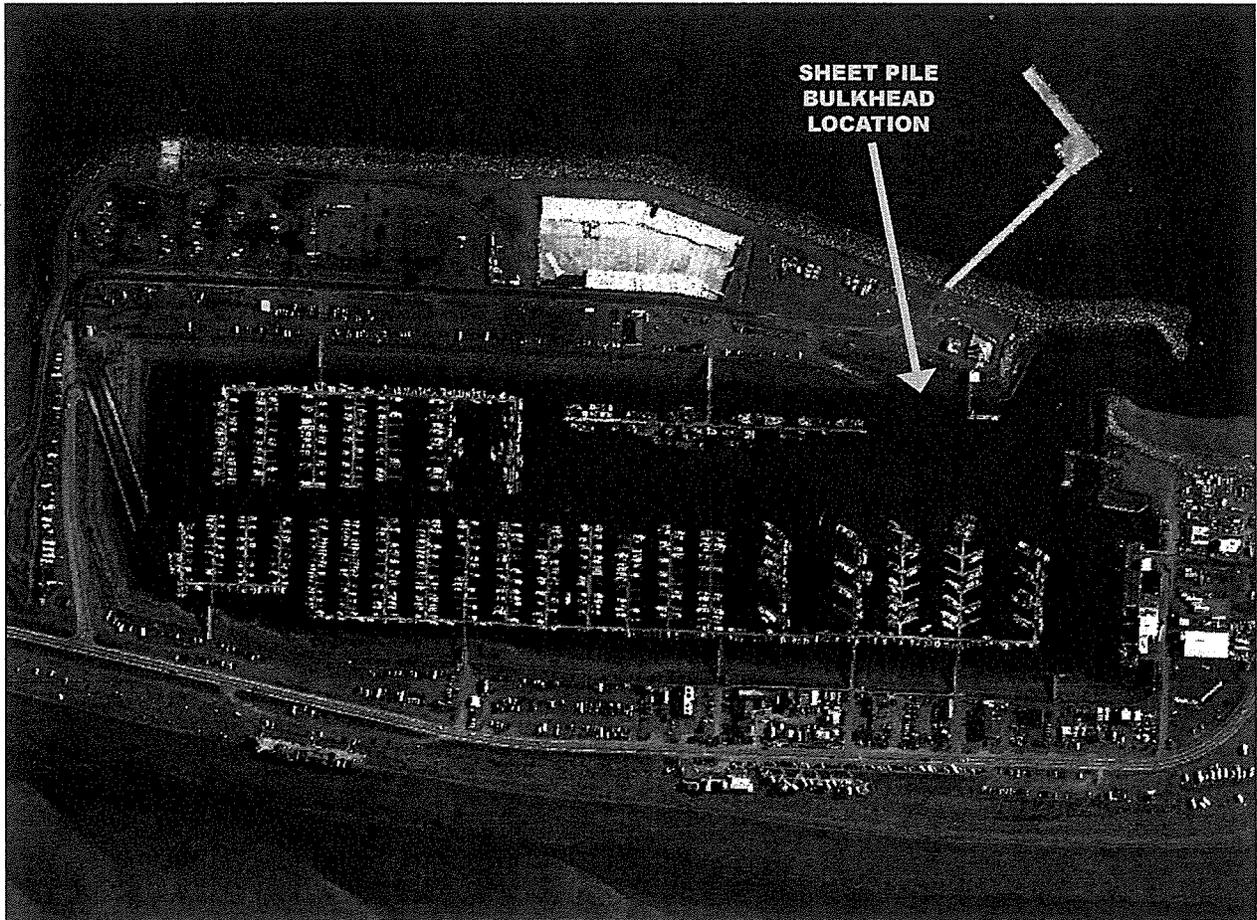
This project was first identified as a need at the time the State of Alaska transferred ownership of the harbor to the City of Homer in 1999. However, it was dropped from the TORA harbor improvement project list because it was not a repair or replacement item but rather a completely new facility.

Cost: \$400,000

Schedule: 2013

Priority: 2

PROPOSED NEW PROJECT





Truck Loading Facility Upgrades at Fish Dock

PROJECT DESCRIPTION & BENEFIT: Approximately 22 million pounds of fish are landed at the Homer Fish Dock each year and loaded onto trucks. The resulting truck traffic, fork lift traffic, and human traffic creates considerable congestion as fish buyers jockey for space to set up portable loading ramps. Lack of adequate drainage in the area creates further problems as the vehicles must maneuver in soft and often muddy conditions.

This project will construct a loading dock to facilitate the loading of fish onto trucks. In addition, it will provide for paving of Lot 12-B and other improvements to address the drainage problems that impact the area now.

Cost: \$300,000 Schedule: 2014 Priority: 2



Currently at the Fish Dock, fish buyers have to contend with a muddy lot and lack of a loading dock to facilitate the transfer of fish to trucks.

PROPOSED NEW PROJECT



HH Float Improvements

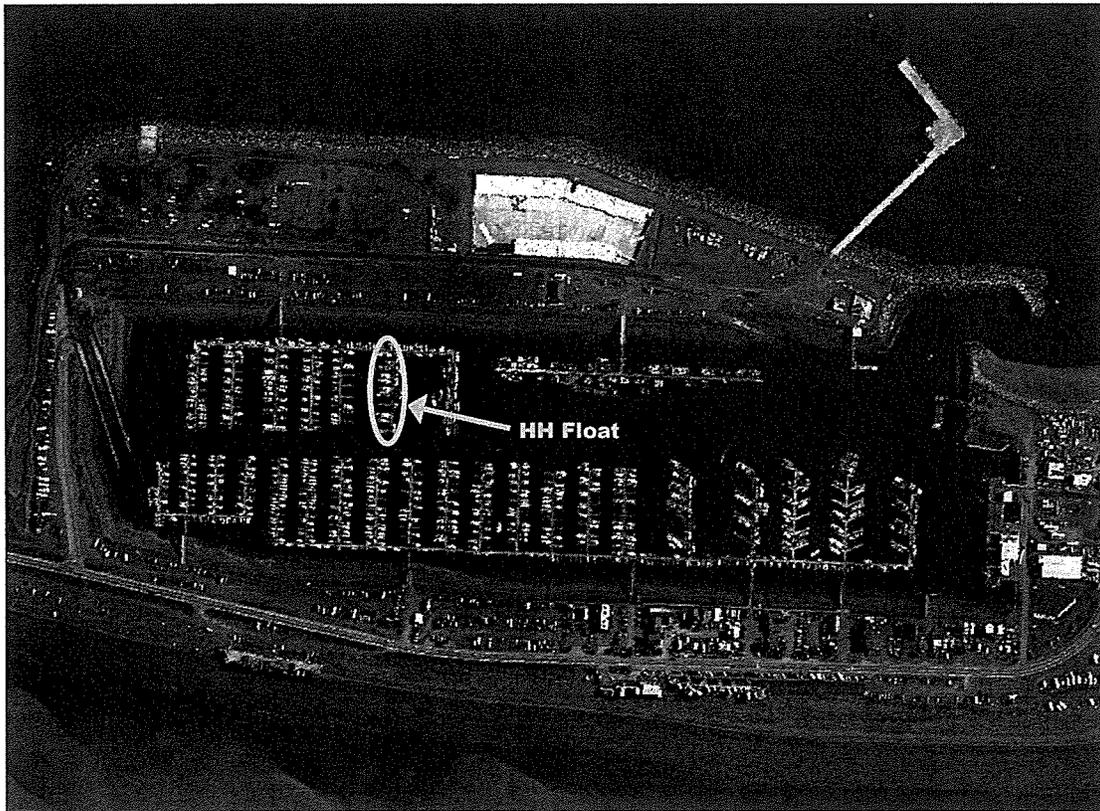
PROJECT DESCRIPTION & BENEFIT: The HH Float in the Homer Small Boat Harbor was part of the original harbor construction in 1964 and is in very poor condition. This project will replace HH with a new float system that provides 50-foot stalls on one side (same as existing HH float) and 60-foot stalls on the other side. The 60-foot stalls would also be extra wide to accommodate wider specialty fishing vessels (e.g., 58-foot super longliners) and pleasure craft that are appearing with increased frequency in the harbor. Deeper dredging will likely be required to accommodate the deeper-draft vessels.

It can be expected that the larger stalls will help attract additional boats and encourage them to home-port in Homer, thus increasing Port & Harbor revenues. The new float will be equipped with modern amenities; e.g., shore power and water. Stall fees for the wide-berth stalls will reflect the increased size and amenities.

Cost: \$3 million

Schedule: 2015

Priority: 2



PROPOSED NEW PROJECT



Barge Mooring Facility

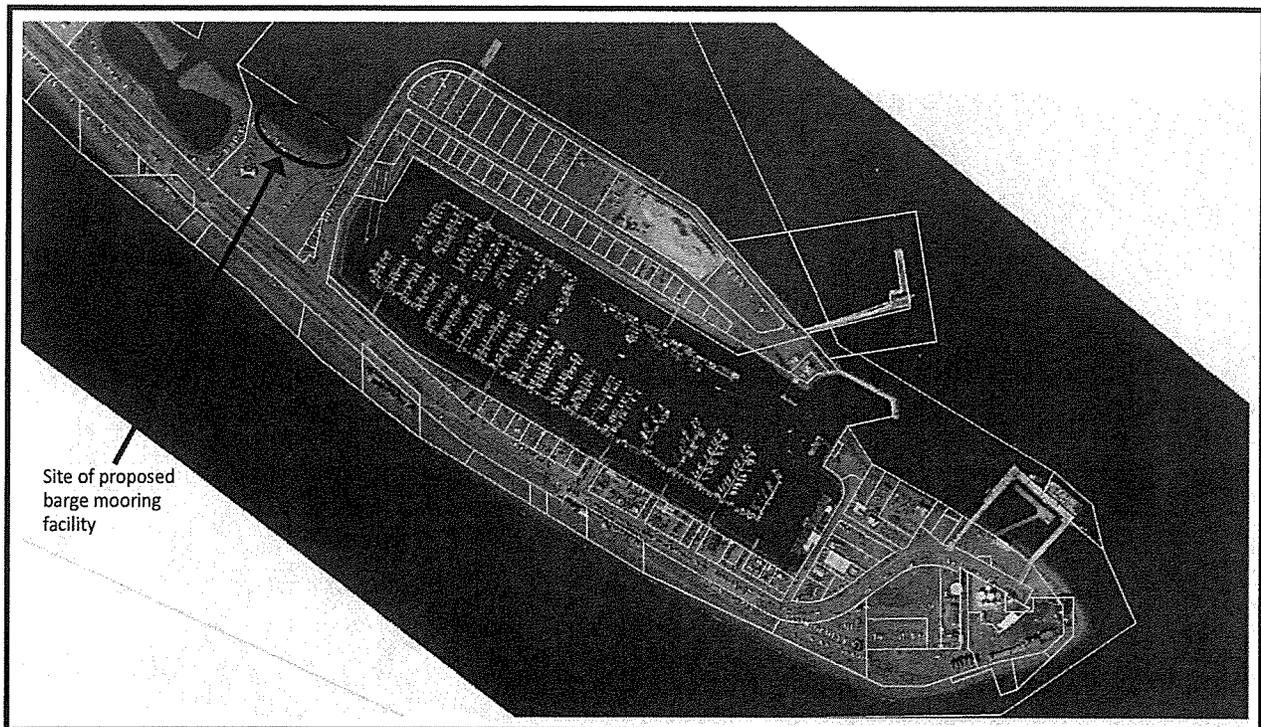
PROJECT DESCRIPTION & BENEFIT: This project will meet the needs of existing Homer businesses and attract additional business by constructing a barge mooring facility at Lot TR 1A (east of the Fishing Lagoon). The mooring facility will consist of a row of four or five piles driven perpendicular to the beach, extending down through the tidal area, eliminating the necessity of an offshore anchor and allowing use at various tide levels. Barges and other large shallow-draft vessels will be able to moor at the site while undergoing maintenance/repair work. When used in conjunction with bollard moorings on the beach, the pile moorings will also allow long-term storage at the site.

Cost: \$400,000

Schedule: 2013

Priority: 2

PROPOSED NEW PROJECT





Marine Ways Large Vessel Haulout Facility

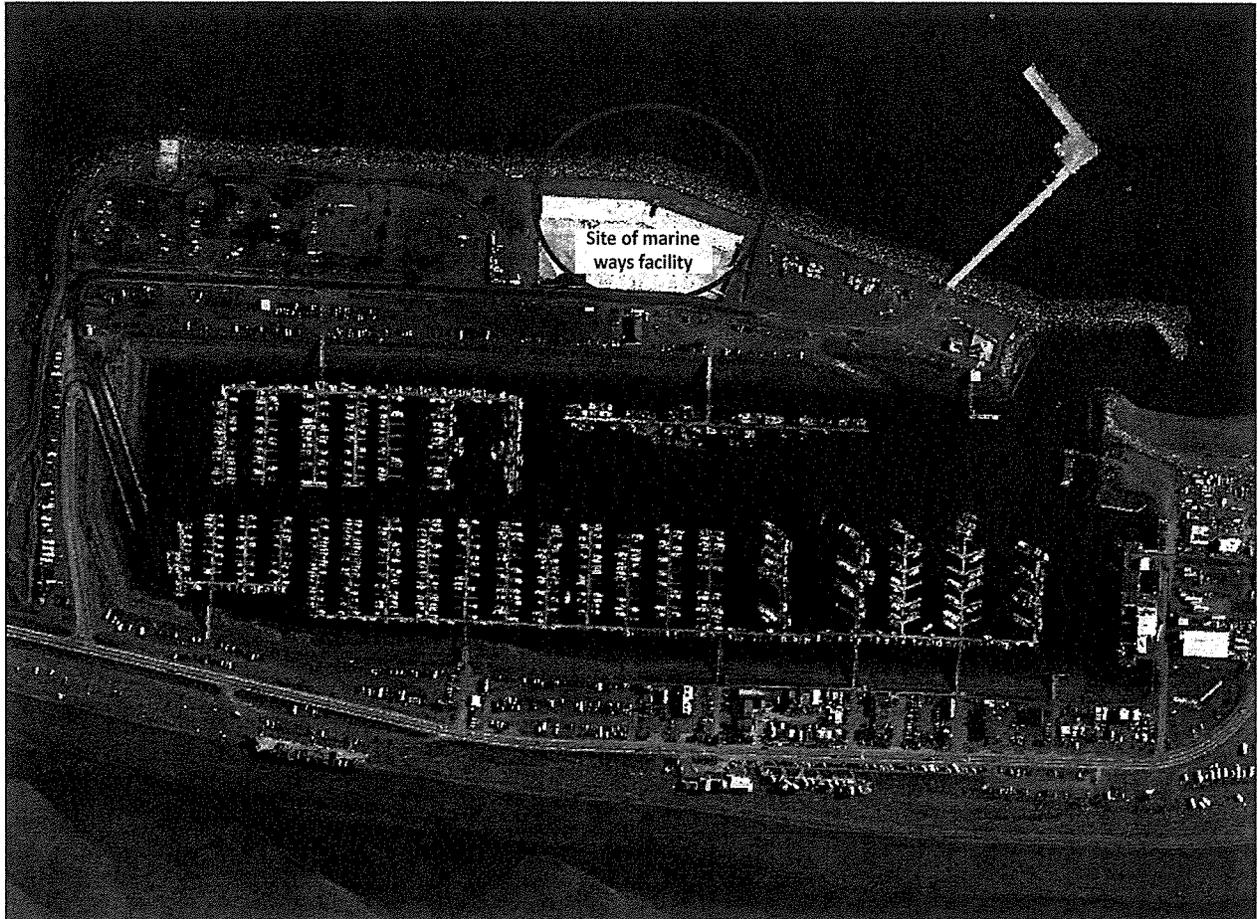
PROJECT DESCRIPTION & BENEFIT: This project will construct a “marine ways” ramp by which large vessels (over 70 tons) can be pulled from the water on rails and dry-docked for maintenance, inspection, and repairs; utilizing the existing 5-acre concrete pad at Lot 12. Currently there are no private facilities in Homer capable of hauling out vessels of this size. With construction of the marine ways facility, the Port of Homer would also be able to serve large freight barges that require inspections in order to be Coast Guard certified for their trade.

Since the wood chip business that formerly used Lot 12 left Homer, the lot and its concrete pad have been underutilized. Construction of the marine ways facility will accomplish a project that has been discussed for years and capitalize on the marine trades skill set that already exists in Homer. It is estimated that the facility would eventually support at least 50 full-time, long-term jobs.

Cost: \$3 million

Schedule: 2013

Priority: 2





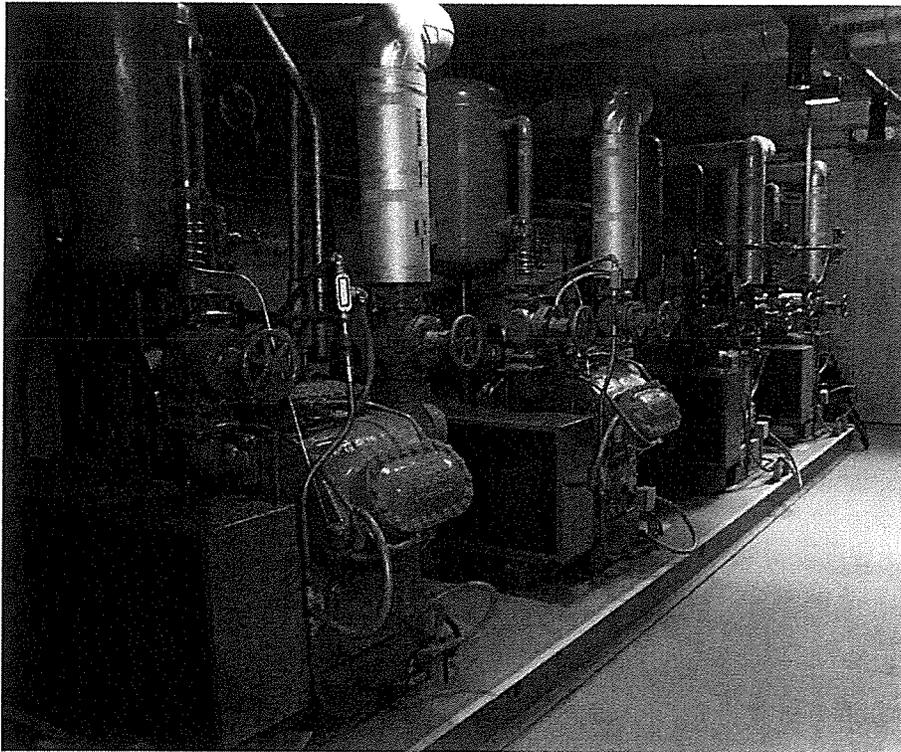
Ice Plant Upgrade

PROJECT DESCRIPTION & BENEFIT: The ice plant at the Fish Dock is a critical component of the overall Port and Harbor enterprise, providing more than 4 tons of flake ice each year to preserve the quality of more than 20 million pounds of salmon, halibut, sablefish, and pacific cod landed at the Port of Homer. Built in 1983, the ice plant is in serious need of an upgrade to increase efficiency and reduce operating costs. This project will replace six of the seven old compressors within the ice plant with two new state-of-the-art high efficiency refrigeration compressors.

Cost: \$500,000

Schedule: 2013

Priority: 2



Four of the Ice Plant's aging compressors are shown here.

PROPOSED NEW PROJECT

Alaska Economic Report

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State officials told imported jet fuel 10 cents/gallon cheaper

July 20, 2011
No 11/2011

Imported jet fuel undercuts Alaska refiners in Anchorage

Jet fuel importers are undercutting Alaska refiners by as much as 10 cents a gallon, state officials have been told by air carriers. Air carriers buy about 800 million gallons of jet fuel yearly at Anchorage. With fuel importers now having spill contingency plans approved by the state more jet fuel is being brought in by barge to the Port of Anchorage to supply air carriers flying out of Ted Stevens International Airport.

Previously most jet fuel was supplied from Alaska refineries, the bulk of it from the Flint Hills refinery at North Pole, east of Fairbanks. Tesoro also supplies jet fuel from its refinery near Kenai, although the major product produced at the plant is gasoline. Tesoro ships its products to Anchorage via pipeline, while Flint Hills must ship its products by rail. Flint Hills is not operating a third crude oil processing unit this year

because it cannot get the margins it needs. That means less fuel-hauling business for the railroad, but it has also left the Anchorage airport market open to the entry of imported fuel.

Another development is that an airline consortium that owns and operates bulk fuel tanks at the Anchorage airport is expanding the tank farm, which will create greater flexibility for importing fuel. Fuel barges hold large quantities

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- NANAshipyard, mining deals Pg. 3
- Hilcorp Energy buys into Inlet Pg. 6
- More ore reserves at Niblack Pg. 7

Our Resources Supplement distributed separately

Who says rural communities aren't sustainable?

The conventional wisdom is that most small rural communities aren't sustainable because of high costs, remoteness and lack of jobs. The experience of tiny Nikolski, pop. 38, in the remote Aleutians shows there are other possibilities, however. Two years ago Nicholski seemed the poster child of a dying village, with its fall fuel delivery interrupted by storms and simultaneous other problems that led to fuel having to be air-

lifted at extreme high costs. Now the community, working with its tribal association, has installed a wind power system integrated into a hot water system for two public buildings. Preliminary data shows Nikolski may be able to halve its diesel use for power and space heating, eliminating the problem-plagued fall fuel delivery. The story gets better, however. The community now

- Continued on page 2

Energy:

GVEA proceeds with wind power

Golden Valley Electric Association's board approved a \$90 million, 24-to-26 megawatt wind power project at Eva Creek, near Healy. Construction will be underway this summer and the project is expected to be producing power in September, 2012. Approval by the Regulatory Commission of Alaska is still needed. GVEA has set a goal of producing 20 percent of its power needs from renewable energy sources by 2014.

Ketchikan: Wood heat in public bldgs.

Ketchikan's city council approved a design change for a planned new local library and fire station to include an alternative wood-fired heating system, to use wood pellets. Sealaska Corp., which is in the timber business, has been heating its corporate office in Juneau with wood pellets as a demonstration project in a commercial building.

Private firm in Cascade Creek hydro

A private company, Alaska Hydro Corp., is working on development of a \$180 million, 70-megawatt hydro project at Cascade Creek, near Petersburg. The company would feed power into the Southeast Intertie and eventually hopes for a connection to Canada's BC Hydro grid.

Health care:

\$150 million Providence expansion

Providence Hospital plans a \$150 million upgrade of its facilities in Anchorage financed by tax-exempt financing done through the Alaska Industrial Development and Export Authority. AIDEA's board approved the bonds July 19. The expansion will create 85 new jobs.

Jet fuel imports undercut refiners (Cont.)

- Continued from page 1

and concern over availability of storage at the port and at the airport has been a limiting factor Flint Hills and Tesoro supply fuel as it is needed, so storage has been less of a concern to them. Having more bulk storage in Anchorage will give airlines even more leverage over the Alaska refiners. These are markets at work, of course, but there should also be concerns for what the jet fuel competition does to the economic viability of the refineries, which are also the major sources of gasoline, diesel and heating oil for the state. The Alaska refineries face other challenges (see page 6), particularly Flint Hills. *State officials may take a look at the premium charged for royalty oil sold to Flint Hills. The refinery depends on royalty oil for its crude oil supply.*

Sustainable rural villages? (Cont.)

- Continued from page 1

has a small, new-technology greenhouse and is raising enough to supply fresh vegetables to its resident for half the year, with harvests of some vegetables as late as December. A second, larger greenhouse is now planned.

The greenhouse idea is taking off in the region. St. George, in the Pribilofs, hopes to get one, a larger model, as does Sand Point. The communities are working with the Aleutians Pribilof Islands Association, a nonprofit, on that as well as regional energy projects.

Community gardens were once common in rural communities but the advent of efficient container shipping to regional hubs and air transportation made it easier to import many foods. Now high fuel costs and concern over vulnerability of the supply line has led to a revival of the idea.

Nana shipyard, mining deals set to close soon

Two significant deals involving NANA Regional Corp. are set to be concluded soon. One is the acquisition by NANA Development Corp., a subsidiary, of a major U.S. Gulf of Mexico shipyard that does offshore platform work. This would give NANA an entry into offshore work and a leg up in doing offshore Alaska facility services. The other is a deal with NovaGold Resources to combine NANA-owned mineral properties at the Bornite minerals project with NovaGold's at the Arctic project, which is on state lands. If this comes together NANA would gain an interest in Arctic, a high-value copper prospect.

Pressure on Southeast power systems due to low water, high use

Petersburg is the latest Southeast community to feel pressure on its power supply system from residential and business conversions to electric heating. City officials say the peak demand for power now comes in the winter instead of during summer from local fish processing plants, and there is concern that the available capacity of the Lake Tyee hydro project is being used up. Haa Aani LLC, Sealaska's new business development company, is working with Petersburg on a plan to install alternative heating systems in public buildings using wood pellets. These can supply heat at prices equivalent to \$2.60/gallon heating oil.

Water levels are low in Sitka, too, in its two lakes that support the city's hydro project. Consumers are being asked to cut back power use to preserve water and minimize the use of diesel if it has to be switched on. The same trend in electrification for space heating has caused local power use to rise. The November-June rainfall was 20 percent below normal. Sitka is hoping for a wetter-than-usual fall to refill the reservoir and avoid extensive use of diesel this winter. Gov. Sean Parnell approved a \$28.5 million state capital appropriation to help finance an expansion of Sitka's Blue Lake hydro.

Low water isn't just a problem for Southeast. Copper River Electric Assoc. has had to delay its summer reduction in power rates, a period when low-cost hydro normally allows high-cost diesel to be switched off, due to a low winter snowpack and low water levels at the Soloman Gulch hydro plant reservoir. At Bradley Lake, near Homer, water levels are lower than normal, too. The hydro project there serves the Southcentral and Interior power grid, but since the alternative is power from natural gas, which is lower-cost than diesel, the effects would be less noticed by consumers than in other parts of the state that depend on oil-fired generation to supplement hydro.

GCI, ACS and AT&T move to expand wireless network speeds

General Communications Inc., or GCI, will spend \$34 million this year for its "4G" upgrade of its Anchorage area wireless network and to expand "3G" coverage to 20 communities in the state. GCI competitor Alaska Communications Systems, or ACS, is spending \$32 million to upgrade its systems. AT&T will also be expanding its high-speed network.

Business Intelligence

Carnival Corp: Alaska cruises company's strongest performers in 2011

Carnival Corp.'s chairman said in an analysts' briefing that the company's cruises to Alaska in 2011 are "performing strongly" from a financial point of view and are the most profitable this year with cruise income down in the Mediterranean due to political problems in the Middle East and down in Asia because of problems related to the Japan earthquake. Carnival's Holland American Lines and Princess Cruises have been able to increase prices for the Alaska cruises compared with last year. Carnival said it has one fourth of its cruise ship fleet in Alaska waters this summer.

On a related note, Cruise ship departures from Seattle to Alaska are down this year due to vessel relocations by Princess Cruises and Holland America. There are 195 cruise ship departures planned this year from the Port of Seattle, down from 223 last year. The reduction will cost the port \$53 million in lost revenues. Most Alaska-bound cruise ships depart from Vancouver, B.C.

ANCHORAGE IS NOW ALASKA'S LARGEST NATIVE "VILLAGE": Alaska's largest city is also its largest Native village. Anchorage's Native population was pegged at 23,130, or about 1 in 13, in the 2010 Census, and more Yup'ik, Athabascans, and Inupiat now live in Anchorage than they do in Bethel, Fairbanks or Barrow. Statewide, Yup'ik at 27,329 remain the largest Alaska Native group, followed by Inupiat at 20,941 and Athabascans at 12,318. Anchorage has 3,243 Yup'ik compared with 2,563 in Bethel; the 4,018 Inupiat in Anchorage are more than the combined Inupiat population of 3,741 in Barrow and Kotzebue; Athabascans in Anchorage number 2,627 compared with 1,272 in Fairbanks. Of the 7,696 Aleuts, 2,475 reside in Anchorage, as do 2,389 of the 8,547 Tlingit-Haida. However, the 973 Tsimshians in Metlakatla outnumber the 126 in Anchorage.

NANA RANKS AGAIN AMONG MINORITY BUSINESSES: NANA Management Services was again honored among the top minority-owned businesses in the country and was listed in DiversityBusiness.com's "Top 50 Diversity Owned Businesses in the U.S." NMS ranked 62th, making it the-top ranked Alaska business. The award is based on a company's business performance, annual gross revenue and status as a minority-owned business.

SECOND ORE LOADING TERMINAL AT SKAGWAY IS PUSHED: Selwyn Chihong Mines is pressing Skagway officials to allow it to proceed with its new "Pacific Dock" ore loading terminal project, citing problems that have developed around a plan to expand the existing ore terminal owned by the state's Alaska Industrial Development and Export Assoc., or AIDEA. Construction could begin in 2014, it said. AIDEA said Selwyn Chihong Mines is still negotiating with the authority and with the White Pass Railroad, which owns the docks at Skagway, and that a dispute has developed with White Pass.

GROUND-SOURCE HEAT PUMPS COST-EFFECTIVE IN ONLY SOME AREAS OF STATE: A new study of the ground-source heat pumps in Alaska shows that the technology is a cost-effective option in

- Continued top right

some parts of the state but only marginally in Fairbanks. Ground-source pumps, common in parts of the Lower 48, use a system of underground tubing to capture heat from surrounding soil and transferring the heat into a home with an electric pump. Such pumps have not been considered workable in Alaska's cold soils. The recent study, done jointly by the Cold Climate Housing Research Center and the Alaska Center for Energy and Power, looked at the system's viability in Fairbanks, Bethel, Anchorage, Juneau and Seward. The results show that the system would work well in Juneau and Seward, which both rely on expensive fuel. But both Anchorage with its natural gas supply and Bethel with its expensive electricity were not good candidates. In Fairbanks, the system would be competitive with the expensive heating oil that is combined with moderate electricity rates.

UAF LAUNCHES STUDY OF UNMANNED AIRCRAFT USE IN MONITORING: The University of Alaska Fairbanks has started a project to evaluate how unmanned aircraft can be used to monitor Steller sea lions in the Aleutian Islands. The aircraft the same as those used by the military in Iraq and Afghanistan and costs around \$100,000. That price does not include ground station, launcher and retrieval system, or a payload that can cost \$20,000 to \$300,000. UAF said such an aircraft can be used to study forest fires, where smoke might not allow an airplane pilot to get near the fire. It can also be used to study marine mammals because the aircraft can fly 200 miles out in the middle of the Bering Sea at 300 feet. The university used one such aircraft in June to look at Steller sea lions near Unalaska Island. The 14-pound AeroVironment Puma AE, with two cameras on board, was launched from a commercial fishing boat. Its cameras took both photos for about 90 minutes before the aircraft crashed into the sea, where it was picked up by the boat's crew.

MISLABELING OF FARMED FOR WILD SALMON IS COMMON, STUDY FINDS: A University of Washington Tacoma survey of 50 seafood restaurants in the Tacoma area found that 38 percent of dining

- Continued on page 8

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Petroleum:

Chevron sells Inlet assets to Hilcorp

Hilcorp Energy of Texas has purchased Chevron's Cook Inlet oil and gas producing assets. Included in the deal are Chevron subsidiary Union Oil Co. of California's holdings in the Granite Point, Middle Ground Shoals, Trading Bay and MacArthur River fields, 10 offshore platforms that serve those fields, and two onshore gas fields, the Nininchik and Beglua fields. Two gas storage facilities are also included. Hilcorp is one of the largest privately-held independent companies in the U.S., and has operation in the U.S. gulf region and the Rocky Mountains. *Sen. Tom Wagoner, R-Kenai, said the company told him it has an aggressive investment plan for the aging producing assets it is acquiring.*

50,000-80,000 b/d Umiat pipeline?

Linc Energy is working on engineering for a pipeline capable of delivering 50,000 to 80,000 barrels per day of crude oil from production wells planned to be drilled at the Umiat oil field in the National Petroleum Reserve, the company said. Buried and above-ground pipeline designs are being considered, and a diameter of the pipeline was not specified. If buried, the plan would be to take advantage of a gravel berm built for a planned 90-mile state resource road from the Dalton Highway west to Umiat area. The state now has an Environmental Impact Statement process underway for its, "Foothills West" road project. The road and bridges planned by the state carry a pricetag of about \$250 million, and the pipeline planned by Linc Energy would cost about the same.

Linc Energy plans to bring a drill rig to Umiat to begin drilling later this year with plans to bring in a second rig later. Renaissance Umiat LLC, an independent, sold Linc Energy an 85.5 percent interest in 19,358 acres of federal leases it held

– Continued at top right

Linc Energy's plans at Umiat (Cont.)

at Umiat. Renaissance Umiat had done considerable work planning for Umiat development, including developing a concept for a 12-inch pipeline buried in the road that would flow cold oil to the TAPS line. A study by NANA WorleyParsons LLC for Renaissance Umiat found that the light Umiat oil, which is 43 degree-plus API gravity, could flow through a 92-mile pipeline without being heated. Umiat now has an estimated 201 million barrels of recoverable oil from about 1 billion barrels of oil in place, but there are believed to be larger reserves at depth which drilling planned this year will assess.

Cook Inlet Energy brings rig to Inlet

Cook Inlet Energy LLC now has a second well in production at its restarted Osprey Platform in the small Redoubt Shoal oil field on Cook Inlet's west side. The two platforms wells, when combined with two wells producing in the nearby West MacArthur River onshore field, give Cook Inlet about 1,200 barrels per day of production. The company is bringing a drill rig to the platform later this year to begin drilling of new side-track wells from other wells previously drilled at Osprey by Forest Oil, a previous owner. Linc Energy also has a smaller drill rig intended for onshore shallow gas exploration and well work-overs, being refitted at the field. The rig will begin work later this year.

Apache gets busy on new Inlet leases

Apache Oil has applied for permits to do seismic work this winter, to assess a large number of leases the company acquired in a recent state lease sale. State officials are eagerly awaiting the company's preliminary development plan for the Cosmopolitan prospect that must be delivered to the state within six months of the leases being awarded. The Cosmopolitan leases were won recently but have not yet been formally awarded.

Minerals:

Niblack ore reserves are increased

Heatherdale Resources said it has increased its indicated and inferred zinc, copper and gold ore reserves at its Niblack project near Ketchikan from 4.4 million tons to 6.6 million tons and has found a “sweet spot” of higher-grade ore totaling about 1.5 million tons. There are now three drill rigs working on exploration, two underground, in an exploration adit, or tunnel, and one above-ground. The mine envisioned by the company would produce 2,000 tons of ore daily, an operation approximately on the scale of the producing Greens Creek mine near Juneau, and would have a mine life of 10 years. That is highly likely to be extended through reserve additions, as has happened at Greens Creek.

Heatherdale said it will start work on a preliminary feasibility study later this year and finish it in late 2012. Construction of a mine could begin in 2015, although the company acknowledges this as an ambitious target. Niblack is on a 6,200-acre site at Moira Sound on Prince of Wales Island, about 30 miles southwest of Ketchikan. The project is not near a low-cost hydro power source, so the company may ship ore for processing to a location where hydro power is available.

DNR withdraws permit at Chickaloon

The Dept. of Natural Resources withdrew a decision to extend permits for coal mine development near Chickaloon by Golden, Colo.-based Ranger Alaska LLC. Chickaloon Village Traditional Council had protested the extension, arguing that not enough consideration had been given to protection of salmon streams. The tribal group has spent \$1.2 million since 2002 for restoration work on local salmon streams damaged by historic coal mining in the Chickaloon area.

Fisheries:

Sealaska helps Kake on seafood plant

Sealaska Corp. has stepped in to help Kake Tribal Corp. reopen a troubled seafood plant in that Southeast community, and a new company has been formed to manage the plant, Western Alaska Seafoods Co. Sealaska’s business development company, Haa Anni, is assisting Kake Tribal. The tribal group previously worked unsuccessfully to reopen the aged plants at Kake and Pelican. A key problem is the cost of power, which is diesel-fired. The new company intends to pursue a strategy of processing and flash-freezing but storing fish in freezers located in communities with access to low-cost hydro. The eventual solution for Kake is an electric Inter-tie connecting the community with Petersburg, which has hydro. Western Alaska Seafoods will employ 30 to 35 people in the reopened plant.

Strong Bristol Bay sockeye fishery

As of July 3 13.7 million sockeyes of the expected 28.5 million harvest had been caught in Bristol Bay, with 1,400 boats in the water. The statewide catch for 2011 is forecast at 203 million salmon, the 5th largest since 1960. An expected large pink salmon harvest pushed up the number. Not all regions of the state are doing well: The Yukon River king salmon run is poor and biologists closed off subsistence fishing to allow enough upriver escapement to meet treaty obligations with Canada.

Wholesale salmon prices were up for the January -through-April period, with frozen king salmon selling for \$4.12/pound compared with \$3.31/lb. last year and frozen sockeye selling for \$3/lb., up 17 cents/lb. Chums sold at \$1.78, an increase of 41 cents/lb. The sales of frozen inventory from last year, indicate the trend of higher prices will continue through this summer. The reports are by the state of Alaska.

Business Intelligence - continued

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establishments said they served wild Pacific salmon instead served farmed Atlantic salmon. Most of the establishments mislabeling fish were sushi and teriaki restaurants, not upscale “white tablecloth” eateries. The survey also found that 7 percent of grocery outlets and fish markets mislabeled the salmon, too.

FAIRBANKS WORKS TO REVITALIZE DOWNTOWN CORE: The Fairbanks North Star Borough is now working on a revised version of a plan to revitalize its downtown. The new plan designates retail “hot spots” with no other types of businesses, but with more parking. A previous plan was criticized because it attempted to move retail a few blocks south from the city’s downtown core. An Oregon planning firm has been working with the borough and city. Fairbanks has an active downtown merchant’s association working to bring more people into the city’s core with special events. A “Solstice” street fair in late June was a huge success, local businessmen said. Special winter/spring events are also drawing more visitors in the January-March period. Hotel/motel bed tax data backs this up: Spring quarter “bed tax” collections were up 14.3 percent in 2011, to \$6.32 million, compared with \$5.53 million in spring quarter 2010.

FAIRBANKS SPORTS HATCHERY STILL DELAYED: Problems with water filtration is delaying opening of the new \$46 million sports fish hatchery in Fairbanks. The facility was scheduled to open last year. There are difficulties in dealing with iron and manganese that are naturally found in the local water supply.

STATE MAY LOCATE NEW AGENCY OFFICES IN JUNEAU’S VALLEY AREA: State officials have expanded their list of possible locations for new state offices in Juneau to about 20 locations, including sites in the outlying Mendenhall Valley north of the downtown core of the capital city. Reports are that state officials are leaning toward a location in the valley but there is also concern about moving state employees away from the downtown core of state offices and the capital building. The list of sites will be published soon, but they include a partly-vacant business park in the valley. The Dept. of Labor and some employees of the departments of public safety and fish and game would be relocated. ECI/Hyder Inc. is the architect.

UAF AT WORK ON NEW PAVING MATERIALS THAT COULD LOWER COSTS IN BUSH: The University of Alaska Fairbanks’ transportation center is working on research to develop lower-cost material for use in roads and airport runways that can take the place of gravel, which can be prohibitively expensive in rural Alaska if it has to be barged in. UAF is working with a combination of binder agent, glues and plastic fibers that can be used with local silt to make a tough, durable material. A 500-foot test section of road near Wasilla was built last year with a prototype material, and it survived the winter, researchers said. Costs now are estimated at \$200/cu. yd. but UAF hopes to get those down to about \$65/cu. yd. Meanwhile, gravel can cost from \$200 to \$600/cu. yd. if it is barged to rural airport locations. The state Dept. of Transportation and Public Facilities, which does maintenance on 258 rural airports, is watching the experiments.

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Resources Supplement
July 20, 2011

Momentum building for in-state gas pipeline?

Some tough realities still face the project

Political momentum is developing for the state to lead construction of a 24-inch natural gas pipeline built from the North Slope through Interior Alaska to South-central Alaska. But there are also some hard realities surfacing for the project. The Alaska Gasline Development Corp.'s report on an in-state natural gas pipeline delivered July 5 to legislators and Gov. Sean Parnell is getting generally positive reviews. Still, legislators are beginning to add caveats. Another legislative hearing is planned in Anchorage for Monday, July 25.

Here's what the report said, in brief: A 737-mile 24-inch gas pipeline delivering 500 million cubic feet of gas daily, and operating at high pressure, 2,500 psi (to also deliver natural gas liquids) could be built from the North Slope to Southcentral Alaska for \$7.52 billion, in 2011 dollars. This compares to a previous estimate of \$8.4 billion for essentially the same project developed in 2010 by a previous in-state gas team headed by Bob Swenson. The estimated completion date is 2018 with gas delivered in 2019. If the project was financed with tax-exempt bonds, through either the state or an entity with tax-exempt bond status such as the state-owned Alaska Railroad Corp. the tariff, or transport charge, would bring gas to Southcentral Alaska at a cost not that much higher than utilities in the region are now paying for gas.

One reality that has surfaced is that this project cannot move forward until industrial customers can be identified for about half of the gas moved through the pipe, or about 250 million cubic feet/day (mmcf) of the 500 mmcf capacity. The AGDC report acknowledges this, and identifies a liquefied natural gas export project as the most likely industrial customer. A gas-to-liquids plant and a plant processing natural gas liquids, which would also be moved through the pipe, were also examined.

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Can Kenai LNG plant provide infrastructure?

Continued from previous page

As for LNG, the ConocoPhillips-Marathon LNG plant on the Kenai Peninsula, soon to be mothballed in its current configuration, provides a base of infrastructure for a larger LNG plant. But the plant would require substantial investment to be modernized and expanded, and to meet U.S. Federal Energy Regulatory Commission requirement, though those expenses would be less than building a new plant. Fundamentally, however, the dynamics of the Pacific LNG market with large volumes of LNG coming from large plants with gas sources near tidewater, make this project seem problematic.

The same problems confront a proposed large LNG plant at Valdez, which with a pipeline at 48 inches could have the benefits of larger scale. Recall that TransCanada Corp. offered a Valdez LNG alternative in its 2010 open season for its project. The results of the open season are still confidential, but no agreements have yet been signed for a pipeline to Valdez or to Canada. In any event, until one or more large industrial customers sign long-term contracts to purchase gas moved through this system, the bond market will not finance this project.

On the tax-exempt status of bond financing, there may be uncertainty whether the bonds will be given tax-exempt status by the Internal Revenue Service if half of the gas transported is sold to private customers instead of public utilities. This question was posed to the IRS by the Alaska Gasline Port Authority for a pipeline to Valdez and the answer was somewhat unclear.

Solution: Should the state just pay for pipeline in cash?

A solution to these problems is for the state to just pay cash for the pipeline, and not just facilitate tax-free financing with bonds. We're certain legislators will look closely at this option, but we're just as certain they will turn away from it given the other pending cash commitments facing the state.

There is another issue facing the utilities who would be expected purchase the other 250 mmcf/d moved through the pipeline. It is what the regional utility demand would really be. It probably wouldn't be 250 mmcf/d because gas will continue to be supplied from Cook Inlet and there are now new gas discoveries being made in the Inlet, thanks to an effective state exploration incentive. The Northern Economics report on in-state gas demand done for TransCanada Corp. points this out, and the

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Questions on how much utility demand there will be

Continued from previous page

number is something less than 250 mmcf. So, there is uncertainty around the utility demand as well. There are other questions on the demand. If the state proceeds with a \$5 million hydro project at Watana, a project that now has considerable momentum, this project would supply about half the electricity needs of Interior and Southcentral Alaska, reducing the utilities' requirement for gas. There are also renewable energy projects in the region, like the Mt. Spurr geothermal project, which could supply baseload power at firm prices, again reducing the need for gas.

The Southcentral utilities is that they must judge whether North Slope gas delivered through a 24-inch pipeline is really the cheapest option for their customers. The utilities are pushing ahead with a plan to install the capability of importing liquefied natural gas in 2014, the year regional supply is expected to dip below regional needs for gas. Is the AGDC's conclusion that LNG imports will be about twice the cost of what the 24-inch gas line will cost consumers? The utilities are now negotiating with potential LNG suppliers and they are keeping quiet about what the costs might be (they won't be cheap, it is acknowledged) but a longer-term LNG import contract, though small, might result in lower LNG prices.

Can Cook Inlet produce more gas? No one knows

Finally, the utilities must judge whether the Cook Inlet can produce more gas. The region is underexplored and two new studies, one by the federal government and one by the state Division of Oil and Gas, point to considerable potential for new gas in Cook Inlet region. Explorers are finding new gas, too, the recent discovery by Buccaneer Energy of a nice gas find one mile from an existing Kenai Peninsula gas field makes the case.

In fact, a perverse effect that a small in-state line could have is in actually increasing regional gas prices above what they might have been. Producers will always price their product at levels competitive with the cheapest alternative supply. If North Slope gas is available that will establish the base price, and then Cook Inlet producers could raise their prices to sell at points just below what the North Slope gas is priced at. The same dynamic is at work with imported LNG, of course. LNG imports will establish a link between local prices and a world market, so that will also establish a base for the price of locally-produced gas. Of course, absent LNG imports and North Slope gas there will always be a search for pricing benchmarks

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Fairbank irked over higher costs it would pay

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for gas in the Southcentral region (crude oil has been used as a benchmark). The point here is that utilities will have to weigh all these things, as will the Regulatory Commission of Alaska in approving long-term utility contracts to purchase North Slope gas.

Here's what the report shows in terms of costs: The consumers' cost of gas delivered to the Anchorage area would be \$9.63 per million British Thermal Units (mmbtu), which is about the same per thousand cubic feet (mcf). The consumers' price in Fairbanks would be \$10.45 per mmbtu, mainly because of a 35-mile, 12-inch lateral pipeline needed to move gas to the city from the 24-inch pipeline, the route of which would be west of Fairbanks. Needless to say, a higher price in Fairbanks rather than Anchorage irks leaders in the Interior community. These prices for both Fairbanks and Anchorage include assumed utility distribution costs of about \$2 per mmbtu; payment to North Slope producers of about \$2 per mmbtu and the cost of conditioning the gas on the North Slope.

Yet another critical assumption is that the project would be limited to 500 million cubic feet/day as agreed to by the state under its Alaska Gasline Inducement Act (AGIA) contract with TransCanada Corp. on a 48-inch gas pipeline built to Alberta. TransCanada is still working on that project, but has yet to announce commercial contracts to transport gas.

Does TransCanada limit constrain the in-state options?

The 500 million cubic feet/day limit appears to drive the study in certain directions. For example, the limited volume of gas affects the analyses of sales of industrial customers. In the June 5 briefing, Rep. Bill Stoltze, House Finance co-chair, asked the AGDC team whether larger volumes of gas would improve the economics of the project. The team said a larger volume was not considered because of the AGIA limit. We expect this will be a point of continued interest by legislators.

Sen. Tom Wagoner, R-Kenai, was quick to raise questions on whether work on a state-owned pipeline would chill industry interest in Cook Inlet. There is renewed interest in Cook Inlet following a new commercial gas discovery by a small independent and acquisition of major leases by Apache Corp., a major independent, in a recent state lease sale.

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Mine royalties, business earnings are all up

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NANA's strong earnings streak continues in 2011

NANA Regional Corp. is doing well financially, and the effects of that are felt through the state's economy. The Kotzebue-based Native regional corporation's \$41.1 million 2010 net profit seems likely to be replicated this year, given continued strong earnings from the Red Dog Mine (see page 7) and growth among a diversified set of NANA's business holdings. Interestingly, NANA reports that its business in petroleum-related engineering is up this year, an indicator of sorts that new "oil patch" projects may be in the works.

The Red Dog Mine continues to be a major source of income for NANA. Since the mine went into production in 1989 NANA has received \$596 million in net proceeds from the mine of which \$341 million has been paid out to other Alaska Native corporations. In 2010 NANA

received \$146.3 million in net proceeds from Red Dog royalties, with \$82 million paid out to other Native corporations.

About half of NANA's 2010 net earnings, or \$20.5 million, were paid out in dividends to shareholders. Half of the shareholders live in Northwest Alaska and 85 percent live in Alaska, so the dividend payout last year provided a nice boost to the regional and statewide economy. Of

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Our Resources Supplement distributed separately

Alaska braces for looming federal budget reductions

Alaska will have to shoulder its share of expected budget cuts that will be coming as a part of the federal deficit-reduction deal, the state's congressional delegation warned. Of particular concern is that 50 percent of the long-term reductions will be made in defense spending, and the military has a major presence in Alaska. In a briefing, Sen. Lisa Murkowski said the new job of the state's delegation will be to ensure that

Alaska isn't hit with a disproportionate share of reductions. The plan calls for \$2.4 trillion in spending cuts over a period with \$800 billion done soon, but the specifics will be worked out by congressional committees. The FY 2012 federal budget isn't expected to be hit very hard, but the pain may begin in FY 2013. About a third of Alaska's economy depends on federal spending, University of Alaska studies indicate.

General Business:

Homer Electric will purchase plant

Homer Electric Assoc. will purchase Chugach Electric Assoc.'s Bernice Lake Power Plant at Nikiski for \$11.8 million, although the deal still needs Regulatory Commission of Alaska approval. The acquisition is part of HEA's program to generate much of its own power by 2014. HEA now purchases most of its power from Chugach under wholesale sales contracts.

Crooked Creek: New housing

The village of Crooked Creek, which lost about 10 or nearly fourth of its homes to the flooded Kuskokwim River, will soon see replacement of nine homes by evangelist Franklin Graham's Samaritan's Purse relief organization. And, for once, the houses won't be the usual homes in the Lower 48 style unable to withstand the vagaries of the area's rough weather. Instead, the houses were designed by the nonprofit Cold Climate Housing Research Center of Fairbanks and the design focused on affordability, durability, warmth and quick construction. The houses will be paid for through donations and state grants.

36 rural post offices may close

Alaska's U.S. senators are concerned about U.S. Postal Service plans to close more than 3,600 post offices, including 36 that are mostly in rural Alaska. Among those slated for closure in Alaska is the one in Sleetmute, a village of about 90 residents on the Kuskokwim River, about 250 miles west of Anchorage. The Alaska senators and three other Democratic senators have sent a letter to the postal service asking for a detailed analysis of criteria determining the closures and also the post office's response to community comments.

NANA doing well financially (Cont.)

- Continued from page 1

NANA's 13,400 employees worldwide, about 5,000 were Alaska residents including 1,315 shareholders.

NANA also concluded a strategic acquisition earlier this month when it acquired Grand Isle Shipyard in Louisiana, giving the Kotzebue-based corporation a position in Gulf of Mexico offshore oil and gas platform maintenance and repair. A second deal is set to be finalized in the next few weeks between NANA and NovaGold Resources, merging NANA's holdings on mineral lands at Bornite, on the Kobuk River, with NovaGold's holdings in the Ambler mining district to the east. Both sets of acreage have extensive mineralization.

Petroleum:

More steps forward on offshore tests

The U.S. Environmental Protection Agency issued draft air quality permits for Shell and ConocoPhillips' planned Arctic Outer Continental Shelf exploration, an important step for the companies. The permits are out for public review and may be appealed, but the agency has done a lot of work in fine-tuning the permits. ConocoPhillips confirmed to EPA that it plans to use a jack-up rig for its Chukchi Sea exploration. The Bureau of Energy Management, Enforcement and Regulation also has a drilling permit out for review for Shell's Beaufort Sea exploration.

Anadarko Petroleum plans to go back to its Chandler exploration well in the southern North Slope to do production tests. Chandler, drilled in 2008-2009, was a gas discovery. Anadarko is still evaluating gas production tests at Gubik, another discovery, a few miles north of Chandler. A snow road will be built to the area.

Anchorage set for modest, but steady, growth: AEDC

Anchorage appears set for modest but steady growth over the next few years, according to projections put together by Anchorage Economic Development Corp. with the assistance of McDowell Group, a Juneau-based consulting firm. Anchorage appears set to get about 1,100 jobs in 2011, which will bring total wage and salary employment to 152,600, AEDC reported in a mid-year report. The growth trend is expected to continue through 2014 at rates of about 1 percent to 1.4 percent yearly.

The biggest contributor to this is professional and business services, which are expected to be up 500 (there isn't a clear explanation for this, but there appears to be an uptick in engineering work, which constitutes about a fifth of this category). Leisure and hospitality jobs will be up about 400, partly a result of a stronger tourist season. Health care will add 300 of the new jobs although AEDC now thinks this estimate may be low. Oil and gas employment will be flat, at 2,800 jobs; construction will also be flat, but that's an improvement from recent years which showed declines in construction. Retail will be down 100 jobs, according to the estimate.

Personal income, passenger and cargo movement all positive

Other indicators are positive: Personal income is expected to grow 4 percent in 2011 to \$15.1 billion and increasing to \$17.3 billion in 2014. Air passenger traffic through Anchorage's airport is projected to be up 4 percent in 2011 after growing 2 percent in 2010 (2009 saw a substantial dip). Passenger growth will slow through 2012 and 2013, however, and by 2014 will be back to 2007-2008 levels. Air cargo volumes are expected to reach 2,925,000 tons in 2011, slightly up from 2,918,000 tons in 2010. Cargo volumes are expected to be about the same in 2012 with possible slight increases in 2013 and 2014. Annual building permit values in Anchorage are also on a modest growth track, expected to reach \$415 million in 2011, up from \$395 million in 2010. Building permit values are expected to increase gradually to \$482 million in 2014. These numbers are still substantially down from the \$600 million-plus levels from 2004 through 2007, however. Cargo landed at the Port of Anchorage also shows an increase over 2010, with 4.16 million tons expected to be landed in 2011, up from 3.96 million tons in 2010. Modest but steady growth is forecast to a level of 4.44 million tons expected in 2014.

Two cautionary notes by AEDC, however: The expected cuts in federal spending will be felt more in Alaska than many other states because of the state's heavy dependence on federal programs, facilities and military bases. Secondly, the continued decline of oil production from the North Slope, which provides 85 percent of state revenues, is a long-term concern. The state is pursuing programs to reverse this trend, including changes in state taxes and special terms in upcoming state lease sales.

Business Intelligence

Knik Arm authority sends out RFPs for bridge financing proposals

The Knik Arm Bridge and Toll Authority, or KABATA, published a Request for Proposals for private sector investors in its planned toll bridge across Knik Arm. The authority will choose a selected partner in mid-to-late 2012, it said. Meanwhile, the Municipality of Anchorage has filed suit in federal court seeking to void the federal Record of Decision on the Environmental Impact Statement for the bridge, arguing that inadequate consideration was given to adverse effects of the bridge on the \$1 billion Port of Anchorage expansion. The Knik Arm bridge itself is still estimated to cost about \$600 million. With the costs of approaches on both sides included the cost could reach or exceed \$1 billion, but some of the approach-way costs could be covered by the federal government if the roads are included in the state's long-range state transportation plan. The authority is meanwhile still at work on necessary permits for the project, and has about \$60 million in remaining state and federal funds to do that work.

ANCHOR POINT RESIDENTS GET READY FOR NATURAL GAS: Anchor Point residents are considering formation of a special utility district to develop natural gas distribution lines in the area now that Enstar Natural Gas and Armstrong Oil and Gas have pipelines going through the Kenai Peninsula community carrying gas from Armstrong's small North Fork field. Enstar would install the estimated 39,600 feet of distribution line needed to serve 279 residential and commercial properties in the Anchor Point area. The plan is for the estimated \$723,000 cost of the distribution system to be funded by the Kenai Borough with property owners repaying the cost over a period of time.

The governor's veto of \$10 million for an extension of the Enstar pipeline at Anchor Point to Homer has put the City of Homer back at square one on the project.

FUNDRAISING UNDERWAY FOR \$20 MILLION SEALASKA HERITAGE CENTER IN JUNEAU: With \$7 million in state funds in hand and a \$800,000 parcel of downtown Juneau property donated by Sealaska Corp., Sealaska Heritage Institute, a nonprofit, has embarked on fundraising to build its planned \$20 million, 29,500-square-foot Native heritage center in downtown Juneau. The center would house cultural artifacts and serve as a center for historical paper and ethnographic collections.

STATE OFFICIALS NARROW POSSIBLE SITES FOR NEW JUNEAU OFFICE BUILDING: State officials have narrowed their search for a site for a new state office building in Juneau to two locations, one at Vintage Business Park in the Mendenhall Valley area of the capital city and the other downtown, at the site of a parking garage adjacent to the main State Office Building. If the downtown location is chosen the garage would be demolished and rebuilt with five stories of parking and five stories of offices. At the Vintage Business Park a 140,000-square-foot parcel is available. ECI/Hyer Architects and Engineers is working on the project. The state hopes to have a decision soon between the two possible locations. State employees for the Departments of Labor, Public Safety and some Fish and Game workers would be housed in the new building.

JUNEAU ECONOMIC DEVELOPMENT CORP. PLAN FOR SOUTHEAST: Juneau Economic Development Corp. published its "Southeast Alaska Action Initiative for Economic Development," listing four "clusters" for development: ocean products, forest products, visitor products and renewable energy (mainly hydro). The plan was put together with broad representation in the region and, predictably, there was lack of consensus over the forest products part of the report. There was support for small-scale timber sales to local sawmills but no consensus for a "large scale" timber industry or development of a 1.5 million-acre state forest from parts of the Tongass National Forest.

MUNICIPALITIES CLOSELY WATCH EPA ACTION ON UNALASKA WASTEWATER: Alaska municipalities are closely watching a U.S. Justice Department proceeding against the City of Unalaska over violations of Clean Water Act pollution limits in the city's permit for its municipal waste system. The city estimates it could cost \$11 million to \$23 million to bring the plant into compliance and another \$9 million in upgrades to the city landfill that may be needed because of problems the landfill creates for the wastewater system (rain runoff from the landfill). EPA and the Justice Department are taking a hard line against Unalaska. There is concern this will set precedents on how the federal agencies will treat other rural communities.

On another federal regulatory matter, some Alaska communities are getting ready for new federal clean air rules to be effective in May 2014, that will require improvements to emission systems on diesel generation plants. Ketchikan's borough assembly approved \$90,000 for a study of an upgrade of scrubber systems for its plant, which may cost \$1 million.

AIR QUALITY INITIATIVE ON FAIRBANKS BOROUGH ELECTION BALLOT: A Fairbanks voter group, "Healthy Air Now" has succeeded in getting a ballot proposition on the borough's fall election ballot

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Conoco reports Alaska net earnings

ConocoPhillips reported \$490 million in net profits from its Alaska production in the second quarter, down from \$549 million in the first quarter but up sharply from \$381 million in the second quarter of 2010. Year-to-date profit is \$1.04 billion. The company earned \$1.7 billion in net profits from Alaska in 2010, so 2011 earnings seem likely to surpass 2010 smartly. That looks pretty rosy, but the company points out that its second quarter Alaska earnings should have been better because crude oil prices rose sharply between the first and second quarters (an average of \$95.56 per barrel in first quarter and an average of \$113.75 per barrel in the second quarter). Earnings are basically flat, and even down, despite the higher prices. This is an effect of the state's high net profits tax, ConocoPhillips said.

The company also said it pays the state about two dollars in taxes and royalties for every dollar of net income. In the second quarter ConocoPhillips estimate that it paid about \$1.1 billion.

Alaska earnings also outperformed the company's total Lower 48 net income, \$549 million net in Alaska compared with \$327 million net in the Lower 48, but that results because much of ConocoPhillips' Lower 48 income results from natural gas production, which is priced low right now, and that fact that a sharp differential (about \$15 per barrel) that now exists between prices Alaska oil is sold at on the West Coast vs. a depressed prices for crude oil in the central U.S. due to a glut of Canadian oil in that market.

\$200,000 oil employment study

Trying to get at the puzzling contradiction of rising or at least stable oil industry employment while many contractors are reporting cutbacks, the Senate Finance Committee issued a Request

– Continued at top right

Employment: One firms bids (Cont.)

For Proposals for a broad-ranging study of industry employment. Only one consulting firm bid on the \$200,000 contract, Juneau-based McDowell Group. The Senate has not yet accepted the proposal, however.

New Cook Inlet gas reserves study

A recent state Dept. of Natural Resources study of potential Cook Inlet natural gas reserve additions in four large producing gas fields estimated that enough gas could be added through new drilling and additional production to cover the Southcentral region's projected gas supply shortfall to 2018 or 2020, which is coincidentally about the same time a proposed 24-inch "bullet" gas pipeline from the North Slope could be built and delivering gas. The study, done by the Division of Oil and Gas, estimates that about 8 new production wells per year will be needed at a cost of \$10 million to \$20 million per well along with about \$100 million invested in compression facilities. The total pricetag would be \$1 billion to \$2 billion.

The DNR study generally tracks the findings of a private study, by Petrotechnical Resources Alaska, done for the regional utilities two years ago, but it went a step further in estimating probable financial returns to producers. A major finding was that while rates of return on specific drilling appear reasonable, the Net Present Value of projects would be low. Translated, this means small companies may find these investments attractive, but probably not larger companies. There is new interest in Cook Inlet by independents (Hilcorp's recent purchase of Chevron's assets and Apache Oil's acquisition of leases in a recent state lease sale) but most of the Inlet's gas production is owned by larger companies, mainly ConocoPhillips and Marathon.

Minerals:

Red Dog Mine profits up in 2Q

The Red Dog Mine showed a strong increase in profits for the second quarter of 2011, mine operator Teck Cominco reported. This will translate to continued strong royalty earnings by NANA Regional Corp., the landowner at Red Dog. Gross profit before depreciation and amortization was \$75 million for the quarter compared with \$68 million for the same quarter of 2010. Teck said higher prices for zinc and higher sales volumes were behind stronger earnings. Red Dog is one of the world's largest lead and zinc mines.

The annual shipping season for ore concentrates began June 28 and Red Dog plans to ship 990,000 tonnes of zinc concentrate and 135,000 tonnes of lead concentrate this season, down from 1,035,000 tonnes of zinc concentrates and 235,000 tonnes of lead concentrates in 2010. Lower volumes in 2011 are due to lower ore inventories at the start of the shipping season. Red Dog produces concentrates all year but they are stored at the Chukchi Sea port facilities through the winter, while ice prevents navigation.

Fisheries:

Bristol Bay run a big disappointment

The big Bristol Bay sockeye fishery is proving a real disappointment this year, but the Cook Inlet sockeye catch is a boom. In Bristol Bay the run peaked early and is falling well short of the original projection. As of mid-July the Bay sockeye harvest was at 20.4 million and the statewide salmon catch overall was at 53 million, of which about 30 million were sockeyes. Cook Inlet is having a very strong sockeye run and processors have put harvesters on quotas. The Copper River and Kodiak sockeye harvests are running ahead of projections, too. There were 1,431 boats registered to fish in Bristol Bay and 420 active in Cook Inlet.

Fisheries:

Bristol Bay: Puzzled over low run

State biologists are puzzled by the poor showing in Bristol Bay. Of the classes of sockeyes returning, the fish that have been out of sea for three years are returning at numbers above predictions but salmon at sea for two years are about 50 percent down from expectations.

Kaltag fish plant closes; state blamed

Closure of the Yukon River Gold fish processing plant in Kaltag left about 70 people from nearby villages without jobs. The closure came even as Yukon River chums are plentiful, and the plant operator blamed a time limit imposed by Alaska Department of Fish and Game's, which he said was unnecessary because his business does not target the diminished Yukon king salmon. The company, which leases the plant from city of Kaltag, said it needed about 35 days to process the fish but had only about 20 days to work on the chum run. Meanwhile there is a record run of chums and people who had counted on fishing jobs have none.

ASMI touts seafood to visiting chefs

Kodiak and other Alaska towns played host to a group of French chefs as part of the international outreach of the Alaska Seafood Marketing Institute. The group included one of the chefs from the Élysée Palace, the French president's residence. In Sitka, the group toured fishing boats and processing plants, and attended a barbeque featuring king salmon and lingcod. In Kodiak, French chefs spent time on the fishing ship Arctic Hunter to learn about the scallop industry and were guests at a reception in their honor.

Seafood processing employment was up 600 in June, to 12,200 workers compared with the June 2010, according to preliminary labor data.

Business Intelligence - continued

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that would, if approved by voters, ban certain types of wood and coal heating systems in most parts of the borough. The Borough Clerk certified petitions turned in by the group. Fairbanks is out of compliance in meeting federal air quality standards during winter due partly to use of wood and coal stoves.

LNG TRUCKING ALSO IN FAIRBANKS BALLOT: Also on the Fairbanks borough's election ballot will be a question as to whether the legal powers of the Alaska Gasline Port Authority, to which the borough is a member along with the City of Valdez, allows the authority to develop a liquefied natural gas trucking operation to bring LNG from the North Slope to the Interior city. The port authority proposes to buy Fairbanks Natural Gas, a private gas utility, which is working on the plan. FNG now trucks LNG from Cook Inlet but gas reserves in that region are running down. FNG says the pending sale to the port authority is on hold until the issue is clarified by local voters.

The borough meanwhile approved use of part of a \$500,000 state grant to do an independent assessment of the LNG trucking, which would include building a small LNG plant at Deadhorse, near Prudhoe Bay. State Sen. Joe Thomas, who secured the appropriated, suggested that the Alaska Industrial Development and Export Authority do the study. Meanwhile, Golden Valley Electric Assoc., which would be an anchor customer for the project, is doing its own independent assessment.

JANUARY TRIAL SET ON LEGISLATIVE REAPPORTIONMENT SUIT: A January trial date in a Fairbanks Superior Court has been set for the first legal challenge of the legislative reapportionment plan. The plan must be through all of its legal challenges by next summer for maps to be drawn up in time for the 2012 elections. The Fairbanks North Star Borough, City of Petersburg and two individuals in Fairbanks are the plaintiffs so far. One point to be raised is whether the state reapportionment board had adequate expert advice on socioeconomic and legal implications of the new House District 38, which goes from west Fairbanks to the Lower Yukon River region.

NEW FEATURE FILM SET IN ALASKA TO START WORK IN OCTOBER: John Cusack and Nicolas Cage will likely star in "The Frozen Ground," a movie based on the story of Anchorage serial killer Robert Hansen, believed to have killed up to 21 women in the 1970s and 1980s and now serving a life term at the Seward prison. The filming is set to begin Oct. 10 in Anchorage. The producer, Randall Emmett said that he decided to film the entire movie in Anchorage because "it made sense for us to do the whole film in Alaska." The Alaska Film Office said the state is preparing to pre-approve the movie for the state's film incentive program, which allows filmmakers to recoup as much as 44 percent of their spending. The budget for "The Frozen Ground" will about \$27 million.

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Healy coal power plant restart; LNG trucking plan

August 25, 2011
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Is this possible? 25% cut in Fairbanks power prices?

There may be good news on the horizon for at least part of Fairbanks' energy problems. Golden Valley Electric Assoc. says its rates for customers could be cut 25 percent if two initiatives bear fruit. One is the co-op's long-standing effort to restart the mothballed Healy Clean Coal Project. A new state air quality permit for the plant is out for public review (see page 2). At current oil prices (GVEA burns oil to generate power) this alone could reduce costs 20 percent, with the plant supplying 20 percent of GVEA's demand. Another 5 percent price reduction could occur if a plan to truck liquefied natural gas from the slope goes ahead.

GVEA is working on LNG jointly with Flint Hills Resources, owner of the refinery at North Pole. Flint Hills' entry into the deal brings in a partner, Flint Hills' owner Koch Industries, with

financial resources and plant operating experience. The LNG trucking could also make more gas available to Fairbanks Natural Gas, the small gas utility that now trucks LNG from Anchorage. FNG cannot now expand its system, which serves about 1,200 customers, because of uncertainties in the Cook Inlet gas supply. If North Slope gas is available, it could grow to address the other pressing energy need, space-heating. Fairbanks' economy is relatively stable but

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Our Resources Supplement distributed separately

Statewide employment is up; oil jobs appear stable

First quarter 2011 employment numbers released by the Department of Labor and Workforce Development show jobs numbers up statewide compared to the same period in 2010. These are confirmed numbers based on employers' reports to the department, not the agency's employment estimates that are made on a monthly basis. The data shows total Alaska employment at 308,450 in January; 314,746 in

February and 316,920 in March. These compare to 304,237 for January 2010; 308,561 for February 2010 and 311,103 for March 2010. Oil and gas employment and construction, two categories watched as indicators of economic activity, were stable in the first quarter for oil and gas and slightly down for construction. Professional and business services, a broad category of profes-

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General Business:

New effort for Healy coal permit

After a two-year hiatus a new draft air quality permit for the Healy Clean Coal plant restart is out for public review from the Dept. of Environmental Conservation. DEC is accepting comments through October, after which the permit goes to the U.S. Environmental Protection Agency for a 45-day review. A restarted the 50-Megawatt coal plant would supply 20 percent of Interior Alaska's residential and commercial power requirements and would reduce consumers' electric bills by 10 percent, Golden Valley Electric Assoc. says.

If the permit is issued GVEA would complete a purchase of the plant from its current owner, the Alaska Industrial Development and Export Authority. The plant was built in 1998 and operated in 1999 during a test of new-technology air emissions control systems before being closed due to a commercial dispute between AIDEA and AEA. An agreement between the two took a decade to resolve.

Environmental groups may yet sue to block the new permit. They are pushing GVEA to install additional air emissions control systems, which could add substantially to the cost of the plant restart. There is sensitivity about this because of nearby Denali National Park, but the National Park Service has been supportive of the plant reopening with the proposed permit.

Ketchikan's city council decided against a plan to fit a new fire station with a wood-pellet boiler, and will go with a plan for an oil-electric boiler. The building is 35 percent complete and the shift from oil/electric to wood pellet would have added \$550,000 to costs and imposed a two-month delay. Proponents of the idea argued the conversion would cost less than \$550,000 and that wood would have been less expensive in the long term.

Fairbanks electricity costs (Cont.)

- Continued from page 1

energy costs, which can reach \$700 to \$800 per month in combined fuel oil and electricity costs, have raised living costs and created a serious economic problem for the community. Other good news for Fairbanks. International Tower Hills Mines released an updated economic assessment for its Livengood gold mine project, with capital costs pegged at \$1.6 billion.

DOTPF: \$190 million in Interior

The state Dept. of Transportation and Public Facilities will spend about \$190.2 million in its Northern Region, which includes Interior, northern and northwest Alaska, mostly on roads but including some airport work, mainly the runway renovation at Kotzebue.

The U.S. Forest Service has new research facilities under construction in Juneau, with completion expected in about 18 months. The 11,000-square-foot building will cost \$8.3 million. USFS research workers now using leased space.

Permanent Fund swings in value

In the recent market swings on Wall Street, the Alaska Permanent Fund lost more than a billion dollars in one day. Even after recouping some of that loss in the rally that followed, the fund has dropped about \$2 billion from its high of \$40.1 billion reached on June 30. The fund's managers emphasized that such volatility notwithstanding, they remain committed to a strategy of investing for the long term. The current stock market fluctuations won't affect this year's dividend check amount, which is calculated based on the fund's cash profits over the past five fiscal years. This year, the Fund expects to transfer about \$800 million for dividend, down from last year's \$858 million that meant a check of \$1,281 for every eligible Alaskan.

No gas pipeline customers yet, but TransCanada still trying

TransCanada Corp. told state legislators it is on track to file next year for a U.S. Federal Energy Regulatory Commission certificate for its planned 48-inch gas pipeline from the North Slope to Alberta, but acknowledged it doesn't yet have customers signed up after a 2010 open season. The company said it is focused on the Alberta pipeline and not a pipeline to Valdez, which it also offered to potential shippers in the open season. TransCanada also said it is obligated to hold another open season for its project in 2012 but Valdez LNG proponents worry that the Valdez alternative may not be offered as it was in 2010. TransCanada feels it is obligated under its contract with the state to offer Valdez as an option only once, which it did in 2010.

Given changes in national and world energy markets, the Alaska Gasline Port Authority, a municipal group pushing for a Valdez liquefied natural gas plant, says there may be more interest now in LNG exports than in 2010 and that Valdez should be offered again by TransCanada. There are reports that Mitsubishi Corp. is interested in purchasing 1 billion cubic feet a day of gas shipped as LNG and would sign a 20-year contract. Mitsubishi is aligned with the port authority and Sempra Energy, of California, in working on a Valdez project.

Alaska airport incentives: The Alaska Department of Transportation has developed an incentive plan for use at Anchorage and Fairbanks airports that might result in more flights and fewer stops when travelling to the Lower 48. The program, now under public review, would waive certain fees for airlines that create new passenger or cargo service to those airports. However, any such program will take a while to implement and persuading airlines to increase service to Alaska can be a hard sell, said one Fairbanks airport official.

Gas-to-methanol for North Slope? Janus Methanol AG of Switzerland, a long-established methanol producer, has been in Alaska meeting with state officials and others on a plan to build a methanol plant on the North Slope to manufacture liquid methanol from natural gas and ship it through the Trans Alaska Pipeline System. Most "gas-to-liquids" ideas for the North Slope have centered on plants using the Fischer Tropsch process, a technology used by Shell and Sasol on gas-to-liquids plants in South Africa, Malaysia and the Persian Gulf, but methanol is a different approach. State officials said the process might create technical challenges particularly for the refineries which take crude oil from TAPS.

Cook Inlet, Healy wind power projects: There are still hopes that some construction can be done yet this year on two "railbelt" wind projects set for construction, Cook Inlet Region's Fire Island project near Anchorage and Golden Valley Electric Assoc.'s Eva Creek wind project near Healy. Commercial agreements on both projects are in place but the required Regulatory Commission of Alaska approvals are needed. Pending that approval, the bulk of the work on both projects will be done in 2012.

Business Intelligence

Confidence among Alaskans rises a bit, new survey shows

Anchorage-based Northern Economics Inc., an economics consulting firm, published results of its second-quarter “Alaska confidence survey” for the second quarter of 2011. The index of confidence rose 0.9 points to 53.7 from the first quarter and is 2 points above the index for the 2010 second quarter. However, the index is still down from a high of 55.7 for first quarter 2010, when Northern Economics began its surveys. Opinions were stronger at either range of economic expectations, though. Survey respondents who felt the state’s economy was “good or very good” rose 5 points in the quarter, while those who felt conditions were “bad or very bad” rose 3.2 percent over the first quarter and 4 points over the same quarter of 2010.

FAIRBANKS SPRUCES UP ITS DOWNTOWN; TOURISM RAILROAD MAY BE EXTENDED: Fairbanks business groups are working on further visitor amenities including additional greenbelts, walking and bike paths and lookout areas along the north bank of the Chena River (greenbelts and paths already exist on the south, or downtown, side of the Chena). The major landowner on the north side, the Alaska Railroad Corp., is working with Festival Fairbanks, a downtown business group. An imaginative idea city planners are pursuing is extending the small tourist railroad, the “Pioneer Express” that has operated at Pioneer Park, the city’s visitor and historical center, to the downtown core business area, to shuttle visitors back and forth between the park and the Morris Thompson Cultural and Visitor Center downtown. This is part of a broader community planning effort underway to get more people downtown.

ANOTHER ALASKA REALITY SHOW; TOUR GROUPS SAY THEY ARE MIXED BLESSINGS: Another Alaska reality show will air soon nationally, this one on U.S. Coast Guard rescue helicopter pilots and rescue swimmers based in Kodiak. A series will start Nov. 9 and will run seven weeks on the Weather Channel. Filming was done in Kodiak earlier this year. Alaska tourism groups say the awareness of Alaska generated by programs like “The Deadliest Catch” and “Ice Road Truckers” cuts two ways. They do incite curiosity and interest among potential visitors, but they also convey a misleading message that Alaska is a dangerous place.

FAIRBANKS GETS A SHARP HIKE IN WATER, SEWER RATES: Even if Fairbanks may see lower electric rates in the future (see page 1) other utility costs are still rising. The Regulatory Commission of Alaska gave Golden Heart Utilities (GHU) of Fairbanks interim authority to raise water and sewer rates by 11.8 percent for water and 15.9 percent for sewer. The commission is still considering a permanent rate increase and will rule on this by Sept. 7. The increase was sought so that GHU could deal with rising costs, created partly by declining demand for water, and aging infrastructure, and to align rates with those of College Utilities, a sister water and sewer utility that operates in an adjacent service area. The city of Fairbanks protested the increase arguing the hardship such a large increase would impose on the utility’s 6,500 customers in Fairbanks, and particularly low income residents.

Still at issue in this is a court case and potential new RCA ruling on three interim rate increases allowed since 2005 for Fairbanks Sewer and Water, parent company of GHU and College Utilities, in which there

are allegations that the utilities overcharged. Some \$12 million in potential refunds are at issue. A state Superior Court judge has returned the case to the RCA, asking for a new ruling, which is due by the end of the year.

CALISTA HAS NOW SOLD ALL OF ITS SHUTTERED ALASKA NEWSPAPERS INC. HOLDINGS:

Calista Corp. has now sold all of its Alaska Newspapers publications after a board decision in July to close ANI. Businessman Jason Evans and his wife Kiana Peacock have purchased the Arctic Sounder, Dutch Harbor Fisherman and Bristol Bay Times and two shopper publications ANI produced. The Cordova Times was purchased by Jennifer Gibbins, its editor and a Cordova resident. The Seward Pheonix Log and Bethel Tundra Drums were purchased by Edgar Blatchford, a University of Alaska professor and former businessmen who formerly owned the Pheonix Log. First Alaskans Magazine, an upscale bimonthly magazine about Alaska Native and rural affairs, was purchased by First Alaskans Institute, an Anchorage-based nonprofit.

HOMER SEES MORE STATE AND SALES REVENUES, BUT LOWER PROPERTY TAX INCOME:

Homer city officials told city council members that the city's overall income is expected to be similar in the city's FY 2012 budget to FY 2011, and that an increase in state revenue-sharing should offset a decline in property tax revenues due to lower assessed values. Homer Chamber of Commerce officials said visitors appear to be up 10 percent to 12 percent based on the numbers of inquiries at the local visitor's center, and that this could result in higher sales tax revenues. Some Homer merchants are complaining, however, that cruise ship visitors aren't spending as much money shore-side as they had hoped.

NINTH CIRCUIT REJECTS REHEARING ON ADVERSE JUNEAU ROAD DECISION: The U.S. Ninth Circuit Court of Appeals denied a state request for a rehearing by the full circuit court of the rejection earlier

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Petroleum:

Oil employment appears stable

- *Continued from page 1*

sional services, much of it engineering, was up for the first quarter. Oil and gas employment is showing an interesting and unusual summer bump upward. Usually the industry's peak is in winter.

The June-through October 2010 summer period showed oil and gas workers increasing to over 13,000 for the six months, then dropping back to the 12,500 range for the first quarter 2011, levels similar to first quarter 2010. Our interpretation of this is that the summer job gain is driven by intensified facility maintenance work. Winter work, which reflects activity like exploration and new facility construction, activities that add new oil production, appears lower than in recent years.

Busy winter drilling season on slope

Repsol, the Spanish oil company, has submitted plans for up to five rigs working this winter on its North Slope acreage. The company hopes to drill three wells from each surface location, which would be on ice pads. Repsol plans 65 miles of ice roads to support its activity. Repsol has 157 state leases onshore and offshore but 84 of those are set to expire between 2012 and 2014.

Brooks Range Petroleum plans to operate one rig to test its North Tarn discovery made last winter and, depending on results, drill two delineation wells to define the prospect, which the company has named "Mustang."

Great Bear Petroleum hopes to drill three wells between October and January, relinquish its rig, and then return to the same locations to drill three lateral "sidetrack" later in the spring when a rig is again available. The company

- *Continued at top right*

Alaska Economic Report No. 13/2011

Busy winter drilling season (Cont.)

will drill from existing gravel pads along the Dalton Highway, so it is less constrained by seasonal limitations on surface movement. Great Bear is testing its concept of producing oil from shale formations on the slope.

Linc Energy will move a rig to its federal leases at Umiat this fall with plans to drill four wells. One project that is still uncertain is by UltraStar Exploration, a small Alaska independent, with plans to drill a test at its "Dewline" prospect this winter but is still raising the venture capital needed as well as working to find a suitable rig.

Also, and we've reported this before, Anadarko Petroleum plans to return to its "foothills" exploration locations this winter to do further tests on gas discoveries. These will not require a drill rig. Anadarko is exploring on lands owned by Arctic Slope Regional Corp.

Escopeta's jack-up rig arrives

Escopeta's jack-up rig arrived in Cook Inlet and has moved to its drilling location but the state Division of Oil and Gas has scolded the company for setting the vertical steel legs of the rig to the ocean bottom without completing required bottom site surveys required by the state. Escopeta is also subject to a fine, potentially hefty, for moving the Blake 151 rig to Alaska with part of the voyage on a foreign-built heavy-lift vessel, a violation of the federal Jones Act, which requires inter-coastal movements to be done with U.S.-built vessels.

Bit by bit, federal approvals for Arctic offshore exploration are falling into place. The latest is release of a revised Environmental Impact Statement for the contested 2008 Chukchi Sea OCS lease sale, where Shell and other companies bid over \$2 billion for leases.

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Minerals:

Pebble initiative will go to local voters

In a case being closely followed by minerals groups, the Alaska Supreme Court ruled to allow a vote on an initiative to change a law in the Lake and Peninsula Borough to bar it from granting permits for any large mine that would have a significant impact on salmon streams. Initiative sponsors had said that the only mine that would be affected by their measure was the large proposed Pebble copper and gold mine. The Supreme Court ruling was a loss for Pebble, which had gone to court to halt the initiative. Mine proponents say the mining and fishing can coexist in the area and the project would bring in needed jobs. However, opponents claim that the proposed mine would harm streams that provide sustenance to large runs of red and king salmon.

Kinross Gold, the owner of Fort Knox mines, donated nearly \$1 million to the University of Alaska Fairbanks' mining engineering research. The money will go to a new endowment to fund graduate research projects.

Fisheries:

2011 salmon season is disappointing

The 2011 salmon season is turning out to be a bit of a disappointment in many areas. The projected harvest of 203 million salmon is unlikely to be met, fisheries experts now say. The biggest letdown was in Bristol Bay, where the sockeye catch is now estimated to reach 20 million, down 8 million from the forecast. This is offset somewhat by good sockeye catches in Cook Inlet and several other places. Still, other harvests are down too, such as the pink salmon catch in Prince William Sound and Southeast.

2010 fisheries values up 22% over 2009:

There is a year lag in the accounting, but the Alaska Seafood Marketing Institute says the total

- Continued top right

Fisheries:

2011 salmon harvest down? (Cont.)

value of the 2010 harvest, including all species of fish, reached \$1.74 billion, up 22 percent from \$1.4 billion in 2009.

New salmon freezing technique

A new technique to freeze-dry salmon that allows the fish to retain its color and texture could lead to more Alaska salmon being shipped to customers out of state. A seafood technology specialist at the Kodiak's Fishery Industrial Technology Center and a visiting scientist from Vietnam developed the technique. The freeze-drying is done in two stages. In the first stage the fish is cut into cubes and put into a freeze-dryer to remove moisture; in the next stage, the cubes are put into a dryer to remove the remainder of the moisture. The method ensures that the cubes keep their shape and don't shrink as much as they would in traditional freeze-drying, the scientists said. As good as the technique sounds, it's not ready for prime time. The process is very energy-intensive and requires "serious vacuum pumps," and with Alaska's high energy costs it will not be economically viable anytime soon. However, it might be viable for use Outside and has already garnered some queries.

Emergency towing system is tested

The Kodiak-based Coast Guard cutter *Spar* recently tested a system in the Chukchi Sea 83 miles north of Kotzebue that is designed to tow large disabled ships. At the scene, the cutter used an emergency towing system that can be deployed by a helicopter sling or hoisted aboard from a tug or other vessel. In the Chukchi test, the towing system was hauled onto the 126-foot tug, *Sidney Foss*, which then towed the *Spar*. The system was developed after the 2004 grounding of the cargo ship *Selendang Ayu*. It was used to tow the 738-foot *Golden Seas* to Dutch Harbor for repairs after it lost propulsion last December.

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this year by a three-judge panel of the court of the state's plan for the "Juneau Access Project," a highway built north from Juneau. The highway, with a cost pegged at \$500 million, would be built north along the east side of Lynn Canal to a ferry terminal that would provide a short-distance connection to nearby Haines and Skagway. The court said the state has failed to adequately consider improved ferry service as an alternative to the highway.

NO DECISION YET ON PROCUREMENT FOR NEW STATE FERRY: The state ferry system has still not decided which procurement system it will use to bid for construction of the planned new 350-foot "Alaska Class" ferry. The state has \$120 million on hand to pay for the new ship, the bulk of it state funds. What's at issue is whether the state could use a more flexible negotiation process which could make it easier for Alaska Ship & Drydock in Ketchikan to bid on construction of the ship. Otherwise, Pacific Northwest shipyards might have an advantage.

FERRY SYSTEM MAY SHIFT MORE WORKERS TO KETCHIKAN: Two years after the Alaska Marine Highway System's headquarters moved from Juneau to Ketchikan, the state is now thinking about a similar move for nearly two dozen jobs with the reservations office in Juneau. The Alaska Department of Transportation said that the move is being considered for reasons of efficiency and that DOT is reviewing if there are cost savings or productivity improvements, but that there are no imminent plans. Any decision to move the employees would be made either by the commissioner or the governor. Any such move would be unpopular with Juneau residents who work in reservations, and the local paper said that when the ferry system moved its headquarters to Ketchikan several residents quit working for the ferry system. Juneau city leaders are expressing concern over the slow migration of state workers including commissioners out of the capital city, mainly to Anchorage, even though the governor's office and Legislature and many state offices still remain in the capital.

STATE MAY HAVE TO SUBSIDIZE KNIK ARM BRIDGE IF TOLLS ARE INADEQUATE: There is a good chance that the state would be asked to fund any difference between what is collected from tolls on the proposed Knik Arm bridge and what the developer will be paid, the firm doing the traffic forecast said. The Knik Arm Bridge and Toll Authority wants an initial \$150 million from the state to create a reserve for expected shortfalls during the first years after the bridge is open.

The Kenai liquefied natural gas plant owned by ConocoPhillips and Marathon Oil will now be able to operate until October after ConocoPhillips sold an additional cargo of LNG to an Asian buyer. The plant was set to be mothballed this summer, but that is now delayed until later this year.

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Company more confident about permits, prospects offshore

September 10, 2011
No 14/2011

Shell: "Multi-billion barrel" field possible in Chukchi Sea

Shell says it believes its prime target in Chukchi Sea exploration drilling planned in 2012, the Burger prospect, has the potential for being a multi-billion barrel discovery. It would be a "basin opener" for the region and would also open the National Petroleum Reserve-Alaska because a pipeline built across NPR-A to reach the Chukchi Sea would make a lot of small and medium-sized discoveries considered likely in the reserve possible to develop. The company briefed the Alaska Industry Support Alliance on its program on Sept. 9.

Shell has been stymied by lawsuits and other setbacks since acquiring the Chukchi leases in 2008, but the company is now very optimistic that there is now light at the end of a long tunnel. Shell hopes to receive an air quality permit for its drill vessel that will operate in the Beaufort Sea in mid-October

and a similar permit in mid-December for the drill-ship planned to be used in the Chukchi Sea. Drilling permits must also be issued and, most important, the 2008 OCS Lease Sale 193 must be finally clear of litigation. Progress on all of those fronts is being made, Shell says. Meanwhile, the company said it will exceed \$4 billion in expenditures on its Alaska program sometime this fall, over \$2 billion spent for the Chukchi leases in 2008. It may be worth it: The company says it is also "more confident than ever" in the potential of the Arctic offshore.

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Our Resources Supplement distributed separately

2011 salmon catch: Harvest is ho-hum, but money still good

Mother Nature is pulling one of her surprises again. The 2011 salmon harvest, which was thought to top 200 million fish, will fall short. It should wind up at about 170 million fish, roughly at the same level as 2010, but the payments to harvesters could exceed the approximate \$530 million paid last year because of higher prices. The pink salmon catch was very erratic, beating forecasts in Southeast but coming in below ex-

pectations in Prince William Sound and Kodiak. Bristol Bay, the big sockeye fishery, came in early by about 10 days, catching harvesters and processors off guard.

Dutch Harbor was ranked the nation's top fisheries port again in terms of pounds landed. Two other Alaska ports on the "top 10" list of U.S. ports: Kodiak was listed fifth and Cordova was listed in eighth place.

General Business:

New Peterburg borough proposed

The City of Petersburg is proposing a new borough in Southeast Alaska wedged between the City and Borough of Juneau and the Wrangell Borough, which is also fairly new. The proposed 4,437-square-mile borough would include the planned Thomas Bay hydro project planned by Alaska Hydropower Inc. as well as the 30,000-acre Hobart Bay tract owned by Juneau's Goldbelt, Inc. which is a proposed cruise tourist destination. One of the factors motivating Petersburg is a desire to exert more influence on the Thomas Bay project. Petersburg now has a population of about 2,900. Creation of a borough would add 300. The proposal is now before the state Local Boundary Commission.

Acquisitions:

Alaska Waste is sold to California firm

Waste Connections Inc. of Folsom, California signed agreements to acquire Alaska Pacific Environmental Services Anchorage LLC and Alaska Green Waste Solutions, companies that now operate solid waste services under the Alaska Waste name. Alaska Waste officials said Waste Connections brings experience in advanced waste recycling and disposal technologies to Alaska.

Nabors acquires 100% of Peak

Nabors Industries Ltd. acquired Cook Inlet Region Inc.'s 50 percent share of Peak Oilfield Services. Previously the two companies held 50-50 ownership shares in Peak, but Nabors had an option to buy CIRI's interest, which it has exercised. CIRI and Nabors are also partners in Alaska Interstate Construction, which is not affected by the Peak acquisition by Nabors. Peak does oilfield and other support work. AIC specializes in civil construction and specializes in work for the oil and mining industries.

Minerals:

Northern Dynasty wants to sell

Northern Dynasty Minerals Ltd. wants to sell its 50 percent interest in the proposed copper and gold Pebble Mine project near Lake Iliamna and says Pebble needs a large mining company to step in and help move the project forward. Northern Dynasty has said previously it would eventually sell its stake in the project. Opponents and proponents of the mine, one of the more controversial projects of recent years, have been waging a public relations battle in recent months. Opponents include environmental groups, commercial fishermen, and area lodge owners, who say the project would harm the salmon-rich Bristol Bay and the streams where the fish spawn. Proponents argue the region badly needs the jobs the project would create. Northern Dynasty acquired Pebble in 2001, brought in Rio Tinto as a shareholder in 2006, and in 2007 formed a 50-50 partnership with Anglo-American, a major company. Northern Dynasty says its job of discovery and exploration at Pebble is complete.

Cook Inlet risk assessment is launched

A new advisory panel will examine marine transportation risks in the Cook Inlet for a federally mandated study. The Cook Inlet Risk Assessment Management Team that includes the Cook Inlet Regional Citizens Advisory Council, the Alaska Department of Environmental Conservation, and the U.S. Coast Guard is seeking member to serve on the panel. Initial funding for the \$2 million study came from DEC, which contributed \$250,000. Members of the panel would come from Native organizations, subsistence users, fishing interests, the oil and shipping industries, and other interested groups. The main focus of the study is to figure out whether Cook Inlet needs more navigation oversight.

Discussions begin on Flint Hills royalty oil contract renewal

The state royalty oil contract with Flint Hills Resources expires in 2014 but the company is already in discussions on a new contract, state officials say. The pricing mechanism for the existing contract has attracted some criticism because it provides for Flint Hills to pay a premium for royalty oil under some circumstances. This has contributed marginally to higher fuel prices in Interior Alaska, critics of the contract argue.

The pricing is complex but it has resulted in Flint Hills paying slightly more for the royalty “in kind” (RIK) oil than the royalty “in value” paid by oil producers. According to information provide to state legislators by the state Dept. of Natural Resources, from April 2004 to December 2010 Flint Hills paid the state an average of \$61.88 per barrel compared with the average of \$61.09 per barrel received by the state “in value” payments by producers. The difference was 79 cents/barrel. Over that period the state has received \$107 million more for its royalty oil than was paid in value. In 2010 the state sold roalty oil for \$74.08 per barrel on average compared with \$73.54/barrel for in-kind payments, a difference of 54 cents/barrel. Figures for 2011 are not available. Flint Hills has reduced its royalty oil take in 2011, under an option in the contract, to a range of 30,000 barrels per day at minimum to 41,250 barrels per day at maximum, down from a minimum of 56,000 barrels per day to a maximum 77,000 barrels per day previously. The reduction was no doubt linked to a decrease in jet fuel shipments to Ted Stevens International Airport in Anchorage, where air carriers are now importing more jet fuel.

The new royalty oil contract will have to be approved by the Legislature, most likely in 2013, and contract negotiations with the DNR should be underway in 2012. There is some concern that with the administration’s focus on stimulating “upstream” oil exploration and development (the governor’s “1 million barrels per day in 10 years” goal) that issues like the royalty contract, which are complex, may get second tier status. This is the state’s only royalty sales contract. Petro Star, which operates small refineries near Fairbanks and Valdez, has been able to purchase crude oil from a North Slope producer, either Anadarko Petroleum or Pioneer Natural Resources.

Senate approves Alaska project funds, including icebreaker

The Senate Appropriations Committee approved several Alaska-related items in a bill it approved Sept. 7, including \$39 million for the U.S. Coast Guard’s ice breaker program, \$15 million for the U.S. Department of Energy’s methane hydrates research and \$14 million for the ongoing Port of Anchorage expansion. ConocoPhillips and BP are working with the DOE on tests of producing methane from hydrates on the North Slope. Scientists believe hydrates could hold immense quantities of methane, the main component of natural gas.

Business Intelligence

GCI's fiber-optic, microwave extension to Bristol Bay region moves along

GCI's \$88 million project to extend fiber optic and high-speed microwave telecommunications into Southwest Alaska is moving toward completion. Fiber-optic cable has been laid from Homer across Cook Inlet and the onshore section to Lake Iliamna is now nearly complete. Poles needed to carry the cable were installed by Peak Oilfield Services, the contractor. GCI will have the fiber optic completed up the Kvichak River very soon. Thirteen high-speed microwave are also nearly finished. Marsh Creek is the contractor for the microwave end of the project. The entire system will be operational in 2012 but the 400 miles of fiber optic will be in use before then. Sixty-five rural communities will be served by the system, called TERRA-SW. Half the funding for the project came in federal economic recovery grants, with the other half through loans. GCI's next phase the TERRA-NW, will extend the system on to Nome. This will be finished in 2013.

UNIVERSITY PLANS EXPERIMENTAL "SUSTAINABLE" STUDENT HOUSING COMPLEX: University of Alaska Fairbanks plans an experimental 16-unit first phase "sustainable" student housing complex built in cooperation with the Cold Climate Housing Research Center. The first designs for the units, intended to have very low operating costs, are due Oct. 15. The units incorporate renewable energy systems like solar, wind and biomass and will rely on advanced gray water recycling and waste management systems. Each of the 16 units will house four to five students. UAF will finance the project, with the debt to be paid by student rental fees.

SMALL ALASKA WOOD PRODUCTS MANUFACTURING FIRM STAYS THE COURSE: Who says small niche forest products manufacturing isn't workable in Alaska? The Great Alaska Bowl Co., which makes carved wooden bowls from local Interior Alaska trees, is celebrating its 20th year in 2011 in Fairbanks. The company employs five to 10 workers, sells to tourists and offers its retail space to other vendors.

SITKA STRUGGLES TO RESTRAIN POWER USE WHILE IT AWAITS HYDRO EXPANSION: Sitka is struggling to contain increased residential use of electricity for home heating because uncertainties over future power costs is inhibiting future industrial expansion. Eighty percent of the 2.5 percent increase in power use last year resulted from homeowners switching from fuel oil to electricity, which is generated with hydro power and is less expensive. The problem is that if Sitka exceeds its hydro capacity, which depends on enough rain occurring this fall, the local utility will have to switch to diesel with possible fuel surcharges to customers. A \$100 million expansion now underway of Sitka's Blue Lake hydro project will add 27 percent to the hydro capacity but this won't be available until 2016 after the expansion is complete and the reservoir fills to the necessary level. A survey of Sitka electric customers showed almost as many heating with electricity (37 percent) as with oil. The remainder rely on wood heat or other sources of energy. *One casualty of the uncertainty over power is a fish waste processing plant proposed for Sitka, although financing problems were also part of this.*

SOUTHEAST FISH CHARTER OPERATORS HOPE FOR A DEAL WITH COMMERCIAL FLEET:

Southeast Alaska Guides Organization, or SEAGO, an association of fish charter operators and lodges, is

working with commercial halibut fishermen on plan for charter operators to lease halibut quota, alleviating problems from a "one halibut per charter" imposed as a conservation measure by federal regulators. The group is working with a \$200,000 grant from the National Fish and Wildlife Foundation to develop the plan, which will be submitted to the North Pacific Fisheries Management Council in September. SEAGO believes the plan could be in effect next year, which will be a boost for Southeast tourism.

ALASKA AEROSPACE SETS SEPT. 27 LAUNCH DATE FOR NEW SATELLITE: Alaska Aerospace Corp.'s launch of a Minotaur IV rocket from the Kodiak Launch Complex is now set for Sept. 27. The rocket will boost an experimental military surveillance satellite into orbit, a Naval Research Laboratory project. The satellite to be demonstrated is intended to provide coverage three times daily of any location, with two hours of coverage at each pass. The last launch from Kodiak was last November when a rocket boosted several small satellites into orbit.

The state-owned corporation is working with Lockheed Martin on a potential project to do annual launches from Kodiak, boosting satellites for a variety of customers including universities and private firms.

SKAGWAY ACCEPTS "GATEWAY" PORT PROPOSAL: Skagway's port commission gave a conceptual approval to the city's new "Gateway" port development project and one major customer, Selwun Chihong, a mining company, gave it the stamp of approval. PND Engineers presented the plan for a new 797-foot steel dock to replace a wooden dock built in 1968. The plan also involves dredging the basin to a 50-foot depth to accommodate large ore carriers. The city has \$15 million available for the project, \$5 million of city funds approved in a bond issue and \$10 million in a state capital grant. Alaska Industrial Development and Export Authority, which owns the ore loading terminal, has authorization to spend \$65 million for terminal improvements. Skagway's port is the major outlet for mines operating in Yukon Territory.

- Continued on page 8

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Petroleum:

Escopeta now drilling in Cook Inlet

Escopeta Oil is now drilling in Cook Inlet with a the Spartan Drilling Co. jack-up rig brought to Alaska from the U.S. Gulf of Mexico. As this is published, Escopeta's KLU No. 1 well is at 1,800 feet. The state has limited to company to initially drilling to 5,000 feet and will then approve further drilling in increments to the total planned depth of 16,000 feet. If Escopeta can't finish the well by Oct. 31 then for safety reasons, drilling can be suspended for the winter and resumed next spring. If that happens the state Dept. of Natural Resources is considering ways of extending a January termination date for the Kitchen Lights Unit, which holds the leases Escopeta is drilling.

Second jack-up rig to Inlet in 2012

A second jack-up rig planned for Cook Inlet drilling has been purchased by Kenai Offshore Ventures, a company formed by Buccaneer Energy of Australia and Ezion Holdings of Singapore, with the deal set to close in October. At that time a \$30 million investment in the rig by the Alaska Industrial Development and Export Authority, a state corporation, will occur, AIDEA told us. The rig is the Adriatic XI owned by Transocean Offshore Resources. The acquisition cost was \$68.5 million. Buccaneer said in a press release that the rig will be moved to Cook Inlet next spring.

Although Escopeta will probably wind up winning a special first jack-up rig tax incentive worth \$25 million Buccaneer said other state incentive programs will effectively pay 65 percent of the cost of its wells. One key difference is that if Escopeta makes a discovery it will have to pay back the state's \$25 million tax credit. That repayment won't be required of Buccaneer if it qualified under the second set of incentives.

One more exploration well on slope?

Alaska oil wildcatter Jim Weeks says he hopes to drill an exploration well this winter in his DEWline unit north of the Prudhoe Bay field. Weeks said he will know later this fall if investment capital will be

– Continued at top right

Busy winter drilling season (Cont.)

available. A previous well in the area was unsuccessful. The 2011-2012 winter season looks to be a busy one on the slope, with Repsol, Brooks Range Petroleum and Linc Energy planning exploration wells and core tests to be drilled by Great Bear Petroleum, which is pursuing a possible shale oil project. Anadarko Petroleum will test a gas discovery it made two years ago on the southern North Slope and Brooks Range will test a discovery it made last year west of the Kuparuk River field.

Republicans talk ANWR in Congress

Arctic National Wildlife Refuge exploration is being talked of again in Washington, D.C. House Resources Committee chair Rep. Doc Hastings said oil and gas production in ANWR could contribute new revenues to the federal treasury and reduce U.S. oil imports, easing the nation's trade imbalance. Hastings' remarks came during an energy and jobs summit in Washington, D.C.

BP to shift procurement strategy

BP officials told state legislators Sept. 9 that they are putting a new procurement strategy in place that will make more contracts available for contractors and service companies to bid on. Currently BP has contracts "bundled" in such a way that some Alaskan firms are disadvantaged. By "unbundling" or breaking up the contracts into smaller bundles, or groups of contracts, the competitive field will be widened. Unions are happy with the plan because some union contractors were among those disadvantaged. The first new contract bundles are to be on the street soon, BP told the legislators.

The state Dept. of Natural Resources will delay the North Slope lease sale planned for late October for several weeks to see if additional acreage could be added from a pending lawsuit, which was unidentified but is obviously the Point Thomson litigation. The sale is to offer about 15 million acres of unleased lands.

Fisheries:

Kodiak processors: Pinks down 50%

The pink salmon season has been disappointing for Kodiak. Processors there said they received about half the number of fish that had been forecast. Alaska Dept. of Fish and Game had forecast a harvest of about 29 million pink salmon. Processors are now gearing up for the pollock and cod autumn fisheries.

Southeast Dungeness crab

The Southeast Dungeness crab season wrapped up in mid-August with less crab taken than expected. As of the middle of the month 1.84 million pounds were taken compared with 2.57 million pounds as of the same date in 2010. Prices were better, however, at \$2.20 per pound this year compared with \$1.60 per pound last year. There were 141 permit holders fishing this year compared with 163 last year, with some harvesters deciding to focus on salmon.

Nine more Southeast shellfish farms

Nine new sites for oyster and clam farms are being proposed in Southeast Alaska. There are now 45 approved permits for oyster, geoduck and littleneck clam-growing sites in the region.

Concerns on replacing of Fuglvog

The forced resignation of Arne Fuglvog as Sen. Lisa Murkowski's top fisheries advisor over admitted falsification of fish harvest records when he was fishing has created a real dilemma for Murkowski in finding a replacement. The episode has created a potential cloud over anyone appointed who has industry experience, and the only alternative seems to be an appointee with government experience. Fisheries groups are very concerned over this, not just for Murkowski but also for future applicants to senior positions in federal fisheries agencies. Major

- Continued top right

Replacing Fuglvog (Cont.)

fisheries issues are pending in Congress, such as extensions of catch-share programs, and Fuglvog was a key player. He will be sentenced in federal court on Nov. 8.

Kake seafood plant: Sealaska Corp.'s effort to restart the troubled Kake Seafoods plant in Kake is now complicated by a claim by Rodger Painter, a Seattle businessman, on equipment in the plant. Kake Tribal Corp., which is working with Sealaska, says it owns the equipment.

Yukon River chum runs are higher

Chum salmon runs are higher on the Yukon River than forecast and state fish and game officials approved limited commercial fishing on lower parts of the river. The Yukon chum run is now forecast at 930,000 fish, compared with a historical average of 739,000. Coho, or silver salmon, are running a slight bit under the 166,000 historical average.

Seafood processing employment, an indicator of industry activity, is down in 2011 compared with 2010. State labor data estimates that 17,700 were employed in July in processing, down from 18,800 in July, 2010. Total seafood industry jobs were estimated at 29,891 by the state labor department for 2009.

Timber:

Southeast State Forest expanded

Gov. Sean Parnell signed House Bill 105 to add 23,181 acres to the Southeast State Forest, bring the forest to a total of 48,471 acres. The forest was created by legislative action in 2010 and the additional acreage was approved in 2011. Multiple uses will be allowed including timber harvesting and mining.

Business Intelligence - continued

- Continued from page 5

JUDGE RULES FOR WHITE PASS IN SKAGWAY WHARFAGE DISPUTE: In another Skagway port development, U.S. District Court Judge John Sedwick ruled in favor of White Pass & Yukon subsidiary Pacific & Arctic Railway and Navigation Co. in a dispute over wharfage fees with Minto Mine, a mining company operating in Yukon and shipping ore through Skagway. The dispute was whether PARN had rights to charge wharfage fees in addition to dockage fees for ore transferred over the dock. The parties had agreed to escrow funds until the dispute was settled, and \$165,124 is on deposit in an escrow fund managed by First National Bank Alaska.

REP. KYLE JOHANSEN RECALL ONE STEP FURTHER ALONG: State election officials approved a petition to seek a recall election for Rep. Kyle Johansen, a veteran Ketchikan legislator. Organizers turned in petition with 594 signatures, more than the 531 valid signatures, or 10 percent of those who voted in the last election, that are needed. The next step is gathering signatures to seek the actual recall election, and 1,327 valid signatures are needed, or 25 percent of those who voted. There will be close scrutiny of the signatures and challenges to their validity by Johansen's supporters. Johansen, a Republican, is in hot water with constituents in House District 1 over disagreements with the Republican House Majority. Those led to his ouster as House Majority Leader, a leadership position which could have benefited Ketchikan.

KETCHIKAN REPORT MODEST RISE IN SALES TAXES: The City of Ketchikan reported sales tax revenue for first six months of 2011 up 4.2 percent over the same period of 2010 and 5.2 percent above what has been projected by the city. Cruise ship visitors to Ketchikan for the year though July 31 were up only 0.48 percent from 2010, an increase of 2,417 to a total of 506,934 for the year so far.

Tour operators say their predictions of only modest increases in visitors are proving to have been correct. In Fairbanks, tour operators expected about a 10 percent increase in business and got about that. Some firms are marketing more heavily to the local market to supplement their normal visitor business.

JUNEAU'S AEL&P GETS APPROVAL FOR POWER RATE HIKE: Alaska Electric Light & Power of Juneau has been given permanent authority to increase electricity rates to pay additional costs of a hydro project. The Regulatory Commission of Alaska made the ruling after earlier approving a temporary increase. The new rate is 22 percent higher than AEL&P's original rate and will add about \$16 per month to a typical residential consumer in Juneau, who will still enjoy some of the lowest cost power in the state.

Total Alaska wage and salary employment in July was estimated at 355,100 compared with 348,200 for July, 2010. June figures were similar: 349,500 employed in 2010 compared with 342,800 in June 2010. The figures are from the state Dept. of Labor and Workforce Development.

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THE CHALLENGE

Two-thirds of the economic growth since statehood, as measured by jobs and income, can be traced to petroleum production, petroleum revenues, and petroleum spinoffs that have given a boost to other industries and households throughout the state.¹ Although these effects are most obvious in urban Alaska, they reach into every corner of the state—through generous public spending, low taxes, and the Permanent Fund dividend.

This prosperity has come from giant, low-cost fields—the largest being Prudhoe Bay—that the state owns on the North Slope. But now, those fields are in serious decline. As Figure 2 shows, we've used 80% of this high-revenue oil, with only about 20% of the identified 23 billion barrels of reserves remaining. Still, despite this situation, two things are currently creating a sense of complacency among Alaskans. There's a lot of petroleum employment right now, because more people are needed to squeeze the last reserves out of these fields. Also, high oil prices are bringing the state big revenues, even as production drops. Together, high employment and high prices have diverted our attention from the reality: when there is no oil left in the barrel, the associated jobs and revenues will also be gone.

And although it's impossible to predict how future events will unfold, Alaska's experience in the late 1980s—when a crash in oil prices ended the first huge oil-revenue boom—provides a glimpse of what could happen. Virtually all Alaskans were affected—by losing jobs, seeing the value of their houses plummet, or watching friends leave the state.

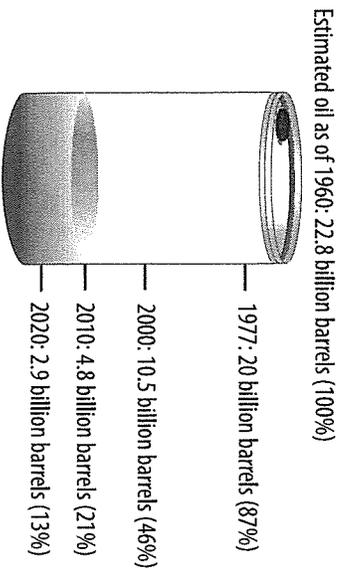
But luckily, the future doesn't have to be a repeat of the past. The state can play a significant role in shaping the transition to post-Prudhoe Alaska, by strategic use of all its assets. Alaskans need to keep in mind, however, that surprises—good and bad—will also continue to play a part in Alaska's future.

PETROLEUM ASSETS

Remaining Conventional Oil

• *The state might collect another \$59 billion in revenues from existing production in the next decade, which could be used to cushion the transition—but those revenues aren't guaranteed.* The remaining 20% of the high-revenue oil from state lands is worth much more, per barrel, than the 80% already produced. That's

Figure 2. How Much Conventional Oil Remains on State-Owned Land?



Source: Alaska Department of Natural Resources, historical production and projected future production

because oil prices are so much higher today than in that past. The state revenues forecast depends on oil prices remaining high, but it also assumes that in the future production won't decline as fast, dropping just 2% a year through 2020, compared with 6% a year in the past.

But the production rate on state lands—and the associated jobs and revenues—depends on investment decisions of petroleum companies. Those companies require a return on their investments consistent with opportunities elsewhere. Alaskans need to consider how to structure a tax policy that will not only bring in revenues in the short run, but encourage continued production at levels that keep the oil pipeline economically viable and future revenues flowing.

Natural Gas

• *A significant number of new jobs would be associated with finding and producing natural gas on state lands—but uncertainty in world gas markets means gas development isn't likely to happen as soon as many Alaskans hope.* There are known to be large reserves of natural gas on state lands on the North Slope. Some of that gas is already being put to use; it's reinjected into the ground to help boost production of high-value oil. The state has taken a number of steps to encourage construction of a gas pipeline, but the timeline is at least 10 years out—and today's market conditions can't be used as a basis for forecasting potential future state revenues from natural gas. It's likely gas will play a growing role in Alaska's future, but we can't rely on it as a centerpiece of a transition strategy.

Federal Lands and Non-Conventional Sources

• *Developing petroleum on federal lands onshore and offshore, as well as non-conventional sources on state lands, could produce thousands of jobs.* The potential of federal lands is huge, as are the estimated resources from unconventional sources like heavy oil. The timing of any development on federal lands is uncertain, and depends not only on economics and technology but also regulation, litigation, and legislation—over which the state has limited influence. Development of high-cost, non-conventional sources on state lands will also be affected by state tax policy. Whenever these resources are developed, they would generate employment that could match or exceed historical petroleum employment in Alaska. But potential state revenues from these resources are modest; they tend to be more remote and expensive to produce, and revenues would be shared with the federal government.

Money in the Bank

• *The state has big savings that can help pay for state government in the future, but it must continue to build those savings now.* The state currently has about \$55 billion of financial assets in three accounts built on petroleum revenues—the Permanent Fund, the Constitutional Budget Reserve, and the General Fund (including but not limited to the Statutory Budget Reserve). These accounts represent the state's attempt to convert its non-sustainable oil reserves into a sustainable asset that can generate revenues long after the last drop of oil has been produced.

The size of these accounts is impressive—but even so their earnings aren't yet big enough to pay for much of state expenses—particularly since half the earnings of the largest account, the Permanent Fund, is dedicated to paying Permanent Fund dividends. But if we continue adding to those savings, they can eventually replace a substantial share of oil revenues from state lands.²

OTHER NATURAL RESOURCES

• *Alaska's other natural resource industries will continue to support part of the economy—but their potential to grow is limited.* Minerals, seafood, timber, and our other natural resources, including the state's natural beauty, have always supported part of the economy.³ With targeted public investments, appropriate regulatory policies, and other development strategies, these resource industries can continue to prosper. But their modest size, growth potential, and limited profitability mean that expecting these other natural resource industries to replace petroleum is not realistic.

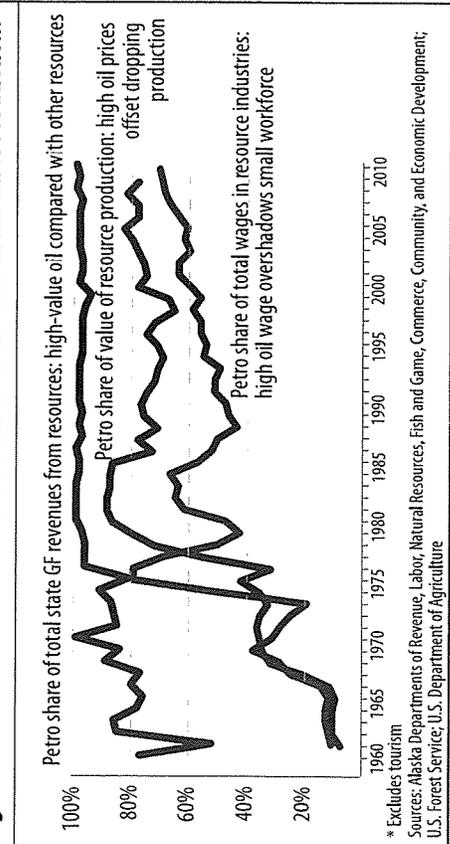
The dominance of petroleum among our natural resource industries is clear in the three measures shown in Figure 3.⁴ Since 1977, petroleum has accounted for 60% of all wages paid in resource industries, 83% of the total value of resource production, and 98% of all state General Fund revenues from resource production. The figure also shows that despite continuing efforts to build on our resource base, nothing has changed petroleum's dominance since oil began flowing through the pipeline.

Many Alaskans find it hard to believe that other resources can't rival petroleum. Alaska is often described—correctly—as a storehouse of resources, waiting only for a key to unlock them. But there is no magic key. Alaska is an “island economy”—with high costs, distance from markets, and absence of scale economies. Only very valuable resources are economic to develop. Also, activities that Alaskans can readily see—like tourism—can seem more important than their dollar value indicates.

FEDERAL GOVERNMENT

• *Federal spending supports an estimated one-third of jobs in Alaska, and it will continue to be important for the economy—but future federal spending won't grow as it did in the past.* A large share of Alaska's economic resilience, even as petroleum production was dropping, can be traced to growth in federal spending since the 1990s.⁵ But given the federal government's budget woes, Alaska and other states are likely to see cuts—and even if new activities of the federal government were to bring new jobs, the state cannot directly tax the federal government and collect revenues, the way it does from petroleum and other private industries.

Figure 3. How Does Petroleum Contribute to Total Natural Resource Production?*



SHAPING ALASKA'S FIRST 50 YEARS: UNIQUE LEGISLATION AND INSTITUTIONS

In 1959, the federal government owned 99% of Alaska land and controlled the natural resources. Much of the first 50 years of statehood have been shaped by new laws and institutions governing ownership and use of the land and the resources that are the foundation of the economy.⁶ These laws and institutions will also provide the context for the transition to the post-Prudhoe Bay era.

Alaska Constitution (1956)

- Established a framework for the new state, but left Alaskans broad flexibility to build government structures. Voters must approve any amendments.
- Reflects the importance of natural resources for Alaska, in a unique resource clause that calls for “utilization, development, and conservation” of the state's resources for the “maximum benefit of its people” and reserving fish, wildlife, and waters “for the people for common use.”⁸

Alaska Statehood Act (1959)

- Changed Alaska from territory with weak powers and undeveloped or non-existent institutions to a state with the same rights and powers as all other U.S. states.
- Awarded the state authority to select 103 million acres of federal land, to provide an economic base. Those selections turned out to include North Slope land that has provided the state's oil wealth for 40 years.

1971 Alaska Native Claims Settlement Act (ANCSA) and Alaska Native Corporations

- Awarded Alaska Natives \$1 billion and rights to select 44 million acres of federal land. The law called for creation of unique new business corporations—owned by Alaska Native shareholders—to manage the land and money. Some of these corporations are still struggling to be profitable. But others now rank among Alaska's biggest businesses, and are the best example of Alaska-owned businesses benefiting from resource development.
- Included a provision authorizing the U.S. Department of the Interior to close large areas to state and Alaska Native land selections and decide how much to add to parks and other national conservation areas. That led to passage of ANILCA, in 1980 (see below).

Alaska Permanent Fund (1976)

- Established after Alaskans in 1976 approved a constitutional amendment requiring at least 25% of royalties from natural resource production to be saved in a fund, the legislature couldn't spend—a “permanent” fund. Analysts say the fund may not have been unique at the time, but it was certainly rare.

• Could be opened to spending through a new constitutional amendment. But the fund has a very strong constituency among Alaskans, largely because of something that is probably unequaled anywhere: Permanent Fund dividends—which are annual payments to all Alaska residents from the earnings of the Permanent Fund. The legislature can't spend the fund principal, but it can spend the earnings.

1980 Alaska National Interest Lands Conservation Act (ANILCA)

- Added 104 million acres of federal land to national parks, wildlife refuges, and other conservation areas, bringing the total national conservation areas in Alaska to about 150 million acres. It passed after a decade-long fight between those who wanted more land left open for development and those who wanted more kept undeveloped.
- Requires that rural Alaskans have preference for subsistence hunting and fishing on federal lands. That provision has put the state at odds with the federal government, because the Alaska Supreme Court has ruled that the resource clause of the state constitution (see above) prohibits the state from allocating resources among Alaskans based on where they live. As a consequence, the federal government has taken over from the state management of subsistence activities on federal lands.

PEOPLE

Many of us who will make decisions about how to move to a post-Prudhoe Bay era weren't here when oil started flowing through the pipeline, or when an earlier generation of Alaskans made decisions that created our unique Alaska institutions. Likewise, the next generation of Alaskans—those who grow up here and those who move here later—will bear the consequences of our decisions.

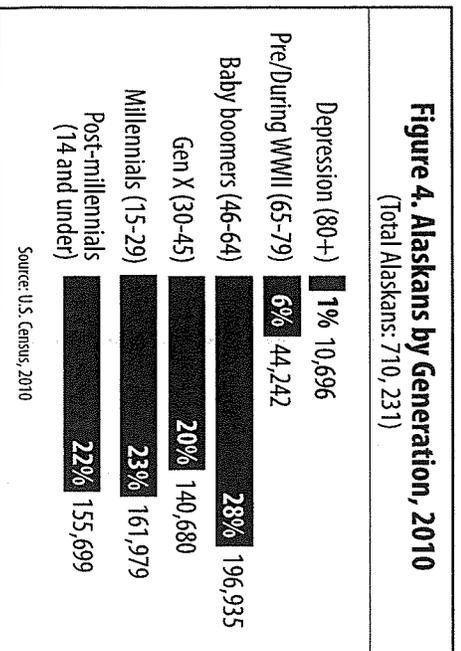
The U.S. census gives us some information about how succeeding generations of Alaskans have changed the composition of the population over time. We have become not only more numerous, but older, more urban, more stable, and more ethnically and culturally diverse, particularly among younger Alaskans.

But that snapshot tells us little about who we are, and nothing about what we think is most important for a post-Prudhoe Alaska. It is useful to think about the population divided into cohorts by age, as shown in Figure 4.

All generations are influenced by shared life experiences that shape their beliefs and behavior. Alaskans in the oldest cohorts remember the struggle for statehood and the tough times during the Great Depression and World War II that fostered self-reliance in the Last Frontier. Many of the baby-boom generation came here at the start of the Prudhoe Bay era and have seen the state move from modest means to unimaginable wealth. Many younger Alaskans have lived their entire lives as renters—people who live on income from property or investment—with the government providing public services paid for entirely from oil wealth they had no role in acquiring.

Decision-making today is largely in the hands of older Alaskans and will be influenced by their perceptions of what Alaska is and should be. But the Alaska of the future envisioned by the younger cohorts could be a very different place, and they should also have a voice in decisions. In deciding how to move into the future, we need to think not only about ourselves, but about keeping Alaska prosperous for those generations to come.

Figure 4. Alaskans by Generation, 2010
(Total Alaskans: 710,231)



Source: U.S. Census, 2010

CONCLUSIONS

The transition to a post-Prudhoe economy is the biggest challenge Alaska will face in the next 10 years. Fortunately, Alaska has a lot of potential for developing and producing significant new petroleum resources. Also, if high oil prices and other factors hold, there's a possibility the state can collect many more billions in oil revenues before the conventional reserves on state lands are used up. Alaskans can come together and use these resources, against the background of our unique institutions, to forge a smooth and successful transition.

But any number of roadblocks could derail a smooth transition. We all have a natural tendency to avoid decisions that require sacrifice in the near term to achieve a longer term goal. Obvious challenges to planning for the future include not focusing on the problem, not believing it's urgent, not understanding the issues, and not trusting government to act in the interests of the average Alaskan. Also, wishful thinking could win out over analysis based on reality.

We hope this summary will be at least one step in the direction of overcoming these challenges and keeping Alaska on track for the coming decades.

NOTES

1. For more on the economic role of oil in Alaska's economy, see Scott Goldsmith, "Oil Pumps Alaska's Economy to Twice the Size," *Understanding Alaska Summary 17*, Institute of Social and Economic Research, University of Alaska Anchorage, February 2011. For a detailed analysis of the historical relationship of the state and the oil industry, see Jerry McBeath, Matthew Berman, Jonathan Rosenberg, and Mary Ehrlander, *The Political Economy of Oil in Alaska*, Lynne Rienner Publishers, 2008.
2. For a discussion of the potential future role of financial assets in funding state government, see Scott Goldsmith, "How Much Should Alaska Save?" *Web Note 7*, Institute of Social and Economic Research, University of Alaska Anchorage, February 2011.
3. For an assessment of the economic importance of the state's scenic beauty and other parts of the ecosystem, see Steve Cohn, "What's the Economic Importance of Alaska's Healthy Ecosystems?" *Research Summary 61*, Institute of Social and Economic Research, University of Alaska Anchorage, March 2001.
4. For perspective on the importance of Prudhoe Bay oil in Alaska's resource production history, see Terrence Cole and Pamela Cravez, "Blinded by Riches: the Prudhoe Bay Effect," *Understanding Alaska Summary 3*, Institute of Social and Economic Research, University of Alaska Anchorage, February 2004.
5. See Scott Goldsmith, "What Drives the Alaska Economy?" *Understanding Alaska Summary 13*, Institute of Social and Economic Research, University of Alaska Anchorage, December 2008.
6. For a description of how Alaska land ownership and management developed, see Teresa Hill and Linda Leask, "Dividing Alaska, 1867-2000," *Alaska Review of Social and Economic Conditions*, Institute of Social and Economic Research, University of Alaska Anchorage, November 2000.
7. To learn the history of Alaska's constitution, see Victor Fischer, *Alaska's Constitutional Convention*, University of Alaska Press, 1975.
8. For a detailed discussion of the resource clause and all other provisions of the state constitution, see Gordon Harrison, *Alaska's Constitution: A Citizen's Guide*, Fourth Edition, Alaska Legislative Affairs Agency, 2002.

The Author

Scott Goldsmith has studied the Alaska economy for more than 35 years; he is a professor of economics at ISER.

Who is ISER?

The Institute of Social and Economic Research is part of the College of Business and Public Policy at UAA. It was created through an act of the Alaska Legislature in 1961, and over the past 50 years ISER researchers have studied virtually all major public policy issues in Alaska. A central part of ISER's mission is helping Alaskans better understand their state and think about the issues it faces. Learn more about ISER at:

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Email: clerk@ci.homer.ak.us

MEMORANDUM

TO: Economic Development Advisory Commission

FROM: Melissa Jacobsen, CMC, Deputy City Clerk *WJ*

DATE: September 22, 2011

SUBJECT: Alaska's Open Meetings Act

At the last meeting of the Economic Development Advisory Commission there was some interest expressed by City EDC members to participate with the Chamber EDC as well. With new members on the Commission this is a good opportunity to bring the Alaska Open Meetings Act (OMA) to the attention of the body.

The OMA dates back to 1992. It is adopted in State Statutes and it requires that meetings of legislative or administrative governmental bodies be open to the public. I have included a copy of the OMA that was provided to Municipal Clerks at their Association Conference for you to review at your convenience.

The key ways this regulation relates to the EDC, an advisory only body, are as follows:

- All meetings of the body must be advertised and open to the public.
- The body cannot take action on items that have not been noticed on the meeting agenda.
- A gathering of two or more members will be a meeting under the OMA when it is prearranged for the purpose of considering the business of the body.
- Meetings may take any form; including coffee before or dinner after a meeting if public business is considered.
- Telephone calls and serial emails may also constitute a meeting.

In light of these regulations through the Alaska Statutes, two or more City EDC members participating with the Chamber EDC could fall under scrutiny of the OMA regulations. It would be appropriate for one member to act as a liaison between the two bodies, and since Chair Davis participates with both groups, he would be the one to fill that role.



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OPEN MEETINGS IN ALASKA

ALASKA ASSOCIATION OF MUNICIPAL CLERKS

Juneau, Alaska
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Alaska's Open Meetings Law (3rd ed. 2002), the guide to the OMA
written by Gordon Tans, is available free at
www.perkinscoie.com/page.cfm?id=385



I. INTRODUCTION TO ALASKA'S OPEN MEETINGS ACT

A. Meetings Are Open To The Public — AS 44.62.310

- "All meetings of a governmental body of a public entity of the state are open to the public" — except as otherwise provided

B. State Policy Regarding Open Meetings — AS 44.62.312

- government exists to aid in conducting the people's business
- government units should act and deliberate openly
- the people do not yield sovereignty to government agencies that serve them
- public servants have not been given the right to decide what is good or not good for the people to know
- people should remained informed so they may retain control over the government they created
- use of teleconferences is for convenience of the parties, public and government
- OMA should be narrowly construed to effectuate these policies and avoid unnecessary exemptions and executive sessions

II. WHO IS COVERED BY THE ACT?

A. Public Entities

- city
- borough
- unified municipality
- school district
- public authorities and government corporations
- units of political subdivisions
- state government agencies

B. Governmental Bodies

- council
- assembly

- board
- commission
- committee and subcommittee (2 or more members)
- similar body (for example, task force or advisory team)

C. There Are Two Types of Bodies

- bodies with authority to establish policy or make decisions for a public entity
- bodies with authority only to advise or make recommendations
- both types are covered by OMA, but in different ways

D. Specific Examples of Bodies Subject to OMA

1. Policy-making and decision-making bodies

- city council
- borough assembly
- school board
- board of adjustment
- board of equalization
- planning and zoning commission
- port authority board
- service area board
- Local Boundary Commission

2. Advisory-only bodies

- neighborhood council
- advisory library board
- advisory commissions
- joint city-borough task force

E. Who and What Are Not Covered?

1. Individuals

- lobbying one member
- one person with authority to act

2. **Employees and staff**
3. **Quasi-judicial bodies solely when making decisions**
 - for example, board of adjustment, board of equalization, board of appeals, planning commission
 - adjudicatory proceedings only
4. **Organizational votes**
 - election of officers of the body
5. **Meetings of membership organizations**
 - for example, Alaska Municipal League conference, but no business of the governmental body may be conducted there
6. **Hospital staff**
7. **U.S. Government, Corporations, Native Entities**
8. **Alaska Railroad**
 - but it is covered by similar law, AS 42.40.150—.170

III. WHAT IS A MEETING?

- two significantly different definitions depending on type of body

A. Meeting Of A Decision-Making Or Policy-Making Body

A meeting of a decision-making or policy-making body is defined as:

- any gathering . . .
- where either a majority or 4 or more members of the body . . .
- are present . . .
- and members collectively consider . . .
- any matter upon which the body is empowered to act

1. A meeting may take any form

- formal or informal
- regular or special
- work sessions
- not necessarily prearranged
- social gatherings where business is conducted or members "collectively consider" a matter within their authority

- teleconference meetings are allowed — special requirements
- 2. **Four members or a majority make a meeting**
 - four members
 - or a majority
 - whichever is less
- 3. **Issue: Telephone polls, serial communications, e-mail**
 - a series of calls or contacts may circumvent the OMA by predetermining the outcome without public discussion
 - sometimes an outsider acts as a go-between
- 4. **Issue: The meeting within a meeting**
 - a private recess during a meeting may be itself be a meeting
- 5. **Issue: Lobbying by the mayor**
 - if mayor is a member of council, his lobbying probably will be considered a serial meeting if he contacts too many
 - if mayor is not a member of the governing body, it is uncertain if his lobbying constitutes a serial meeting
- 6. **Issue: Social gathering**
 - a purely social gathering is not covered
 - but, if any public business is discussed collectively by four or a majority, it is no longer a social gathering
 - violation of OMA can occur even if it is a public social event

B. Meeting Of An Advisory-Only Body

A meeting of an advisory-only body is defined as:

- a gathering . . .
 - of any number of members of the body . . .
 - prearranged . . .
 - for the purpose of considering any matter upon which the body is empowered to act
1. **A meeting is prearranged**
 - a chance encounter is not a meeting
 - any gathering prearranged for any step of deliberative process is a meeting

2. **Any number of members can constitute a meeting**
 - two or more
3. **Issue: Telephone polling or serial meeting**
 - see above
4. **Issue: Social gathering**
 - if not prearranged for business purposes, it is not a meeting
 - if prearranged for the purpose of considering a matter within its authority, it is a meeting

IV. PUBLIC PARTICIPATION RIGHTS

A. In General — Public Rights Under OMA

- OMA grants the public the right to be present
- OMA grants the public the right to listen
- OMA grants the public right the to review agency materials at teleconference sites and know how each member votes

B. Reasonable Opportunity To Be Heard

- AS 29.20.020(a) gives the public the right to a "reasonable opportunity . . . to be heard" at municipal meetings
- that statute also makes the council or assembly responsible to provide that opportunity at meetings of all municipal bodies
- "reasonable opportunity" also means that reasonable restrictions are allowed, such as time limits and decorum rules

C. Implied Reasonable Opportunity To Attend

- a reasonable opportunity to be present and be heard implies reasonable opportunity to attend — no get-away retreats
- reasonable accommodations should be made for public to attend and participate

V. WHAT NOTICE IS REQUIRED?

A. Reasonable Notice Is Always Required

"Reasonable public notice shall be given for all meetings required to be open" AS 44.62.310(e).

1. Public right to attend and be heard.

- notice must give public reasonable opportunity to attend
- notice must be public
- notice must be timely

2. Reasonable notice — where and how?

- must give notice of date, time, and place of meeting
- must post at principal office or other official place
- must use consistent method of notice for all meetings
- newspaper, radio, television are also authorized, but not required — what is available and reasonable?

3. Reasonable notice — when and how long?

- longer notice necessary for complex or controversial matters, for example:
 - tax or utility rate increases
 - curfew
 - leash law and barking dogs
- extent of notice will depend on community
- true emergency exception — still must give reasonable notice under the circumstances and at least post
- **WARNING** — 24 hour notice of special meetings to members (AS 29.20.160(b)) **may not be reasonable public notice.** See *Tunley v. Municipality of Anchorage*, 631 P.2d 67 (1981) (five days' notice of school closure inadequate).

4. Reasonable notice — agenda requirements?

- reasonable notice must be clear and reasonably informative
- how specific depends on complexity and importance of matter
- absence of important item from public agenda notice might mean notice is not adequate. See *Anchorage Independent Longshore Union Local 1 v. Municipality of Anchorage*, 672 P.2d 891 (1983) (port permit taken up as "other items not on the agenda")
- confusing notices may also be inadequate. See *Hickel v. Southeast Conference*, 868 P.2d 919 (1994) (notice not clear about whether a "meeting" or "hearing" was going to occur)
- amending the agenda at beginning of meeting will not cure a problem of lack of reasonable notice
- AS 29.25.020(b)(3) —notice of public hearing and summary of any proposed ordinance must be published five days before the hearing in a newspaper of general circulation if one is distributed in the municipality

B. Notice to specific individuals may be required

- a person whose reputation or character is the stated reason for executive session has a right to a public discussion, and must be told of that right
- persons whose individual constitutional rights (life, liberty and property) are involved definitely need personal notice — due process

C. Special notice of teleconference locations

- allowed for convenience of public and government body
- must give notice of each location
- materials being considered available at each location, *if practicable*

- every participant must be able to hear the others
- public must know how the members vote — must hold roll call votes
- citizen phone-ins are acceptable — but it seems that reasonable notice requires notice to the public about how and when to call in

D. Municipal code requirements

- local code may impose additional notice requirements
- but be aware that municipal code provisions in conflict with OMA are preempted by OMA provisions, see *Walleri v. City of Fairbanks*, 964 P.2d 463 (Alaska 1998)

VI. EXECUTIVE SESSIONS

A. What is an executive session?

- is NOT a secret meeting
- is a part of a public meeting from which the public may be excluded
- the body determines who is invited
- important statutory policy — OMA is to be interpreted narrowly to **avoid unnecessary executive sessions**
- OMA preempts any municipal narrowing of subjects that may qualify for executive session, *Walleri v. City of Fairbanks*, 964 P.2d 463 (Alaska 1998)

B. What Subjects Qualify For Executive Session?

1. Adverse financial impacts

- matters the **immediate** knowledge of which would **clearly** have an adverse effect on finances of the public entity
- for example, contract negotiation strategies, settlement discussions

2. Prejudice to reputation or character

- subjects that would prejudice the reputation or character . . .
- of **any** person, . . .
- **but** that person may demand and get a public discussion

3. Matters confidential by law, ordinance, or charter

- matters that are **required** to be confidential . . .
- by law, ordinance or charter

4. Confidential records

- matters involving consideration of government records . . .
- that by law are not subject to public disclosure.
- examples:
 - certain crime victim information
 - invasion of privacy
 - sales tax records

5. Attorney-client privilege

- *Cool Homes, Inc. v. Fairbanks North Star Borough*, 860 P.2d 1248 (Alaska 1993)
- attorney-client privilege for confidential communications is recognized as a limited exception to OMA
- not available for general legal advice or opinion
- it is not enough that the entity is involved in lawsuit
- limited to matters where public interest may be injured by disclosure; for example, how to avoid legal liability, litigation strategies and candid discussion of facts, settlement conference, conference on decision to appeal

6. Exemption — adjudicatory deliberations and decision-making

- limited exemption from OMA for decision-making in adjudicatory proceedings
- adjudicatory proceedings are court-like proceedings where the rights of specific individuals are decided
- exemption from OMA available **only** for meetings solely to deliberate and make a decision
- all other parts of adjudicatory proceedings, including hearings and taking testimony, are subject to OMA and must be public

7. Exception — organizational votes

- election of mayor pro-tem, chair and vice-chair, etc.

C. How is an executive session called?

1. Public meeting — notice is required

- must be convened as a public meeting
- notice requirements — generally, an executive session is part of a public meeting and the usual notice requirements apply
- special notice must be given to any person whose character or reputation may be prejudiced — to allow exercise of the right to demand public discussion
- OMA does not require that a published public notice say that an executive session will be held, but subject matter notice may still be necessary to give "reasonable notice"
- exception — no notice required for meeting **solely** for decision-making in adjudicatory proceeding

2. The motion for executive session

- must identify the legal grounds for executive session
- must *clearly* and *specifically* describe the subject matter of the executive session without defeating the purpose of addressing the subject in private

- motion or recorded discussion should say who, what, why, and how the matter qualifies for executive session — put it in the minutes or on tape
- to say merely "personnel matter" or "pending litigation" or "financial matter" is not adequate
- court will look to avoid unnecessary executive sessions (AS 44.62.312(b)), so the record should establish a proper legal and factual basis for the executive session

D. What can be done in executive session?

1. Stick to the issue

- discussion is limited to the subject stated in the motion to hold the executive session
- may also discuss subjects "auxiliary to the main question"

2. No action is the rule — limited exceptions

- generally, all action must be taken in public
- exception — may give direction to an attorney about handling a specific legal matter
- exception — may give direction to labor negotiator about pending labor negotiations

3. Decision-making in adjudicatory proceeding

- exception — in adjudicatory proceedings the body may make its decision in private (even without public notice, if meeting solely to make its decision in a quasi-judicial proceeding)

E. How is action taken after coming out of executive session?

1. Reconvene in public

- resume the public meeting

2. Take action if necessary

- take action on the subject if necessary, or

- announce if direction has been given to attorney or negotiator in a specific pending matter (without disclosing the direction, unless appropriate), and
- continue with remainder of agenda

VII. REMEDIES AND PENALTIES FOR VIOLATIONS

A. When a violation has occurred, attempt an informal cure

- another meeting held in compliance with OMA
- must have substantial and public reconsideration

B. Policy-making or decision-making body — Action is voidable

1. A lawsuit may be brought to declare the action void

- suit must be brought within 180 days of the challenged action
- suit cannot name members in their personal capacity
- if court finds an action is void, the government may then "discuss and act on the matter at another meeting held in compliance with" the OMA
 - a second chance
 - what are consequences in the interim?

2. Action is voidable only after a public interest analysis

- court may void an action only if public interest in complying with OMA outweighs the harm caused to the public interest and to the public entity by voiding the action
- court must consider all circumstances, including, at least:
 - **expense** that may be incurred by gov't and individuals if the action is voided
 - **disruption** caused to the affairs of gov't and individuals if the action is voided

- degree to which the gov't and individuals may be exposed to **additional litigation** if the action is voided
- extent of **previous consideration** of the subject by the body in compliance with the OMA
- amount of **time** that has passed since the challenged action was taken
- degree to which the gov't or individuals have come to **rely on** the action
- whether the gov't has engaged or attempted to engage in **public reconsideration** of the action
- degree to which the violation of OMA was **willful, flagrant, or obvious**
- degree of failure to comply with **policies** behind the OMA (*e.g.*, sovereignty of the people, openness of gov't, and people's right to remain informed and participate)
- *Revelle v. Marston*, 898 P.2d 922 (Alaska 1995), may require consideration of additional factors:
 - whether the goal of maximizing **informed and principled decision-making** has been met
 - whether invalidation is necessary to **deter** future violations
 - whether the goal of **public participation and input** in the operation of government has been met
 - the **nexus** (strength or closeness of the link) between the OMA violation and the challenged action
- it is possible the court will find a violation of OMA has occurred, but *no remedy* is appropriate or necessary, *e.g.*, *In re 2001 Redistricting Cases*, 44 P.3d 141 (Alaska 2002)

C. Advisory-only body — No voidability rule stated

- if body is only advisory (no authority to make policy or decisions),
- voidability rules do not apply
- by definition these bodies cannot make binding decisions for the public entity, so there is no significant decision or action to void
- Issue: can action taken by a decision-maker in reliance on defective advice from an advisory-only body render the decision voidable if the advice played a significant part in the decision-making?

D. Injunction against future violations is available

- the court has mentioned an injunction may be issued prohibiting future violations of the OMA

E. Recall of elected officials for violation of OMA

- the allegation of a violation of the OMA is legal ground for recall of an elected official
- classified as a failure to perform prescribed duties

F. Other Remedies

- Lawsuit for disclosure of executive session tape recordings
- Damages (e.g., back pay) paid to a harmed individual may be appropriate in some circumstances

G. Attorney's Fees

- public interest litigant attorney's fees were formerly granted — now abolished by AS 09.60.010 (2003), except in cases asserting constitutional rights — validity of AS 09.60.010 is under legal challenge