

CITY OF CRAIG
COUNCIL AGENDA
OCTOBER 20, 2011
COUNCIL CHAMBERS 7:00 P.M.

ROLL CALL

Mayor Dennis Watson, Greg Head, Joni Kuntz, Jim See, Marge Young, Don Pierce and Mike Douville

CONSENT AGENDA

Items listed below will be enacted by one motion. If separate discussion is desired on an item, that item may be removed and placed on the regular meeting agenda

- City Council minutes of October 6, 2011

HEARING FROM THE PUBLIC

- Final reading and public hearing on **Ordinance No. 638**, Authorizing the city administrator to negotiate with Silver Bay Seafoods an amendment to the terms of a lease of city-owned property at Lot 2A, False Island Subdivision
- Final reading and public hearing on **Ordinance No. 639**, Amending Chapter 4.30-Rules for Harbor- 4.30.010 Live-Aboard Policy
- Final reading and public hearing on **Ordinance No. 640**, An ordinance amending 15.12 Application for Sewer Service-15.12.030-Deposits
- Final reading and public hearing on **Ordinance No. 641**, An ordinance amending 15.32 Application for Water Service- 15.32.040-Deposits

READING OF CORRESPONDENCE

- Correspondence from the Division of Community and Regional Affairs, 2011 Full Value Determination
- The September 2011 monthly report from the Aquatic Center
- Correspondence from the Division of Community and Regional Affairs, notary public training
- Correspondence from the Prince of Wales Island Runners-Walkers Club-designating an area for Tent Camping for P.O.W. 2012 marathon
- Report from Joyce Mason, Treasurer
- Correspondence from Alaska Permanent Capital Management-September 2011

CONSIDERATION OF RESOLUTIONS AND ORDINANCES

- **Resolution No. 11-13**, Shared Fish Tax
- **Ordinance No. 638**, Authorizing the city administrator to negotiate with Silver Bay Seafoods an amendment to the terms of a lease of city-owned property at Lot 2A, False Island Subdivision
- **Ordinance No. 639**, Amending Chapter 4.30-Rules for Harbor- 4.30.010 Live-Aboard Policy
- **Ordinance No. 640**, An ordinance amending 15.12 Application for Sewer Service-15.12.030-Deposits
- **Ordinance No. 641**, An ordinance amending 15.32 Application for Water Service- 15.32.040-Deposits

UNFINISHED BUSINESS

- Craig, North Water Main Project

NEW BUSINESS

- Consider approval of draft lease with Viking Lumber wood drying equipment
- Sales Tax-Vehicle for Hire-discussion

ADJOURNMENT

ROLL CALL

Mayor Millie Schoonover called the meeting to order and the roll was taken. Present were Greg Head, Joni Kuntz, Jim See, Marge Young, Don Pierce and Mike Douville.

Staff present: Jon Bolling, City Administrator; Vicki Hamilton, City Clerk; Chaundell Piburn, EMS Coordinator; Daniel Nelson, Harbormaster; Robert Ely, Police Sergeant; and Joyce Mason, Treasurer

Audience present: Kim Baxter, Dennis Watson, Candy Hempel, Jessica Petty

CANVASS ELECTION

- **Clerk's recommendation on Questioned Ballots-** Vicki Hamilton reported there were four questioned ballots to consider. 1) Kit Kraft's ballot was confirmed; he had registered on August 26, 2011. Kit Kraft's ballot would count. 2) Kimberly Rice was shown as registered in Ketchikan and Division of Elections showed that she registered with the city of Craig on September 15, 2011, after the allowable time to show proof of residency (30 days). Kimberly Rice's ballot does not count. 3) Brad and Stephanie Jurries were registered in the City of Craig but their physical address of North Cove Harbor was in question as a permanent residence. Their ballot did not count due to a question of their residence.
- **Tally of Absentee and Questioned Ballots-**
Election Chairman, Kim Baxter opened the absentee ballots and ran them through the accu-vote machine. The final results of the 2011 election were as follows:

***Winners**

Mayor's Seat two-year term

*147 Dennis Watson

85 Paul E. Dawson

City Council seats 2-Three year terms

*159 Greg Head

*169 Don Pierce

School Board seats 2-Three year terms

*151 Bob Claus

*166 Mary Isaacs

PIERCE/SEE:

moved to certify the election. MOTION CARRIED

CONSENT AGENDA

The consent agenda was presented, it contained the city council minutes of September 15, 2011; the first readings of **Ordinance No. 639**, Amend Live-Aboard Policy 4.30.010; **Ordinance No. 640**, Amending the C.M.C. 15.12, Application for sewer service 15.12.040, Forfeiture of Deposit and **Ordinance No. 641**, Amending CMC 15.32, Application for water service-15.32.040-Deposits.

HEAD/PIERCE: moved to accept the consent agenda. MOTION CARRIED

HEARING FROM THE PUBLIC

There were no comments from the public.

REPORTS FROM CITY OFFICIALS

MAYOR-Mayor Schoonover reported that she, Jon Bolling and Joyce Mason have been busy interviewing applicants for the Public Works Director position that will be open when Steve Tanner retires March 31, 2012.

ADMINISTRATOR- Jon Bolling reported the interview process is slow going as they interview candidates for the Public Works Director position. Jon reported receiving a letter of resignation from Police Chief Mark Habib. His last day of work is October 31st.

AQUATIC MANAGER-Ramona Wise was not here tonight.

CITY CLERK-Vicki Hamilton reported she has been busy with the municipal elections. Vicki announced there will be a potluck here at city hall at 12:00 noon on Monday, October 10th to celebrate Millie's retirement. There will be a presentation to Millie at that time. The next city council meeting is scheduled for Thursday, October 20th.

CITY PLANNER-Brian is in Anchorage.

HARBORMASTER-Daniel reported the Dive Fishery has started. Daniel stated the Ice House will be shut down at the beginning of the year. The city is installing a new ice drum at the Ice House. It will be out of commission for two to three months. Daniel added that E.C. Phillips will be providing ice during that time.

LIBRARIAN-Amy Marshall reported she traveled to Texas in September to attend the Association of Rural and Small Libraries Conference. Amy reported speaking with Karen Parry, the Senior Project manager for the Bill and Melinda Gates Foundation. Ms. Parry stated that the Gates Foundation is going to pick eight sites in the United States for "Money has made a difference," and do a documentary and they would like to invite Craig to participate. Amy did invite Ms. Parry to come to Craig to go fishing.

When Amy was in Anchorage on October 3rd for the video conferencing portion of the O.W.L. program, she was given video conferencing equipment, and it was stated now there are three libraries in the State that can do video conferencing, they are Anchorage, Fairbanks and Craig. Amy wrote a grant for International Observe the Moon Night. NASA picked Craig and sent the library some high-powered binoculars along with some books. On Saturday, October 8th it is International Observe the Moon night. Amy and Victoria will be out at the ball field with hot chocolate and the binoculars. Patrons of the library can have the opportunity to check out the binoculars along with the books from NASA. Great Job Amy!

POLICE CHIEF-Sergeant Ely submitted a written report to the mayor and council. Sergeant Ely stated it was an honor to work with Chief of Police Habib. He will be greatly missed. There was discussion about upping the speed limit on the Port Saint Nicholas road from 25 mph to 35 mph.

PUBLIC WORKS-Steve Tanner had back surgery and is not here this evening.

TREASURER-Joyce Mason reported attending a Homeland Security meeting in Anchorage October 4, 2011. The City of Craig received a grant for \$12,000 for a Homeland Security exercise.

EMS-Chaundell Piburn reported both EMS ambulances are here at the fire hall now so they can be worked on. Dr. Copus (Harborview Hospital) wants the EMS Squad to move up to ALS (Advanced Life Support) full time. Currently the squad is ALS, part-time. There will be a CPR class held on the last Saturday of every month.

READING OF CORRESPONDENCE

There were no comments.

CONSIDERATION OF RESOLUTIONS AND ORDINANCES

None to consider.

UNFINISHED BUSINESS

None to consider.

NEW BUSINESS

Consider award, Prince of Wales Health Care Center Curb Project-Jon reported the city council directed staff to rebuild the curb below the new clinic facility after an accident occurred there. The city solicited bids and got two responses. The apparent low bid is from Trojan and Son, \$2,840.00. They will tear out the existing curbing where it meets the separated path. They will replace it with a more compliant curb for bicycles. Jon recommends that the council award the project to Trojan and Son for \$2,480.00.

PIERCE/KUNTZ: moved to award the Prince of Wales Health Care Center Curb Demolition and Reconstruction Project to Trojan and Son in an amount not to exceed \$2,840. MOTION CARRIED

Review and comment on Alaska DOT/PF Southern Southeast Transportation Plan-Jon reported representatives from the State of Alaska will be in Craig on Wednesday, October 12th. They will meet with staff in the afternoon and will hold a public hearing in the council chambers the same evening, taking public comment regarding transportation alternatives for southeast Alaska for the next several years.

Jon stated if the state chooses alternative No.5, there will be more traffic coming to Prince of Wales. The public comment period runs through November 4th.

SWEARING IN OF NEWLY ELECTED COUNCIL MEMBERS AND SIGNING OF OATHS-

The newly elected officials, Dennis Watson, Mayor; Don Pierce, City Council; and Greg Head, City Council all read their oaths and signed them.

Mayor Millie Schoonover gave a good-bye speech.

ADJOURNMENT

HEAD/PIERCE: moved to adjourn. MOTION CARRIED

The meeting adjourned at 8:25 P.M.

APPROVED _____

MAYOR DENNIS WATSON

ATTEST _____
VICKI HAMILTON, CITY CLERK

CITY OF CRAIG MEMORANDUM

To: Craig Mayor and City Council
From: Brian Templin, City Planner
Date: September 29, 2011
RE: Application to Lease City Property to Silver Bay Seafoods Ordinance 638
Approval

As the council is aware the city leases upland and tidelands to Silver Bay Seafoods and the seafood processing building located on those lands. The original lease area includes land for the processing plant, land for the bunkhouse, tideland for the receiving structure and the building itself.

In 2011 the city completed a trade of city owned property for property owned by Shaan-Set Inc. This trade included an additional portion of False Island adjacent to the lease area currently leased by Silver Bay.

Silver Bay Seafoods has applied to lease a portion of this city owned upland located on Lot 2A, False Island for expanded operations and staging area necessitated by continued expansion of the plant and bunkhouse on currently leased space. Silver Bay has applied to lease an additional area up to 53,526 square feet (the entirety of the newly acquired city area).

The lease notice will be published in the Island News September 12/19/26 and October 3rd with the public hearing scheduled at the regular city council meeting on October 6th.

Recommendation: Approve Ordinance 638, authorizing the city administrator to negotiate the lease of additional city owned property to Silver Bay Seafoods.

**CITY OF CRAIG
ORDINANCE No. 638**

AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE WITH SILVER BAY SEAFOODS AN AMENDMENT TO THE TERMS OF A LEASE OF CITY-OWNED PROPERTY AT LOT 2A, FALSE ISLAND SUBDIVISION.

Section 1. Classification. This is a non-code ordinance.

Section 2. Severability. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. Effective Date. This ordinance shall be effective immediately upon adoption.

Section 4. Action. This ordinance authorizes the City Administrator to negotiate A lease of city-owned property to Silver Bay Seafoods for the purpose of expanded operations and staging area for the seafood processing business located on Lot 2A, False Island Subdivision. This ordinance will allow the city administrator to negotiate lease of additional space recently acquired by the city.. The property considered for the amendment is limited to a portion of Lot 2A, False Island Subdivision consisting of not more than 53,526 square feet of upland. Final terms of amended lease are subject to the approval of the Craig city council.

The City Administrator is under no obligation to negotiate amendments to the lease of Lot 2A, False Island Subdivision and the City Council is under no obligation to approve any lease negotiated by the City Administrator with Silver Bay Seafoods.

Passed and approved on _____, 2011.

Mayor Dennis Watson

Attest

Vicki Hamilton, City Clerk

**City of Craig
Memorandum**

Date: October 1, 2011

To: Mayor and City Council

From: Daniel Nelson, Harbormaster

Re: Ordinance No. 639

The Harbor live-aboard policy, 4.30.010 is being amended with council's approval, because I have been receiving many complaints from the vessel owners saying that they have not been in town for more than fifteen (15) days out of a said month. To eliminate this problem, this ordinance establishes a flat fee of \$50.00 for those individuals making their vessel their residence.

CITY OF CRAIG

ORDINANCE NO. 639

AMENDING CHAPTER 4.30-RULES FOR HARBOR
4.30.010 LIVE-ABOARD POLICY

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CRAIG:

Section 1. Classification. This ordinance is of a general and permanent nature and the code sections adopted shall become a part of the code of the City of Craig, Alaska.

Section 2. Severability. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. Effective Date. This ordinance shall become effective immediately upon adoption.

Section 4. Action. This ordinance deletes those words that are in brackets with strikethrough text and adds those words that are underlined, as follows:


- A. A person living aboard his/her own or another person's vessel [~~for 15 days within any 30 day period~~] is considered a live-aboard for purposes of this title.
- B. Pets may be kept on a live-aboard vessel at the discretion of the harbormaster.

APPROVED _____

MAYOR DENNIS WATSON

ATTEST _____
VICKI HAMILTON, CITY CLERK

CITY OF CRAIG
MEMORANDUM

To: City Council
From: Joyce Mason, Treasurer 
Date: October 3, 2011
Re: Ordinance No. 640 and 641

Attached are Ordinances No. 640 and 641. These ordinances add to the water and sewer ordinances pertaining to deposits which are made to the city at the time services are requested. In the past the deposits have been held indefinitely and interest was paid on the amounts. The staff would like to apply the deposit after one year and discontinue paying interest. This change will alleviate the accounting hassle of tracking the deposits over a number of years.

Recommendation

Approve first reading of Ordinance No. 640 and 641 at the October 6, 2011 meeting.

CITY OF CRAIG

ORDINANCE NO. 640

AN ORDINANCE AMENDING 15.12. APPLICATION FOR SEWER SERVICE-
15.12.030-DEPOSITS

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CRAIG:

Section 1. Classification. This ordinance is of a general and permanent nature and the code sections adopted shall become a part of the code of the City of Craig, Alaska.

Section 2. Severability. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. Effective Date. This ordinance shall become effective immediately upon adoption.

Section 4. Action. This ordinance deletes those words that are in brackets with strikethrough text and adds those words that are underlined and bolded, as follows:

At the time the deposit is given, the applicant will be given a receipt for the same. The deposit is not to be considered as a payment on account. In the event that water service is discontinued as provided in CMC 15.16.040 through 15.16.070, the deposit will be applied to the total amount due for sewer and water service and any amount in excess of the total amount due will be refunded. [~~The city will pay a reasonable rate of interest on deposits, the rate to be determined by resolution of the council.~~]

If account is in good standing after one year, the deposit will be applied to current balances.

PASSED AND APPROVED ON: _____

Mayor Dennis Watson

ATTEST _____
Vicki Hamilton, City Clerk

CITY OF CRAIG
MEMORANDUM

To: City Council
From: Joyce Mason, Treasurer *JM*
Date: October 3, 2011
Re: Ordinance No. 640 and 641

Attached are Ordinances No. 640 and 641. These ordinances add to the water and sewer ordinances pertaining to deposits which are made to the city at the time services are requested. In the past the deposits have been held indefinitely and interest was paid on the amounts. The staff would like to apply the deposit after one year and discontinue paying interest. This change will alleviate the accounting hassle of tracking the deposits over a number of years.

Recommendation

Approve first reading of Ordinance No. 640 and 641 at the October 6, 2011 meeting.

CITY OF CRAIG

ORDINANCE NO. 641

AN ORDINANCE AMENDING 15.32 APPLICATION FOR WATER SERVICE-
15.32.040-DEPOSITS

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CRAIG:

Section 1. Classification. This ordinance is of a general and permanent nature and the code sections adopted shall become a part of the code of the City of Craig, Alaska.

Section 2. Severability. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. Effective Date. This ordinance shall become effective immediately upon adoption.

Section 4. Action. This ordinance deletes those words that are in brackets with strikethrough text and adds those words that are underlined and bolded, as follows:

At the time that the deposit is given, the applicant will be given a receipt for the same. The deposit is not to be considered as a payment on account. In the event the service is discontinued, the deposit will be applied to the closing bill and any amount in excess of the closing bill will be refunded. [~~The city will pay a reasonable rate of interest on deposits, the rate to be determined by resolution of the council~~].

If account is in good standing after one year, the deposit will be applied to current balances.

PASSED AND APPROVED ON: _____

Mayor Dennis Watson

ATTEST _____
Vicki Hamilton, City Clerk



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

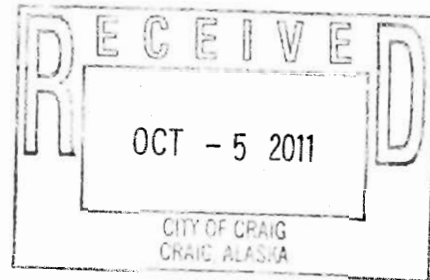
Division of Community and Regional Affairs

Sean Parnell, Governor
Susan K. Bell, Commissioner
Scott Ruby, Director

October 1, 2011

CERTIFIED/RETURN RECEIPT REQUESTED
7010-2780-0000-5221-1378

Mayor A.H. Millie Schoonover
City of Craig
P.O. Box 725
Craig, AK 99921



RE: 2011 FULL VALUE DETERMINATION

Dear Mayor Schoonover:

As required by AS 14.17.510 (Public Schools Foundation Program), the Department of Commerce, Community, and Economic Development has determined that, as of January 1, 2011, the full and true value of taxable real and personal property within your municipality is as follows:

Real Property:	\$ 95,672,100
Personal Property	\$ 31,180,200
State Assessed Property (AS 43.56):	\$0
TOTAL:	\$ 126,852,300

This full value determination may be appealed administratively by you within fifteen (15) days of receipt of this notice under the provisions of 3 AAC 130.092. In addition, AS 14.17.510 also allows for judicial review of the determination. If you have any questions concerning this full value determination for 2011, please contact our office at 269-4605.

Sincerely,

Steve Van Sant
State Assessor

Craig AquaticCenter Monthly Report

For the Month of: SEPTEMBER

2010

2011

Prepared by: _____

		2010		2011		Number of		Monthly		Monthly	
		People		People		People		Amt		Amt	
		2010		2011		2010		2010		2011	
		People		People		People		Amt		Amt	
LAP SWIM											
	Walk Ins	40	103			642	\$ 1,317.50	793	\$ 1,698.50		
	Passes	145	275			24	\$ 728.00	22	\$ 490.00		
FAMILY SWIM											
Youth	Walk Ins	0	0			0	\$ -	0	\$ -		
	Passes	0	0			0	\$ -	0	\$ -		
Adult	Walk Ins	0	0			3	\$ 1,140.00	0	\$ -		
	Passes	0	0			0	\$ -	0	\$ -		
OPEN SWIM											
Youth	Walk Ins	308	393			273	\$ 782.00	323	\$ 918.00		
	Passes	70	61			45	\$ 149.00	18	\$ 132.00		
Adult	Walk Ins	117	192			2	\$ 60.00	2	\$ 50.00		
	Passes	40	46			0	\$ -	0	\$ -		
Tot Swim		21	23			0	\$ -	0	\$ -		
Adaptive Swim		26	0			0	\$ -	0	\$ -		
	Walk Ins	0	0			0	\$ -	0	\$ -		
	Passes	0	0			0	\$ -	0	\$ -		
Activity Swim		0	0			0	\$ -	0	\$ -		
	Walk Ins	0	0			0	\$ -	0	\$ -		
	Passes	0	0			0	\$ -	0	\$ -		
SCHOOL INSTRUCTION		342	353			3	\$ 150.00	2	\$ 2.00		
	Walk Ins	0	0			1	\$ 7.50	4	\$ 200.00		
	Passes	9	0			0	\$ -	0	\$ -		
RENTALS		48	24			57	\$ 62.00	57	\$ 63.00		
	Walk Ins	9	22			1	\$ 30.00	0	\$ -		
	Passes	278	331			1	\$ 30.00	0	\$ -		
AQUA-AEROBICS		393	445			1	\$ 30.00	0	\$ -		
	Walk Ins	3	68			1	\$ 30.00	0	\$ -		
	Passes	296	363			1	\$ 30.00	0	\$ -		

POOL

NUMBER OF PATRONS FOR THE MONTH

2145 2699

REVENUE FOR THE MONTH

\$ 4,426.00 \$ 3,553.50



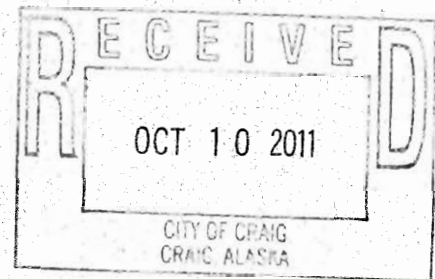
STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Community and Regional Affairs

Sean Parnell, Governor
Susan K. Bell, Commissioner
Scott Ruby, Director

October 5, 2011

The City of Craig
PO Box 725
Craig, AK 99921



To the City of Craig, Alaska:

This letter is to thank you and city staff for hosting the two-hour notary public training at the Craig City Hall on September 30, 2011. The training was presented by Scott Clark, Special Assistant to the Lieutenant Governor, and covered a wide range of topics critical to notaries in Alaska. Six clerks and city staff from the communities of Craig, Kasaan, Klawock, and Thorne Bay were able to attend.

Providing training opportunities and building local management capacity in rural Alaska are two key efforts of the Division of Community and Regional Affairs. Your city's willingness to partner in those efforts is greatly appreciated and I look forward to the opportunity to work with your terrific city staff again in the future.

Kind regards,

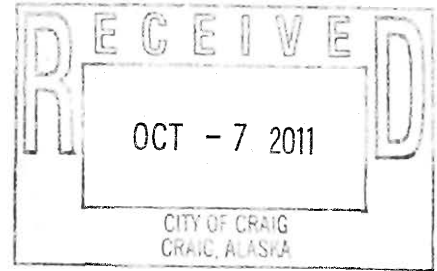
A handwritten signature in black ink that reads "Glen Hamburg".

Glen Hamburg
Local Government Specialist &
Rural Utility Business Advisor

October 4, 2011

Prince of Wales Island Runners-Walkers Club
P.O. Box 5
Klawock, AK 99925

The City of Craig
Box 725
Craig, AK 99921



Dear City Council Members,

The Prince of Wales Island International Marathon Committee is already busy planning for the many aspects of a successful May 26, 2012, marathon here on our island. Last year's success has spurred us on to top that event!

Because of the addition of a half-marathon to our marathon day options next May, we are anticipating a larger number of off-island visitors and participants for the race weekend. Also note that last year we had some runners who brought tents and sought places to literally pitch their tents the nights before and after the race.

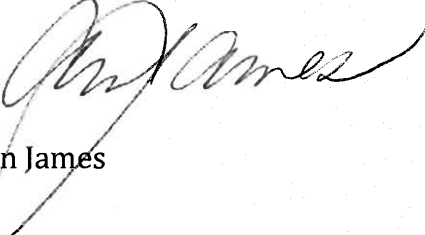
We are seeking ways to make our running and walking visitors feel welcome to our island and appreciate what it has to offer. One thing we would like to be able to offer those who cannot afford to spend a great deal on lodging because of travel expenses is a small menu of free lodging options.

Therefore, we are wondering if it would be possible for the City of Craig to designate a few areas or an area specifically for tent camping the night before and the night after the marathon on May 26, 2012.

We know you have already supported us in past years and thank you for that. We would ask that you might consider this request to help some of our off-island runners here for the marathon by designating tenting areas. We do realize that it simply might not be feasible for several reasons.

We thank you for your consideration of this request and look forward to hearing from you.

On behalf of the marathon committee,



Ann James



Finance Department Staff Report

To: Mayor and City Council

From: Joyce Mason, Treasurer *JM*

Date: October 14, 2011

The first three months of fiscal year 2012 revenue and expenditures report is attached. The revenue for the general fund is \$1,624,800 or 43% of budget, which is in line with our projections. General Fund expenditures are staying within the budget with the exception of the materials line item for the Aquatic Center. The Library has purchased 95% of the budgeted amount for books. The Library has two grants to continue purchasing books for the remaining of the year.

The Sewer Fund paid the annual debt payment so the net loss will decrease as the year progresses. The water and garbage funds show a net profit as we had a busy summer. The processing plant generated 9% of the revenues. The staff only budgeted \$1000 for maintenance of the ice house due to the grant to upgrade the facility, but the plant broke down this summer and the repairs amounted to over \$7,000. The amount is listed in the JTB Industrial Park Department line item Maintenance Expense.

Grant accounting and reporting is complete for the last quarter.

If you have any questions or concerns please contact me by email at finance@craigak.com or stop by my office.

City of Craig
Statement of Revenue and Expenditures
For the Three Months Ending September 30, 2011

General Fund	YTD Actual	YTD Budget	% Budget
Revenues			
Property tax	508,093	514,000	99%
Sales Tax	417,093	1,414,000	29%
Liquor Sales Tax	28,634	110,000	26%
<i>Total Local Taxes</i>	<i>953,820</i>	<i>2,038,000</i>	
PILT State Funding	258,177	302,762	85%
State Revenue Sharing	155,419	155,285	100%
Liquor Revenue Sharing	600	10,000	6%
Fish Tax - DEC	0	95,000	0%
Shared Fish Tax	0	6,000	0%
National Forest Receipts		25,000	0%
<i>Total State Revenue</i>	<i>414,196</i>	<i>594,047</i>	
EMS Service Fees	0	20,000	0%
Aquatic Center	17,325	65,000	27%
Recreation Programs	2,193	15,000	15%
Library Fees	0	0	0%
Property Leases	11,071	65,000	17%
Equipment Sales	0	0	0%
Taxi Permits	0	50	0%
Building Permits	710	1,000	71%
<i>Total Local Fees & Leases</i>	<i>31,299</i>	<i>166,050</i>	
Police Fines	1,027	15,000	7%
State Jail Contract	188,879	228,500	83%
State Trooper Dispatch	0	10,000	0%
Klawock Dispatch	12,621	50,000	25%
DMV Commission	16,235	60,000	27%
<i>Total Public Safety Revenue</i>	<i>218,762</i>	<i>363,500</i>	
Interest Income	469	6,000	8%
Other Misc. Income	6,254	1,000	625%
Donations	0	500	0%
<i>Total Other Revenue</i>	<i>6,723</i>	<i>7,500</i>	
Total Revenue	1,624,800	3,169,097	43%
Expenditures			
Administration	193,168	703,902	27%
Aquatic Center	128,111	572,625	22%
Council	20,084	80,923	25%
EMS	17,527	79,474	22%
Fire	2,937	36,745	8%
Library	26,278	92,554	28%
Planning	22,359	90,711	25%
Police	217,877	894,368	24%
Public Facilities & Parks	48,342	209,323	23%
Public Works	44,873	206,214	22%
Recreation	21,163	95,485	22%
Total General Fund Expenditures	742,719	3,062,324	24%
Excess Revenue Over Expenditures	882,081	106,773	
Transfer Funds:			
Transfer to Enterprise Funds	117,521	(48,179)	
Transfer to School Fund		(150,000)	
Transfer from Forest Receipts (Roads)		10,000	
Transfer from Endowment		181,406	
PERS Clinic Debt		-50,000	
Transfer to Equipment Reserves		(50,000)	
Total Transfers	117,521	-106,773	
Net Change in Assets	999,602	0	

City of Craig
Statement of Revenue and Expenditures
For the Three Months Ending September 30, 2011

	<u>Year to Date</u>	<u>Budget</u>	<u>% Budget</u>
<u>Administration</u>			
Personnel Expenses	85,714	300,917	28.48%
Personnel Benefits Expenses	44,655	188,545	23.68%
Contract Expenses	37,500	132,050	28.40%
Personnel Misc. Expenses	5,166	13,520	38.21%
Material & Supplies Expenses	5,907	13,970	42.28%
Utilities Expenses	3,453	15,750	21.92%
Maintenance Expenses	233	2,500	9.32%
Misc. Expenses	4,845	30,450	15.91%
Capital Expenses	5,695	6,200	
Total Expenditures	<u>193,168</u>	<u>703,902</u>	<u>27.44%</u>

<u>Aquatic Center</u>			
Personnel Expenses	43,091	157,613	27.34%
Personnel Benefits Expenses	21,387	88,462	24.18%
Contract Expenses	1,326	4,500	29.47%
Personnel Misc. Expenses	263	2,500	10.52%
Material & Supplies Expenses	14,124	15,600	90.54%
Utilities Expenses	31,679	121,200	26.14%
Maintenance Expenses	2,464	8,150	30.23%
Misc. Expenses	1,956	11,250	17.39%
Debt Expense	11,821	163,350	7.24%
Total Expenditures	<u>128,111</u>	<u>572,625</u>	<u>22.37%</u>

<u>Council</u>			
Personnel Expenses	3,675	14,700	25.00%
Personnel Benefits Expenses	14,008	55,373	25.30%
Contract Expenses	522	2,500	20.88%
Personnel Misc. Expenses	1,843	7,650	24.09%
Material & Supplies Expenses	0	150	0.00%
Utilities Expenses	0	0	
Maintenance Expenses	0	0	
Misc. Expenses	36	550	6.55%
Capital Expenses	0	0	
Total Expenditures	<u>20,084</u>	<u>80,923</u>	<u>24.82%</u>

City of Craig
Statement of Revenue and Expenditures
For the Three Months Ending September 30, 2011

EMS

Personnel Expenses	8,620	39,213	21.98%
Personnel Benefits Expenses	957	8,136	11.76%
Contract Expenses	0	2,500	0.00
Personnel Misc. Expenses	1,353	10,800	0.00
Material & Supplies Expenses	4,284	5,075	84.41%
Utilities Expenses	835	2,200	37.95%
Maintenance Expenses	869	5,500	
Misc. Expenses	609	5,050	12.06%
Capital Expenses	0	1,000	0.00
Total Expenses	17,527	79,474	22.05%
Total Expenditures			

Fire Department

Personnel Expenses	0	2,400	
Personnel Benefits Expenses	333	5,895	5.65%
Contract Expenses	750	9,000	8.33%
Personnel Misc. Expenses	0	3,500	
Material & Supplies Expenses	331	1,250	26.48%
Utilities Expenses	560	4,700	11.91%
Maintenance Expenses	0	2,000	0.00%
Misc. Expenses	963	2,800	34.39%
Capital Expenses	0	5,200	
Total Expenditures	2,937	36,745	7.99%

Library

Personnel Expenses	13,626	49,398	27.58%
Personnel Benefits Expenses	2,231	12,071	18.48%
Contract Expenses	236	2,900	8.14%
Personnel Misc. Expenses	1,880	1,235	152.23%
Material & Supplies Expenses	6,968	10,150	68.65%
Utilities Expenses	1,175	6,800	17.28%
Maintenance Expenses	0	0	
Misc. Expenses	162	1,500	10.80%
Capital Expenses	0	8,500	
Total Expenditures	26,278	92,554	28.39%

City of Craig
Statement of Revenue and Expenditures
For the Three Months Ending September 30, 2011

Planning

Personnel Expenses	12,116	40,347	30.03%
Personnel Benefits Expenses	9,366	40,114	23.35%
Contract Expenses	0	2,000	
Personnel Misc. Expenses	0	1,500	0.00%
Material & Supplies Expenses	746	2,050	36.39%
Utilities Expenses	0	0	
Maintenance Expenses	0	0	
Misc. Expenses	131	1,700	7.71%
Capital Expenses	0	3,000	
Total Expenditures	22,359	90,711	24.65%

16 Police

Personnel Expenses	135,525	498,097	27.21%
Personnel Benefits Expenses	58,952	299,241	19.70%
Contract Expenses	883	700	126.14%
Personnel Misc. Expenses	1,153	4,000	28.83%
Material & Supplies Expenses	8,183	28,830	28.38%
Utilities Expenses	9,219	34,500	26.72%
Maintenance Expenses	290	5,000	5.80%
Misc. Expenses	2,600	22,000	11.82%
Capital Expenses	1,072	2,000	0.00
Total Expenditures	217,877	894,368	24.36%

Public Facilities & Parks

Personnel Expenses	27,470	106,811	25.72%
Personnel Benefits Expenses	8,226	50,062	16.43%
Contract Expenses	1,417	8,100	17.49%
Personnel Misc. Expenses	520	0	0.00
Material & Supplies Expenses	2,458	5,800	42.38%
Utilities Expenses	4,964	12,800	12800.00%
Maintenance Expenses	557	1,000	55.70%
Misc. Expenses	2,730	7,000	39.00%
Capital Expenses	0	17,750	0.00%
Total Expenditures	48,342	209,323	23.09%

City of Craig
Statement of Revenue and Expenditures
For the Three Months Ending September 30, 2011

15 Public Works

Personnel Expenses	19,281	87,967	21.92%
Personnel Benefits Expenses	13,565	55,222	24.56%
Contract Expenses	110	500	0.00
Personnel Misc. Expenses	0	1,175	0.00
Material & Supplies Expenses	1,935	8,000	24.19%
Utilities Expenses	5,865	29,800	19.68%
Maintenance Expenses	1,321	6,000	22.02%
Misc. Expenses	1,575	8,050	19.57%
Capital Expenses	1,221	9,500	0.00
Total Expenditures	44,873	206,214	21.76%

Recreation

Personnel Expenses	10,773	36,491	29.52%
Personnel Benefits Expenses	6,094	27,044	22.53%
Contract Expenses	337	3,500	0.00
Personnel Misc. Expenses	0	0	0.00
Material & Supplies Expenses	803	2,000	40.15%
Utilities Expenses	2,604	23,350	11.15%
Maintenance Expenses	0	0	0.00
Misc. Expenses	552	3,100	0.00
Capital Expenses	0	0	0.00
Total Expenditures	21,163	95,485	22.16%

City of Craig
Statement of Revenue and Expenditures
For the Three Months Ending September 30, 2011

Enterprise Fund

Revenue

	YTD Actual	YTD Budget	% Budget
Sewer Fees	71,287	261,000	27%
Water Sales	78,150	268,500	29%
Garbage Fees	87,981	338,000	26%
Harbor Services	68,931	233,050	30%
JTB Industrial Services	195,036	335,882	58%
Cannery Revenue	4,725	137,300	3%
Total Revenue	506,110	1,573,732	32%

Expenses

Sewer Expenses	105,565	259,905	41%
Water Expenses	71,079	271,009	26%
Garbage Expenses	76,632	334,950	23%
Harbor Expenses	70,469	281,383	25%
JTB Industrial Park Expenses	61,426	339,266	18%
Cannery Expenses	3,418	137,300	2%
Total Expenses	388,589	1,623,813	

Net Revenue Over Expenses

117,521 (50,081)

Transfer from General Fund

(117,521) 48,179

Change in Net Assets

0 -1,902

City of Craig
Statement of Revenue and Expenditures
For the Three Months Ending September 30, 2011

Enterprise Fund By Department	Year to Date	Budget	% Budget
Sewer Department			
Sewer Fees	71,287	261,000	27.31%
Personnel Expenses	20,731	89,306	23.21%
Personnel Benefits Expenses	10,979	45,553	24.10%
Contract Expenses	973	5,000	19.46%
Personnel Misc. Expenses	40	100	40.00%
Material & Supplies Expenses	1,820	4,000	45.50%
Utilities Expenses	7,179	38,400	18.70%
Maintenance Expenses	994	5,500	18.07%
Misc. Expenses	2,828	12,048	23.47%
Debt Expenses	60,021	59,998	100.04%
Sewer Expenses	105,565	259,905	40.62%
Net Revenue over Expenses	(34,278)	1,095	
Water Department			
Water Sales	78,150	268,500	29.11%
Personnel Expenses	29,425	94,318	31.20%
Personnel Benefits Expenses	14,968	48,534	30.84%
Contract Expenses	2,541	7,000	36.30%
Personnel Misc. Expenses	1,871	1,225	152.73%
Material & Supplies Expenses	8,410	37,000	22.73%
Utilities Expenses	11,191	49,600	22.56%
Maintenance Expenses	0	8,000	0.00%
Misc. Expenses	2,673	11,000	24.30%
Debt Service	0	14,332	0.00%
Water Expenses	71,079	271,009	26.23%
Net Revenue over Expenses	7,071	(2,509)	
Garbage Department			
Garbage Fees	87,981	338,000	26.03%
Personnel Expenses	14,871	54,433	27.32%
Personnel Benefits Expenses	10,718	31,917	33.58%
Contract Expenses	48,037	230,000	20.89%
Personnel Misc. Expenses	0	0	
Material & Supplies Expenses	694	2,200	31.55%
Fuel Expenses	1,083	4,000	27.08%
Maintenance Expenses	135	6,000	2.25%
Misc. Expenses	1,094	6,400	17.09%
Equipment Expenses	0		
Garbage Expenses	76,632	334,950	22.88%
Net Revenue over Expenses	11,349	3,050	

City of Craig
Statement of Revenue and Expenditures
For the Three Months Ending September 30, 2011

Enterprise Fund By Department	Year to Date	Budget	% Budget
Harbor Department			
Harbor Moorage	45,678	159,000	28.73%
Boat Haul out	4,461	25,000	17.84%
Other Harbor Services	18,792	49,050	38.31%
Total Revenue	68,931	233,050	
Personnel Expenses	28,449	111,426	25.53%
Personnel Benefits Expenses	11,277	67,752	16.64%
Contract Expenses	530	1,000	53.00%
Personnel Misc. Expenses	0	150	0.00%
Material & Supplies Expenses	2,894	6,735	42.97%
Utilities Expenses	7,213	35,375	20.39%
Maintenance Expenses	1,741	10,295	16.91%
Misc. Expenses	18,365	26,450	69.43%
Capital Expenses	0	22,200	0.00%
Harbor Expenses	70,469	281,383	25.04%
Net Revenue over Expenses	(1,538)	(48,333)	
JTB Industrial Park Department			
JTB Industrial Park Leases	171,169	259,382	65.99%
Ice House sales	15,267	50,000	30.53%
Boat Storage & Other	8,600	26,500	32.45%
Total Revenue	195,036	335,882	
Personnel Expenses	10,191	31,158	32.71%
Personnel Benefits Expenses	3,841	10,554	36.39%
Contract Expenses	1,529	0	
Material & Supplies Expenses	767	1,000	76.70%
Utilities Expenses	7,022	30,000	23.41%
Maintenance Expenses	7,138	1,000	713.80%
Misc. Expenses	2,949	22,600	13.05%
Debt Service	27,989	242,954	11.52%
JTB Industrial Park Expenses	61,426	339,266	18.11%
Net Revenue over Expenses	133,610	(3,384)	
Ward Cove Cannery Department			
Cannery Revenue	4,725	17,300	27.31%
Transfer from Endowment Fund		120,000	
Contract Expenses		2,000	
Material & Supplies Expenses		0	
Utilities Expenses	607	1,800	33.72%
Maintenance Expenses		1,900	
Misc. Expenses	75	500	
Debt Service	2,736	131,100	2.09%
Cannery Expenses	3,418	137,300	2.49%
Net Revenue over Expenses	1,307	0	
Total Revenue over Expenses	117,521	(50,081)	

October 11, 2011

sent via email

Ms. Joyce Mason
Treasurer
City of Craig
P.O. Box 725
Craig, Alaska 99921

Dear Ms. Mason,

Enclosed is the September report for the City of Craig, which includes a listing of portfolio assets, purchases and sales. As this report coincides with the end of a calendar quarter, performance data is included.

At month-end, the market value of the account was \$7,244,649. Based upon the composition of the portfolio, the expected annual income is \$92,355.

Our monthly commentary is attached.

Please call if you have any questions regarding this month's report.

Sincerely,



Bert Wagnon
Senior Vice President



Evan D. Rose
President and CEO

cc via email: Mr. Jon Bolling, City Administrator

CITY OF CRAIG

Account Statement - Quarter Ending September 30, 2011

ACCOUNT ACTIVITY

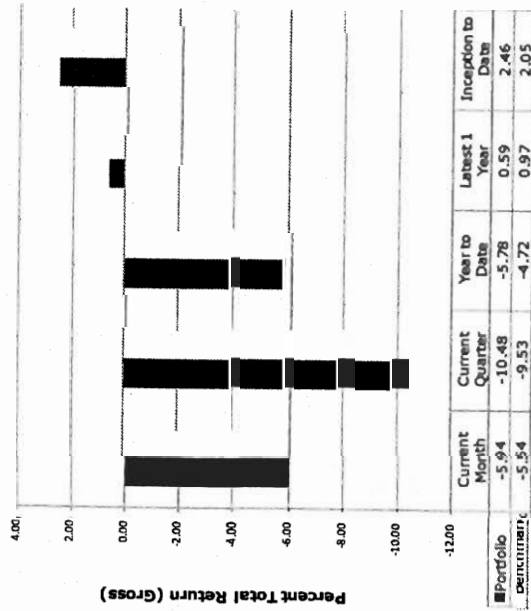
Portfolio Value on 06-30-11	8,102,011
Contributions	0
Withdrawals	-8,605
Change in Market Value	-896,733
Interest	22,489
Dividends	25,486
	<hr/>

Portfolio Value on 09-30-11

7,244,649

INVESTMENT PERFORMANCE

Current Account Benchmark:
Equity Blend



Performance for Periods One Year and Greater are Annualized

MANAGEMENT TEAM

Director of Client Relations: Laura Bruce, CFP, ChFC
Laura@apcm.net

Your Portfolio Manager: Bert Wagnon
Jason Roth

Contact Phone Number: 907/272 -7575

PORTFOLIO COMPOSITION



Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
September 30, 2011

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
U.S. TREASURY									
125,000	US TREASURY NOTES 0.625% Due 07-31-12	100.20	125,244	100.38	125,479	1.73	781	132	0.17
40,000	US TREASURY NOTES 1.250% Due 10-31-15	98.51	39,405	102.12	40,847	0.56	500	209	0.72
100,000	US TREASURY NOTES 3.750% Due 11-15-18	106.48	106,480	115.68	115,680	1.60	3,750	1,416	1.43
100,000	US TREASURY NOTES 3.500% Due 05-15-20	104.04	104,039	114.52	114,523	1.58	3,500	1,322	1.68
50,000	US TREASURY NOTES 2.625% Due 11-15-20	95.36	47,680	106.94	53,469	0.74	1,312	496	1.80
	Accrued Interest				3,575	0.05			
			422,849		453,572	6.26		3,575	
AGENCIES									
50,000	REGIONS BANK (FDIC GUARANTEED) 3.250% Due 12-09-11	104.31	52,156	100.55	50,276	0.69	1,625	506	0.36
50,000	FHLB US GOVT AGENCY 5.250% Due 06-18-14	100.80	50,401	112.57	56,283	0.78	2,625	751	0.58
100,000	FHLMC 3.750% Due 03-27-19	101.41	101,410	112.97	112,971	1.56	3,750	42	1.89
	Accrued Interest				1,298	0.02			
			203,967		220,829	3.05		1,298	
FNMA & FHLMC									
48,696	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	104.56	50,918	105.34	51,295	0.71	1,948	162	1.89
	Accrued Interest				162	0.00			
			50,918		51,457	0.71		162	
ASSET-BACKED SECURITIES									
100,000	GE CAPITAL CREDIT CARD MASTER NOTE TRUST 3.690% Due 07-15-15	103.37	103,375	102.37	102,368	1.41	3,690	164	0.69
	Accrued Interest				164	0.00			
			103,375		102,532	1.42		164	
COMMERCIAL MORTGAGE-BACKED SECURITIES									
137,310	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	95.78	131,517	101.71	139,662	1.93	6,762	564	3.47
90,263	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	100.55	90,756	100.75	90,938	1.26	4,905	409	4.44
	Accrued Interest				972	0.01			
			222,273		231,572	3.20		972	

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
September 30, 2011

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
CORPORATE BONDS									
100,000	AT&T WIRELESS SVCS INC 8.125% Due 05-01-12	113.08	113,085	104.04	104,036	1.44	8,125	3,385	1.19
100,000	UNITED PARCEL SVC INC 4.500% Due 01-15-13	99.57	99,575	105.03	105,030	1.45	4,500	950	0.58
100,000	VERIZON VA INC 4.625% Due 03-15-13	95.70	95,705	104.52	104,516	1.44	4,625	206	1.48
50,000	TOYOTA MOTOR CREDIT 1.375% Due 08-12-13	101.03	50,513	100.77	50,385	0.70	687	94	0.96
100,000	CATERPILLAR FINANCIAL 6.125% Due 02-17-14	100.12	100,125	111.57	111,571	1.54	6,125	749	1.18
100,000	JP MORGAN CHASE & CO 4.750% Due 03-01-15	97.18	97,176	105.92	105,922	1.46	4,750	396	2.92
100,000	HSBC FINANCE CORP 5.500% Due 01-19-16	100.21	100,206	104.38	104,377	1.44	5,500	1,100	4.37
50,000	BRITISH COLUMBIA PROV OF 2.100% Due 05-18-16	99.98	49,990	103.90	51,952	0.72	1,050	388	1.23
50,000	CONOCOPHILLIPS CDA FDG FDG CO 5.625% Due 10-15-16	117.91	58,955	116.12	58,062	0.80	2,812	1,297	2.23
50,000	STATOIL ASA 3.125% Due 08-17-17	107.07	53,533	105.92	52,961	0.73	1,562	191	2.05
100,000	WACHOVIA CORP GLOBAL MEDIUM 5.750% Due 02-01-18	99.57	99,572	112.67	112,669	1.56	5,750	958	3.50
75,000	GENERAL ELECTRIC CAP CORP. 5.625% Due 05-01-18	88.27	66,205	109.32	81,989	1.13	4,219	1,758	4.00
100,000	GOLDMAN SACHS GROUP INC. 7.500% Due 02-15-19	116.51	116,514	111.59	111,592	1.54	7,500	958	5.56
	Accrued Interest				12,429	0.17			
			1,101,155		1,167,492	16.12		12,429	
DOMESTIC LARGE CAP EQUITY FUNDS/ETF									
27,986	SPDR S&P 500 ETF TRUST	137.16	3,838,597	113.15	3,166,616	43.71	NA		
DOMESTIC MID CAP EQUITY FUNDS/ETF									
5,496	ISHARES S&P MIDCAP 400	69.71	383,101	77.99	428,633	5.92	NA		
INTERNATIONAL FUNDS/ETF									
22,638	VANGUARD MSCI EAFE ETF	38.93	881,295	30.13	682,083	9.41	NA		
REAL ESTATE									
12,857	VANGUARD REIT ETF	56.44	725,700	50.87	654,036	9.03	NA		

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
September 30, 2011

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
TREASURY BILLS									
50,000	US TREASURY BILLS 0.000% Due 05-31-12	99.83	49,916	99.95	49,976	0.69	NA	0	0.07
CASH AND EQUIVALENTS									
	CASH RECEIVABLE		17,490		17,490	0.24	NA		
	FEDERATED GOVERNMENT OBLIGATION		18,360		18,360	0.25			
			35,850		35,850	0.49			
TOTAL PORTFOLIO			8,018,996		7,244,649	100	92,355	18,601	

Alaska Permanent Capital Management Co.

TRANSACTION SUMMARY

CITY OF CRAIG

From 09-01-11 To 09-30-11

Trade Date	Settle Date	Security	Quantity	Trade Amount
PURCHASES				
CORPORATE BONDS				
09-09-11	09-14-11	CONOCOPHILLIPS CDA FDG FDG CO 5.625% Due 10-15-16	50,000	58,955.50
09-09-11	09-14-11	STATOIL ASA 3.125% Due 08-17-17	50,000	53,533.00
				112,488.50
				112,488.50
DEPOSITS AND EXPENSES				
CASH AND EQUIVALENTS				
09-06-11	09-06-11	CASH PAYABLE		38,042.43
				38,042.43
DIVIDEND				
DOMESTIC LARGE CAP EQUITY FUNDS/ETF				
09-16-11	10-31-11	SPDR S&P 500 ETF TRUST		17,489.85
DOMESTIC MID CAP EQUITY FUNDS/ETF				
09-29-11	09-29-11	ISHARES S&P MIDCAP 400		1,606.13
REAL ESTATE				
09-29-11	09-29-11	VANGUARD REIT ETF		6,389.93
				25,485.91
INTEREST				
AGENCIES				
09-27-11	09-27-11	FHLMC 3.750% Due 03-27-19		1,875.00

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 09-01-11 To 09-30-11

Trade Date	Settle Date	Security	Quantity	Trade Amount
ASSET-BACKED SECURITIES				
09-15-11	09-15-11	GE CAPITAL CREDIT CARD MASTER NOTE TRUST 3.690% Due 07-15-15		307.50
CASH AND EQUIVALENTS				
09-01-11	09-01-11	FEDERATED GOVERNMENT OBLIGATION		0.92
COMMERCIAL MORTGAGE-BACKED SECURITIES				
09-01-11	09-09-11	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51		411.77
09-16-11	09-16-11	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41		569.01
				980.78
CORPORATE BONDS				
09-01-11	09-01-11	JP MORGAN CHASE & CO 4.750% Due 03-01-15		2,375.00
09-15-11	09-15-11	VERIZON VA INC 4.625% Due 03-15-13		2,312.50
				4,687.50
FNMA & FHLMC				
09-01-11	09-14-11	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26		166.67
				8,018.37

Alaska Permanent Capital Management Co.

TRANSACTION SUMMARY

CITY OF CRAIG

From 09-01-11 To 09-30-11

Trade Date	Settle Date	Security	Quantity	Trade Amount
PRINCIPAL PAYDOWNS				
COMMERCIAL MORTGAGE-BACKED SECURITIES				
09-01-11	09-09-11	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	668	668.13
09-16-11	09-16-11	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	1,334	1,333.52
				2,001.65
FNMA & FHLMC				
09-01-11	09-14-11	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	1,303.14	1,303.14
				3,304.79
PURCHASED ACCRUED INTEREST				
CORPORATE BONDS				
09-09-11	09-14-11	CONOCOPHILLIPS CDA FDG FDG CO 5.625% Due 10-15-16		1,164.06
09-09-11	09-14-11	STATOIL ASA 3.125% Due 08-17-17		117.19
				1,281.25
				1,281.25
WITHDRAW				
CASH AND EQUIVALENTS				
09-16-11	09-16-11	FEDERATED GOVERNMENT OBLIGATION		1,926.15
09-30-11	09-30-11	FEDERATED GOVERNMENT OBLIGATION		56.25

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 09-01-11 To 09-30-11

Trade Date	Settle Date	Security	Quantity	Trade Amount
09-30-11	09-30-11	FEDERATED GOVERNMENT OBLIGATION		80.00
09-30-11	09-30-11	FEDERATED GOVERNMENT OBLIGATION		153.75
				2,216.15
				2,216.15

Alaska Permanent Capital Management Co.
REALIZED GAINS AND LOSSES

CITY OF CRAIG

From 09-01-11 Through 09-30-11

Date	Quantity	Security	Avg. Cost Basis	Proceeds	Gain Or Loss
09-01-11	668	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	671.78	668.13	-3.65
09-01-11	1,303.14	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	1,362.60	1,303.14	-59.46
09-16-11	1,334	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	1,277.26	1,333.52	56.26
TOTAL GAINS					56.26
TOTAL LOSSES					-63.11
			3,311.64	3,304.79	-6.85

Alaska Permanent Capital Management Co.

CASH LEDGER

CITY OF CRAIG

From 09-01-11 To 09-30-11

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
CASH PAYABLE					
09-01-11			Beginning Balance		-38,042.43
09-06-11	09-06-11	dp	Transfer from	FEDERATED GOVERNMENT OBLIGATION	38,042.43
09-30-11			Ending Balance		0.00
FEDERATED GOVERNMENT OBLIGATION					
09-01-11			Beginning Balance		153,069.25
09-01-11	09-09-11	dp	Interest	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	411.77
09-01-11	09-09-11	dp	Paydown	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	668.13
09-01-11	09-14-11	dp	Interest	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	166.67
09-01-11	09-14-11	dp	Paydown	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	1,303.14
09-01-11	09-01-11	dp	Interest	JP MORGAN CHASE & CO 4.750% Due 03-01-15	2,375.00
09-01-11	09-01-11	dp	Interest	FEDERATED GOVERNMENT OBLIGATION	0.92
09-06-11	09-06-11	wd	Transfer to	CASH PAYABLE	-38,042.43
09-09-11	09-14-11	wd	Purchase	CONOCOPHILLIPS CDA FDG FDG CO 5.625% Due 10-15-16	-58,955.50
09-09-11	09-14-11	wd	Accrued Interest	CONOCOPHILLIPS CDA FDG FDG CO 5.625% Due 10-15-16	-1,164.06

Alaska Permanent Capital Management Co.

CASH LEDGER

CITY OF CRAIG

From 09-01-11 To 09-30-11

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
09-09-11	09-14-11	wd	Purchase	STATOIL ASA 3.125% Due 08-17-17	-53,533.00
09-09-11	09-14-11	wd	Accrued Interest	STATOIL ASA 3.125% Due 08-17-17	-117.19
09-15-11	09-15-11	dp	Interest	GE CAPITAL CREDIT CARD MASTER NOTE TRUST 3.690% Due 07-15-15	307.50
09-15-11	09-15-11	dp	Interest	VERIZON VA INC 4.625% Due 03-15-13	2,312.50
09-16-11	09-16-11	wd	Withdrawal	from Portfolio	-1,926.15
09-16-11	09-16-11	dp	Paydown	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	1,333.52
09-16-11	09-16-11	dp	Interest	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	569.01
09-27-11	09-27-11	dp	Interest	FHLMC 3.750% Due 03-27-19	1,875.00
09-29-11	09-29-11	dp	Dividend	VANGUARD REIT ETF	6,389.93
09-29-11	09-29-11	dp	Dividend	ISHARES S&P MIDCAP 400	1,606.13
09-30-11	09-30-11	wd	Withdrawal	from Portfolio	-56.25
09-30-11	09-30-11	wd	Withdrawal	from Portfolio	-80.00
09-30-11	09-30-11	wd	Withdrawal	from Portfolio	-153.75
09-30-11			Ending Balance		18,360.14
CASH RECEIVABLE					
09-01-11			Beginning Balance		0.00
09-16-11	10-31-11	dp	Dividend	SPDR S&P 500 ETF TRUST	17,489.85
09-30-11			Ending Balance		17,489.85

QUARTERLY PERSPECTIVES

ECONOMY & MARKETS

Twists, Double Dips, and Contagion

Concern over the European debt crisis and a double dip slowdown in the U.S. spurred a flight to quality and a search for safe haven assets in the third quarter. Despite the S&P downgrade of U.S. debt to AA+ in July, investors flocked to Treasury bonds sending their yields to record lows and the U.S. dollar higher in value. The dollar rallied +5.7% against a basket of currencies. Thirty year Treasury bonds gained +31% (that's no typo) as their yield dropped 150 basis points to 3% at quarter end.

In an attempt to flatten the yield curve the Federal Reserve announced they would keep short rates close to zero for two years and twist the yield curve by selling shorter bonds and buying longer ones pushing long rates lower. So far it has worked! But whether this will jump start the economy is another matter. In fact, the equity markets were not pleased as the Fed downgraded their outlook for the economy.

Global stocks put in their worst quarterly performance since the fourth quarter of 2008. The U.S. performed the best, but it was like being in an up elevator on the Titanic. The large cap S&P 500 lost -13.9% while smaller stocks in the S&P 600 were off -19.8%. Within the stock market the cyclical companies (industrials, transports, etc.) took it on the chin as did the banks. Large cap stocks are now down -8.2% YTD and the peak to trough decline in the market is close to bear market territory (bear market rule of thumb is down -20%).

It was worse overseas. The high beta emerging markets were down -22.5%. That was despite their strong growth and healthy finances. Go figure. The global developed country EAFE index lost -19.9% as Europe was especially hit hard with the STOXX 50 off -23.0% for the quarter.

The European sovereign debt crisis has widened as investors now worry about Spain and Italy. It looks like Greece will restructure its debt and banks will take mark downs. European policy makers, the ECB, and the IMF are working on yet another plan. But investors must be feeling a bit like Charlie Brown having Lucy continually pull the football away at the last moment. The markets have not been impressed with the string of stop gap measures so far.

Commodities lost their luster in Q3. Copper was off -26% and WTI oil fell -17% to \$80. Volatile gold began the quarter at \$1,500 an ounce, touched \$1,900 in August, and then slid to \$1,630 in September. Weaker commodity prices should help cool inflationary pressures which have picked up, but should prove transitory given considerable slack in the economy.

All of this is looking through the rear view mirror of course. The macroeconomic outlook is challenging. The U.S. is growing slowly in the +1 to 2% range and Europe may see a recession. Unemployment is high and consumer and business confidence is low. Many countries are grappling with deficit/debt largess and austerity is in the air.

However, by any reasonable measure stocks are cheap and low yielding Treasury bonds are rich, even if the Fed has said they'll buy most of them. Look, if you need money six months or a year from now, get out of the stock market! Short term forecasting and market timing are a fool's errand. Stocks will rebound. It really is a matter of when, not if. Equities are attractively priced looking out 3 to 5 years. Don't expect double digit gains, but rather +7 to 8% which should comfortably beat the +1 to 2% returns from bonds or cash.

**Jeff Pantages, CFA
Chief Investment Officer**

A Tale of Two Continents

Currently the world finds itself in a period of fiscal consolidation. Governments are slashing spending in an effort to engender a big enough boost to confidence that private-sector demand will more than offset the decrease in public-sector spending. At the center of this are the world's banks which appear to be in a 'negative feedback loop' with financial markets focusing on the prospects of a resolution of Europe's financial crisis over economic news from the United States. Bank credit-default swaps have blown out to levels not seen since the financial crisis in 2008 after the Lehman bankruptcy.

Europe is struggling with conflicts between dramatically differing economic and debt fundamentals. The primary focus currently continues to be on Greece's failure to close its budget shortfall. As Greek default concerns have escalated, worries over sovereign debt holdings have fueled fears about the financial strength of banks across the continent. Furthermore, the willingness and ability of sovereign governments to support their respective banks has been called into question, increasing the possibility of contagion throughout Europe.

The question is whether the euro-zone is facing a liquidity or solvency issue? If the problem is solvency, there is little policy makers can do but allow the markets to take over which would likely cause Europe to go back into a recession, if not a depression. However, if a lack of liquidity is the issue, the European Central Bank can continue to buy sovereign debt and provide more funding for European banks.

In the United States, markets are absorbing Moody's announcement downgrading the credit ratings of Bank of America, Citi and Wells Fargo. Given Moody's had telegraphed this action it didn't come as a surprise and gave the banks time to generate additional capital and minimize adverse funding implications.

Moody's rationale was primarily the result of "a decrease in the probability that the U.S. government would support the banks, if needed." The ratings adjustments did not appear to reflect any weakening in the fundamental credit risk of the banks. In fact, each of the banks has been in the mode of capital generation to meet regulatory concerns and upcoming Basel III capital requirements. They are all now maintaining capital in excess of

regulatory requirements, have reduced their risk profiles and increased liquidity.

Going forward however, falling margins (the difference between what a bank can earn in interest income relative to what it pays to fund itself) and the impact of the Dodd-Frank Act will make it tougher for banks to be as profitable as they once were.

Compared to the financial crisis in 2008/2009 the industry is now relatively better capitalized and more liquid particularly with its access to the Discount Window at the Federal Reserve. As of June 30, 2011 Core Tier 1 and Tier 1 capital ratios of the largest European banks were 9.9% and 12.0% respectively, compared to 6.0% and 7.5% at the end of 2007, which is a substantial improvement. The same ratios of the U.S. money center banks were 9.8% and 14.3% respectively, compared to 8.0% and 9.9% at the end of 2007.

As of June 30th European bank exposure to the troubled PIIGS (Portugal, Ireland, Italy, Greece and Spain) was more than \$1 trillion compared to approximately \$125 billion for the U.S. banks. Default by one or more of these countries would hurt the European banks, but would be a manageable risk for banks in the U.S.

European policymakers, the IMF and ECB are all grappling with the design of a plan to stabilize their financial system. Ultimately, the outcome of the current European crisis and its impact on the world's banking system and economy is one of political will.

APCM continues to hold the bonds of the U.S. money center banks, and views their improved capital and liquidity positions as a reason to maintain such exposure.



Jason Roth
Senior Vice President



Bill Lierman
Sr. Investment Analyst

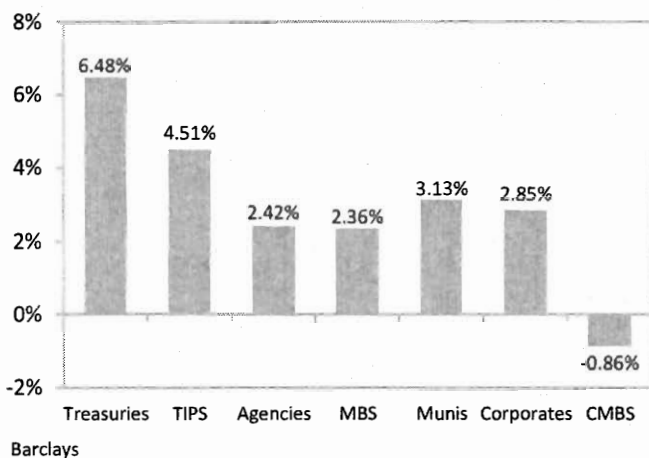
■ The bond market digested damper economic data and the Fed's announcement of "Operation Twist." Treasuries rallied and the curve flattened with the 2yr and 30yr yields declining 21bps and 146bps, respectively.

■ The nominal Treasury index rallied +6.48%. The TIPS index was not as impressive, returning +4.51%, as commodity prices and

inflation expectations moderated. This despite the +3.8% increase in the YOY level of the CPI inflation index.

■ Financials led corporate underperformance (vs. Treasuries) as investors continued to decrease exposure to banks and insurance companies throughout the quarter. CMBS was hit the hardest on liquidity and economic concerns, however the AAA tranches remain attractive.

Third Quarter 2011 Bond Total Return



■ Agency debt and mortgage backed securities held up well in the face of the U.S. sovereign debt downgrade and concerns with potential selling from European Banks. In September, Agencies got a boost as the Fed announced it would maintain exposure to agency debt and MBS and reinvest any maturities and pay downs.

■ Municipal bonds returned a positive +3.13% as issuance started to pick up at the end of the quarter. Municipal/Treasury yield ratios rose to levels seen during the panic of 2008.

■ Investors continued to like short dated spread product as ABS returned +2.42%. Credit card trust data continued to improve as delinquencies declined and excess spreads increased.

■ In Q3 macro risks continued to dominate the markets which led to a volatile and painful quarter for equities around the world. The last time we saw this kind of volatility was in spring 2009.

■ Domestic large cap equities posted a -13.9% return, beating mid and small caps which were down over -19.0%. Large cap relative outperformance YTD has been supported by high cash reserves, manageable debt levels, and strong earnings.

■ Developed international equities were hurt by the European equity markets. Investors dumped stocks as concerns heightened over the exposure of European banks to Greek debt. Germany's DAX index and France's CAC 40 index lost -25.0% of their value.

■ Despite low debt levels and steady economic growth emerging markets were the worst performers, down -22.6%. The decline was led by Russia (-20.9%), Poland (-21.7%), and Hungary (-27.8%).

■ Commodities were in positive territory until the last couple of weeks in the quarter when investors became worried about an economic slowdown in China and other emerging countries which could lead to demand deterioration. The index of nineteen widely consumed commodities lost over -15.0% in the last month of the quarter, finishing down -11.3% for the quarter.

■ The bright spot amongst all this turmoil has been corporate earnings. Expectations for Q3 earnings have declined slightly (-2.6% from 6/30/11), but are still expected to result in one of the best quarters in history.

Total Return (%) as of September 30, 2011

	Q3 2011	1 Year	3 Years	5 Years
Domestic Equities				
Large Cap S&P 500	-13.9	1.1	1.2	-1.2
Mid Cap S&P 400	-19.9	-1.3	4.1	2.2
Small Cap S&P 600	-19.8	0.2	0.8	0.3
International Equities				
Developed MSCI EAFE	-19.0	-9.4	-1.1	-3.5
Emerging MSCI Emerging Markets	-22.6	-16.2	6.3	4.9
Other				
Commercial Property S&P U.S. REIT	-14.7	1.1	-1.8	-2.7
Commodities DJ-UBS Commodity	-11.3	0.0	-5.7	-1.1
Fixed Income				
Total Bond Market Barclays Aggregate	3.8	5.3	8.0	6.5
1-3 Yr U.S. Treasury/Agency Barclays 1-3 Gov	0.5	1.2	2.7	4.0
Int'l Treasury Barclays Global Tsy ex-US	-1.7	2.5	8.3	7.7

Returns are annualized for periods greater than one year



Brandy Niclai, CFA
Sr. Investment Analyst

ALASKA PERMANENT
APCM
CAPITAL MANAGEMENT

Focus on Individual Portfolios

The Importance of Rebalancing

During periods of high market volatility, rebalancing is the key to managing both the risk in the portfolio as well as the emotional response to the volatility. Rebalancing forces a "buy low, sell high" response, which is often counter to an investor's emotional response. An instinctive reaction to significant market news or events is typically to flee from the volatile investment.

If you view diversification of a portfolio like a recipe, you need a number of ingredients to make the recipe work. While you can overweight chocolate chips in a cookie recipe, after a certain point the overweight ruins the recipe. Therefore, managing a portfolio requires regular proactive rebalancing. Rebalancing realigns positions back to their established targets, which has the impact of buying into positions that have likely become undervalued and selling away from possibly overvalued positions. As positions recover back to more "normal" valuation levels, rebalancing can add to potential portfolio returns over time.

Here at APCM, while we monitor the markets and portfolios daily, we formally consider rebalancing quarterly; as well as during periods of high market volatility like we did in August. We are mindful of transactions costs (fees and bid/ask spreads) and taxes, and therefore avoid changing the portfolio too often.

APCM portfolio manager, Brandy Niclai, notes that while the initial asset allocation is the most important driver of portfolio return and risk, academic studies verify the importance and power of rebalancing. Over time as markets change, a portfolio may "drift" from its initial allocation towards a concentration in the best performing asset and end up being inconsistent with client risk/reward preferences.

According to Vanguard "significant rebalancing opportunities into equities have occurred after strongly negative market events." Their historical analysis shows that "investors who had a plan and maintained their target allocation by rebalancing during trying times have typically been rewarded."

Roaring Bears and Raging Bulls Historical Changes in the S&P 500 Index		
Bear Market	Decline From Peak	Return One Year After Trough
December 12, 1961 - June 26, 1962	-28.0%	31.3%
February 8, 1966 - August 8, 1966	-22.2%	33.2%
November 29, 1968 - May 26, 1970	-36.1%	36.6%
January 11, 1973 - October 3, 1974	-48.2%	38.0%
November 28, 1980 - November 11, 1982	-27.1%	56.2%
February 25, 1987 - December 4, 1987	-33.5%	22.8%
March 24, 2000 - September 19, 2001	-36.8%	-12.5%
January 4, 2002 - October 9, 2002	-33.8%	22.8%
October 10, 2007 - March 9, 2009	-56.7%	69.3%

Data Source: Vanguard. Returns show price changes only and do not include dividends.

Vanguard looked at nine bear markets between 1960 and 2010 (defining a bear market as a decline of 20% or more in the S&P 500 index over at least a two-month period). In eight out of nine cases, the stock market experienced a strong rally during the year after hitting bottom.

A disciplined rebalancing approach helps to overcome both the fear (loss avoidance) and exuberance (overconfidence) that can accompany investing. In that sense, it can help investors not only manage risk but also add to return.

**Cathie Straub, CPA, CFP®
Vice President**

Date: October 14, 2011

To: Mayor & City Council

From: Joyce Mason

Re: FY12 Shared Fisheries Business Tax

Resolution 11-13 requests the Alternative Allocation Method for the FY12 Shared Fisheries Business Tax payment from the Department of Commerce. The allocation method allocates 50% of the fish tax on an even distribution and 50% of the fish tax to be prorated by population. The total estimate for the FY12 tax was provided by the Department of Commerce. The second page of the resolution lists the estimate for the communities of Prince of Wales Island. The Department of Commerce has estimated the City of Craig will receive \$8,913.87

This resolution is presented to the Council each year.

Recommendation:

Approve Resolution 11-13, Adopting the Alternative Allocation Method for the FY12 Shared Fisheries Business Tax for the Southern Southeast Fisheries Management Area.

**CITY OF CRAIG
RESOLUTION 11-13**

**A RESOLUTION ADOPTING AN ALTERNATIVE ALLOCATION METHOD FOR THE
FY12 SHARED FISHERIES BUSINESS TAX PROGRAM AND CERTIFYING THAT
THIS ALLOCATION METHOD FAIRLY REPRESENTS THE DISTRIBUTION OF
SIGNIFICANT EFFECTS OF FISHERIES BUSINESS ACTIVITY IN SOUTHERN
SOUTHEAST FISHERIES MANAGEMENT**

WHEREAS, AS29.60.450 requires that for a municipality to participate in the FY12 Shared Fisheries Business Tax Program, the municipality must demonstrate to the Department of Commerce that the municipality suffered significant effects during calendar year 2010 from fisheries business activities; and,

WHEREAS, 3 AAC 134.060 provides for the allocation of available program funding to eligible municipalities located within fisheries management areas specified by the Department of Commerce; and,

WHEREAS, 3AAC 134.070 provides for the use, at the discretion of the Department of Commerce, of alternative allocation methods which may be used within fisheries management areas if all eligible municipalities within the area agree to use the method, and the method incorporates some measure of the relative significant effect of fisheries business activity on the respective municipalities in the area; and,

WHEREAS, The City of Craig proposes to use an alternative allocation method for allocation of FY12 funding available within the Southern Southeast Fisheries Management Area in agreement with all other municipalities in this area participating in the FY12 Shared Fisheries Business Tax Program;

NOW THEREFORE BE IT RESOLVED THAT: The City of Craig by this resolution certifies that the following alternative allocation method fairly represents the distribution of significant effect during 2010 of fisheries business activity in the Southern Southeast Fisheries Management Area.

Estimated FY12 Fish Tax Payments

FMA 19: Southern Southeast Area

Alternative Method*	Total			Calculated Allocation
	Allocation	50% Divided	50% per capita	
	\$ 89,789.58	\$ 44,894.79	\$ 44,894.79	
Community	Population	50% divided share	50% per capita share	Calculated Allocation
Craig	1,201	\$ 5,611.85	\$ 3,302.02	\$ 8,913.87
Hydaburg	376	\$ 5,611.85	\$ 1,033.77	\$ 6,645.62
Kasaan	49	\$ 5,611.85	\$ 134.72	\$ 5,746.57
Ketchikan Borough	5,016	\$ 5,611.85	\$ 13,790.94	\$ 19,402.79
Ketchikan	8,050	\$ 5,611.85	\$ 22,132.59	\$ 27,744.44
Klawock	755	\$ 5,611.85	\$ 2,075.79	\$ 7,687.64
Saxman	411	\$ 5,611.85	\$ 1,130.00	\$ 6,741.85
Thorne Bay	471	\$ 5,611.85	\$ 1,294.96	\$ 6,906.81
Totals	16,329	\$ 44,894.79	\$ 44,894.79	\$ 89,789.58
Community Count	8			

*All municipalities share 50% of allocation equally; share remaining 50% on a per capita basis.
 Ketchikan Borough Population = Total Borough (13,477) less Cities of Ketchikan and Saxman populations.

PASSED and Approved this 20th day of October, 2011.

 MAYOR DENNIS WATSON

ATTEST

 VICKI HAMILTON, CITY CLERK

**CITY OF CRAIG
MEMORANDUM**

To: Craig City Council
From: Jon Bolling, City Administrator
Date: October 14, 2011
RE: Craig North Water Main Project



As the council will recall portions of the ductile iron main between the Port St. Nicholas Road and JT Brown Street are badly corroded and in need of replacement. Water line leaks have developed in the northern and southern thirds of the line due to the failing pipe.

City public works crews have pot-holed (i.e. uncovered the line in various spots for visual inspection) the center third of the line at four locations recently to determine the condition of that portion of the pipe. At those four locations the line is in good condition, with no evidence of the corrosion found at the southern and northern ends.

When staff brought this matter to the city council recently there was interest among the council in replacing the entire 4,700 linear feet of the Craig North line. I am bringing this matter back to the council to ask it to reconsider, and allow staff to replace only the portions of the line that are proven to be in poor condition, which total about 2,700 linear feet.

Taking this approach reduces the overall cost of replacing the line. At a cost of somewhere between \$80 to \$100 per foot to install, leaving the middle section of the water main in place reduces the project cost by between \$160,000 and \$200,000. In addition, the middle section of the line includes a highway crossing of the water main where it connects to the POW Health Care Center. Eliminating replacement of this section of line also removes from the project scope the most expensive portion of the waterline to replace. This approach also minimizes the amount of road improvement funds that we have to use to match our EPA grant funds. Those road improvement funds, from a 2011 \$1.7 million legislative grant, will otherwise be used for paving.

The risk of taking this approach is that we miss the chance to replace water main that we believe is sound, but which may have undiscovered corrosion. While we have tried to minimize this risk by pot-holing the center portion of the line at four locations, the chance that we have overlooked poor quality line remains.

Please give some thought to this matter and be prepared to direct staff on which approach to take to address the corroded Craig North water main.

**CITY OF CRAIG
MEMORANDUM**

To: Craig City Council
From: Jon Bolling, City Administrator 
Date: October 14, 2011
RE: Consideration of Lease of Wood Drying Equipment with Viking Lumber

Attached you will find the proposed lease between the City of Craig and Viking Lumber. The lease would govern use of wood drying equipment owned by the City of Craig and operated by Viking Lumber Company.

Background

In 2010 the City of Craig applied for, and was ultimately awarded, a \$350,000 grant from the Alaska Energy Authority to acquire equipment that dries sawmill wood waste. The grant application specified that Viking Lumber would put up the \$250,000 match, some of which will come from in-kind services (land and labor) to assemble the equipment at the sawmill and subsequently operate that equipment. In return, Viking will make a lease payment to the city each year, and sell the city dried chips for use in the Craig Wood Fired Boiler.

In August the council authorized staff to negotiate the lease with Viking Lumber Co. Since then I met with representatives of Viking Lumber to work out the lease terms. Both Viking's attorney and the city attorney were involved in drafting the version of the lease now under consideration.

Lease Terms

The council will recall that at its August meeting there were other sawmillers present, one of whom voiced concerns about the proposed lease. I provided a copy of the attached draft lease to those who attended the meeting for their comment.

In short, the lease calls for Viking Lumber to pay the city an annual lease fee for use of the dryer. The lease payment is based on eight percent of the estimated market value of the wood drying equipment. As the council will recall, Title 16 of the city's municipal code requires that the city charge at least eight percent of a property's fair market value per year for leases. The lease payment is scheduled to fall over time owing to the depreciated value of the wood drying equipment.

The Alaska Energy Authority asked the city to write in to the lease terms that allow other POW sawmills to have access to the wood drying equipment. To that end Viking Lumber agreed to terms in the lease that require it to accept wood waste from other sawmills. That waste wood would be dried at a set price. The other sawmill operators would deliver and then pick up the sawmill waste from the Viking Lumber site.

The lease has many standard conditions and terms, most of which the council is accustomed to seeing in leases of city property.

Approval Process

As the council is aware, the final terms and conditions of leases of city property are subject to its approval. The council should also be aware that the Alaska Energy Authority has its own approval process for the lease because the city is using State funds to pay for a substantial portion of the project. I do not know at this point when the AEA will approve the lease terms. The organization has a copy of the draft lease, and I have sent them copies of the various drafts through the negotiation process. If the AEA proposes substantive changes to the draft then I will bring those back to the council what will hopefully be a final round of review and approval.

I am anxious to secure AEA's approval. The procurement, delivery, and assembly of the wood drying equipment will likely take about a year to complete, and I would like to begin the process as soon as possible.

Recommendation

Approve, by motion, the attached lease of wood drying equipment between the City of Craig and Viking Lumber Company.

LEASE AGREEMENT

This lease agreement is entered into by and between the City of Craig, Alaska, PO Box 725, Craig, Alaska 99921 (hereinafter "City"), and Viking Lumber Company PO Box 670 Craig, AK 99921. (hereinafter "Lessee").

WHEREAS Lessee desires to lease and operate wood drying equipment at its primary place of business; and,

WHEREAS Lessee has determined that equipment acquired by the City of Craig is suitable for drying wood waste.

1. Leased Equipment. The City hereby leases to Lessee the following city-owned property (hereafter "Equipment"):

A. Onix-brand or equivalent Cyclonic burner and drum dryer, with 63 tons per day wet feed capacity.

2. Lease Compensation due to City. Lessee shall compensate City annually at the rate set forth below in the Schedule entitled: **LEASE PAYMENT SCHEDULE**. The parties estimate that these annual payments represent approximately eight percent (8%) of the fair market value of the Equipment in the year of payment. Annual payments will be made in 12 equal monthly installments each due on or before the 10th of the month. Although the Termination Date of the initial term of this Lease is December 31, 2025, the below Schedule is intended to set the annual rent rate in the event of renewal pursuant to Section 5.

LEASE PAYMENT SCHEDULE							
Year	Amount	Year	Amount	Year	Amount	Year	Amount
1	\$25,200	6	\$18,200	11	\$11,200	16	\$4,200
2	\$25,200	7	\$18,200	12	\$11,200	17	\$4,200
3	\$25,200	8	\$18,200	13	\$11,200	18	\$4,200
4	\$25,200	9	\$18,200	14	\$11,200	19	\$4,200
5	\$25,200	10	\$18,200	15	\$11,200	20	\$4,200

3. Holdover Term. If the parties have not executed a new lease on or before the expiration date, Lessee may continue using Equipment and continue to operate in accordance with this lease as a holdover Lessee on a month-to-month basis. All of the provisions of this lease will remain in effect except that:

A) The Annual Lease Payment specified in Paragraph 2 above shall be increased by a factor of 10%, and shall be payable in equal monthly amounts on the first day of each month.

B) In addition to any rights of the City to terminate this lease as specified in this Lease, or as specified in the Craig Municipal Code, the City shall have all rights to terminate this Lease in accordance with any provision of law applicable to a month-to-month Lessee.

C) The City shall have the right to require reasonable increases in insurance amounts as a term and condition of any holdover month-to-month tenancy.

4. Term. The effective date of this lease is the day the lease is signed by the City, after signature by Lessee. The expiration date of this lease is December 31, 2025. The parties acknowledge that this is a new industry for the City of Craig and the State of Alaska and therefore its difficult to predict material and production costs. Additionally, production and material costs have historically fluctuated and therefore what may seem to be reasonable rents and other charges pursuant to this Lease may become unreasonable and unprofitable in a different economy. Consequently, the parties agree that if through no fault of Lessee, market conditions including energy, raw material and labor costs render operation of the Equipment under the terms of this Lease unprofitable and despite Lessee's requests City refuses to adjust prices to allow Lessee a profit of not less than \$10 per dried ton, then Lessee upon at least 60 days advance notice to City may terminate this Lease and any further responsibility or liability with respect to the Lease except as may have accrued prior to such notice. However, as a condition to exercising this right of termination Lessee shall be required to grant City reasonable access to Lessee's financial records in Craig, Alaska to verify Lessee's allegation that the Equipment has not been able to generate a profit of at least \$10 per dried ton for the past 90 days. If the Lessee fails to provide the financial records to the City as required in this provision, Lessee forfeits any right of termination under this provision. If Lessee successfully exercises this right to terminate the Lease for lack of profitability then Lessee agrees as an accommodation to the City to secure and protect the Equipment and convert the Equipment to inactive status for a maximum of 60 days until the City can relocate the Equipment to a suitable site. Costs of relocation will be the responsibility of the City. However, if Lessee prefers it may immediately upon the effective date of the termination assume the responsibility of transferring the Equipment to a location chosen by the City but if it chooses this option the cost of relocating the Equipment will be the responsibility of Lessee. If City fails to relocate the Equipment within 60 days then Lessee may arrange for disassembly and transfer the Equipment to the City property and the cost of such relocation in that instance shall rest with the City.

5. Options to Renew. Provided that there does not then exist a material default by Lessee under this lease at the time of exercise of this right or at commencement of any extended term, Lessee may exercise an option to renew the lease for ten (10) years each upon the same terms and conditions as this lease agreement. Annual rent during any renewal shall be as set forth in the LEASE PAYMENT SCHEDULE contained in Section 2 of this Lease; provided, rent for any term in excess of twenty (20) years from the original date of the Lease shall be as mutually approved by City and Lessee. This option is effective only if a) the Lessee makes a written request to exercise such option not more than one year or less than six months from the end of the immediately preceding term; and b) Lessee is in compliance with law and this lease and is not in default under this lease agreement. The option to renew must be approved by the Craig City Council. Such approval shall not be unreasonably withheld.

6. Permitted Uses. The lease is for the purpose of providing Lessee with desirable equipment for use in drying wood products. This lease will terminate automatically if and when the Lessee suspends use of Equipment for a period of twelve (12) months or longer unless such suspension is due to market conditions, availability of raw materials or other causes outside the control of Lessee which render operations unprofitable.

7. Access to Equipment by Third Parties – Public Benefit. Lessee agrees that a broad public benefit to Prince of Wales Island wood producers from the Equipment is a material consideration of this lease. To that end, Operator shall reserve not less than ten percent of the Equipment's weekly capacity (Third Party Margin) to dry wood fuel provided by third party suppliers delivered to the Equipment. Subject to the following conditions:

- A. Operator shall provide and maintain an area near the Equipment suitable for the acceptance of wood products delivered by third party suppliers.
- B. Wood material delivered to the Equipment for drying shall be wood products commonly produced from wood milling processes, including wood chips, sawdust or similar materials, and sized within the operating limits of the Equipment.
- C. Materials shall be free of rocks, dirt, oils, grease, bark, and other items incompatible with safe and proper operation of the Equipment. Lessee shall not be required to accept hog fuel. Lessee may reject any materials it reasonably believes are unsatisfactory or otherwise create a risk of damage to the Equipment.
- D. Operator may invoice third party operators for cost of drying services based on the volume of wood dried at a cost of \$85 per ninety percent (90%) dry ton, or ten dollars per ninety percent (90%) dried ton above cost, whichever is less. Provided, in the event of a material change in the cost of product or production City will grant a reasonable increase in these prices it being the intent that Lessee should be able to realize a profit of \$10 per dry ton on all third party operations.
- E. Operator will develop and promulgate to the public production costs, production timelines, and payment terms. Provided, this is not deemed a waiver of operator's right to confidentiality of its proprietary information or trade secrets. Disclosure is limited to those actual costs and operating expenses incurred in the processing of third party materials.
- F. Operator may consume Equipment's Third Party Margin if third party supplier deliveries fall below Equipment capacity.
- G. In the event of any dispute between a Third Party and Lessee such dispute shall first be referred to City's Administrator for mediation, per the following process
 1. The aggrieved Third Party may file a written notice of dispute with the Craig City Administrator detailing the nature of the dispute, and the Third Party's proposed resolution. The notice must be filed no later than ten days after the date the dispute occurred, as recorded in the Third Party's written notice.
 2. The City Administrator will provide a copy of the written notice to Viking Lumber, who will reply to the notice within ten days, and include a proposed resolution of the dispute.

3. The City Administration will issue a decision within 30 days after the end of the ten day period for Viking Lumber's reply. The decision of the Craig City Administrator is final.

8. Maintenance and Conformance to Laws. Lessee agrees to conform to all applicable land use requirements and shall comply with all laws and regulations of the State of Alaska, including but not limited to Federal and State environmental laws and regulations and all Federal and State laws and regulations related to hazardous materials. Lessee is required to familiarize itself with the Federal and State laws and regulations and to know and understand the definitions of hazardous materials in Federal and State laws and regulations.

Lessee agrees to maintain, at its sole expense, in good condition the Equipment and to make all repairs and replacements or cause to be made at its sole expense, which are necessary and appropriate, including, but not limited to, electrical and components installed upon, within or for use by the Equipment. Lessee will cause no waste, damage or injury to the Equipment other than normal wear and tear. Notwithstanding the foregoing, City agrees to assign to Lessee all warranty rights it may acquire with the Equipment and to the extent any damage or repair is covered by an available warranty the City will make or assign to Lessee the warranty claim and only after any available warranty rights have been exhausted shall Lessee be required to pay for such damage or repair at Lessee's expense. Furthermore, to the extent any damage or repair is required as the result of substandard materials being provided by a third party Lessee shall have the right to seek reimbursement from that third party for the cost of such damage or repair.

9. Application of Craig Code Section 16.02.140. The provisions of Craig Code §16.02.140 (terms and conditions of leases) are incorporated herein by in their entirety by reference and are attached as Attachment A. Lessee acknowledges it has read Section 16.02.140, understands all the provisions of that Code, and agrees to abide by all the terms and conditions in Section 16.02.140. Where any term or provisions of §16.02.140 conflicts with the other sections of this lease, the terms and provisions in the other sections of this lease shall prevail.

10. City's Right of Entry. The City shall have the right access the Equipment at all reasonable times, and with prior notice to Lessee, to examine the condition of same. All entry shall be consistent with regulatory requirements and restrictions placed on Lessee.

11. Indemnification of City.

A. Lessee shall indemnify and defend the City and save it harmless from all suits, actions, damages, liability and expense of any kind and any nature for loss of life, bodily or personal injury or property damage arising from or out of any occurrence in, upon, or at, or from the Equipment, or the use by Lessee of the Equipment or any part thereof, or arising from wholly or in part by any act or omission of Lessee, its agents, contractors, employees, servants, invitees, licensees or concessionaires.

B. Lessee shall install and preserve the Equipment and shall operate it at its own risk, and releases the City, from all claims of every kind resulting in loss of life, personal or bodily injury or property damage.

C. The City shall not be responsible or liable at any time for any loss or damages to the Lessee's equipment, fixtures, or other personal property of the Lessee or to Lessee's business.

D. The City shall not be responsible for any injury or damage caused by or resulting from acts of God.

E. City shall not be responsible or liable in any way under any circumstances for any unintended interruption of the Lessee's business.

F. Lessee acknowledges that Lessor has made no representation or warranty with respect to Lessee's ability to obtain any permit, license, or approval. Lessee understands and acknowledges that no employee of the City, nor the Mayor, nor any City Council member has any authority to make any verbal promises or verbal representations or verbal modifications to the Lessee with respect to any aspect of this Lease. Notwithstanding the foregoing, City agrees that to the extent Lessee, through no fault of its own, cannot obtain any permit, license or approval necessary for the profitable operation of the Equipment the denial of such permit, license, or approval shall constitute grounds for termination of this Lease. Lessee shall have no duty to accept delivery of the Equipment or commence installation of the Equipment or construction of components necessary to operate the Equipment until such time as all necessary permits, licenses or approvals have been granted.

G. Lessee shall use Equipment and any improvements placed thereon only for lawful uses. Lessee shall operate its facility in a safe manner.

H. Lessee shall do all things necessary during the term of this lease to remove any unreasonably dangerous condition from time to time existing on Equipment as the result of the use by Lessee.

I. Lessee shall be fully responsible for actions of its employees including work place supervision and safety of its employees in the operation and maintenance of Equipment.

J. Notwithstanding any provision of this Section 11 or any of its Subsections to the contrary, City shall remain comparatively liable for claims, damages and losses as a result of its fault or the fault of its agents or invitees, in whole or part. In the event any claim, damage or loss as determined in any action or proceeding filed as the result of the fault of City, its agents or invitees, Lessee's liability for such claim, damage or loss shall be reduced in proportion to the percentage of the City's fault.

K. Lessee understands and agrees that it must give reasonable access to representatives of the City and third parties the City may approve for inspections or tours. The parties agree that such requests will be made at least 24 hours in advance of the visit; that any third party will be

accompanied by a City representative and that in every case no inspections or tours will be allowed unless a designated representative of Lessee is in attendance during the visit.

12. Lessee's Obligations to Maintain Insurance. At no expense to the City, Lessee shall obtain and keep in force throughout the time period of this lease comprehensive public liability insurance naming the City as an insured or as additional insured, in a coverage amount of at least \$1,000,000 per occurrence. Lessee will provide the City with proof of insurance coverage in the form of a certificate of insurance; and upon City request, Lessee will additionally provide a copy of the insurance policy. Lessee shall notify the City at least 30 days before termination, cancellation or material change in the insurance coverage. The insurance policy must include a waiver of subrogation by which the insurer waives all rights of subrogation against the City for payments made under the policy.

13. Lessee's Right of Limited Assignment. Lessee's interest in this lease may be assigned to a financial institution for the purposes of financing improvements needed for operation of Equipment. Such assignment must comply with the requirements of Section 16.02.140.D of the Craig Municipal Code.

14. Performance by City and Lessee. City and Lessee shall undertake the following actions.

A. Actions by City:

1. Completion of all grant documentation, including grant reporting and audit functions required by Alaska Energy Authority as granting agency;
2. Procurement of wood drying equipment in consultation with Lessee, Alaska Energy Authority, and other interested parties;
3. Delivery of Equipment to Lessee's site at no cost to Lessee.

B. Actions by Lessee:

1. Provision of all labor and materials necessary for the proper placement, installation, start up, and operation of Equipment.
2. Placement, installation, start up, and operation of Equipment within 210 days of the date Equipment is delivered to Lessee.
3. Regular reporting (at least annually) to City on operational performance of Equipment, including volume of dried wood production completed for Lessee and for third party suppliers. Lessee will supply additional periodic production reports as requested by City. All reporting requirements by the Lessee shall be at the Lessee's sole expense. Lessee shall not be required to disclose trade secrets or proprietary information in the course of its reporting.
4. Safe and proper operation and maintenance of Equipment at all times.
5. Maintenance of all insurance requirements specified in this Lease.

15. Improvements by Lessee. Except as provided below in this Section, at the sole cost and expense of Lessee and in compliance with all legal requirements, Lessee shall purchase, construct, develop, repair, and/or maintain any improvements, personal property, fixtures, and other items connected to Equipment in a proper manner using materials of good quality.

16. Taxes. Lessee shall be solely and fully responsible for the payment of all applicable federal and state taxes that relate to Equipment and that are assessed during the term of this Lease. Lessee shall not be responsible for any sales or transfer tax assessed as a result of the initial acquisition of the Equipment.

17. Liens. Lessee shall maintain Equipment free of any and all liens. Lessee will not permit any mechanics', laborers' or materialmen's liens to stand against Equipment or improvements for any labor or materials furnished to Lessee or claimed to have been furnished to Lessee, or to Lessee's agents, contractors, or sublessees, in connection with work of any character performed or claimed to have been performed on or by Equipment or improvements by or at the direction or sufferance of Lessee; provided, however, Lessee shall have the right to contest the validity or amount of any such lien or claimed lien. In the event of such contest, Lessee shall give to the City such reasonable security as may be demanded by the City to insure payment of such lien or such claim of lien. Lessee will immediately pay any judgment rendered with all proper costs and charges and shall have such lien released or judgment satisfied at Lessee's own expense. Lessee shall indemnify, hold harmless and to defend the City and Equipment from any and all such liens. Lessee consents to the City's recording of and posting of a statutory notice of non-responsibility in accordance with Alaska Statute 34.35.065.

18. Notices. Any notices required by this Lease to be given by either party shall be deemed given as the date of hand-delivery, or ten (10) days after mailing, postage prepaid, certified return receipt, to the parties at the following addressees (until changed by written notice):

City of Craig: Mr. Jon Bolling, City Administrator
 City of Craig
 PO Box 725
 Craig, AK 99921

Viking Lumber Co: Mr./Ms. _____
 Viking Lumber Company
 PO Box 670
 Craig, AK 99921

Electronic communication by e-mail or any other form of electronic communication shall constitute notice.

19. Utilities. Lessee shall pay before delinquency all use, service, and connection or transfer charges necessary for the operation of Equipment during the Term of the Lease. Lessee shall make all arrangements for service, and shall promptly convert all appropriate utilities accounts into Lessee's name upon commencement of this Lease.

20. Default by Lessee. Each of the following shall be deemed a default by the Lessee and a breach of this Lease:

- (a) A failure to make payment of any installment of rent or of any other sum herein specified to be paid by Lessee, and Lessee fails to cure such default within ten (10) days after receipt of a written notice has been received by Lessee specifying such failure to make payment;
- (b) A default in the performance of any other covenant or condition on the part of the Lessee to be performed for a period of thirty (30) days after receipt by Lessee of a notice specifying the particular default or defaults. However, if despite the prompt response, best efforts and good faith of the Lessee the default cannot be cured within 30 days then City will not unreasonably deny a request for an extension to complete the cure;
- (c) The filing of a petition by or against Lessee for adjudication as a bankrupt, or for reorganization or arrangement within the meaning of the Bankruptcy Act;
- (d) The dissolution or the commencement of any action or proceeding for the dissolution or liquidation of the Lessee or for the appointment of a receiver or trustee of the property of the Lessee;
- (e) The taking possession of the property of the Lessee by any governmental officer or agency pursuant to statutory authority for the dissolution or liquidation of the Lessee;
- (f) The making by the Lessee of an assignment for the benefit of creditors;
- (g) Lessee vacates or abandons Equipment; and
- (h) A failure that continues for five (5) days or more to have the City named as an additional insured as require under paragraph 18, and Lessee fails to cure such default within ten (10) days after receipt of a written notice has been received by Lessee specifying such failure to name the City as an additional insured.
- (i) Any assignment or attempted assignment of this Lease or other transfer of the Equipment without the written consent of the City.

The specification of events constituting default by the Lessee in this paragraph is in addition to any defaults specified in Craig Municipal Code Section 16.02.140.

21. City's Remedies for Default. In the event of any default of the Lessee, the City shall have the following rights and remedies – all in addition to any rights or remedies that may be given to the City by statute, common law, or under Craig Municipal Code Section 16.02.140:

- (a) Enter upon Lessee's premises and take possession of the Equipment, store it in a public warehouse or elsewhere at the cost of Lessee, all without service of notice or resort to legal process (all of which Lessee expressly waives) and so long as City's actions were lawful it shall not be liable for trespass, forcible entry, detainer, or other tort or for any loss or damage which may be occasioned thereby;
- (b) Declare the Term ended;
- (c) Re-let Equipment in whole or in part for any period equal to or greater, or less, than the remainder of the Term for any sum that is commercially reasonable;
- (d) Cure any such default, if possible, and demand immediate payment until all costs incurred in curing the default have been reimbursed fully, together with interest calculated at the rate of ten percent (10%) per annum at the then current prime rate as established by First Bank of Alaska;

- (e) Collect all reasonable damages, costs and expenses that the City may incur by reason of default by Lessee, together with interest calculated at the rate of ten percent (10%) per annum at the then current prime rate as established by First Bank of Alaska.
- (f) The City shall use reasonable diligence to re-let Equipment in or to mitigate the City's damages, consistent with the uses of Equipment, and all applicable City code provisions related to this Lease and the Property.

22. Rights and Remedies. Except insofar as this is inconsistent with or contrary to any provision of this Lease, no right or remedy herein conferred upon or reserved to the City or Lessee is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter existing at law or in equity or by statute.

23. Waiver. Except to the extent that a party may have otherwise agreed in writing, no waiver by a party of any breach by the other party of any of its obligations, agreements or covenants hereunder shall be deemed to be a waiver of any subsequent breach of the same or any other covenant, agreement or obligation. Nor shall any forbearance by a party to seek a remedy for any breach of the other party be deemed a waiver of its rights or remedies with respect to such breach.

24. Changes. No modifications, amendments, deletions, additions or alterations of this Lease agreement shall be effective unless in writing and signed by all of the parties hereto or such representatives of the parties as have been duly authorized to make such changes.

25. Entire Agreement. This written Lease agreement constitutes the entire agreement between the parties supersedes all other prior or contemporaneous agreements, oral or written, between the parties not included herein.

26. Joint Product. The language set out in this Lease represents the joint product of the parties and shall not be construed against on party in favor of the other. Each party hereto has had the option of seeking the advice of legal counsel of their choice in the drafting of this Lease, and the rule of construction favoring construction against the drafter shall not apply. Lessee expressly acknowledges that it is not relying on any counsel, advice or representations of the City Attorney in entering this Lease.

27. Applicable Law. This Lease Agreement shall be construed according to the laws of the State of Alaska. The Superior Court for the State of Alaska, First Judicial District at Craig, Alaska, shall be the exclusive jurisdiction for any action of any kind and any nature filed arising out of or in any way connected to this Lease. Lessee expressly agrees that venue for any trial of any action filed shall be in Craig, Alaska.

28. Severability. The invalidity or unenforceability of any particular provision of this Lease agreement shall not affect the remaining and hereof, and, in any such event, this Lease

agreement shall be construed and interpreted in all respects as if such invalid or unenforceable provision were omitted.

29. Counterparts. This Lease agreement may be executed in counterparts so long as each of the parties to this Lease agreement executes at least one counterpart. All such counterparts shall collectively constitute one and the same original instrument.

30. Authority. The parties and their undersigned representatives warrant that they have full authority to enter into this Lease agreement and to execute these presents.

31. Acceptance of the Leased Equipment by Lessee. The parties acknowledge that Lessee will not have an opportunity to inspect the Equipment until after this Lease has been executed. Therefore, if after inspection Lessee determines that the Equipment was not of the type specified or reasonably equivalent it may terminate this Agreement. However, if following such inspection it elects to accept the Equipment then such acceptance shall be "as is with all faults" and the City shall not be required to perform any work to prepare Equipment for the Lessee. Lessee's taking possession of Equipment shall be conclusive evidence against it that, at the time possession was taken, Equipment was in good and satisfactory condition. Lessee acknowledges, that Lessee has not relied upon any representations or statements of the City or its representatives or agents regarding the condition of Equipment or their suitability for Lessee's uses under this Lease.

IN WITNESS WHEREOF the parties hereto have set their hands and seals the day and year written below.

VIKING LUMBER CO.

DATED: _____ By: _____

CITY OF CRAIG, ALASKA

DATED: _____ By: _____
Jon Bolling, City Administrator

ACKNOWLEDGMENT BY LESSEE

STATE OF _____

COUNTY OF _____

THIS IS TO CERTIFY that on this _____ day of _____, 2011, in _____, State of _____ before me, the undersigned, a Notary Public in and for the State of _____, duly commissioned and sworn, personally appeared _____, to me known and known to me to be the person he represented himself to be and the same identical person who executed the above and foregoing instrument on behalf of himself and Viking Lumber Company, and who acknowledged to me that he had full power and authority to and did execute the above and foregoing as a free and voluntary act and deed on behalf of himself and Astoria Seafoods, and for the purposes therein mentioned.

WITNESS my hand and official seal the day, month and year herein first above written.

Notary Public, State of _____
My commission expires: _____

ACKNOWLEDGMENT BY CITY

STATE OF ALASKA

FIRST JUDICIAL DISTRICT

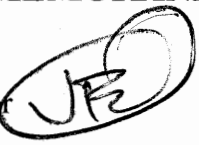
THIS IS TO CERTIFY that on this _____ day of _____, 2011, in Craig, Alaska before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Jon Bolling, the city administrator of the City of Craig, Alaska, to me known and known to me to be the person he represented himself to be and the same identical person executed the above and foregoing instrument on behalf of the CITY OF CRAIG, Alaska and who acknowledged to me that he had full power and authority to and did execute the above and foregoing as a free and voluntary act and deed on behalf of the City of Craig, and for the purposes therein mentioned.

WITNESS my hand and official seal the day, month and year herein first above written.

Notary Public, State of Alaska
My commission expires: _____

**CITY OF CRAIG
MEMORANDUM**

To: Craig City Council
From: Jon Bolling, City Administrator
Date: October 14, 2011
RE: Sales Tax – Vehicles for Hire



The city's auditor, Christine Harrington, recently conducted a number of sales tax audits in Craig. Among the companies audited was Island Ride. The audit of Island Ride raised a policy question from the auditor regarding when the company should charge City of Craig sales tax on its fares. Specifically, Ms. Harrington asked staff if and when city sales tax should be charged for taxi rides that begin in Craig but end outside of the city limits, or end in Craig but begin outside the city limits.

The issue is not clearly addressed in the city's municipal code. Section 5.20.010 (Vehicles for Hire) provides vague guidance on the matter. The city's sales tax code, at 3.08.020.A states in part that sales tax is levied "on all services performed within the city".

Staff is uncertain how best to proceed, and would like council input on the matter. Obviously, taxi trips that begin and end in Craig are taxable. The extent to which they are taxable if those trips begin or end outside the municipal boundaries is uncertain. Because the language in 5.20.010 is not helpful in determining what is a taxable taxi service, staff is prepared to bring the council an ordinance that clearly spells out what constitutes a taxable ride. However, staff needs policy direction from the council first.

Please review the applicable sections of the municipal code cited above in preparation for the October 20 city council meeting.

Chapter 5.20**VEHICLES FOR HIRE**

Sections:

- 5.20.010 Definitions.
- 5.20.020 Certificate of public convenience and necessity required.
- 5.20.030 Application for certificate.
- 5.20.040 Issuance of certificate.
- 5.20.050 Indemnity bond or liability insurance required.
- 5.20.060 License fees.
- 5.20.070 Suspension and revocation of certificates.
- 5.20.080 Vehicle-for-hire driver's license.
- 5.20.090 Display of license.
- 5.20.100 Equipment and maintenance.
- 5.20.110 Parking.
- 5.20.120 Fares.
- 5.20.130 Receipts.
- 5.20.140 Refusal of passenger to pay legal fare.
- 5.20.150 Solicitation, acceptance and discharge of passengers.
- 5.20.160 Prohibition of other vehicles.
- 5.20.170 Vehicle-for-hire service.
- 5.20.180 Manifests.
- 5.20.190 Advertising.
- 5.20.200 Police to enforce chapter.
- 5.20.210 Violation – Penalties.

5.20.010 Definitions.

The following words and phrases when used in this chapter have the meanings as set out herein:

“Certificate” means a certificate of public convenience and necessity issued by the city council authorizing the holder thereof to conduct a vehicle-for-hire business in the city.

“Cruising” means the driving of a vehicle for hire on the streets, alleys or public places of the city in search of or soliciting prospective passengers for hire.

“Driver’s license” means a valid Alaska driver’s license insurable by a company policy.

“Holder” means a person to whom a certificate of public convenience and necessity has been issued.

“Manifest” means a daily record prepared by a vehicle-for-hire certificate holder of all trips made by the holder showing time and place of origin,

destination, number of passengers, and the amount of fare of each trip.

“Open stand” means a public place alongside the curb of a street or elsewhere in the city, which has been designated by the city administrator as reserved exclusively for the use of vehicles for hire.

“Person” includes an individual, a corporation, or other legal entity, a partnership, and any unincorporated association.

“Place of origin” means specific address, including city or municipality, where the fare originates.

“Round trip” means if a person begins a trip in one city and goes into another city and the trip is not interrupted by more than a 30-minute period, then it shall be considered a round trip and the city of origin will have the right to all taxes due. If however, the trip is broken by more than 30 minutes, each city would be entitled to its fair share of the tax due as required and each city would be considered the place of origin.

“Vehicle for hire” means a motor vehicle regularly engaged in the business of carrying passengers for hire and not operated over a fixed route. [Ord. 346 § 4, 1992.]

5.20.020 Certificate of public convenience and necessity required.

No person shall operate or permit a vehicle for hire owned or controlled by the person to be operated as a vehicle for hire upon the streets of the city without having first obtained a certificate of public convenience and necessity from the city council. [Ord. 346 § 4, 1992.]

5.20.030 Application for certificate.

An application for a certificate shall be filed with the city clerk upon forms provided by the city, and the application shall be verified under oath and shall furnish the following information:

- A. The name and address of the applicant;
- B. The financial status of the applicant, including amounts of all unpaid judgments against the applicant and the nature of the transactions or acts giving rise to the judgments;

- C. The experience of the applicant in the transportation of passengers;