

CITY OF CRAIG
COUNCIL AGENDA
MARCH 15, 2012
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 February 16, 2012

HEARING FROM THE PUBLIC

- Open for Public Comment

READING OF CORRESPONDENCE

- The February 2012 Craig Aquatic Center report
- Correspondence from the Organized Village of Kasaan regarding an Island-wide Mining Symposium
- Correspondence from Horan & Co. regarding their 2012 assessment fieldwork
- Flyer advertising the Craig Parks and Rec events, Swap Meet and Spring Bazaar and Carnival
- The Alaska Permanent Capital Management monthly report for February 2012

CONSIDERATION OF RESOLUTIONS AND ORDINANCES

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UNFINISHED BUSINESS

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NEW BUSINESS

- Street Paving Update
- Bid award, Street Paving Projects
- Request for funding for the Prince of Wales Hatchery Association
- Appointment to Southeast Alaska Solid Waste Authority, SEASWA

ADJOURNMENT

ROLL CALL

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

Staff present: Jon Bolling, City Administrator; Vicki Hamilton, City Clerk; Brian Templin, City Planner; Chaundell Piburn, EMS Coordinator; Daniel Nelson, Harbormaster; Amy Marshall, Librarian; Robert Ely Police Chief; Victoria Merritt, Parks and Recreation Director; and Joyce Mason, Treasurer.

Audience present: Pat Tyner, Chuck Haydu, Steve Merritt, Michael Kampnich, Jeff Green of Craig Fisheries

CONSENT AGENDA

The consent agenda was presented; it contained the city council minutes of January 19, 2012 and the liquor license renewal application for Craig Inn and Craig Inn Liquor.

PIERCE/DOUVILLE: moved to approve the consent agenda. MOTION CARRIED UNANIMOUSLY

HEARING FROM THE PUBLIC

Mayor Watson opened the floor to the public. Chuck Haydu and Pat Tyner, board members of Prince of Wales Hatchery Association, were here regarding the Port Saint Nicholas Hatchery. The Port Saint Nicholas Hatchery has been operating off the grant funds to provide fish rearing services. Mr. Haydu stated the Hatchery has not signed a contract with the City of Craig for 2012. The P.O.W.H.A. needs about \$70,000 a year to operate the Port Saint Nicholas Facility. Mr. Haydu suggested that a contract be drawn up between the Port Saint Nicholas Hatchery, the City of Craig and City of Coffman Cove. Mr. Haydu would like to see the cities take the burden of supplying the money for the Hatchery. Previously, money was raised, (\$15,000) through sponsoring a Salmon Derby. Add to that the cost recovery of about \$35,000. These two combined help offset the cost to operate the hatchery. Steve Merritt, an Alaska Troller's Association member mentioned that the net pens at the Port Saint Nicholas Hatchery site received Net Pens from the Chinook Salmon Mitigation Fund. The City Staff will pursue funding from the next round of Chinook Salmon Mitigation grant money.

REPORTS FROM CITY OFFICIALS

MAYOR-Dennis Watson reported he has been hired as an interim administrator for the I.F.A. until one is hired. Dennis reported he will be in Ketchikan to attend a seminar hosted by the Miners Association on February 24th.

Dennis stated the I.F.A. ferry will be taken off line while it goes through the annual maintenance check. Dennis got an update on the price of fuel this week. The price has increased by 22 cents per gallon from last week. Today the cost per gallon is \$3.40.

REPORTS FROM CITY OFFICIALS CONTINUED

I.F.A. Cont.-Dennis stated he will have a resolution prepared for the next city council meeting asking the council to support the I.F.A.'s request to seek defeasance of its remaining debt to the Alaska Municipal Bond Bank Authority. Dennis commented that it cost the I.F.A. \$280,000 a year to have the M/V Prince of Wales tied to a dock in Ketchikan. The I.F.A. paid over one million dollars in fuel last year.

ADMINISTRATOR-Jon Bolling provided a written staff report in the packet. Jon reported the city has a public works candidate scheduled to come to Craig for an interview. He is coming from Yakutat.

CITY CLERK-Vicki Hamilton provided a written report. Vicki announced the City of Craig is hosting a community wide potluck dinner in celebration of the city's 90th anniversary. It will be held on March 1, 2012 at the Craig Tribal Hall, with the city council meeting convening at 7:00 p.m. in the city council chambers.

CITY PLANNER-Brian Templin provided a written staff report in the council packet. Brian was available to answer any questions.

EMS-Chaundell Piburn reported Dr. Copus was in Craig to provide training for the EMS squad. There are three training sessions coming up in March. They are staying busy.

HARBORMASTER-Daniel Nelson provided a written staff report and added the construction on the expansion of the Ice House will commence on February 27th. Daniel reported he has made arrangements for three boats to be removed from the boat yard. Daniel plans on bringing in some gravel to the boat yard to help with the sloping and to accommodate more vessels. Daniel has ordered some breakers for the main panel at the North Cove Harbor. All lights have been changed out in both North Cove and South Cove.

LIBRARIAN-Amy Marshall reported the launch of the OWL (Online with Libraries) Project went well this evening. Forty people showed up for the event. The remodeling of the Craig Public Library is finished and looks great.

POLICE CHIEF-R.J. Ely submitted a written report. Chief Ely reported the Craig Police Department is working toward authorization to provide fingerprinting service for CDL/HZM certification, here in Craig.

TREASURER-Joyce Mason reported one of the two loans on the seafood processing building is paid off. Petro Marine Loan has been down to all but the \$85,000. It will be paid off this year. The wood boiler loan has been paid down, all but \$160,000 which will be paid by another funding source. The Ward Cove property loan has been paid down, all but \$330,000. Joyce reported she has completed the necessary paper work for H.U.D. to apply for grant money to go toward the Ward Cove property loan. Joyce talked about P.E.R.S. and the debt the city has with them in regards to the past Craig Clinic employees. Joyce asked the council members for volunteers, as she is preparing to start the budget cycle next week. Joyce stated she will be on vacation February 29-March 12th. Don Pierce and Jim See volunteered to serve on the Budget Committee.

REPORTS FROM CITY OFFICIALS CONTINUED-

PARKS AND RECREATION-Victoria Merritt invited everyone to the City of Craig's 90th Anniversary community potluck. It will be held on March 1, 2012 at the Craig Tribal Hall at 5:00 p.m. Victoria reported the city gym floors are going to be cleaned and treated. The gym will be closed from March 12-20th. Victoria will be organizing a Spring Carnival in efforts to raise money for Craig's 4th of July celebration. The Parks and Recs budget meeting is scheduled for Friday, March 2nd.

READING OF CORRESPONDENCE

There were no comments.

CONSIDERATION OF RESOLUTIONS AND ORDINANCES

Resolution No. 12-02, amending the Rate Structure for Emergency Medical Services by establishing a fee for blood draws from DUI arrests.

PIERCE/DOUVILLE: moved to adopt Resolution 12-02.

SEE/DOUVILLE: moved to amend THE AMENDMENT TO Resolution 12-02 to include those words that are in bold print: ...EMS fee rate structure that was adopted July 1, 2011, "**and be billed to the government agency that requests our service**" and adopt fee schedule as amended. MOTION CARRIED

MOTION CARRIED BY UNANIMOUS ROLL CALL VOTE TO ADOPT RESOLUTION AS AMENDED

Resolution No. 12-03, Adopt P.O.W.C.A.C. Resolution No. 12-02, was presented.

PIERCE/SEE: moved to adopt Resolution 12-03, Adopting Prince of Wales Community Advisory Council resolution 12-01, Prioritizing Transportation projects for Prince of Wales Island, was presented. MOTION CARRIED BY UNANIMOUS ROLL CALL VOTE

Resolution No. 12-04, a resolution supporting the Southeast Alaska Trail System, was presented.

PIERCE/YOUNG: moved to adopt Resolution 12-04, Support of SEAtails MOTION CARRIED BY UNANIMOUS ROLL CALL VOTE

Resolution No. 12-05, A resolution supporting the Prince of Wales Fish Hatchery, was presented.

PIERCE/YOUNG: moved to adopt Resolution 12-05, Supporting the Prince of Wales Hatchery Association. MOTION CARRIED BY UNANIMOUS ROLL CALL VOTE

UNFINISHED BUSINESS

None to consider

NEW BUSINESS

Reappointment of Bill Russell to the Craig Planning Commission-Mayor Watson stated he supports reappointing Bill Russell to the Craig Planning Commission. The council supported the mayor's re-appointment.

Craig Middle School wrestling team request for money for travel-

PIERCE/SEE: moved to support the middle school wrestlers with a donation of \$500 for travel. **MOTION CARRIED**

Consider amendment to R&M Street Design Contract-Jon reported Third Street is on the list for upgrading and paving this year. Public Works Director, Steven Tanner, reminded Jon the water main (which is ductile iron) in Third Street has failed three times in the past fifteen years possibly due to stresses due to settling. Steve recommends the city replace the main rather than pave over it.

Jon is asking R&M Engineering to estimate the cost to design out the "T" valve from the water line located between Main St. and Spruce St. (the service line for the Craig Day Care Center).

PIERCE/DOUVILLE: moved to amend the existing community streets design contract with R&M Engineering to include replacement of the Third Street water main, removal of the Main Street gate valve, and design work on Front Street in an amount not to exceed \$10,720. **MOTION CARRIED UNANIMOUSLY**

ADJOURNMENT

DOUVILLE/SEE: moved to adjourn. **MOTION CARRIED**

The meeting adjourned at 8:15 P.M.

APPROVED _____

MAYOR DENNIS WATSON

ATTEST _____
VICKI HAMILTON, CITY CLERK



ORGANIZED VILLAGE OF KASAAN

P. O. Box 26-Kasaan
(907) 542-2230

* Ketchikan, Alaska 99950-0340
* (fax) 907-542-3006

February 29, 12

Jon Bolling, Administrator
City of Craig
P.O. Box 725
Craig, AK 99921

Dear Jon:

The Organized Village of Kasaan is presenting a Prince of Wales Island-wide Mining Symposium May 8-10, 2012 in Craig, AK. The purpose of the event is to update residents on mining activities occurring on Prince of Wales Island; to discuss areas/issues where the mining industry could use local support; to promote building a local work force to support mine operations and to serve as a forum for natural resource education. We are inviting all residents, including interested students, to participate in all or part of the symposium. A similar event held in May 2009 was well attended.

We would like to ask you to participate in our 2012 Mining Symposium. We have structured the symposium to focus the first day on Agency activities and regulatory requirements for mining in Alaska. The second day will be devoted to industry presentations and the third day to special interest groups and a wrap-up round table discussion.

Craig Tribal Association will be selling lunch each day in the tribal hall. Coffee, water and light snacks will be provided in the morning and during the afternoon break.

Please let us know if you have any special requirements or suggestions for us.

Paula Peterson
paula@kasaan.org

Matt 'Neli' Nelson
neli@kasaan.org

The Organized
Village of Kasaan
Presents

Time: 9:00am – 4:00pm, daily

Location: Craig, AK
Craig Tribal Association Tribal
Hall

Contacts:

Neli Nelson
Phone: (907)617-9953
E-mail: neli@kasaan.org

Paula Peterson
Phone: (907)542-2230
E-mail: paula@kasaan.org

Three Levels of sponsorship are
available for this event:

Gold: \$1,000 or more

Silver: \$500 to \$999

Bronze: \$100 - \$499

Save The Dates
May 8th-10th 2012

The
Prince of Wales
Island Wide
Mining Symposium
II

If you would like to become a
sponsor or if you have ideas on
speakers or topics for discussion,
please contact Neli or Paula.

*The symposium will serve as a forum that
will allow residents of Prince of Wales
Island to discuss mining issues currently
taking place on the island.*



Sponsored By

The Nature
Conservancy



POWTEC



HORAN & COMPANY, LLC

403 LINCOLN STREET, SUITE 210 SITKA, ALASKA 99835

TELEPHONE (907) 747-6666 FAX (907) 747-7417 EMAIL appraisals@horanappraisals.com

CHARLES E. HORAN, MAI / WILLIAM G. FERGUSON, TIMOTHY W. RILEY, JAMES CORAK,
JOSHUA C. HORAN, JACQUE WALTON

REAL ESTATE APPRAISERS / CONSULTANTS

March 6, 2012

Jon Bolling, City Manager
Vicki Hamilton, City Clerk
City of Craig
Post Office Box 725
Craig, AK 99921

Re: 2012 Assessment Fieldwork

Sent via email

Dear Jon and Vickie:

We completed the fieldwork and overall trending for the 2012 assessment roll in late February. Our sales for the 2012 tax roll that occurred in 2011, indicate that our assessed values for both residential and commercial properties were fairly close after consideration of recent improvements or changes. We were able to confirm seven house sales which did not give significant indication that residential assessment values should change. There were two waterfront sales with relatively strong values, so we will monitor waterfront transactions closely for the next year or so. We did not adjust residential properties this year, after analyzing the sales. As usual, we visually inspected all of the sales to confirm where large discrepancies may be definable.

As is typical, we looked at and measured, as necessary, those properties which had building permits for additions and deletions and made appropriate corrections to the assessment roll. We also added two new subdivisions and a lotline adjustment.

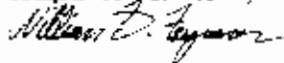
Sales of mobile homes within courts showed that our mobile home assessments were also fairly close to market value. We did not make any adjustment to these after making a downward adjustment last year.

After statistical adjustments, the residential assessments are at approximately 95% of the sales prices.

The Craig City staff was very helpful as always. If there are any questions regarding the fieldwork or blue cards, please do not hesitate to call.

Respectfully submitted,

HORAN & COMPANY, LLC



William G. Ferguson,
Contract Assessor, City of Craig
WGF:wgf

Spring Carnival!



April 7th Noon to 4pm
At the Craig City Gym

Swap Meet

April, 14

Saturday, 9am-1pm

Craig City Gym

Sign up for a space at Craig City Hall

Spring Bazaar

May 5th, 2012

10 to 4pm

at the Craig City Gym

Sign up for your space at Craig City Hall.

\$15 for a space

\$5 for a table \$5 for wall \$5 for electric.

½ of the proceeds will go to benefit one of the CHS student groups.

March 6, 2012

sent via email

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

Dear Ms. Mason,

Enclosed is the February report for the City of Craig, which includes a listing of portfolio assets, purchases and sales.

At month-end, the market value of the account was \$8,333,575. Based upon the composition of the portfolio, the expected annual income, excluding dividends on equities, is \$85,665.

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 Boiling, City Administrator

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
February 29, 2012

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	100.21	125,259	1.50	781	64	0.13
40,000	US TREASURY NOTES 1.250% Due 10-31-13	98.51	39,405	102.38	40,953	0.49	500	168	0.59
100,000	US TREASURY NOTES 3.750% Due 11-15-18	106.48	106,480	115.84	115,844	1.39	3,750	1,102	1.28
100,000	US TREASURY NOTES 3.500% Due 05-13-20	104.04	104,039	114.49	114,492	1.37	3,500	1,029	1.61
150,000	US TREASURY NOTES 2.625% Due 11-15-20	103.38	155,075	107.15	160,722	1.93	3,937	1,157	1.74
100,000	US TREASURY NOTES 2.000% Due 02-15-22	100.20	100,203	100.20	100,203	1.20	2,000	82	1.98
	Accrued Interest				3,603	0.04			
			630,446		661,076	7.93		3,603	
AGENCIES									
50,000	FHLB US GOVT AGENCY 5.250% Due 06-18-14	100.80	50,401	111.01	55,503	0.67	2,625	532	0.44
100,000	FHLMC 3.750% Due 03-27-19	101.41	101,410	114.80	114,805	1.38	3,750	1,004	1.53
	Accrued Interest				2,136	0.03			
			151,811		172,444	2.07		2,136	
FNMA & FHLMC									
39,381	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	104.56	41,178	105.77	41,653	0.50	1,575	131	1.36
	Accrued Interest				131	0.00			
			41,178		41,785	0.50		131	
ASSET-BACKED SECURITIES									
100,000	GE CAPITAL CREDIT CARD MASTER NOTE TRUST 3.690% Due 07-15-15	103.37	103,375	101.24	101,237	1.21	3,690	164	0.42
	Accrued Interest				164	0.00			
			103,375		101,401	1.22		164	
COMMERCIAL MORTGAGE-BACKED SECURITIES									
125,477	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	95.78	120,184	103.20	129,495	1.55	6,180	515	1.77
79,044	FRN - BANC AMER COML MTG TR 2007-5 3.434% Due 02-10-51	100.55	79,476	101.04	79,864	0.96	4,295	358	2.91
	Accrued Interest				873	0.01			
			199,660		210,232	2.52		873	

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
February 29, 2012

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
CORPORATE BONDS									
100,000	UNITED PARCEL SVC INC 4.300% Due 01-15-13	99.57	99,575	103.62	103,616	1.24	4,500	573	0.37
100,000	VERIZON VA INC 4.625% Due 03-15-13	95.70	95,705	103.94	103,909	1.23	4,625	2,133	0.83
50,000	TOYOTA MOTOR CREDIT 1.375% Due 08-12-13	101.03	50,513	101.16	50,581	0.61	687	36	0.57
100,000	CATERPILLAR FINANCIAL 6.125% Due 02-17-14	100.12	100,125	110.40	110,404	1.32	6,125	238	0.78
100,000	JPMORGAN CHASE & CO 4.750% Due 03-01-15	97.18	97,176	108.33	108,334	1.30	4,750	2,375	1.88
100,000	HSBC FINANCE CORP 5.500% Due 01-19-16	100.21	100,206	107.57	107,574	1.29	5,500	642	3.40
50,000	BRITISH COLUMBIA PROV OF 2.100% Due 05-18-16	99.98	49,990	104.77	52,384	0.63	1,050	300	0.94
50,000	CONOCOPHILLIPS CANADA 5.625% Due 10-15-16	117.91	58,955	119.17	59,585	0.72	2,812	1,062	1.34
50,000	STATOIL ASA 3.125% Due 08-17-17	107.07	53,533	107.52	53,761	0.65	1,562	61	1.68
100,000	WACTIOVIA CORP GLOBAL MEDIUM 5.750% Due 02-01-18	99.57	99,572	116.04	116,040	1.39	5,750	479	2.79
75,000	GENERAL ELECTRIC CAP CORP. 5.625% Due 05-01-18	88.27	66,205	115.44	86,581	1.04	4,219	1,406	2.88
100,000	GOLDMAN SACHS GROUP INC. 7.500% Due 02-15-19	116.51	116,514	113.84	113,829	1.37	7,500	333	5.11
	Accrued Interest				9,641	0.12			
			988,070		1,076,281	12.91		9,641	
DOMESTIC LARGE CAP EQUITY FUNDS/ETF									
27,395	SPDR S&P 500 ETF TRUST	137.16	3,757,535	137.02	3,753,663	45.04	NA		
DOMESTIC MID CAP EQUITY FUNDS/ETF									
5,496	ISHARES S&P MIDCAP 400	69.71	383,101	97.63	536,574	6.44	NA		
INTERNATIONAL FUNDS/ETF									
25,022	VANGUARD MSCI EAFE ETF	38.46	962,273	33.93	848,996	10.19	NA		
REAL ESTATE									
12,857	VANGUARD REIT ETF	56.44	725,700	60.99	784,148	9.41	NA		
TREASURY BILLS									
50,000	US TREASURY BILLS 0.000% Due 05-31-12	99.83	49,916	99.98	49,990	0.60	NA	0	0.08

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
February 29, 2012

Quantity	Security	Average Cost	Total Average Cost	Price	Marked Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
	CASH AND EQUIVALENTS								
	FEDERATED GOVERNMENT OBLIGATION	96,984	96,984		96,984	1.16			
	TOTAL PORTFOLIO	8,090,049	8,090,049		8,333,575	100	85,665	16,549	

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 02-01-12 To 02-29-12

Trade Date	Settle Date	Security	Quantity	Trade Amount
PURCHASES				
INTERNATIONAL FUNDS/ETF				
02-21-12	02-24-12	VANGUARD MSCI EAFE ETF	2,384,0000	80,978.52
U.S. TREASURY				
02-24-12	02-27-12	US TREASURY NOTES 2.000% Due 02-15-22	100,000	100,203.13
				181,181.65
INTEREST				
ASSET-BACKED SECURITIES				
02-15-12	02-15-12	GE CAPITAL CREDIT CARD MASTER NOTE TRUST 3.690% Due 07-15-15		307.50
CASH AND EQUIVALENTS				
02-01-12	02-01-12	FEDERATED GOVERNMENT OBLIGATION		1.31
COMMERCIAL MORTGAGE-BACKED SECURITIES				
02-01-12	02-09-12	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-11		390.75
02-17-12	02-17-12	WACHOVIA BK COML MTG TR 4.925% Due 08-01-11		520.54
				<hr/> 911.29

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 02-01-12 To 02-29-12

Trade Date	Settle Date	Security	Quantity	Trade Amount
CORPORATE BONDS				
02-01-12	02-01-12	WACHOVIA CORP GLOBAL MEDIUM 5.750% Due 02-01-18		2,875.00
02-12-12	02-12-12	TOYOTA MOTOR CREDIT 1.375% Due 08-12-13		343.75
02-15-12	02-15-12	GOLDMAN SACHS GROUP INC. 7.500% Due 02-15-19		3,750.00
02-17-12	02-17-12	CATERPILLAR FINANCIAL 6.125% Due 02-17-14		3,062.50
02-17-12	02-17-12	STATOIL ASA 3.125% Due 08-17-17		781.25
				10,812.50
FNMA & FILMC				
02-01-12	02-14-12	FILMC 4.00% POOL G14203 4.000% Due 04-01-26		135.65
				12,168.25
PRINCIPAL PAYDOWNS				
COMMERCIAL MORTGAGE-BACKED SECURITIES				
02-01-12	02-09-12	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	7,246	7,246.34
02-17-12	02-17-12	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	1,356	1,355.73
				8,602.07

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 02-01-12 To 02-29-12

Trade Date	Settle Date	Security	Quantity	Trade Amount
FNMA & FHL/MC				
02-01-12	02-14-12	FHL/MC 4.00% POOL G14203 4.000% Due 04-01-26	1,313.61	1,313.61
				9,913.68
PURCHASED ACCRUED INTEREST				
U.S. TREASURY				
02-24-12	02-27-12	US TREASURY NOTES 2.000% Due 02-15-22		65.93
				65.93
SALES, MATURITIES, AND CALLS				
DOMESTIC LARGE CAP EQUITY FUNDS/ETF				
02-21-12	02-24-12	SPDR S&P 500 ETF TRUST	591.0000	80,878.37
				80,878.37
WITHDRAW				
CASH AND EQUIVALENTS				
02-21-12	02-21-12	FEDERATED GOVERNMENT OBLIGATION		2,031.54
02-21-12	02-21-12	FEDERATED GOVERNMENT OBLIGATION		1,936.99
02-21-12	02-21-12	FEDERATED GOVERNMENT OBLIGATION		1,954.68
				5,923.21
				5,923.21

Alaska Permanent Capital Management Co.
REALIZED GAINS AND LOSSES
CITY OF CRAIG
From 02-01-12 Through 02-29-12

<u>Date</u>	<u>Quantity</u>	<u>Security</u>	<u>Avg. Cost Basis</u>	<u>Proceeds</u>	<u>Gain Or Loss</u>
02-01-12	7,246	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	7,285.94	7,246.34	-39.60
02-01-12	1,313.61	FILMC 4.00% POOL G14203 4.000% Due 04-01-26	1,373.54	1,313.61	-59.93
02-17-12	1,356	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	1,298.54	1,355.73	57.19
02-21-12	591.0000	SPDR S&P 500 ETF TRUST	81,062.34	80,878.37	-183.97
TOTAL GAINS					57.19
TOTAL LOSSES					-283.51
			91,020.36	90,794.05	-226.31

Alaska Permanent Capital Management Co.

CASH LEDGER

CITY OF CRAIG

From 02-01-12 To 02-29-12

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
FEDERATED GOVERNMENT OBLIGATION					
02-01-12			Beginning Balance		181,192.45
02-01-12	02-01-12	dp	Interest	WACHOVIA CORP GLOBAL MEDIUM 5.750% Due 02-01-18	2,875.00
02-01-12	02-09-12	dp	Interest	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	390.75
02-01-12	02-09-12	dp	Paydown	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	7,246.34
02-01-12	02-14-12	dp	Interest	FILMC 4.00% POOL G14203 4.000% Due 04-01-26	135.65
02-01-12	02-14-12	dp	Paydown	FILMC 4.00% POOL G14203 4.000% Due 04-01-26	1,313.61
02-01-12	02-01-12	dp	Interest	FEDERATED GOVERNMENT OBLIGATION	1.31
02-12-12	02-12-12	dp	Interest	TOYOTA MOTOR CREDIT 1.375% Due 08-12-13	343.75
02-15-12	02-15-12	dp	Interest	GOLDMAN SACHS GROUP INC. 7.500% Due 02-15-19	3,750.00
02-15-12	02-15-12	dp	Interest	GE CAPITAL CREDIT CARD MASTER NOTE TRUST 3.690% Due 07-15-15	307.50
02-17-12	02-17-12	dp	Interest	CATERPILLAR FINANCIAL 6.125% Due 02-17-14	3,062.50
02-17-12	02-17-12	dp	Interest	STATOIL ASA 3.125% Due 08-17-17	781.25

Alaska Permanent Capital Management Co.

CASH LEDGER

CITY OF CRAIG

From 02-01-12 To 02-29-12

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
02-17-12	02-17-12	dp	Paydown	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	1,355.73
02-17-12	02-17-12	dp	Interest	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	520.54
02-21-12	02-24-12	wd	Purchase	VANGUARD MSCI EAFE ETF	-80,978.52
02-21-12	02-24-12	dp	Sale	SPDR S&P 500 ETF TRUST	80,878.37
02-21-12	02-21-12	wd	Withdrawal	from Portfolio	-2,031.54
02-21-12	02-21-12	wd	Withdrawal	from Portfolio	-1,936.99
02-21-12	02-21-12	wd	Withdrawal	from Portfolio	-1,954.68
02-24-12	02-27-12	wd	Purchase	US TREASURY NOTES 2.000% Due 02-15-22	-100,203.13
02-24-12	02-27-12	wd	Accrued Interest	US TREASURY NOTES 2.000% Due 02-15-22	-65.93
02-29-12			Ending Balance		96,981.96

MONTHLY PERSPECTIVES

ECONOMY & MARKETS

The equity markets are off to a strong start. U.S. S&P 500 stocks have gained +9.0% so far this year through February. Other global markets have done even better. Emerging markets are up +18.0% after having declined -18.4% in 2011. Interest rates and bond prices have tread water producing 0 to +1% returns YTD.

Attractive equity valuations at year end, better economic data in the U.S., and action by the ECB to provide liquidity to the European banking system have been the main catalysts for the move in "risk" assets.

One of the bright spots for the U.S. economy of late has been manufacturing.

America is competitive again as a result of productivity gains and wage restraint. For example, since 1980 increases in unit labor costs in widely admired and efficient Germany have almost doubled those of the U.S.

That's true in other countries including America's northern neighbor. Over the past 10 years labor costs per unit of output have declined by -13% in the U.S. compared to an increase of +18% in Canada.

Consider these headlines from The Wall Street Journal this January:

Wages at Caterpillar plant in Illinois are less than half of a similar plant in Ontario.

Electrolux plans to close its Quebec plant, citing the "need to maintain our competitiveness," and move to a new plant in Memphis to lower costs.

Recent Bloomberg stories confirm that the return of manufacturing to the U.S. is a global phenomenon:

Methanex, the world's biggest methanol maker, said it will dismantle a factory in Chile and reassemble it in Louisiana to take advantages of low natural gas prices.

Toyota's North American division is looking to become a big exporter as the parent company gets hit by a strong yen. "This is just the beginning of a new era of North America being a source of supply to many other parts of the world" said Toyota NA's Chief Operating Officer.

China remains a low cost producer, but even there things are changing. Coca Cola has a bottling plant in Guangzhou that accounts for about 1/3 of all Coke sales in China. The investment firm Gavekal reports that a couple of years ago Coke employed 4,000 people on the line. Now it takes only 40 technicians to run the plant as a result of automation. This is a far cry from China of the old days.

When economist and Nobel laureate Milton Friedman was on a trip in China in the 70's he noticed that workers were using shovels to dig at a major infrastructure project. "Why don't they use machinery like bulldozers and backhoes?" he asked. His Chinese chaperon said that they can employ more people this way. To which Friedman replied "so to increase employment further perhaps you should get rid of the shovels and have the workers use teaspoons instead?"

These anecdotes point to powerful forces and trends at work. It can be unsettling as capitalism's creative destruction works through the global economy, destroying some jobs while creating new ones. However, short of protectionism (it never works) or some Luddite friendly law against new technologies, machines, software or robotics, the trends will continue.

If automation and robotics are the wave of the future then perhaps safety and proximity to markets (to minimize transportation costs) will become deciding factors for business location. These attributes favor the U.S. and maybe manufacturing will return although perhaps the jobs will not.

in fact, because of these labor saving technologies the structural level of unemployment may be higher than normal. Education, training, and a willingness to adapt and move are about the only real source of job security these days.

I think Americans understand the benefits of these trends despite the decreased job security. We'd rather use backhoes than teaspoons any day.

Jeff Pantages, CFA
Chief Investment Officer



Bill Lierman, CFA
Sr. Investment Analyst

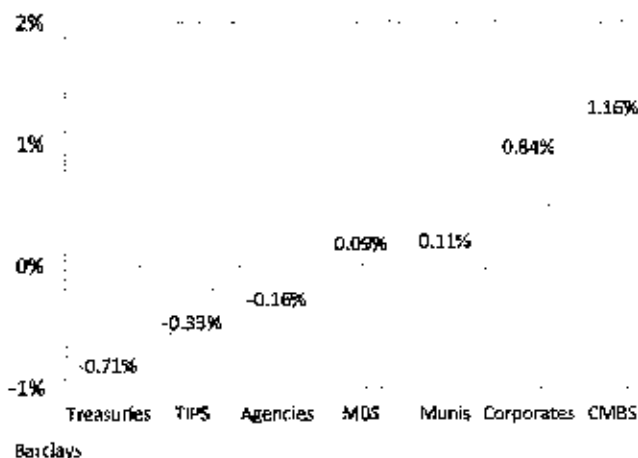
■ Treasury rates rose 10 to 15 basis points (bps) across the curve from 3 to 30 years last month with the 10-year yielding 1.97%.

■ Fed Chairman Ben Bernanke testified before congress noting that further easing is "data dependent" decreasing the probability of QE3 in the eyes of the market. The next FOMC meeting is March 13th.

■ Concerns with Iran drove up oil and gas prices and led investors into short Treasury Inflation Protection Securities (TIPS). Front-end real rates decreased 15 bps and the two year TIPS bond real yield finished at -1.82%.

■ The Merrill Lynch U.S. Corporate Master Index yield spread over Treasuries decreased 24 bps ending at 203 bps. According to JPM total debt outstanding for companies has reached a new decade high of \$2.4T. Investors continue to absorb any new issuance that comes to market in search for yield.

February 2012 Bond Total Return



■ Investors continue to treat GSE debt (FNMA, FHLMC) as a substitute for U.S. Treasuries. Mortgages continue to get a bid from the Fed to the tune of \$20-30B a week. The GSE's regulator (FHFA) sent a strategic plan to Congress reiterating their goal to "gradually contract the Enterprises' dominant presence in the marketplace...and shrink their operations."

■ The investment grade CMBS index led fixed income producing a +1.16% return. The risk on trade was apparent as lower quality tranches led the way.

■ The 7-year municipal index produced a small return of +0.11%. Inflows into Municipal bond funds have finally started to slow. Pressure on municipals will start to increase next month as issuance of muni bonds begins to ramp up.

■ The S&P 500 continued its climb in February (+4.3%) and is up +9.0% YTD. S&P reports that it is the index's best start since 1987. AAPL (+18.8% MTD) was the biggest contributor to index performance as its market value surpassed \$500 billion on the last trading day of the month.

■ Developed international equities (EAFE) outpaced large U.S. equities by over +1%. Notably, the Yen lost -5.9% to the dollar, reducing regional returns in USD to +5.1% vs. +11.5% in local currency. Japan is approximately 21% of the index.

■ Emerging markets continued to show strong performance gaining +6.0%. The asset class has rallied nearly +30.0% since the October 4th lows and +17.8% YTD. As oil prices jumped more than \$12/bbl, energy intensive countries produced the strongest regional returns. Russia gained +9.6%, bringing its YTD returns to +25.8%. Emerging markets continue to look attractive, with forward P/E's trading at a 17% discount to developed markets.

■ After gaining over +11% in the previous two months, REITs lost -1.1%. The sector has gained over +190% off of its March 2009 lows, but is still -40% off its February 2007 peak. According to Morningstar, recent outstanding performance is not a result of fantastic fundamental growth, but merely the recovery of a sector that was priced for bankruptcy.

■ The DJ-UBS commodity index was up +2.7% as encouraging signs in the economy lifted expectations for commodity demand. Brent crude (+10.0%) was the best performer while orange juice (-8.6%) was the largest detractor.

Total Return (%) as of February 29, 2012

	One Month	Three Month	Six Month	Twelve Month
Domestic Equities				
Large Cap S&P 500	4.8	10.1	13.3	5.1
Mid Cap S&P 400	4.5	11.0	12.5	2.6
Small Cap S&P 600	2.1	10.2	14.4	5.1
International Equities				
Developed MSCI EAFE	5.7	10.3	4.1	-7.5
Emerging MSCI Emerging Markets	6.0	16.6	5.3	-0.1
Other				
Commercial Property S&P U.S. REIT	-1.1	10.3	8.2	5.8
Commodities DJ-UBS Commodity	2.7	1.3	-10.0	-10.9
Fixed Income				
Total Bond Market Barclays Aggregate	0.0	2.0	2.7	2.4
1-3 Yr U.S. Treasury/Agency Barclays 1-3 Gov	-0.1	0.1	0.1	1.5
Int'l Treasury Barclays Global Tsy ex-US	0.7	3.7	-1.5	6.4



Brandy Nicola, CFA
Sr. Investment Analyst


ALASKA PERMANENT CAPITAL MANAGEMENT

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**ALASKA
PERMANENT
APCM
CAPITAL MANAGEMENT**

**CITY OF CRAIG
MEMORANDUM**

To: Craig City Council
From: Jon Bolling, City Administrator
Date: March 10, 2012
RE: Street Paving Update – Phase III



In December the council authorized staff to contract with R&M Engineering to complete paving designs for First Street, Cedar Street, Fifth Street, Main Street, Second Street, Sixth Street, Spruce Street, Ninth Street, Cove Street, Eighth Street, Third Street, Sunnyside Drive, and Fourth Street. That work is now nearly complete, and those streets ought to be ready for bid by month's end.

At its March 1 meeting the council authorized adding Front Street to the scope of work, as well as replacement of the water main in Third Street between Main and Spruce Streets. In addition, Steve Tanner's inspection of the storm water system in Third Street, between Spruce Street and Water Street, reveals that the system is deteriorated to the point where Steve recommends against paving over the system. In response, R&M Engineering now has a design to replace the existing storm drain system as part of the scope of work of the paving project. This work will require some changes to how the storm water eventually reaches the outlet on the water side of Front Street.

R&M staff will met with city staff on Friday, March 9 for several hours to finalize the drawings. A final set of drawings for bidders will be ready this month, with the bidding process to follow. The scope of work for the project includes adjustments to manhole and gate valve elevations, areas requiring subexcavation where the quality of the subsurface material in our city streets is particularly poor, installation of drainage structures, including valley gutter and storm drain catch basins, and other improvements. Attached is a preliminary cost estimate for the design work. The project engineer estimates the cost of installing the designed improvements at about \$2.2 million, including a ten percent contingency amount. That estimated cost is likely to increase slightly when the final drawings are complete.

I plan to deliver a set of drawings to the council in an April council packet. I can also have a representative from R&M Engineering attend a city council meeting or call in to answer any council questions on the proposed design drawings.

There will be at least two asphalt contractors on POW this year. Southeast Road Builders has its Klawock plant here for at least part of the summer, when it will complete the next 1.5 miles of paving on the Port St. Nicholas Road. In addition, the State of Alaska will likely award a contract soon for work on the Klawock-Itollis Highway to either Alaska Interstate Construction or to SECON, whose work will require the presence of an asphalt plant here on POW.

No council action is necessary at this point. I would be happy to answer any council questions on this subject at the council's March 15 meeting, any time between now and then.


CRAIG CITY STREET PAVING - PHASE III CONSTRUCTION COST ESTIMATE

DESCRIPTION	UNIT	QUANTITY	UNIT COST	SUBTOTAL
ASPHALT SURFACING*	TON	2950	\$200	\$590,000
D1‡	TON	5530	\$35	\$193,550
CONCRETE VALLEY GUTTER	FT	7650	\$45	\$344,250
STANDARD CURB	FT	200	\$40	\$8,000
SIDEWALK	FT ²	840	\$25	\$21,000
INSTALL STORM DRAIN MANHOLE	EACH	3	\$5,000	\$15,000
INSTALL STORM DRAIN CATCH BASIN	EACH	32	\$3,000	\$96,000
INSTALL 18" C.P.P. STORM DRAIN	FT	2500	\$80	\$200,000
RAISE SS MANHOLE - BARREL SECTION	EACH	8	\$6,000	\$48,000
RAISE SS MANHOLE - RISER RINGS	EACH	24	\$1,000	\$24,000
RAISE VALVE BOX	EACH	37	\$1,000	\$37,000
SUB-EXCAVATION	FT	1400	\$150	\$210,000
CONSTRUCTION SURVEYING	LS	1	\$30,000	\$30,000
6" MINUS EMBANKMENT	YD ³	500	\$25	\$12,500
INSTALL 8" HDPE WATER MAIN	FT	300	\$50	\$15,000
INSTALL 8" GATE VALVE	EACH	4	\$2,500	\$10,000
INSTALL 1" TEMP WATER SERVICE	LS	1	\$1,000	\$1,000
REMOVAL OF EX. STORM DRAIN PIPE	FT	705	\$40	\$28,200
REMOVAL OF CATCH BASIN	EACH	1	\$1,000	\$1,000
REMOVAL OF STORM DRAIN MANHOLES	EACH	4	\$2,000	\$8,000
REMOVAL OF ASPHALT	YD ³	1161	\$10	\$11,610
REMOVAL 8" D.I.	FT	275	\$50	\$13,750
MOBE	LS	1	\$150,000	\$150,000
TOTAL				\$2,067,860
10 % CONTINGENCY				\$206,786
GRAND TOTAL				\$2,274,646

* UNIT WEIGHT OF ASPHALT ASSUMED AT 150 LB/FT³

‡ D1 @ 140LB/FT³

**CITY OF CRAIG
MEMORANDUM**

To: Craig City Council
From: Jon Bolling, City Administrator 
Date: March 6, 2012
RE: Consider Award of Street Design Services Bid

In December the council also authorized staff city staff to solicit bids for engineering services to design the remaining city streets for paving. Copies of the request for proposals and the subsequent bid addendum are attached.

The city received four proposals in response to the request for solicitation. The proposals were scored by Craig Public Works Director Steve Tanner and me. The table below summarizes the scoring results of the proposals.

Bidder	Averaged Score	Bid Amount
RP Kinney Associates	100	\$47,373
R&M Engineering	85	\$82,905
Steiner Design & Construction	83	\$79,385
CEDS	80	\$96,198

The proposal from RP Kinney Associates received the highest score from both Steve Tanner and me. The company tells me they are prepared to begin work in the near future.

The scope of this work includes designing the last of the city's streets for paving, and preparing bidding documents for the paving work.

Funding for the project comes from several grant sources, including pass-through funds from the State of Alaska to the Federal Highway Administration, the Denali Commission, and from a capital projects grant from the Alaska Legislature.

The project RFP calls for the design work to be completed within 90 days of award of the contract for services, meaning that the work should be completed by about June 30. At that point staff should know the balance of funding available for the subsequent paving of the designed city streets, and how best to proceed with bidding out the next round of paving.

The proposals staff received from the four bidders are available for council review. Please contact me if any of you would like to read the proposals and I will forward copies to you.

Recommendation

That the council award the bid for street design services to RP Kinney Associates in an amount not to exceed \$47,373.

CITY OF CRAIG
REQUEST FOR PROPOSALS 2011-1203
DESIGN AND ENGINEERING SERVICES
COMMUNITY STREETS PROJECT

The City of Craig is soliciting bids from qualified engineering firms to complete design and engineering services for the Craig Community Street Improvement project.

Scope of Work. The proposed work requires the engineer to perform, supply, and provide all of the labor, services, and materials as set forth below.

- a. Preparation of draft engineered design documents for city staff review and comment of the city streets in Scope of Work table below.

SCOPE OF WORK TABLE

Street Name	Length	Terminus
Achten Court	325	East Hamilton to Cul-de-sac
Oceanview Drive	800	Sunnyside to Water Tower Road
Ptarmigan Court	385	Water Tower Road to Cul-de-sac
Sunnahae Drive	350	East Hamilton to Cul-de-sac
Eagle Tree Court	140	Ptarmigan Court to Cul-de-sac
Brandi Court	220	Water Tower Road to Cul-de-sac
Night Court	100	Windy Way to Cul-de-sac
North Hamilton Drive	300	CK Highway to Terminus
Park Place	400	East Hamilton to Terminus
Thomas Court	425	Water Tower Road to Cul-de-sac
JS Street	435	CK Highway to Tr. 10 and Pt. Bagial to Tr. 12
Part Way	200	East Hamilton to Terminus
Windy Way	240	East Hamilton to Terminus
Front Street	245	Fourth Street to Third Street
Pool Parking Lot	30,000 sq. ft.	Square Footage of existing lot
Library Parking Lot	9,000 sq. ft.	Square Footage of existing lot
Float Plane Parking Lot	10,000 sq. ft.	Square Footage of existing lot
Tract 18	450	East Hamilton to Windy Way
Easy Street	560	CK Highway to CK Highway
Elizabeth Court	250	Port St. Nicholas Road to Terminus
Tanner Crab Extension	325	Lot 8, Crab Cove Heights to
Water Tower Road	300	Oceanview Dr. to W. Hamilton Dr. West Hamilton to Craig City
Cemetery Island Road	1,850	Cemetery
Ninth Street	285	Main Street to Water Street
Beach Road	553	First Street to northwest terminus
Front Street	250	Fourth Street to Third Street

- b. Preparation of final engineered, construction-ready design drawings of city streets included in the Scope of Work table.

- c. Preparation of plans and specification documents for bid solicitation.
- d. Preparation of engineer's estimated construction costs for the project.
- e. Management of bid solicitation process, including advertisement, document distribution, compilation of bidder's list, response to questions from bidders, issuance of bid amendments, and other services necessary to comply with City's bidding process.
- f. All deliverables to City shall be made by paper copy. Engineer shall also deliver any and all drawings to City in both .dxf and .dwg format, compatible with AutoCAD 2005; and all written documents in .pdf format.

Time of Commencement and Completion of Work: (a). **Commencement:**

Engineer will commence and continue work authorized by Agreement beginning no later than seven days from award of contract. (b). **Completion:** The work called for in this Agreement shall be performed and completed in a timely manner, with project completion date negotiated between the City of Craig and the engineer; provided, that the City of Craig expects all work for items a-d of the Scope of Work completed within 90 days of the date of commencement.

Proposals will be judged based on respondent qualifications (35 points), detail of proposed work plan (35 points), and estimated cost to complete the proposed work (30 points). Proposals must be signed and dated by the respondent.

The City of Craig may choose to negotiate an agreement with the successful respondent for the construction administration phase of the project. The City of Craig also reserves the right to withdraw this request at any time. The City of Craig shall not compensate any firm for preparation of responses to this request.

All questions must be submitted in writing via e-mail to jbelling@aptalaska.net (preferred method) or via fax to (907) 826-3278. The deadline for questions is January 10, 2012, at 5:00 PM. Please include RFP No. 2011-1203 on any correspondence.

Interested parties shall submit the requested information within the time stated. All interested parties are cautioned not to contact any member of the City of Craig staff other than specified herein regarding this request for proposals to avoid disqualification. Proposals must be received at Craig City Hall (500 Third Street - Craig, Alaska) by 2:00 p.m. Monday, January 16, 2012. Late submittals will not be accepted.

For more information, contact Craig City Administrator Jon Bolling at 907-826-3275.

RFP NO. 2011-1203
ATTENTION REGISTERED PROFESSIONAL ENGINEERS

Name of Respondent: _____

Proposals will be judged based on respondent qualifications (30 points), detail of proposed budget and work plan (20 points), and estimated cost to complete the proposed work (50 points). Proposals must be signed and dated by the respondent.

A. Respondent Qualifications (35 points)

1. The Respondent's proposal includes listing of project staff & qualifications. _____ points (15 max.).
2. The Respondent's proposal includes a description of completed work that is similar in size and scope to the work advertised in the RFP. _____ points (20 max.).

B. Detail of Proposed Budget and Work Plan (35 points)

1. Respondent's proposal includes a complete work plan – _____ points. (35 max.)

C. Estimated Cost to Complete Proposed Work (30 points)

1. Respondent's cost estimate is itemized – _____ points (5 max.)
2. Respondent's cost estimate is
 - a. lowest among respondents – 25 points
 - b. within ten percent of lowest estimate – 20 points
 - c. within fifteen percent of lowest estimate – 15 points
 - d. not within fifteen percent of lowest estimate - 10 points

Initials of Reviewer _____

Date _____

CITY OF CRAIG - REQUEST FOR PROPOSALS 2011-1203
DESIGN AND ENGINEERING SERVICES - COMMUNITY STREETS PROJECT

ADDENDUM No. 1 – JANUARY 19, 2012

The City of Craig is soliciting bids from qualified engineering firms to complete design and engineering services for the Craig Community Street Improvement project. This addendum modifies the original request for proposals by changing the scope of work table and due date for proposals.

1. Revised Scope of Work. Substitute the revised scope of work table below for the scope of work table in the original RFP. Line items shown in the table that are struck through (~~struck through~~) are deleted from the original table.

REVISED SCOPE OF WORK TABLE

Street Name	Length	Terminus
Achten Court	325	East Hamilton to Cul-de-sac
Oceanview Drive	800	Sunnyside to Water Tower Road
Ptarmigan Court	385	Water Tower Road to Cul-de-sac
Sunnahae Court	350	East Hamilton to Cul-de-sac
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Tract 48	450	East Hamilton to Windy Way
Easy Street	560	CK Highway to CK Highway
Elizabeth Court	250	Port St. Nicholas Road to Terminus
Tanner Crab Extension	325	Lot 8, Crab Cove Heights to
Water Tower Road	300	Oceanview Dr. to W. Hamilton Dr.
Cemetery Island Road	1,850	West Hamilton to Craig City Cemetery
Ninth Street	285	Main Street to Water Street
Beach Road	553	First Street to northwest terminus
Front Street	250	Fourth Street to Third Street

2. Revised deadline to submit proposals. Proposals must be received at Craig City Hall (500 Third Street - Craig, Alaska) by 2:00 p.m. local time Tuesday, February 14, 2012. Late submittals will not be accepted.


Please note that the City of Craig's January 13, 2012 e-mail to bidders erroneously cited the new bid date as Tuesday, February 15.

All other terms and conditions of the original request for proposals remain unchanged.

For more information, contact Craig City Administrator Jon Bolling at 907-826-3275.

-END OF BID ADDENDUM No. 1-

**CITY OF CRAIG
MEMORANDUM**

To: Craig City Council
From: Jon Bolling, City Administrator 
Date: March 10, 2012
RE: POW Hatchery Association Request for Support

At its March 1 meeting, representatives from the POW Hatchery Association asked the council to consider ongoing financial support for POWHA's Port St. Nicholas king salmon hatchery. Below is a history of the PSN king salmon project, followed by a request from staff for council direction on POWHA's funding request.

Background

POWHA operates the Port St. Nicholas king salmon facility. The facility, located on city-owned property next to the city's water treatment plant at 5.5 mile of the PSN Road, raises king salmon from eggs to smolts. The smolts are released at two locations: the Port St. Nicholas River, and at Coffman Cove. Both these release sites are classified as terminal fisheries, meaning that the king salmon that return to the release sites as adults are not allowed to spawn. Instead they are intended for 100% catch by the various gear groups. Eggs are brought in every year from other hatcheries to resupply the PSN facility. Since the project began, PSN eggs have come from the Mountain Point hatchery facility in Ketchikan. That facility is operated by the Southern Southeast Regional Aquaculture Association, whose board of directors agreed a few years ago to provide eggs to the PSN facility. The SSRAA board, however, is not obligated to provide king salmon eggs every year.

Funding for the PSN hatchery building and equipment came in part from a grant from the Sustainable Salmon Fund that Craig City Administrator Tom Briggs secured in the early 2000's. A fish enhancement project at PSN was an economic development priority for the City of Craig for many years before the project was eventually funded from the Sustainable Salmon Fund. The City of Coffman Cove also received funding from the same source to begin a terminal fishery there, using fish raised at the PSN facility. Some of the funding Coffman Cove secured has been spent on upgrades to the PSN hatchery site.

The City of Craig owns all the equipment and the hatchery building on the site. For several years the city signed an operation agreement with POWHA, where POWHA agreed to raise and release the king salmon, and city agreed to pay POWHA for the effort. Typically the city paid POWHA \$20,000 per year for the work. Over four years the city paid POWHA \$75,000 to raise the fish, funding that the City of Coffman Cove secured from the Sustainable Salmon Fund for the purpose of providing some operational support to the project. The hope was that when the \$75,000 ran out POWHA would be able to fund the operation from cost recovery: that is, from the catching and selling of the king salmon returning to PSN. POWHA did complete some cost recovery last year, and earned about \$35,000. The association is uncertain if future cost recovery efforts will earn as much revenue. The association is, however, planning a cost recovery effort again

in 2012, and has equipment for a new weir system to more efficiently harvest the returning king salmon.

Current and Future Need

To improve the return of adult king salmon to PSN, POWIA proposes to install net pens in PSN to rear smolts prior to release. Net pen rearing apparently provides for a healthier group of smolts and ultimately leads to increased adult returns, and thus better salmon catches as well as improved prospects for cost recovery. POWIA also sees the net pens as one means to ensure the raising of 400,000 chinook smolts each year at the PSN facility. This year's population is at about 320,000.

With the original \$75,000 operational funding now spent, POWIA desires a fund be established to finance the operation of the PSN facility. The board and staff at the hatchery estimate the prior year's cost to operate the facility at about \$70,000 (see attached budget summary from POWHA). Members of the POWIA board asked the council on March 1 to establish a fund to ensure annual operation of the PSN facility. Ideally the proposed fund would begin at an amount equal to one year's operation, and then grow to provide an operational margin for the PSN facility. The hatchery association would prefer to have at least the full year's requirement of \$70,000 in the fund at the time the new broodstock year eggs arrive so that they are assured funding is in place to hatch, raise, and eventually release the fish. POWIA desires an annual operation agreement between itself and the City of Craig governing responsibilities for raising king salmon. The responsibilities are similar to the agreements that POW and the city used when dispensing the \$75,000 allocation. However, POWHA staff does propose some specific tasks for it and the city, including

POWHA tasks:

- Hire, train and manage employment of a Fisheries Technician for the site; this is a full time job.
- Hire, train and manage employment of two Technicians every year, during February, for CWT
- Provide qualified personnel for hatchery maintenance and repairs, when necessary.
- Purchase all needed supplies on a yearly basis (fish food, chemicals, tools, etc.)
- Take care of accounting for PSN project.
- Obtain eyed eggs each fall, for yearly production of chinook fry (this is dependent on yearly cost to operate, roughly \$70,000, to be secured each year, no later than July 1st).
- Hatch, rear, transport, and release chinook smolts each year, as outlined in Annual Management Plan with ADF&G.
- Install and maintain weir on Port Saint Nick River, and perform cost recovery operations. Funds generated to go into a "Fish Fund", to be used for yearly operating costs of project.
- Provide technical and logistical support to both Craig and Coffman Cove for duration of the project.

City of Craig tasks:

- Provide continuous supply of high pressure water for hatchery operations.
- Perform yearly maintenance on pressure reducing valves in Mechanical Room of hatchery.
- Provide electricity for the hatchery site.
- Continue to donate the \$1.00 per year for the lease to the grounds of the facility.
- Pay \$59,500 per year to a fund to support POWHA.

The \$59,500 amounts to about 85 percent of the estimated annual operating costs. Because the City of Coffman Cove also benefits from the raising of king salmon at the PSN facility, POWHA proposes that Coffman Cove also contribute to the cost of raising the salmon. POWHA estimates that about 15% of the salmon are shipped to Coffman Cove for release, and the association plans to approach Coffman Cove about funding a portion of the project cost.

POWHA proposes that the city manage the operational fund, using its own general fund revenue, revenue contributed by Coffman Cove, revenue from cost recovery efforts, and any other revenue that is earmarked for the king salmon program. POWHA would regularly invoice the city for payment from the fund equal to the cost to raise king salmon each year. For example, if the fund had been in place in the past year, the \$69,297 operational costs would have been met by the \$35,000 in cost recovery, and from contributions made by the City of Craig and City of Coffman Cove.

Summary

In short, POWHA wants assurance that it can pay for the raising of each year's stock of king salmon, and continue to have a formal agreement with Craig governing management of the PSN facility. The city council should respond with direction to staff as to what extent it wants the city to participate in the king salmon program. The original hope that cost recovery efforts would pay the operational cost of the PSN facility has not materialized yet, and may never materialize. While the city can help in this effort by seeking grant funding for operation, such as from the 2012 Chinook Salmon Mitigation Fund program, a longer-term plan to fund PSN hatchery operations is needed.


Recommendation

City staff is in the middle of working on the next city fiscal year budget. If the council chooses to contribute City of Craig general fund dollars to this project it should give staff guidance on the amount of funding to designate toward the PSN facility, and how to manage the funding, such as through continuation of an operational agreement with POWHA.

Prince of Wales Operating Budget For 2012

Expenses	Budget Amount	Expenditures to Date	Budget Remaining
Fish Feed	\$ 10,727	\$ -	\$ 10,727
Freight	\$ 2,604	\$ -	\$ 2,604
Labor	\$ 39,520	\$ -	\$ 39,520
Supplies	\$ 2,376	\$ -	\$ 2,376
Employee Benefits	\$ 5,882	\$ -	\$ 5,882
Telephone & Internet	\$ 1,188	\$ -	\$ 1,188
Tagging Wire	\$ 7,000	\$ -	\$ 7,000
Total Budget	\$ 69,297	\$ -	\$ 69,297

**CITY OF CRAIG
MEMORANDUM**

To: Craig City Council
From: Jon Bolling, City Administrator 
Date: March 7, 2012
RE: Appointment to SEASWA Board of Directors

As the council will recall, Craig voters approved joining the Southeast Alaska Solid Waste Authority (SEASWA) two years ago. As a formal member of the authority, the City of Craig is entitled to a seat on the SEASWA board of directors. Until recently Ms. Gail Stentz held that seat. She resigned the seat when she took a job recently with the Interisland Ferry Authority.

City staff posted the vacancy about two months ago, seeking letters of interest from the public to fill Craig's seat on the board. As of today's date the city has received no letters of interest to fill the seat. The SEASWA board continues to meet to plan for solid waste management in Southeast Alaska, and is interested in having a replacement Craig board member join them.

Given the lack of public interest, the council should appoint someone from the council or staff to represent the City of Craig on the SEASWA board. In the long term I would still like a member of the public to represent Craig. Short of that it is likely that a city staff member will fill the seat unless the council wants one of its own in that position. Currently the other community board seats are filled by city staff. If the council wishes I can serve as the city's representative until a better choice comes along for the council to consider.

The other SEASWA communities are Klawock, Thorne Bay, Kasaan, Coffman Cove, Wrangell, and Petersburg.

Recommendation

Appoint a representative from Craig to fill the city's seat on the SEASWA board of directors.