

CITY OF CRAIG
COUNCIL AGENDA
April 18, 2013
COUNCIL CHAMBERS 7:00 P.M

ROLL CALL

Mayor Dennis Watson, Greg Head, Joni Kuntz, Jim See, Don Pierce, Mike Douville and Wanda Rice

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 April 4, 2013
- Introduction and First Reading of Ordinance 653, FY 14 Operating Budget

HEARING FROM THE PUBLIC

- Open for public comment

READING OF CORRESPONDENCE

- Port St. Nick Hatchery Report
- Steve Silver Status Report
- APCM March Report
- APCM April Newsletter

CONSIDERATION OF RESOLUTIONS AND ORDINANCES

UNFINISHED BUSINESS

NEW BUSINESS

- Consideration of Cecilia Reed's senior citizen property tax exemption, late filing of application
- Consideration of Paul Dawson's senior citizen property tax exemption, late filing of application

ADJOURNMENT

ROLL CALL

Mayor Dennis Watson called the meeting to order at 7:00 p.m. and the roll was taken. Present were, Joni Kuntz, Jim See, Don Pierce, Mike Douville, Greg Head, and Wanda Rice.

Staff present: Jon Bolling, City Administrator; Nicole Robison, Aquatic Manager; Kassi Knock, City Clerk; Ron Macintosh, Public Works Director; RJ Ely, Police Chief; Joyce Mason, Treasurer; Chaundell Piburn, EMS Coordinator; Daniel Nelson, Harbormaster; Amy Marshall, Librarian.

Audience present: Pete Rice, DJ Hansen, Taylor Robison, Leonard Williams.

CONSENT AGENDA

The consent agenda was presented, it contained:

- City Council Minutes of March 21, 2013

PIERCE/DOUVILLE

moved to approve the consent agenda as written.
MOTION CARRIED

HEARING FROM THE PUBLIC

- Final Reading and Public Hearing of Ordinance 649, Sale of city property at Lot 6, Park Place Subdivision to Tyler Rental
- Final Reading and Public Hearing of Ordinance 650, Terms of a lease of city-owned property Tract A, Craig Cannery Subdivision with Mr. Don Thomas
- Final Reading and Public Hearing of Ordinance 651, Sale of city property at Lot 1, Block 4 Crab Cove Heights Subdivision with Mr. Fred Ensign
- Final Reading and Public Hearing of Ordinance 652, Rezoning a portion of Tract E USS 1429 from Commercial to Residential High Density 1

There was no public comment.

REPORTS FROM CITY OFFICIALS

Mayor- Mayor Watson reported that Craig has one project in the Capital Budget so far. Mayor Watson also commented that the pilings at False Island are better than he had thought. Silver Bay is starting up soon.

IFA- The board asked for an ongoing subsidy, but getting down in the legislation could mean cuts in service. Business is picking up some, last month was better than the year before. Joni asked about the Coffman Cove Ferry, but no new information has come available as of yet.

Administrator- Jon provided a written report.

Treasurer- Property assessment notices went out April 1st. Residential values went up 10. Residents can appeal their individual assessments. Staff has tested the direct deposit, and everything went well.

Aquatic Manager- Nicole provided a written report, but added that they have a new pump installed which will increase the flow rate. The Easter egg hunt went well this year.

City Clerk- Jim See will be absent next meeting April 18th.

City Planner- Absent excused.

EMS Coordinator- Chaundell reported that they are doing lunches with Dr. Copus now which has worked out better than the evening meetings. The doctor will be here on the 23rd. Chaundell doesn't plan to attend the symposium this year. EMS will have a safe driving course for ambulance drivers this month.

Harbormaster- Daniel reported the work he has been doing on the budget and that he installed new stairs. The response boat is back and Daniel and Frank are working on the break in phase. The harbor committee met last month where they worked on the budget and talked to Ron about a public area for oil to be deposited. Will continue working on this idea. Eric started full time this month. Harbor staff is planning the work for the summer repairing docks and things like that. Mike asked why they didn't put counter rotating engines on the boat. Daniel explained that Chet had recommended the ones they purchased because they are easier to repair, simpler, and less costly. Daniel will look into this issue.

Police Chief- RJ provided a written report.

Public Works- Ron provided a written report. He would like to add that at 9 am on Tuesday there was a water main blown on West Hamilton due to a large quantity of water taken, and then shut off. They had close to the same occurrence happen today only no main was blown. Ron believes it would have to either be a commercial processing plant or a fire hydrant to release so much water in such a short amount of time. Mayor Watson suggested putting a notice on the radio in order to get the word out and work on preventing this from happening again.

Parks and Rec-Absent excused.

Library-Amy reported 1,513 patron visits, 153 in attendance at the program, 299 titles added and 58 are already checked out. Last year's Chamber of Commerce raffle will give the library an added \$600 dollars. Amy would like to expand and remodel the library but for now would like to put the money into a remodel account. Amy has submitted the State grant and has applied for a couple of new grants as well. Amy is also looking into the options for funding the remodel through grants. There has been a substantial amount of traffic for classes and Amy is excited about being able to provide citizens with the opportunity to take classes without having to travel. There will also be a swap meet on the 13th of April.

READING OF CORRESPONDENCE

- Bokan Mine Summary of Preliminary Economic Assessment
- Rabies Information and Regulations

- Horan & Co. Post Fieldwork Letter
- House Sale Analysis

CONSIDERATION OF RESOLUTIONS AND ORDINANCES

Ordinance 649, Sale of city property at Lot 6, Park Place Subdivision to Tyler Rental

PIERCE/RICE

moved to approve Ordinance 649.

MOTION CARRIED BY A UNANIMOUS ROLL CALL VOTE

Ordinance 650, Terms of a lease of city-owned property Tract A, Craig Cannery Subdivision with Mr. Don Thomas

PIERCE/RICE

moved to approve Ordinance 650.

MOTION CARRIED BY A UNANIMOUS ROLL CALL VOTE

Joni would like to have some photos taken in the event that the Historical Society happens, they are able to reference the previous condition. Mike would like to know which of the three names will be primarily on the lease. There is no option to sub-lease without the City's consent.

Ordinance 651, Sale of city property at Lot 1, Block 4 Crab Cove Heights Subdivision with Mr. Fred Ensign

PIERCE/HEAD

moved to approve Ordinance 651.

MOTION CARRIED BY A UNANIMOUS ROLL CALL VOTE

Ordinance 652, Rezoning a portion of Tract E USS 1429 from Commercial to Residential High Density 1

SEE/PIERCE

moved to approve Ordinance No. 652.

MOTION CARRIED BY A UNANIMOUS ROLL CALL VOTE

UNFINISHED BUSINESS

NEW BUSINESS

Appointment of Kevin McDonald to Craig Planning Commission

The council had no objections to the Mayor's appointment of Kevin to the Planning Commission.

Consider award of bid, Tanner Crab Ct. and Elizabeth Ct. Rd utility extension

The City received two bids from Pool Engineering and B-3 Contractors. B-3's bid was substantially lower than Pool's.

Jon would like the Council to defer action on the award in order to discuss options with Brian, Ron and B-3 then return with a recommendation to the Council.

New Firehall Design and Engineering

Chaundell reported that the best site available is the old Coho site. It's located on Cold Storage Road. The only downfall they can see is the intersection. The \$100,000 from State Legislature for site acquisition and prep will go towards this project. The staff working on this would like to proceed with the bid process. Jim would like to see the new building designed to hold trainings and not just parking. Jon would like the option to look over this more thoroughly. It will be put on an upcoming agenda.

ADJOURNMENT

HEAD/DOUVILLE:

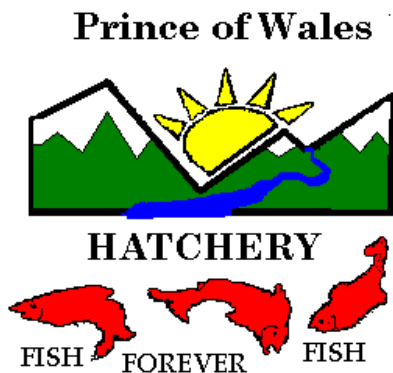
Moved to adjourn at 7:42 p.m. MOTION CARRIED

APPROVED _____

ATTEST

MAYOR DENNIS WATSON

KASSI KNOCK, CITY CLERK



Prince of Wales Hatchery Association Inc.

A Non-Profit Community Hatchery serving the fish and people of Prince of Wales Island.

Voice 907-755-2231

Fax 907-755-2440

Email powha@hughes.net

PO Box 554 Craig, Alaska 99921

Port Saint Nick Hatchery Report

Third Quarter (January, February, and March), 2013

New alarm system- Continues to work perfectly. There have been no low water level alarm calls lately.

Cost Recovery- POWHA has received a payment for the fish caught last summer. (309 chinook, total weight of 4,692 pounds) Total amount paid by check was \$3,352.21. This was the result of a 50 / 50 profit sharing split between EC Philips and POWHA, after all processing and shipping costs were subtracted. Unfortunately, POWHA's harvesting costs exceeded this amount.

Broodyear 2011 Chinook – As of the middle of March, 2013, the 2,500 chinook in Raceway 1 averaged around 20 grams per fish. At this time, they are getting fed “by hand”, 1 day a week. The fish are sampled every two weeks.

They were all coded wire tagged in February. The plan is to release these fish into the estuary of PSN Bay during May, 2013.

Broodyear 2012 Chinook- The BY 2012 fry were ponded on March 23rd. All 4 round ponds, and 3 fiberglass troughs were used for the ponding of the fry.

FY 2014 Contract- Still in draft form. The suggestion has been made that the percentage of the smolt production that both Craig and Coffman Cove get each year, will dictate the percentage of the total operating budget that each city is responsible to pay. Costs to operate the facility estimated to be \$65K to \$70K per year.

Facility Maintenance-

We are prepared for a Johnson Screen maintenance cleaning event. The BY 2012 chinook eggs / alevins would be switched to recirculation (if they were receiving ambient at the time). The water flows to the Raceway would be shut off, and a microbubble diffuser with oxygen gas would be put into the raceway during the cleaning event, and for around 5 hours following this event. Oxygen gas can be provided via the Oxair oxygen generator, or from up to 3 oxygen bottles kept at the facility.

One week prior to ponding the BY 2012 fry, water was turned on to all 4 round ponds, for flushing. Water was seen leaving the round pond area, leaking from the ground, near the burn barrel. It was discovered that the HDPE sumps on Ponds 3 and 4 had cracked. The sumps were repaired using a HDPE extrusion welder, owned by Jon Thorington, a SSRAA employee.

At the request of the Board of Directors of POWHA, I contacted a local electrician, Sam Peters, of Prince of Wales Electrical Repair, and asked him to do an inspection of the wiring and electrical hardware at the

Port Saint Nick Hatchery facility. (The reason for this request was due to allegations that some of the original wiring done in the building was not done properly.) Sam and I met there on October 29th. As he voiced his opinion, Sam suggested that I make a list, of the details of electrical installation that he found to be questionable, or non-compliant.

I later contacted Sam Peters, to see if he would be interested in offering a bid on doing the work. He indicated that he was too busy with other work, but suggested Don Thomas, of Thomas and Sons Electric, LLC. Don Thomas toured the site, and made a list of the suggested repairs, and provided a quote for the work, a "budget". Don referred to the lack of ground wires as "dangerous". Don suggests a maximum amount of \$9,600 to do the repair work. Don has been given "the go ahead" to do the high priority alterations first, and to let it be known when the bill has reached \$3,000. As of April 2nd, Don has not started the repair work.

POWHA purchased a 29 foot long travel trailer, and has positioned this unit between the hatchery office and Round Pond #3. POWHA intends to hire a technician to work at the site, and this person will be required to live in this trailer, providing facility security. POWHA is willing to hire Don Thomas to install electrical service to this trailer, and will pay for this portion of the electrical work presently needed at PSN Hatchery. POWHA understands that the technician living at the site, as well as all POWHA employees, will not be allowed to bring pets to the hatchery site.

Respectfully submitted,

Dan Goodness, Hatchery Manager, POWHA

Status Report

City of Craig

April 8, 2013

Submitted by

Steve Silver

Robertson, Monagle, and Eastaugh

This document provides a status report for activities on behalf of the City in Washington, DC for the first quarter of 2013. While Congress has been preoccupied by the major budget issues which have made the national news, it is now beginning to work on other issues of importance to the City.

General Budget Issues

The Congress returned from its Christmas/winter recess with major budget issues on its agenda. As heavily covered by the major media, there was a long, drawn out struggle over a number of items:

1. Fiscal Cliff—actually passed one day before the new Congress began on Jan. 1-2, 2013, this major issue provided for tax changes on some taxpayers and was very popular with Democrats and unpopular with Republicans. The bad feelings left over the passage of this bill cast a shadow over the first few weeks of the 113th Congress which convened on Jan. 3, 2013.
2. Sequester—the next issue to occupy the Congress was the effect of the automatic sequester which was scheduled to begin on January 1, 2013. However, Congress delayed the automatic spending cuts under the sequester process (originally passed by Congress 2011) as part of its Fiscal Cliff passage which adjusted the tax changes and delayed the automatic spending cuts until March 1.
However, after struggling for most of January and February to reach an agreement to change, eliminate, or avoid the Sequester's automatic spending cuts, these cuts began to go into effect on March 1. The effects of the cuts are still being determined as some of the grave warnings of the effects may not be as great as some had predicted or feared, but there will be cuts equally about \$85 billion.
3. Budget/Continuing Resolution—AS the final action in the first Quarter of fiscal issues, the Congress passed a continuing resolution (CR) to fund the Federal Government through the end of the fiscal year, September 30, 2013. The details of these are complicated. The Congress in

regular order will pass 12 different annual appropriation bills to fund the various agencies of the government. In this one bill, the Congress funded all of the agencies together but treated some differently from others.

Specifically, the CR contained specific bills to fund the Departments of Defense, Commerce, Veterans Affairs, Homeland Security, Agriculture, Commerce, and Justice. Additionally, the CR contained specific appropriation language for military construction project and for specific agencies such as NASA and US Trade Representative. The CR also locks in \$85 billion in sequester cuts for FY 2013 and provides \$984 billion in discretionary spending for fiscal 2013.

The CR also provides some flexibility for the President to reallocate funding between and among agencies which were not included in the list of Department above. The goal of this is to allow the Obama Administration to avoid the full impact of across the board cuts.

Summary: Congress was bogged down with resolving the major budget disputes which have lingered for at least a year. Having now resolved these issues, it can now turn the rest of its Congressional agenda.

Water Resources Development Projects

One of the key bills which Congress will consider is the WRDA bill, Water Resources Development Act. This bill in the past has been a major contributor to port development in rural areas. The bill has not been passed for a number of years. In our meetings with Congressman Young, he has emphasized this bill as a possibility or help with small ports such as Craig.

We are now working a possible approach to WRDA for rural harbors such as Craig. It is possible the Senate will consider a bill in the next few weeks. Attached is possible approach which will revitalize the program and provide an ability to fund a ports and harbors like Craig with State or local bonding authority.

Now, a potential port must pass a difficult cost-benefit analysis which heavily favors urban port. This approach would set aside up to \$50 million annually for smaller ports such as ours in Craig. If the project cannot meet the cost-benefit analysis, the project sponsor could contribute the funds need to meet the shortfall.

Realistically, the State or bond funding would be necessary, but at least this approach will be available for use in funding our harbor project as Craig. I will be working with other representatives of Alaska, Hawaii and other offshore US possessions to attempt to pass this kind of legislation.

I will be working with City Administrator Bolling on this project.

Capital Project Requests

Sen. Murkowski and Begich both asked the City to submit capital projects so they could be well informed on the project needs of Craig. We submitted the following projects.

1. Craig Community Streets--\$1,500,000--Improve and surface 6.9 miles of city streets.
2. Craig Wastewater Lift Stations-- \$850,00-- Replacement of wet wells, pump equipment and associated lines, structures and controls for three sewage lift stations and pipe.
3. New Craig Harbor – \$12,000,000-- development of a new harbor to include moorage, drive down ramp, parking and other amenities.
4. Craig Fire and EMS Station--\$2,000,000-- construction of a new Fire/EMS Building

These remain our key focus for this year and efforts will continue to advance funding for these projects. The WRDA port and harbor language described above is particularly targeted to Priority #3, New Harbor, also above. Submissions to Sen. Murkowski attached. The Begich forms were provided on line but identical to the Murkowski forms.

PILT/Secure Rural Schools Status

There appear to be two tracks for the PILT/Secure Rural Schools issues.

Short Term—There seems to be general agreement that a one year extension of some level of Secure Rural Schools/PILT payment will occur before the end of the fiscal year since the SRS program has now expired and the last payment will be made this fiscal year. However, there is little information on details:

How much will the payment be?

Will the payment be for PILT and SRS payments?

What is the legislative vehicle to which the one year extension will be attached?

When will this one year extension be passed, if at all?

Longer Term- The House of Representatives and Senate have begun a hearing process aimed at replacing the SRS program with another legislative process. It is too early to determine, what or if this process can lead to a legislative replacement of SRS funding. There seems to be general agreement on two things:

1. Funding continuation of the current SRS program payments by is unrealistic and unsustainable.
2. The Congress needs to find a way to increase timber harvest on the national forest to Sustain a viable SRS or similar program and to increase the economic well-being of the timber dependent communities such as those on Prince of Wales Island.

The Senate Energy and Natural Resources Committee held a hearing on March 19, 2013

Entitled:

Keeping the Commitment to Rural Communities: Options for reauthorizing and reforming the Secure Rural Schools and Community Self-Determination Act and Payments in Lieu of Taxes

The hearing concentrated on how to increase timber harvest in National Forests to provide financial support for SRS and PILT payments to rural communities like on POW Island.

Ranking Republican, Sen. Murkowski made very strong statements that changes need to be made to the current US Forest Service timber management program including the potential for state management of the timber program in the Tongass.

The complete hearing is archived at the following link and the entire hearing can be watched and listened to on line:

<http://www.energy.senate.gov/public/index.cfm/hearings-and-business-meetings?ID=59c3a874-10f7-4dd5-878d-8187bf8d6109>

Since the hearing occurred shortly before the Easter/Passover recess which is ending today, there is no word on what happens next in the Senate Energy Committee following this hearing.

The House Natural Resources Committee has scheduled a hearing on the same topic for Thursday April 11.

The hearing will be broadcast at the Committee website live and will also be archived at the link below:

<http://naturalresources.house.gov/calendar/eventsingle.aspx?EventID=326329>

Alaska State Forester, Chris Maisch, will be a live witness at this hearing and is expected to emphasize the recent report of the Alaska Timber Task Force which proposed the establishment of a two million acre State Forest in Southeast Alaska.

The city of Craig should consider submitting written testimony on this matter. The record for a hearing is usually open for 10 -14 days following the hearing for submission of testimony. I will work with Mayor Watson and City Administrator on preparing testimony if the City wants to submit testimony for the record. I will also attend the hearing and provide a report on the hearing following its conclusion.

Niblack and Bokan Mountain Road Bills

At the request of the City, the Alaska Congressional Delegation has introduced identical bills to authorize a road from the current mine sites to the existing road system on POW Island. The consideration of these roads will begin later this year. Right now the Senate Energy Committee is focused on completing action on the Sealaska Lands bill which is currently close to completion. Once that bill is acted upon by the Senate Energy Committee, then we can begin work on the Niblack/Bokan Bill. A decision was made at introduction of the bill to keep the Niblack/Bokan bill separate from the Sealaska bill so these two issues could be considered separately.

A copy of the bill in the Senate and House has been previously provided. The bill numbers are S. 181 and

Sealaska Bill Status

Finishing the Sealaska bill in the Senate Energy Committee appears to be getting close. Sen. Murkowski introduced her new version of the bill with Sen. Begich as a cosponsor on Feb. 14, 2013. The final terms of the bill is still be negotiated with the US Forest Service, Sealaska and Sen. Murkowski. The Bill number is S. 340. A copy of the introduced bill was provided to Mayor Watson and City Administrator Bolling when it was introduced. The Senate Energy Committee has set a tentative hearing date for a number of bills including the Sealaska bill for April 20, 2013. Assuming that hearing is held, then committee action on the Sealaska bill may occur shortly thereafter.

Congressman Young introduced his version of the bill HR 740 on the same day. This is the bill which was passed in the House last year. Action on that bill will likely be affected by the current plans to act on the bill in the Senate first.

Alaska Roadless Rule Litigation

On March 25, 2013, Judge Leon of the D.C. District Court ruled in favor of the USFS motion to dismiss the case. Therefore the case is not going forward unless the State, and other parties supporting the State, including us, appeal. As the attorney for the group of Southeast Alaska cities and other groups, we believe the Court did not analyze the complexities of the case properly.

The conclusion of the Court is that the State, and others including us, should have brought the case during the first 6 years of the Roadless Rule in 2001 even though the State had brought a timely lawsuit in 2001 and settled that lawsuit with the result being the Alaska exemption to the Roadless Rule promulgated in 2003. Further, the State and we initiated our suit almost immediately after the Alaska District Court overturned the Alaska Exemption in 2011.

We strongly disagree with the Court's reasoning and believe we must discuss an appeal with the State. Since we anticipated further litigation at the District Court level, it is our proposal to you that we continue to represent this group under the already paid fees through an appeal if we and the State

agree to go forward with an appeal. We are very optimistic that the State will appeal the case, but the official decision will be made following the end of the Alaska Legislature later this week. A Notice of Appeal is not due until late May so there is plenty of time to file the Notice. WE will work with the State Attorney General's office on this matter in detail beginning next week.

Conclusion

This concludes this Status Report. I will provide more information on these and other issues as information become available

Senator Murkowski Appropriation Request Form

Name: Jon Bolling

Organization: City of Craig

Address: PO Box 725 Craig, AK 99921

Email: jbolling@aptalaska.net

Phone: 907-826-3275

Amount Requested: \$2,000,000

Project Name: Craig Fire and EMS Station

Project Location: Craig Alaska

Project Description (500 characters or less):

Craig Volunteer Fire Department has two pumpers and a service vehicle but only two bays in the current fire hall. Emergency Medical Services has two ambulances and has parking facilities for one. The current facility does not allow for adequate storage of equipment or supplies for either service. This project is construction of a new Fire/EMS Building. The building would include offices, classroom, temporary quarters, storage, and vehicle bays to meet projected needs of the departments.

Priority for organization (1st, 2nd, etc.): 4th

Senator Murkowski Appropriation Request Form

Name: Jon Bolling

Organization: City of Craig

Address: PO Box 725 Craig, AK 99921

Email: jbolling@aptalaska.net

Phone: 907-826-3275

Amount Requested: \$12,000,000

Project Name: Construct New Harbor – Craig Alaska

Project Location: Craig, Alaska

Project Description (500 characters or less):

Craig is working with the US Army Corps on a study for a new harbor. Project includes development of a new harbor to include moorage, drive down ramp, parking and other amenities. The city operates three harbors all at capacity. Overcrowding causes crowded moorage and rafting of vessels which results in damages to vessels and the harbor structures. New harbor will alleviate overcrowding, increase economic activity, allow for additional harbor services and increase safety and navigation.

Priority for organization (1st, 2nd, etc.): 2nd

Senator Murkowski Appropriation Request Form

Name: Jon Bolling

Organization: City of Craig

Address: PO Box 725 Craig, AK 99921

Email: jbolling@aptalaska.net

Phone: 907-826-3275

Amount Requested: \$850,000

Project Name: Replace Wastewater Lift Stations

Project Location: Craig Alaska

Project Description (500 characters or less):

Age and deterioration of the system; expansion of commercial and residential areas of the city; moves from iron to HDPE pipe; and other factors necessitate replacement of existing infrastructure and new installation to allow for growth. Project includes replacement of wet wells, pump equipment and associated lines, structures and controls for three sewage lift stations and pipe. Stations scheduled for replacement are near the end of their life cycle and are critical for continued service.

Priority for organization (1st, 2nd, etc.): 3rd

Senator Murkowski Appropriation Request Form

Name: Jon Bolling

Organization: City of Craig

Address: PO Box 725 Craig, AK 99921

Email: jbolling@aptalaska.net

Phone: 907-826-3275

Amount Requested: \$1,500,000

Project Name: Improve Craig Community Streets

Project Location: Craig, Alaska

Project Description (500 characters or less):

Improve and surface 6.9 miles of city streets. Includes utility upgrades; curb, gutter and sidewalks; alignment and sub base; and hard surfacing. This funding will provide a portion of funding for Phase 4 of the overall project. Phase 4 includes the remainder of the city streets and public parking lots at the library, pool, city hall and floatplane terminal. Permitting and design is complete. This will reduce maintenance and operations costs; decrease dust; and increase safety on streets.

Priority for organization (1st, 2nd, etc.): 1st

Proposed additions to 22 USC 2242 (existing language in black, additions in red)

33 USC 2242

(a) In general

In conducting a study of harbor and navigation improvements, the Secretary may recommend a project without the need to demonstrate that the project is justified solely by national economic development benefits if the Secretary determines that—

(1)

(A) the community to be served by the project is at least 70 miles from the nearest surface accessible commercial port and has no direct rail or highway link to another community served by a surface accessible port or harbor; or

(B) the project would be located in the States of Hawaii ~~or Alaska~~, the Commonwealth of Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, the United States Virgin Islands, or American Samoa;

Or

(2) **(A)** the harbor is economically critical such that over 80 percent of the goods transported through the harbor would be consumed within the community served by the harbor and navigation improvement; and

~~**(3)**~~ **(B)** the long-term viability of the community would be threatened without the harbor and navigation improvement.

(b) Justification

In considering whether to recommend a project under subsection (a), the Secretary shall consider the benefits of the project to—

(1) public health and safety of the local community, including access to facilities designed to protect public health and safety;

(2) access to natural resources for subsistence purposes;

(3) local and regional economic opportunities;

(4) welfare of the local population; and

(5) social and cultural value to the community.

“(c) Construction.--

“(1) IN GENERAL.—The Secretary may investigate, newly construct, maintain, or modify an existing water project~~plan, design or construct projects~~ for navigation in the non-contiguous States and Territories of the United States on a finding that the project is feasible.

“(2) Special Rule.—In evaluating and implementing a project under this section, the Secretary shall allow the non-Federal interest to participate in the financing of the project in accordance with section 903(c) of the Water Resources Development Act of 1986 (100 Stat. 4184) if the detailed project report evaluation indicates that applying such section is necessary to implement the project.

“(3) Cost.—The Federal share of the cost of carrying out a project under this section shall not exceed \$15,000,000~~10,000,000~~. Funding appropriated pursuant to this authorization may be used to investigate, newly construct, maintain, or

modify an existing water project without regard to a project-specific new start appropriation.

“(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out projects initiated by the Secretary under this section not more than \$50,000,000 for fiscal years 2014 through 2023.



April 9, 2013

sent via email

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

Dear Ms. Mason,

Enclosed is the March 2013 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 \$9,248,404. Based upon the composition of the portfolio, the expected annual income, excluding dividends on equities, is \$86,225.

Thanks for your help on the Vanguard index issue.

Our monthly commentary is attached.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Wagnon", is positioned above the name Bert Wagnon.

Bert Wagnon
Senior Vice President

A handwritten signature in blue ink, appearing to read "E. D. Rose", is positioned above the name Evan D. Rose.

Evan D. Rose
President and CEO

cc via email: Mr. Jon Bolling, City Administrator

CITY OF CRAIG

Account Statement - Quarter Ending March 31, 2013

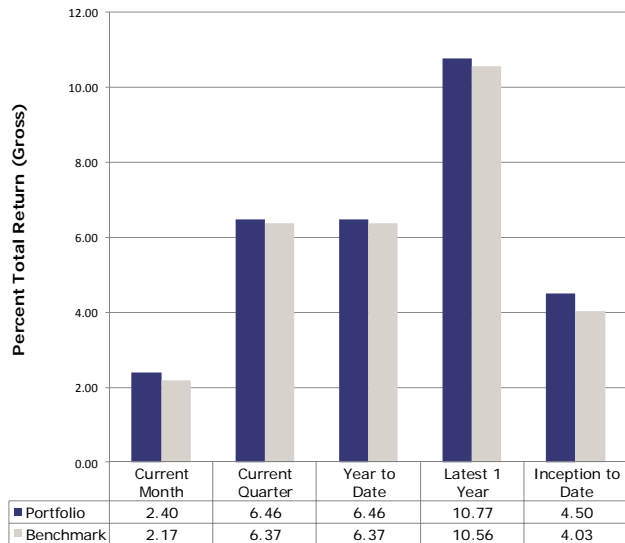


ACCOUNT ACTIVITY

Portfolio Value on 12-31-12	8,698,143
Contributions	0
Withdrawals	-11,557
Change in Market Value	508,971
Interest	21,694
Dividends	31,154
Portfolio Value on 03-31-13	9,248,404

INVESTMENT PERFORMANCE

Current Account Benchmark:
Equity Blend

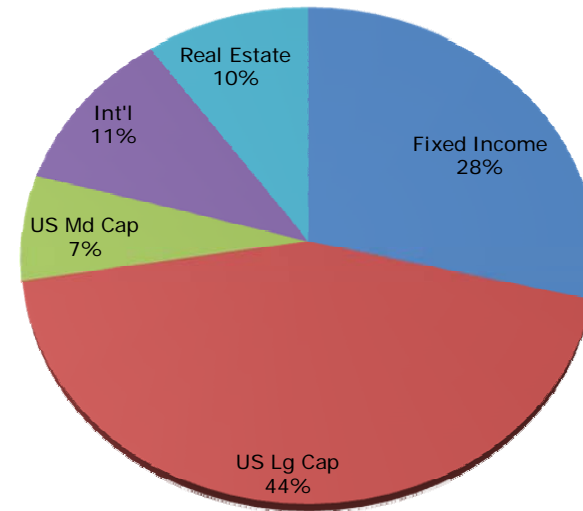


Performance for Periods One Year and Greater are Annualized

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
March 31, 2013

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
U.S. TREASURY									
100,000	US TREASURY NOTES 0.125% Due 09-30-13	99.93	99,934	100.00	100,000	1.08	125	0	0.12
150,000	US TREASURY NOTES 0.250% Due 11-30-13	100.00	150,006	100.07	150,099	1.62	375	126	0.15
40,000	US TREASURY NOTES 1.250% Due 10-31-15	98.51	39,405	102.38	40,953	0.44	500	210	0.32
150,000	US TREASURY NOTES 0.625% Due 08-31-17	99.79	149,684	99.90	149,847	1.62	937	82	0.65
100,000	US TREASURY NOTES 3.750% Due 11-15-18	106.48	106,480	115.75	115,750	1.25	3,750	1,419	0.87
100,000	US TREASURY NOTES 3.500% Due 05-15-20	104.04	104,039	115.47	115,469	1.25	3,500	1,325	1.23
150,000	US TREASURY NOTES 1.625% Due 11-15-22	98.79	148,189	98.23	147,340	1.59	2,437	922	1.83
	Accrued Interest				4,084	0.04			
			797,737		823,542	8.90		4,084	
AGENCIES									
50,000	FHLB US GOVT AGENCY 5.250% Due 06-18-14	100.80	50,401	106.17	53,085	0.57	2,625	751	0.16
100,000	FHLMC 3.750% Due 03-27-19	101.41	101,410	114.65	114,650	1.24	3,750	42	1.21
	Accrued Interest				793	0.01			
			151,811		168,528	1.82		793	
FNMA & FHLMC									
23,546	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	104.56	24,620	106.28	25,024	0.27	942	78	1.71
	Accrued Interest				78	0.00			
			24,620		25,103	0.27		78	
ASSET-BACKED SECURITIES									
100,000	GE CAPITAL CREDIT CARD MASTER NOTE 3.800% Due 11-15-17	107.25	107,250	105.28	105,281	1.14	3,800	169	0.54
	Accrued Interest				169	0.00			
			107,250		105,449	1.14		169	
COMMERCIAL MORTGAGE-BACKED SECURITIES									
84,967	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	95.78	81,383	101.14	85,939	0.93	4,185	349	1.50
6,753	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	100.55	6,790	99.89	6,746	0.07	367	31	4.61

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
March 31, 2013

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
	Accrued Interest				379	0.00			
			88,173		93,064	1.01		379	
CORPORATE BONDS									
100,000	CATERPILLAR FINANCIAL 6.125% Due 02-17-14	100.12	100,125	105.02	105,019	1.14	6,125	749	0.39
50,000	TOYOTA MOTOR CREDIT CORP 1.000% Due 02-17-15	100.85	50,423	100.84	50,422	0.55	500	61	0.55
100,000	JP MORGAN CHASE & CO 4.750% Due 03-01-15	97.18	97,176	107.38	107,385	1.16	4,750	396	0.86
100,000	HSBC FINANCE CORP 5.500% Due 01-19-16	100.21	100,206	111.30	111,300	1.20	5,500	1,100	1.37
50,000	BRITISH COLUMBIA PROV OF 2.100% Due 05-18-16	99.98	49,990	104.65	52,325	0.57	1,050	388	0.60
50,000	BANK AMER CORP 5.625% Due 10-14-16	107.18	53,592	112.65	56,323	0.61	2,812	1,305	1.91
50,000	CONOCOPHILLIPS CANADA 5.625% Due 10-15-16	117.91	58,955	116.19	58,095	0.63	2,812	1,297	0.96
50,000	STATOIL ASA 3.125% Due 08-17-17	107.07	53,533	108.42	54,209	0.59	1,562	191	1.15
100,000	UNITED PARCEL SERVICE 5.500% Due 01-15-18	121.23	121,230	119.65	119,646	1.29	5,500	1,161	1.26
100,000	WACHOVIA CORP GLOBAL MEDIUM 5.750% Due 02-01-18	99.57	99,572	119.02	119,025	1.29	5,750	958	1.64
75,000	UNITED HEALTH GROUP INC 6.000% Due 02-15-18	121.46	91,093	120.91	90,683	0.98	4,500	575	1.53
75,000	GENERAL ELECTRIC CAP CORP. 5.625% Due 05-01-18	88.27	66,205	118.35	88,760	0.96	4,219	1,758	1.83
100,000	GOLDMAN SACHS GROUP INC. 7.500% Due 02-15-19	116.51	116,514	125.11	125,107	1.35	7,500	958	2.83
100,000	VERIZON COMMUNICATIONS 6.350% Due 04-01-19	125.02	125,020	122.71	122,714	1.33	6,350	3,175	2.28
	Accrued Interest				14,072	0.15			
			1,183,636		1,275,086	13.79		14,072	
DOMESTIC LARGE CAP EQUITY FUNDS/ETF									
25,825	SPDR S&P 500 ETF TRUST	137.86	3,560,274	156.67	4,046,003	43.75	NA		
DOMESTIC MID CAP EQUITY FUNDS/ETF									
5,496	ISHARES S&P MIDCAP 400	69.71	383,101	115.07	632,425	6.84	NA		
INTERNATIONAL FUNDS/ETF									
27,627	VANGUARD MSCI EAFE ETF	37.73	1,042,293	36.43	1,006,452	10.88	NA		

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
March 31, 2013

<u>Quantity</u>	<u>Security</u>	<u>Average Cost</u>	<u>Total Average Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Annual Income</u>	<u>Accrued Interest</u>	<u>Yield to Maturity</u>
REAL ESTATE									
12,857	VANGUARD REIT ETF	56.44	725,700	70.53	906,804	9.80	NA		
CASH AND EQUIVALENTS									
	CASH RECEIVABLE		62		62	0.00	NA		
	DIVIDEND ACCRUAL		19,841		19,841	0.21			
	FEDERATED GOVERNMENT OBLIGATION		146,044		146,044	1.58			
			165,947		165,947	1.79			
TOTAL PORTFOLIO			8,230,541		9,248,404	100	86,225	19,575	

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 03-01-13 To 03-31-13

Trade Date	Settle Date	Security	Quantity	Trade Amount
DEPOSITS AND EXPENSES				
CASH AND EQUIVALENTS				
03-01-13	03-01-13	CASH PAYABLE		225,002.01
				225,002.01
DIVIDEND				
DOMESTIC LARGE CAP EQUITY FUNDS/ETF				
03-15-13	04-30-13	SPDR S&P 500 ETF TRUST		17,915.32
DOMESTIC MID CAP EQUITY FUNDS/ETF				
03-25-13	04-01-13	ISHARES S&P MIDCAP 400		1,925.34
INTERNATIONAL FUNDS/ETF				
03-28-13	03-28-13	VANGUARD MSCI EAFE ETF		4,447.95
REAL ESTATE				
03-28-13	03-28-13	VANGUARD REIT ETF		6,865.64
				31,154.25
INTEREST				
AGENCIES				
03-27-13	03-27-13	FHLMC 3.750% Due 03-27-19		1,875.00
ASSET-BACKED SECURITIES				
03-15-13	03-15-13	GE CAPITAL CREDIT CARD MASTER NOTE 3.800% Due 11-15-17		316.67

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 03-01-13 To 03-31-13

Trade Date	Settle Date	Security	Quantity	Trade Amount
CASH AND EQUIVALENTS				
03-01-13	03-01-13	FEDERATED GOVERNMENT OBLIGATION		1.57
COMMERCIAL MORTGAGE-BACKED SECURITIES				
03-01-13	03-09-13	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51		49.71
03-01-13	03-14-13	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41		356.03
				405.74
CORPORATE BONDS				
03-01-13	03-01-13	JP MORGAN CHASE & CO 4.750% Due 03-01-15		2,375.00
FNMA & FHLMC				
03-01-13	03-14-13	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26		81.34
U.S. TREASURY				
03-31-13	04-01-13	US TREASURY NOTES 0.125% Due 09-30-13		62.50
				5,117.82
PRINCIPAL PAYDOWNS				
COMMERCIAL MORTGAGE-BACKED SECURITIES				
03-01-13	03-09-13	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	4,223.46	4,223.46

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 03-01-13 To 03-31-13

Trade Date	Settle Date	Security	Quantity	Trade Amount
03-01-13	03-14-13	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	1,780.54	1,780.54
				6,004.00
FNMA & FHLMC				
03-01-13	03-14-13	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	856.63	856.63
				6,860.63
SALES, MATURITIES, AND CALLS				
U.S. TREASURY				
03-06-13	03-07-13	US TREASURY NOTES 1.625% Due 11-15-22	100,000	97,507.81
				97,507.81
SOLD ACCRUED INTEREST				
U.S. TREASURY				
03-06-13	03-07-13	US TREASURY NOTES 1.625% Due 11-15-22		502.76
				502.76
WITHDRAW				
CASH AND EQUIVALENTS				
03-14-13	03-14-13	FEDERATED GOVERNMENT OBLIGATION		2,259.02
03-14-13	03-14-13	FEDERATED GOVERNMENT OBLIGATION		2,242.05

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 03-01-13 To 03-31-13

Trade Date	Settle Date	Security	Quantity	Trade Amount
03-31-13	03-31-13	FEDERATED GOVERNMENT OBLIGATION		302.50
				4,803.57
				4,803.57

Alaska Permanent Capital Management Co.
REALIZED GAINS AND LOSSES
CITY OF CRAIG
From 03-01-13 Through 03-31-13

Date	Quantity	Security	Avg. Cost Basis	Proceeds	Gain Or Loss
03-01-13	4,223.46	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	4,246.54	4,223.46	-23.08
03-01-13	1,780.54	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	1,705.42	1,780.54	75.12
03-01-13	856.63	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	895.71	856.63	-39.08
03-06-13	100,000	US TREASURY NOTES 1.625% Due 11-15-22	98,792.97	97,507.81	-1,285.16
TOTAL GAINS					75.12
TOTAL LOSSES					-1,347.32
			105,640.64	104,368.44	-1,272.20

Alaska Permanent Capital Management Co.

CASH LEDGER

CITY OF CRAIG

From 03-01-13 To 03-31-13

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
CASH PAYABLE					
03-01-13			Beginning Balance		-225,002.01
03-01-13	03-01-13	dp	Transfer from	FEDERATED GOVERNMENT OBLIGATION	225,002.01
03-31-13			Ending Balance		0.00
DIVIDEND ACCRUAL					
03-01-13			Beginning Balance		0.00
03-15-13	04-30-13	dp	Dividend	SPDR S&P 500 ETF TRUST	17,915.32
03-25-13	04-01-13	dp	Dividend	ISHARES S&P MIDCAP 400	1,925.34
03-31-13			Ending Balance		19,840.66
FEDERATED GOVERNMENT OBLIGATION					
03-01-13			Beginning Balance		254,609.43
03-01-13	03-01-13	wd	Transfer to	CASH PAYABLE	-225,002.01
03-01-13	03-01-13	dp	Interest	JP MORGAN CHASE & CO 4.750% Due 03-01-15	2,375.00
03-01-13	03-01-13	dp	Interest	FEDERATED GOVERNMENT OBLIGATION	1.57
03-01-13	03-09-13	dp	Interest	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	49.71
03-01-13	03-09-13	dp	Paydown	FRN - BANC AMER COML MTG TR 2007-5 5.434% Due 02-10-51	4,223.46
03-01-13	03-14-13	dp	Interest	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	356.03

Alaska Permanent Capital Management Co.

CASH LEDGER

CITY OF CRAIG

From 03-01-13 To 03-31-13

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
03-01-13	03-14-13	dp	Paydown	WACHOVIA BK COML MTG TR 4.925% Due 08-01-41	1,780.54
03-01-13	03-14-13	dp	Interest	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	81.34
03-01-13	03-14-13	dp	Paydown	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	856.63
03-06-13	03-07-13	dp	Sale	US TREASURY NOTES 1.625% Due 11-15-22	97,507.81
03-06-13	03-07-13	dp	Accrued Interest	US TREASURY NOTES 1.625% Due 11-15-22	502.76
03-14-13	03-14-13	wd	Withdrawal	from Portfolio	-2,259.02
03-14-13	03-14-13	wd	Withdrawal	from Portfolio	-2,242.05
03-15-13	03-15-13	dp	Interest	GE CAPITAL CREDIT CARD MASTER NOTE 3.800% Due 11-15-17	316.67
03-27-13	03-27-13	dp	Interest	FHLMC 3.750% Due 03-27-19	1,875.00
03-28-13	03-28-13	dp	Dividend	VANGUARD MSCI EAFE ETF	4,447.95
03-28-13	03-28-13	dp	Dividend	VANGUARD REIT ETF	6,865.64
03-31-13	03-31-13	wd	Withdrawal	from Portfolio	-302.50
03-31-13			Ending Balance		146,043.96
CASH RECEIVABLE					
03-01-13			Beginning Balance		0.00

Alaska Permanent Capital Management Co.

CASH LEDGER

CITY OF CRAIG

From 03-01-13 To 03-31-13

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
03-31-13	04-01-13	dp	Interest	US TREASURY NOTES 0.125% Due 09-30-13	62.50
03-31-13			Ending Balance		62.50



QUARTERLY PERSPECTIVES

ECONOMY & FINANCIAL MARKETS

There's no place like home.

The U.S. economy is slowly improving led by housing and auto sales. There is an energy and manufacturing renaissance happening here, especially in the heartland of the country. The Federal Reserve has the spigots wide open to provide liquidity – worrisome longer term, but not right now. American wealth reached a new high last quarter owing to a rebound in housing prices (+8% year over year) and a surging stock market. Monthly job growth has picked up to about an average of +200,000 over the last six months, although job gains in March did come in weaker than expected at +88,000. The unemployment rate is now down to 7.6%. The U.S. is perceived as a “safe haven” by many global investors.

The Dow, which has been trading at record highs since early March, rallied +11.9% and booked its best first quarter since 1998. The S&P 500 soared +10.6% to a new high and the NASDAQ was up +8.5% in the first quarter.

That has many worried about “buying at the highs.” That’s understandable, but it is important to know that company earnings support these levels and interest rates are close to record lows. Inflation is also contained, running at around +2%. So stock market valuation is reasonable, especially relative to bonds. We are nowhere close to bubble levels or overvalued territory.

Here’s what Federal Reserve Chairman Ben Bernanke said about the stock market at his quarterly press conference on March 20:

“...in the stock market...we don't see at this point anything that's out of line with historical patterns. In particular, you should remember of course that while the Dow may be hitting a high, it's a nominal term. This is not in real terms. And if you adjust for inflation and for the growth of the economy, you know, we're

still some distance from the high. I don't think it's all that surprising that the stock market would rise given that there has been increased optimism about the economy, and the share of income going to profits has been very high. Profit increases have been substantial, and the relationship between stock prices and earnings is not particularly unusual at this point.”

Meanwhile bond yields tread water ending the quarter at 1.85%. They remain in a tight trading range between 1.75% and 2.10%. The total return for the Barclays Treasury bond index was -0.1% last quarter, while corporate bonds did slightly better.

What happens in Cyprus...

...should stay in Cyprus. But who knows? And that is the problem and what has the European markets roiled – again. Recall last month it was Italy.

The initial plan by Cyprus to tax all depositors to recapitalize banks there was a disaster as many depositors appropriately worried about government confiscation of their money.

The final plan has insured depositors with deposits under 100,000 euros unaffected but uninsured deposits over 100,000 euros taking a hit. This makes sense. We need to move away from the “Too Big To Fail” model where all depositors and bank debt holders are protected – not to mention stockholders. Individuals and companies need to be careful about how much money they place in banks over and above the government insured amounts.

ISI Strategies notes that while not official EU policy with respect to dealing with troubled banks, Cyprus moves in a direction of “shifting the burden of bank resolution from taxpayers to investors and uninsured depositors.” That’s a good thing - in theory.

(Continued on page 2)

PORTFOLIO STRATEGY

(Continued from page 1)

European equities however, sagged on the Cyprus news over worries of contagion and bank runs in the periphery countries. They fell -2.2% in March and were off -2.8% over the first quarter as measured by the Euro Stoxx 50 index. The broader EAFE index of international equities in developed countries posted a +5.1% gain last quarter. Japan was the star performer with the NIKKEI up +20.1% in yen and +9.8% in dollars.

Obviously U.S. stocks are on a tear and some “consolidation” is possible if not likely in the near term. But “timing” the market is almost never a good idea in our judgment. We remain overweight large cap U.S. equities at the expenses of U.S. bonds. Our view on the developed overseas markets is that while the fundamentals are weak, valuations are attractive so moderate exposure is warranted. The emerging

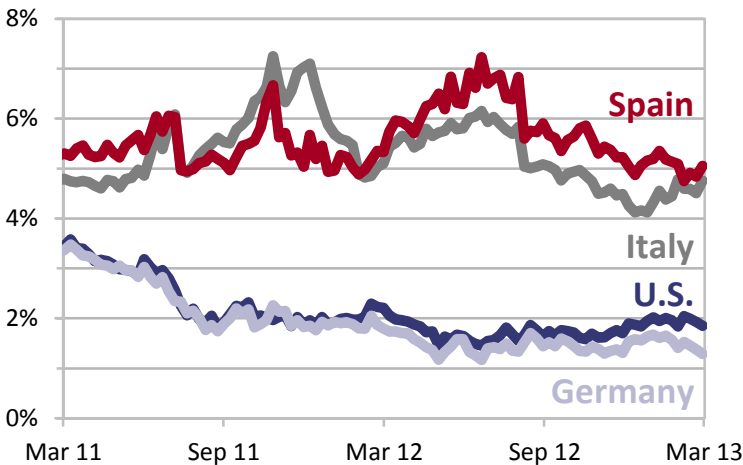
markets have good fundamentals and valuations so we have an overweight to those stocks. Admittedly, they have performed poorly this year losing -1.6%, with the BRICs in particular being a drag on returns. Patience is a virtue here.

Last quarter we added slightly to U.S. equities and took off our bet on short U.S. corporate bonds. Spreads have narrowed further in the corporate market and we prefer equities over the long haul.

In bond portfolios we remain up in quality as credit spreads have narrowed. Rates are very low and unsustainable over the long term. But the Federal Reserve looks likely to keep short rates near zero until 2015. However, we expect a “bear steepening” of the yield curve later this year when quantitative easing ends and investors begin to factor in a more neutral Fed.

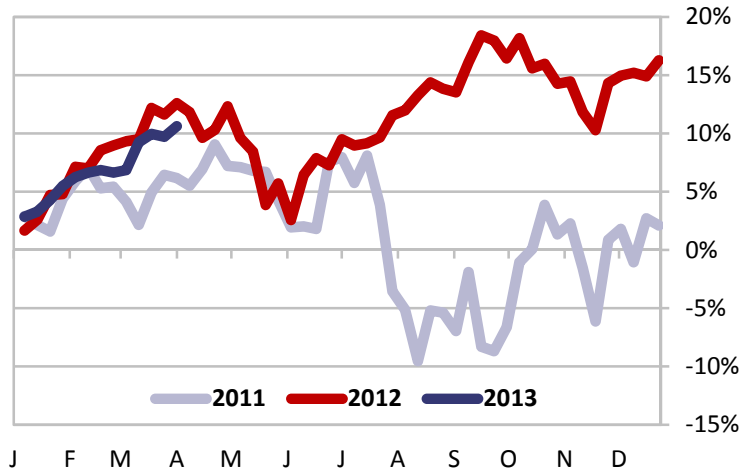
Jeff Pantages, CFA
Chief Investment Officer

10 Year Global Treasury Note Yields



Bloomberg

S&P 500 Index Total Return

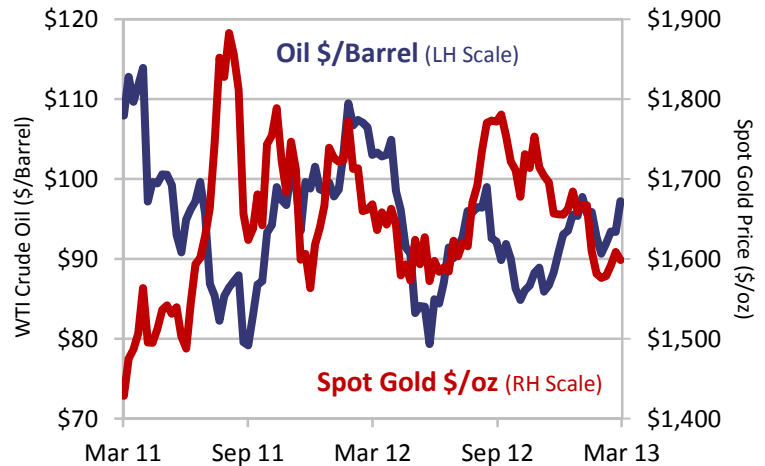


Bloomberg

Bloomberg Consensus Forecasts

Data as of 4/8/12	2012	2013	2014	2015
Real GDP (% YoY)	2.2	1.9	2.7	2.9
CPI Inflation (% YoY)	2.1	1.9	2.1	2.2
Unemployment (%)	8.1	7.7	7.2	6.6
Fed Funds (%)	0.25	0.25	-	-
10-Yr Note (%)	1.76	2.30	-	-

Oil and Gold Roller Coaster



Bloomberg

Annual Fund Evaluation at APCM

Every year we formally review all of the funds and ETFs APCM uses in balanced accounts to make sure they are performing as expected. We look at the pattern of returns that the fund promised, expense ratios, and the transactions cost from buying or selling the investment. We also compare and contrast our existing holdings to other products.

The index fund and ETF market continues to grow and be very competitive across a number of categories. Expense ratios are trending down from already low levels.

We are happy to report that all investments are performing well and tracking their benchmarks. The big change this year was a move by Vanguard to stop tracking the MSCI indices and switch to the FTSE indices on their key international and

emerging market equity funds. They did this to lower costs. Many clients of APCM are invested in the Vanguard funds.

Vanguard notes “since the new benchmarks provide substantially similar exposure to the market as that provided by the former benchmarks, there will be no change to the fund’s investment objectives, investment limitations or policies.”

It is easy to get bogged down in the complexity of index construction. Suffice it to say that APCM is indifferent between FTSE and MSCI as index providers as both are world leaders in index construction having the resources and integrity to do the job. And in fact, the difference between the specific FTSE and MSCI international and emerging indices are small and the tracking error is manageable when viewed in the context of an entire portfolio.

Keynes: The Stock Market Investor

John Maynard Keynes was a fascinating fellow and by all accounts the “father” of modern macroeconomics. He’s mostly known as an advocate for government spending to cure the Great Depression. And his embrace of a more active government led several European countries to adopt a social welfare economic model after World War II.

What perhaps is less well known is his skill as an investor. He died in 1946 with an investment portfolio worth about \$25 million in today’s dollars. And if lore is correct, he did this by spending about ½ hour each day sitting in bed reading the papers, doing analysis and working his network of acquaintances.

His personal investment results are difficult to reconstruct and much of this history is anecdotal. But he was the investment manager for a Cambridge University endowment known as the Chest. Professors David Chambers and Elroy Dimson have written an academic article analyzing Keynes performance.

Keynes embraced equities in the early 1920’s at a time when virtually all institutions stuck with bonds and real estate. But his performance in the 20’s against the market was only so-so. It wasn’t until the early 30’s when he eschewed top down market timing and adopted a more Benjamin Graham/Warren Buffett bottom up value approach that he began to shine.

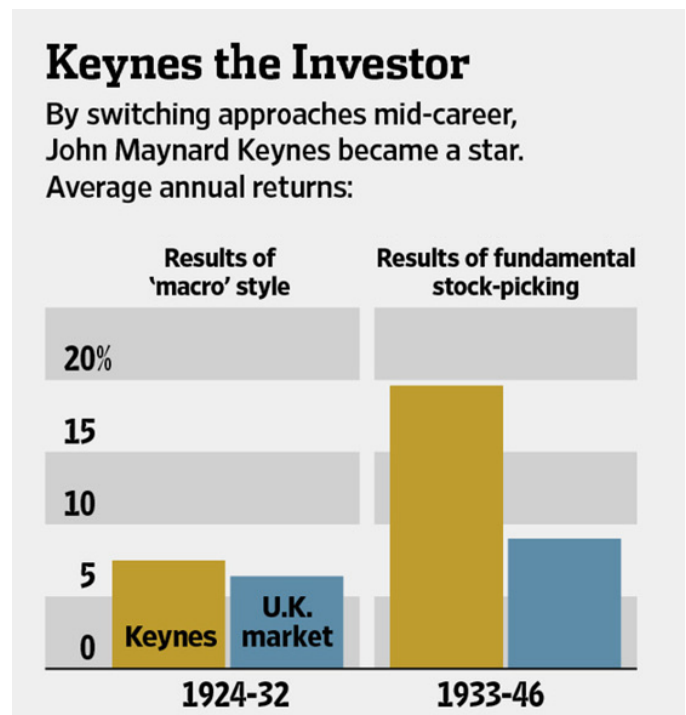
The result was returns on the Chest portfolio that were 600% higher than the market from 1923 to 1946 (Keynes tenure) – with the vast majority of outperformance coming from 1932 and beyond.

Keynes described his transformation in a memo to the investment committee at Cambridge University in 1938:

“As the results of these experiences I am clear that the idea of wholesale shifts is for various reasons impracticable and

indeed undesirable. Most of those who attempt it sell too late and buy too late, and do both too often, incurring heavy expenses and developing too unsettled and speculative a state of mind ... I believe now that successful investment depends on three principles:

- (1) a careful selection of a few investments
- (2) a steadfast holding of these in fairly large units through thick and thin and
- (3) a balanced investment position.”



Source: The Wall Street Journal

Jeff Pantages, CFA
Chief Investment Officer



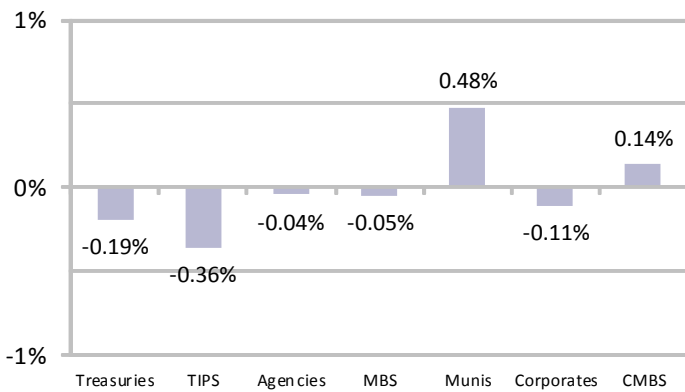
Bill Lierman, CFA
Portfolio Manager

■ The U.S. Aggregate Index returned -0.12% for the quarter. It was the first time the broad market index had a negative quarterly return since the fourth quarter of 2010 when the 30 year Treasury bond sold off 65 basis points (bps) compared to just 15 bps in this past quarter.

■ The Federal Reserve continues to buy \$85 billion of securities each month in an effort to keep a lid on long term interest rates. They will probably maintain

their bond buying program through year-end as they continue to track the developments in Europe, the expansion of easing money policies in Japan, and the fiscal situation in the U.S.

Q1 2013 Bond Total Return



Barclays

■ Agency and Mortgage spreads widened a little as excess returns vs. Treasuries were -4 and -13 bps, respectively. There continues to be support for the GSE's from investors as congress discusses what direction to take to reform them.

■ Commercial Mortgage and Asset Backed Securities were little affected by headline risk in Europe returning +0.14% and +0.05%, respectively. They continue to see demand in short duration portfolios as high quality paper looks attractive vs. Agencies.

■ Corporates produced 28 bps excess return vs. Treasuries, with the finance sector leading the way. Recent Fed stress tests of the 18 largest U.S. banks showed 17 have the capital base to withstand scenarios which include a peak unemployment rate of 12.1%, a drop in equities of more than -50%, and a decline in housing prices of more than -20%. Ally Financial (majority owned by Uncle Sam) failed the test.

■ Municipals were the best performing asset class producing a +0.48% return for the quarter, despite Stockton California becoming the largest city to enter Chapter 9 bankruptcy. A real estate boom/bust and extremely generous pension and health care benefits to public employees were the catalysts for the bankruptcy.

■ Resilient U.S. equity markets shook off the sequester and the Cypriot bailout to wrap up a stellar first quarter with the S&P 500 gaining +10.6%. The index ended at a record close of 1,569, 4 points above its previous record from October 2007. In 2007, the market was more expensive than now, trading at 15.7x earnings vs. the current ratio of 14.2x. The S&P earnings yield (EPS/Price) of 7% is well above the 10 year Treasury yield of 1.7%.

■ 1Q13 earnings forecasts for the S&P 500 are expected to grow +0.7%, compared with the same period a year ago. That is a sharp drop from the +7.7% expansion posted during Q4 last year, according to S&P Capital IQ. Only 6 of 10 major sector groups are expected to show earnings growth.

■ Developed markets returned +5.1%, as European equities (+2.8% YTD) were challenged by the Cypriot bailout and a deepening recession. Japanese equities continued to climb (+9.8% YTD in dollars) and the yen continued to fall (-8.6% per USD) as Prime Minister Abe aims for deflation.

■ So far, 2013 has proved to be challenging for emerging market equities. The MSCI EM index declined -1.6%. Emerging markets remain attractive, relative to the U.S, with a forward P/E of 10.5x.

■ The DJ-UBS Commodity index fell -1.1% as commodity prices are reflecting a modest outlook for the global economy, weaker Chinese demand, adequate stores of raw materials and a strengthening U.S. dollar.

Total Return (%) as of March 31, 2013				
	Q1 2013	1 Year	3 Years	5 Years
Domestic Equities				
Large Cap S&P 500	10.6	14.0	12.7	5.8
Mid Cap S&P 400	13.5	17.8	15.2	9.9
Small Cap S&P 600	11.8	16.1	15.2	9.2
International Equities				
Developed MSCI EAFE	5.1	11.3	5.0	-0.9
Emerging MSCI Emerging Markets	-1.6	2.0	3.3	1.1
Other				
Commercial Property S&P U.S. REIT	8.1	15.2	17.4	6.7
Commodities DJ-UBS Commodity	-1.1	-3.0	1.4	-7.1
Fixed Income				
Total Bond Market Barclays Aggregate	-0.1	3.8	5.5	5.5
1-3 Yr U.S. Treasury/Agency Barclays 1-3 Gov	0.1	0.7	1.3	1.9
Int'l Treasury Barclays Global Tsy ex-US	-3.4	0.7	4.3	3.0

Returns are annualized for periods greater than one year



Brandy Niclai, CFA
Portfolio Manager



City of Craig Memorandum

Date: April 12, 2013

To: Mayor Watson, Craig City Council

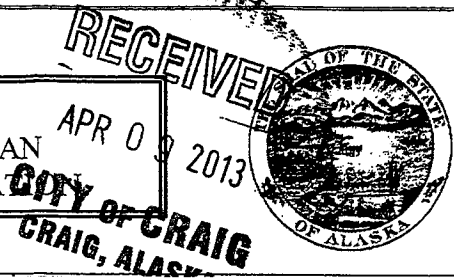
From: Kassi Knock, City Clerk

Re: 2013 Senior Citizen Property Tax Exemption

Cecilia Reed has filed a late application for the property tax exemption for 2013. Cecilia would like her 2013 application to be considered for approval. The application is attached.



2013 CITY OF CRAIG
SENIOR CITIZEN/DISABLED VETERAN
PROPERTY TAX EXEMPTION APPLICATION



Name of Applicant: <i>Cecilia Reed</i>	Birth date: <i>12/02/56</i>
Name of Spouse: <i>Robert Reed</i> TAX # <i>3122</i>	Birth date: <i>05/05/48</i>
Mailing Address: <i>P.O. Box 1211 Craig, AK 99211</i>	Residential Physical Address: <i>607 Shan-Seat</i>

Home Phone: <i>907-401-1359</i>	Message Phone: <i>907-401-1868</i>	Please check one of the following <input checked="" type="checkbox"/> I am applying as a Senior Citizen age 65 or older <input type="checkbox"/> I am applying as a widow or widower, age 60-64, of a previously qualified applicant. <input type="checkbox"/> I am applying as a Disabled Veteran
14. Type of Dwelling: <input checked="" type="checkbox"/> single family <input type="checkbox"/> condominium <input checked="" type="checkbox"/> mobile home <input type="checkbox"/> duplex <input type="checkbox"/> other _____		

Is this your permanent place of abode? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, permanent residential address is: _____	Is your home on land you own? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, % of ownership _____ If no, owner's name: _____
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Is any portion of this property used for commercial or rental purposes?
 Yes No If yes, percentage: _____%

As provided for under AS 29.45.030(e), a municipality may, in a case of hardship, provide for an exemption beyond the first \$150,000 of assessed value. A hardship application may be obtained from your municipal assessing office.

Certification: I hereby certify that the answers given on this application are true and correct to the best of my knowledge. I understand that a willful misstatement is punishable by a fine or imprisonment under AS 11.56.210.

Date: <i>4/5/2013</i>	Signature of Applicant: <i>Cecilia Reed / Robert R. Reed</i>
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Following is for Local Assessor/Clerk Use Only

<input type="checkbox"/> New Filing	<input type="checkbox"/> Prior Filing	<input type="checkbox"/> Approved	<input type="checkbox"/> Denied
Proof Provided: <input type="checkbox"/> Age	<input type="checkbox"/> Ownership	<input type="checkbox"/> Disability (DAV)	
Parcel Number and/or Legal Description: _____			
Comments: _____			

Property Value:	Adjustments:	Total Value:
Land Value _____	Ownership _____	Adjustments _____
Improvements _____	Commercial/Rental _____	Subtotal _____
Total Value _____	Total Adjustments _____	If subtotal exceeds \$150,000 us this figure _____

Approved by: _____ Total Value Exempt: _____

City of Craig Memorandum

Date: April 12, 2013

To: Mayor Watson, Craig City Council

From: Kassi Knock, City Clerk

Re: 2013 Senior Citizen Property Tax Exemption

Paul Dawson has filed a late application for the property tax exemption for 2013. Paul would like his 2013 application to be considered for approval. The application is attached.



RECEIVED

APR 04 2013

CITY OF CRAIG
CRAIG, ALASKA

2013 CITY OF CRAIG
SENIOR CITIZEN/DISABLED VETERAN
PROPERTY TAX EXEMPTION APPLICATION



Name of Applicant: PAUL E. DAWSON		Birth date: 2/13/46
Name of Spouse: MARGARET AD DAWSON		Birth date: 8/15/44
Mailing Address: P.O. BOX 223 CRAIG, AK 99921		Residential Physical Address: 603 OCEANVIEW DR CRAIG, AK 99921
Home Phone: 907 826 2389	Message Phone:	Please check one of the following <input checked="" type="checkbox"/> I am applying as a Senior Citizen age 65 or older <input type="checkbox"/> I am applying as a widow or widower, age 60-64, of a previously qualified applicant. <input type="checkbox"/> I am applying as a Disabled Veteran
14. Type of Dwelling: <input checked="" type="checkbox"/> single family <input type="checkbox"/> condominium <input type="checkbox"/> mobile home <input type="checkbox"/> duplex <input type="checkbox"/> other _____		
Is this your permanent place of abode? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, permanent residential address is:		Is your home on land you own? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If yes, % of ownership If no, owner's name:
Is any portion of this property used for commercial or rental purposes? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, percentage: _____ %		
As provided for under AS 29.45.030(e), a municipality may, in a case of hardship, provide for an exemption beyond the first \$150,000 of assessed value. A hardship application may be obtained from your municipal assessing office.		
Certification: I hereby certify that the answers given on this application are true and correct to the best of my knowledge. I understand that a willful misstatement is punishable by a fine or imprisonment under AS 11.56.210.		
Date: 4/4/2013	Signature of Applicant: <i>Paul E Dawson</i>	

Following is for Local Assessor/Clerk Use Only

<input type="checkbox"/> New Filing	<input type="checkbox"/> Prior Filing	<input type="checkbox"/> Approved	<input type="checkbox"/> Denied
Proof Provided: <input type="checkbox"/> Age	<input type="checkbox"/> Ownership	<input type="checkbox"/> Disability (DAV)	
Parcel Number and/or Legal Description: _____			
Comments:			

Property Value:	Adjustments:	Total Value:
Land Value _____	Ownership _____	Adjustments _____
Improvements _____	Commercial/Rental _____	Subtotal _____
Total Value _____	Total Adjustments _____	If subtotal exceeds \$150,000 us this figure
Approved by:	Total Value Exempt:	