

CITY OF CRAIG  
COUNCIL AGENDA  
October 9, 2014  
COUNCIL CHAMBERS 7:00 P.M

**ROLL CALL**

Mayor Dennis Watson, Greg Head, Joni Kuntz, Jim See, Don Pierce, Mike Douville and Jan Storbakken

**CANVASS ELECTION**

- Chief Election Judge Recommendations on Questioned Ballots (c.c. approves)
- Tally of valid absentee and questioned ballots
- Certify Election

**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 Meeting Minutes of August 21, 2014
- City Council Meeting Minutes of September 4, 2014
- City Council Meeting Minutes of September 18, 2014

**HEARING FROM THE PUBLIC**

- Open for public comment

**REPORTS FROM CITY OFFICIALS**

Mayor  
Administrator  
Treasurer  
Aquatic Manager  
City Clerk  
City Planner  
EMS Coordinator  
Harbormaster  
Library  
Police Chief  
Public Works  
Parks and Rec  
Parks and Public Facilities

**READING OF CORRESPONDENCE**

- APCM Report
- APCM Newsletter

**CONSIDERATION OF RESOLUTIONS AND ORDINANCES**

**UNFINISHED BUSINESS**

- Consider Award Port St. Nicholas Water Main Replacement Award

**NEW BUSINESS**

- Proposed Change Order, North Fork Lake Project
- Consider Intervener status in Big Thorne Timber Sale Appeal

**ADJOURNMENT**

**City of Craig  
Memorandum**

Date: October 3, 2014  
To: Mayor and City Council  
From: Kassi Knock, City Clerk  
Re: 2014 Municipal Election

---

The City of Craig Municipal Election will be held on October 7, 2014. I will have a complete report for the council by the October 9 meeting.

CITY OF CRAIG  
COUNCIL MEETING  
THURSDAY AUGUST 21, 2014

---

**ROLL CALL**

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

**Staff present:** Jon Bolling, City Administrator; Joyce Mason, Treasurer; Jessica Holloway, Aquatic Manager; Kassi Bateman, City Clerk; Brian Templin, City Planner;

**Audience present:** A. Deering, L. Radke.

**CONSENT AGENDA**

The consent agenda was presented, it contained:

- City Council Minutes of July 17, 2014

PIERCE/HEAD

moved to approve the consent agenda as written.  
MOTION CARRIED

**HEARING FROM THE PUBLIC**

- Final Reading and Public Hearing Ordinance 661, General Obligation Bond Issuance
- Resolution 14-18, Intent to Issue Bonds

Don Pierce wanted to note that the letter Mayor Watson had sent to Governor Parnell was well written. Mayor Watson mentioned that Al Clough from DOT will be in town Monday to meet with the Mayor.

**READING OF CORRESPONDENCE**

**CONSIDERATION OF RESOLUTIONS AND ORDINANCES**

**Ordinance 661, General Obligation Bond Issuance**

PIERCE/HEAD

moved to adopt Ordinance 661.  
MOTION CARRIED UNANIMOUSLY BY ROLL  
CALL VOTE

**Resolution 14-18, Intent to Issue Bonds**

PIERCE/STORBAKKEN

moved to approve Resolution 14-18.  
MOTION CARRIED UNANIMOUSLY BY ROLL  
CALL VOTE

**UNFINISHED BUSINESS**

**1. Aquatic Center Conditions Assessment**

Jim would like to have some work sessions to go through the Aquatic Center Conditions Assessment. Mayor Watson would like to include some of the department managers that are involved in these repairs. Don mentioned that the idea of expansion for the aquatic center may not come to pass, due to the extent of repairs that need done. Members of staff and council that would like to attend will work through the assessment beginning in September and October.

**NEW BUSINESS**

**ADJOURNMENT**

HEAD/PIERCE

moved to adjourn at 7:08 p.m.

MOTION CARRIED

APPROVED \_\_\_\_\_

\_\_\_\_\_  
MAYOR DENNIS WATSON

ATTEST

\_\_\_\_\_  
KASSI BATEMAN, CITY CLERK

CITY OF CRAIG  
COUNCIL MEETING  
THURSDAY SEPTEMBER 4, 2014

---

**ROLL CALL**

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

**Staff present:** Jon Bolling, City Administrator; Joyce Mason, Treasurer; Jessica Holloway, Aquatic Manager; Kassi Bateman, City Clerk; Brian Templin, City Planner; RJ Ely, Police Chief; Ron McIntosh, Public Works Director; Victoria Merritt, Parks and Recreation; Otis Gibbons, Parks and Public Facilities

**Audience present:** None

**CONSENT AGENDA**

The consent agenda was presented, it contained:

- City Council Minutes of August 7, 2014

PIERCE/HEAD

moved to approve the consent agenda as written.

MOTION CARRIED

**HEARING FROM THE PUBLIC**

- Resolution 14-19, Resolution of support for an Application for Funding for a Biomass Boiler at the Craig High School
- Final Reading and Public Hearing Ordinance 665, Lease of City Property to John McCallum

**REPORTS FROM CITY OFFICIALS**

**Mayor/IFA-** Mayor Watson is attending Southeast Conference this month and traveling to Anchorage for a transit meeting following the conference. The ice machine has been working off and on this month, and staff is working diligently to maintain good working order of the machine. Mayor Watson had put in a Resolution at last year's Conference regarding herbicides. The resolution stressed the harmful effects of herbicides to our wildlife on the island and requested halting use of the substance on Prince of Wales.

**Administrator-** Provided a written report. Jon mentioned the wood drying project. It should be up and running this year. Jon will talk with Otis regarding the merits of restarting the wood boiler now or waiting for dry wood. Jon is currently recruiting currently for the harbormaster position and will keep the council posted as to a potential hire. In preparation for the election, Jon is working on articles for the newsletter, Ketchikan Daily News, the Craig Parks and Recreation Department radio show and more. There will be more repairs to the ice house in

order to bring the machine back to good working order, as well as some ideas on how to keep it running better than it has this year.

**Treasurer-** The auditor will be here this week for the yearly audit. The accounts receivable clerk has resigned, and staff decided not to rehire, but to disperse duties to the other clerks in the office on a six month trial basis.

**Aquatic Manager-** The Aquatic center is fully staffed again finally, and the new Lifeguard/Swim Coach is doing very well with all ages. Last month Jessica attended LGI training and is able to train her other staff on a variety of topics.

**City Clerk-** Kassi has been working on preparing for the Municipal Elections, and filling in with the utility billing. The next scheduled meeting is October 2, but Kassi requests the meeting be postponed until October 9 in order to certify the elections without having two meetings at the beginning of October. The second meeting in September may be a work session in order to review the Harbor Expansion Project as well as the Aquatic Center Assessment.

**City Planner-** Provided a written report.

**EMS Coordinator-**Absent.

**Harbormaster-** N/A

**Police Chief-** Provided a written report.

**Public Works-** Provided a written report. The Port St. Nicholas water main bid solicitation is ready for advertisement; therefore Ron plans to proceed but wished to keep the Council informed of the status of the project. Ron hopes to receive the Notice to Proceed sometime in October.

**Parks and Rec-** The Harvest Festival will be September 28<sup>th</sup> this year. There is also lunchtime yoga, bazaars and swap meets coming up soon. Victoria and Amy are working diligently on the after school program as well.

**Library-** Amy has been speaking with GCI regarding the bandwidth at the library and looking at different options for optimizing internet use. Summer reading are up from last year.

**Parks and Public Facilities-** Otis has been working on the heating at City Hall. The project should be done before it snows.

## **READING OF CORRESPONDENCE**

## **CONSIDERATION OF RESOLUTIONS AND ORDINANCES**

**Resolution 14-19, Resolution of support for an Application for Funding for a Biomass Boiler at the Craig High School**

PIERCE/HEAD

moved to approve Resolution 14-19.

MOTION CARRIED UNANIMOUSLY BY ROLL CALL VOTE

**Ordinance 665, Lease of City Property to John McCallum**

PIERCE/STORBAKKEN

moved to adopt Ordinance 665.

MOTION CARRIED UNANIMOUSLY BY ROLL  
CALL VOTE

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**Approval of elections staff**

PIERCE/KUNTZ

moved to approve the City Clerk's recommendation  
for election staffing.

MOTION CARRIED UNANIMOUSLY

Greg inquired if the water main between the dam and the water plant has been visually assessed lately. Jon can recall one break, but the majority of it has not been visually inspected recently. The current project does not include work on the raw water main.

**ADJOURNMENT**

DOUVILLE/HEAD:

moved to adjourn at 7:43 p.m.

MOTION CARRIED

APPROVED \_\_\_\_\_

\_\_\_\_\_  
MAYOR DENNIS WATSON

ATTEST \_\_\_\_\_  
KASSI BATEMAN, CITY CLERK

CITY OF CRAIG  
COUNCIL MEETING  
THURSDAY SEPTEMBER 18, 2014

---

**ROLL CALL**

Councilman Don Pierce called the meeting to order at 7:00 p.m. and the roll was taken. Present were, Jan Storbakken, Mike Douville and Greg Head. Absent excused was Joni Kuntz, Dennis Watson, and Jim See.

**Staff present:** Joyce Mason, Treasurer; Jessica Holloway, Aquatic Manager; Kassi Bateman, City Clerk; Brian Templin, City Planner.

**Audience present:** A. Deering, L. Radke.

**HEARING FROM THE PUBLIC**

- Final Reading and Public Hearing Ordinance 661, General Obligation Bond Issuance-Amended

**CONSIDERATION OF RESOLUTIONS AND ORDINANCES**

**Ordinance 661, General Obligation Bond Issuance-Amended**

DOUVILLE/HEAD moved to adopt Ordinance 661.

Jan was curious about the ad valorem taxes that may be levied without limit on these bonds, and whether or not the City plans to exercise that ability. Don mentioned that the pool generally doesn't pay for itself, but that is operating costs, but the bond is always paid.

MOTION CARRIED UNANIMOUSLY BY  
ROLL CALL VOTE

**ADJOURNMENT**

HEAD/STORBAKKEN

moved to adjourn at 7:03 p.m.  
MOTION CARRIED

**WORK SESSION**

- Improvements to Craig Aquatic Center following the regular meeting.

APPROVED \_\_\_\_\_

\_\_\_\_\_  
MAYOR DENNIS WATSON

ATTEST

\_\_\_\_\_  
KASSI BATEMAN, CITY CLERK



# CITY OF CRAIG MEMORANDUM

To: Craig City Council  
From: Jon Bolling, City Administrator  
Date: October 1, 2014  
RE: October Staff Report

---

## **1. Harbormaster Recruitment**

On Monday, October 6, a candidate for the Craig Harbormaster vacancy will be in Craig to meet with city staff and look over Craig and its harbors. City staff will spend time with him and conduct a second interview with the candidate regarding the vacancy.

## **2. Craig Aquatic Center**

City staff prepared a public information article on the proposed general obligation bond measure set on the city's October 7 municipal election ballot. That article appeared in the most recent city newsletter sent out to Craig box holders. Radio station KRBD broadcasted a story on the ballot measure, and Victoria Merritt interviewed me on this topic for her weekly radio show. Copies of the newsletter article are also posted at the pool and at a number of public spaces around town. City staff continues to work with the project architect on completion of the condition assessment document.

## **3. Craig Public Ice House**

Work is now set to begin on the expansion of the ice house storage bin on October 10. Harbor Department staff tells me that nearly all the items held in cold storage have been cleared out of the ice house building. Harbor staff will give away surplus ice beginning on October 2 in preparation for shutting down the refrigeration compressor on October 3.

## **4. Craig Court Bid**

The State of Alaska will again solicit bids to lease space in the Craig area to house the local District and Superior Courts. Bid packets are expected to be ready for the public in the first half of this month. I am uncertain as to who will compete to lease space to the court system for the next 10-20 years.

## **5. Meeting with Congressman Young**

Mayor Watson and I met with Congressman Don Young and his statewide staff director, Mr. Chad Padgett, on September 23. We discussed reauthorization of the Magnuson/Stevens Act, the Big Thorne Timber Sale, apportionment of house and senate seats in Alaska, and IFA issues.

## **6. POWCAC Meeting**

POWCAC met on September 23 here in Craig. The busy agenda included:

- A question and answer session with Congressman Don Young.
- A question and answer session with House District 35 candidate Steven Samuelson.
- A discussion of Alaska DOT/PF policy regarding the use of spray defoliant along the Thorne Bay Road and, more generally, other highways on POW. The membership approved sending a letter to DOT, followed by resolution, supporting the position of the SE Conference of Mayors stating that mechanical removal measures should be the primary method of controlling plants along state highways.

- An update on Scenic Byways signage on POW.
- A brief presentation from Thorne Bay City Administrator Wayne Benner on the Tongass Advisory Committee. The TAC is set to meet here on POW October 8-10. A flyer announcing the meeting times and locations is attached. POWCAC directed me, as chairman, to present to the TAC a letter regarding Tongass Land Management that POWCAC sent to the Alaska Regional Forester a year ago.
- Discussed the new “Headlights On” policy. The group approved sending a letter to Alaska DOT/PF encouraging them to repeal the policy on POW.

POWCAC meets again on November 18 at the new Vocational Education building in Klawock. That meeting will be my last as POWCAC chairman for a while. Leslie Isaacs will take over chairman duties for 2015. Misty Fitzpatrick of Coffman Cove will assume Chair duties in 2016.

### **7. Wood Boiler**

After talking with Greg Head and Otis Gibbons, staff will proceed with refiring the Craig wood boiler now, rather than wait for a supply of predried chips from Viking Lumber. For the time being we will be careful in ensuring that the chips are sufficiently dry to burn in the boiler until Viking is able to produce dried chips regularly for delivery to the wood boiler.

### **8. Meeting with ANTHC Staff**

An engineer from the Alaska Native Tribal Health Consortium met with Ron McIntosh and me on September 30 to talk about the water storage tank on Spruce Street, across from the POWER Building. ANTHC has earmarked \$100,000 for engineering and construction to bring the tank back on-line. Currently staff runs water through the tank to maintain it in good condition, but the tank does not contribute to the city’s water supply. Bringing the tank back on-line will provide an additional 300,000-plus gallons of storage that we can use during the busy and sometimes stressful summer months when we are unable to produce enough water to meet demand. Once the nearly complete water system master plan is finished, city staff will meet with engineers from Dowl Engineering and ANTHC to determine the best course of action to bring the tank back into service.

### **9. Speed Limit on PSN Road**

I have had two public comments recently asking if the city will increase the speed limit on the Port St. Nicholas Road from the posted 15 miles per hour where the road crosses through the Shaan-Seet Inc. Trailer Court. I encouraged both commenters to submit their request in writing to the city.

### **10. Travel Schedule - 2014**

October-December: One or two trips to Juneau, mostly at CCS expense.  
October 16-21: Personal travel.

If the council has questions regarding these items feel free to contact me anytime.

# Tongass Advisory Committee is coming to your community!

The Tongass Advisory Committee is developing recommendations for forest management on the Tongass, with a focus on young-growth forest management. On October 8-10, they will be meeting on Prince of Wales Island. All meetings are open to the public. The Committee encourages interested members of the community to attend the meetings and/or provide verbal or written comment through the public comment process. In addition, they will be hosting two informal meet-and-greet sessions to answer questions and gather input from the community.

## **Wednesday, October 8**

*Fireweed Lodge, 6851 Klawock Hollis Hwy., Klawock, AK*

8am-12pm: Committee Meeting

5:30pm-6:30pm: Community Meet-and-Greet

## **Thursday, October 9**

*Bay Chalet, 1008 Sandy Beach Road, Thorne Bay, AK*

12-1:00pm Community Meet-and-Greet

1pm-5pm: Committee Meeting

1pm-1:30pm: Public Comment Period

## **Friday, October 10**

*Fireweed Lodge, 6851 Klawock Hollis Hwy., Klawock, AK*

8:30am-2pm: Committee Meeting

8:45am-9:15am: Public Comment Period

---

If you are unable to attend the meeting in person, you may submit written comments to Jason Anderson, Designated Federal Officer, Tongass National Forest, P.O. Box 309, Petersburg, Alaska 99833; by email to [jasonanderson@fs.fed.us](mailto:jasonanderson@fs.fed.us), or via fax to 907-772-5895. For more information on the Tongass Advisory Committee, including the meeting agenda, past meeting summaries, and background materials, visit [www.merid.org/tongassadvisorycommittee](http://www.merid.org/tongassadvisorycommittee).

## City of Craig

### Memorandum

To: Mayor Watson & Craig City Council

From: Jessica Holloway, Aquatic Center Manager

Date: October 1, 2014

Re: September Monthly Report

---

School has started and so have school swimming lessons and P.E classes. At the moment we are doing one swim class a day from 2:00pm- 2:30pm. Right now we have not had the P.E class in for swimming but they will start next month once the weather chills off and it is too cold for the kids to run outside.

Wave Runners and the High school swim team are in full swing and practicing every day from 3:00pm-5:00pm. This has pushed our afternoon lap swim back a half an hour, but we will be back to normal lap swim hours the second week of November.

Currently we are at full staff but I will be looking for one or two part time fill in people because of school sports and employees being gone for those times.

Hope your summer was great!!!

If you have any questions or comments please feel free to give us a call at the pool 826-2794 or e mail us at [pool@craigak.com](mailto:pool@craigak.com)

## **CITY OF CRAIG MEMORANDUM**

To: Craig Mayor and City Council  
From: Brian Templin, City Planner  
Date: August 28, 2014  
RE: Planning Department Staff Report – October 2014

---

1. Pool Improvements. Staff met with the council on September 18<sup>th</sup> to discuss the upcoming bond issue, the draft condition assessment and recommendations on how best to move forward. Council input was very helpful in the process. Staff met with JYL by telephone on September 25<sup>th</sup> to discuss some of the outstanding issues. The focus of the meeting was to discuss some issues with the mechanical portion of the assessment. One of the issues that was discussed was the drains in the floor of the locker rooms and the entry. The drains in the locker rooms and entry are non-functional. Using camera equipment from public works the line was videoed. A copy of the video was sent to JYL for their review. The video shows that the main pipe is clean and in good condition but the lateral pipes from the floor drains are probably completely clogged, undersized or failing. We will work on options to correct these drains as part of the potential renovation. JYL is currently working on the final condition assessment. Staff will continue working on the issue based on the bond issue vote on October 7<sup>th</sup> and the council's direction.
  
2. Emergency Warning Siren. The emergency warning sirens have been installed and "silent tested". We have been distributing public information regarding the tones and messages that will be used during emergencies. Tsunami evacuation route signs have been ordered and are expected within the next few weeks. Public works will begin installing these when they arrive. I am continuing to work with the State of Alaska to produce a public pamphlet with additional information for residents. We have had to order an additional communications part from the vendor to interface between the siren encoder and our communications system at CPD. We have also ordered SIM cards for each of the sirens that will contain pre-recorded emergency and test messages that will be used in conjunction with the emergency tones. I expect these to be delivered and installed prior to the live test. We plan on conducting a live test of the system on October 16<sup>th</sup> at 10:15 am. October 16<sup>th</sup> coincides with the "Alaska ShakeOut" which is a state wide earthquake awareness drill. We will test tones, messages and live broadcast capabilities of the system. Depending on where we are with signs and pamphlets we have invited the State of Alaska and NOAA to attend and recognize Craig's status as a "Tsunami Ready" community. A postcard with the test date/time and links to additional information on the city's web site will be sent to all Craig PO box holders the week of October 6<sup>th</sup>. We will likely hold the "public" part of the test at the Craig Aquatic Center parking lot where one of the sirens is located. The additional communications equipment and SIM cards are being funded through the same NOAA grant that paid for the siren purchase and installation.
  
3. Promech Air Lease. Recently we contacted Promech Air regarding their occupation of the Craig Seaplane Terminal. Promech recently laid off Craig employees and ceased scheduled flight operations into and out of Craig. Based on a telephone

conversation with Promech management they are transitioning to charter services only. The company is currently discussing their use of the Craig terminal. The existing lease allows for cancellation of the lease upon written agreement by the lessee and the city. Promech will have to request early termination of the lease and the council will have the opportunity to discuss and take action on that request at a future meeting. In the meantime Promech is still liable for the monthly lease fee of \$930 per month. In addition the lease specifies that if they discontinue the allowed for more than six months that the lease may be cancelled by the city. If Promech decides to go to a seasonal use of the facility for charter purposes this clause in the lease may come in to play. While we have not had any recent discussions, Taquan Air is currently using the old mechanical room and has asked in the past about availability of a larger space at the facility. If Promech chooses to cancel the lease, or if they discontinue use of the facility for more than six months the city may have another interested party to lease to. Staff will continue to work with Promech and other potential lessees as this develops.

4. False Island LED Lights. Per approval from the council, staff has contracted with Channel Electric to install LED “streetlights” at the False Island boat launch facility. After working with ADF&G Sportfish Division regarding use of funds remaining from the dock renovation we were given permission to use remaining funds for the lighting project. We contracted with Channel to install lights on all poles on the dock and on one new pole near the washdown shed. Channel has received the LED lights and is waiting for the arms that will be used to attach the lights to the piling to arrive. They expect to be complete with the work by the end of October.

# CRAIG EMS DEPARTMENT

---



September / October 2014:

- We Continue to offer weekly CME hours from 4-8 every week for our volunteers, and volunteers throughout POW.
- I co -taught the first class of the new Vocational and Technical Education Center on Sept. 6th . I volunteered as a teacher and donated a small class fee back to the Center.
- I attended a State EMS conference for training. I applied for a scholarship. There were lots of great classes, including classes on the state Aurora program that continues to be a challenge. There are new formats coming out in November that will make the system easier to maneuver through. There are also many neat features that will help the city track resource and equipment , such as fire hydrant maintenance and tracking.
- I was awarded a grant through Homeland security to provide three things: (1) mass notification system or a secondary dispatch system via telephone, texting and email to our volunteers. The grant will pay for all volunteers on the island, so Troopers or our Police will be able to notify other communities of important incidents. It will also allow us access to a public portal that will notify everyone of important updates, such as tsunami warnings. (2) Dispatch training that will bring an instructor in to teach criteria based dispatching to our team. This will benefit all emergency departments. (3) A new computer for the mass notification program and a few radios for our EMT's . Right now only a few EMS volunteers have radios.
- Amy Marshall and I are teaming up to provide a First Aid program to the middle school students as well as expanding the high school program. She has offered to help us secure funds to make both of these programs successful. This is crucial to keep volunteerism going. If I don't get my youth program back on its feet, I will have little chance of keeping a mostly volunteer program going in Craig.
- The City of Craig is hosting the first annual EMS mini symposium on Oct 11th. This will provide all the volunteers the much needed CME hours to recert, and we are offering a " Rig rehab " class which will let everyone get the supplies they need. This is the " kick off" to our island supply cabinet.
- We are currently operating the oxygen regeneration system at full capacity.
- We are still in need of getting our two ambulances parked together. In the summer months we have multiple days where we have up to 3 & 4 calls the same day. We need both rigs in a heated storage to keep medications safe, and our supplies free of mold and mildew, not to mention our ambulance running and mechanically sound. WE continue to have issue with delay in response because we have to get the second rig out of long term storage and then stop and get supplies.
- Dr. Vaught and Bobbi Leichty are coming next week ( Oct 9-12) for our symposium.

# Craig Public Library Report To City Council

## August 2014

Submitted by: Amy K. Marshall, Library Director

Numbers are reflective of 9/1/2014 – 9/30/2014

Patron Visits:	1,170
Circulations:	2,056
Computer Use:	463
Program Attendance:	163
Reference Questions:	214

The library received three (3) new public use computers (1 more on the way) as well as a Dell Server from The AlaskaOWL Project. The library will purchase Windows Server 2012 from Tech Soup and arrange for installation of the OS and update of the existing library network.

The library director participated in grant training through a Tech Soup/Web Junction/GrantStation collaboration. HOPE, the City of Craig, and EMS also attended. As a result, the library will be pursuing a number of grant options in addition those already identified.

The library is partnering with the US Forest Service and CILC to create a video conference program featuring El Capitan Cave. The director met with Tory Houser, CILC President Pam Lloyd, Dr. Mark Standley of UAS, and representatives from GCI School Access and The AlaskaOWL Project to collaborate on the project. The plan is to script a virtual tour of the cave and also involve local youth for collaborative classroom programs with schools around the world.

Thanks to a grant from The Alaska Humanities Forum, National Book Award-winning author Ernestine Hayes, Alaska Travel Writer Sherry Simpson, and 49 Writers President Linda Ketchum traveled to Craig for a cross-cultural communication presentation and hands-on writer's workshop at the library. Participants came from Port Protection, Klawock, and Hollis to attend these events.

The director traveled to Ketchikan to meet with the Board of the Reuben E. Crossett Endowed Fund for Southeast Alaska. This granting agency, based out of Seattle, sends their board to Ketchikan, Sitka, and Juneau on an annual fact-finding tour. This year will mark the fund's 25<sup>th</sup> Anniversary, and the fund managers were interested in sustainable programs from the past. I talked about the library's LapSit Bags – a program originally started with money from the Crossett Fund and expanded-on thanks to a grant from HOPE. The project will be one of several featured in the Fund's upcoming publication about the history of the organization.



# Craig Public Library Report To City Council

## August 2014

Programs: Minecraft Mondays 3pm – 5pm  
Robotics & LEGOs (Every Tuesday) 2pm – 4pm  
Afternoon Craft 2pm – 4pm  
Toddler-Preschool Story Time (Every Friday) 10am  
Preventing Violence in Alaska: How to Make Alaska Safer 9/2  
Alzheimer's Series: Is it Alzheimer's? 9/6  
3<sup>rd</sup> Annual International Observe The Moon Night 9/6  
Pizza & Pandemics 9/13  
Scrabble Night 9/13  
Congress @ Your Fingertips with the Library of Congress 9/16  
Not My Life: Film & Discussion 9/16  
Constitution Day: Civil Rights Act of 1964 9/17  
AYEC Child Care Certification Class 9/20  
Scientists In Action: Extreme Weather 9/25  
Cross-Cultural Communications with 49 Writers 9/26  
The Story & The Music Writing Workshop with 49 Writers 9/27

### Upcoming (highlights):

Banned Book Club – Persepolis 10/4 at 5pm  
Alzheimer's Series continues on 10/18 at 10am  
Tea & Lemon Cake Book Club 10/18 at 3pm  
3<sup>rd</sup> Annual Goosebumps Marathon! 10/18 at 3pm  
The BIG Library Read 10/13 – 10/28  
2<sup>nd</sup> Annual Halloween Family Story Walk 10/25 – 11/3

Awards in process: The library applied for The Best Small Library in America Award.

The library has been invited to apply for the Institute of Library and Museum Services National Medal for Museum and Library Service. This application requires supporting letters from three local entities and/or individuals. The library director has approached individuals to write these letters and has received positive responses. The application deadline is October 15, 2014.

# Craig Public Library Report To City Council

## August 2014

2015 marks the library's 80<sup>th</sup> Birthday in Craig. I would like the City Council to consider the following logo for the library's celebration:



After 2015, I would like the Council to consider this design:



**CITY OF CRAIG  
MEMORANDUM**



**Date:** October 1<sup>st</sup>, 2014  
**To:** Honorable Dennis Watson, Craig City Council  
**Fr:** RJ Ely, Police Chief  
**Re:** Staff Report

*RJ Ely*

**ACTIVITY**

Activity from August 29<sup>th</sup>, 2014 to September 30, 2014. Dispatch Center took the following amount of calls for service:

Craig	995	Down from last month of	1016
Klawock	361	Down from last month of	419
AST	14	Down from last month of	19

**DEPARTMENT OF MOTOR VEHICLES**

Drop offs are still running smoothly, a slight decrease in activity has been noticed in main DMV Office.

**DISPATCHER(S)**

Vanessa D.C. Booth has been hired as Part Time / Fill In Dispatcher and began training on September 20<sup>th</sup>, 2014. She is progressing well and should complete training within 5 to 6 weeks.

**OFFICER(S)**

Officer Mark Harreus has given his resignation, effective 18<sup>th</sup> of October. He has excepted a police officer position in Washington, which will put him closer to his family.

I'm currently advertising for police officer, to fill Officer Harreus position.

**OTHER**

Newest Ford Expedition has been obtained, stripped and awaiting stripping kit to finalize outfitting, prior to being put into service.

CrossMatch Fingerprinting System has been sent back to company for repairs and should have a quick turnaround.

Jail Budget has been completed and submitted to DOC (Department of Corrections). I submitted several capital improvement requests, along with funding for fixing CrossMatch System.

I will be in Anchorage, week of October 6 through 10; Attending the 2014 Fall Preparedness Conference.

I have received 5 new tuff book laptop computers from the State and within the next few weeks, will get prograded, on department network and installed into all vehicles. Once completed, officers will be able to use for citations in the field and filing of the new accident reports; 12-200 with DMV.

# Memo

To: Mr. Mayor, Craig City Council

From: Ron McIntosh, Public Works Director

CC: Jon Bolling, City Administrator

Date: October 1, 2014

Re: Public Works Council Report for October 9, 2014

---

## Activities and status:

1. Awaiting the award for construction of the Port St. Nicholas Water Main Replacement.
2. Repaired Water Main failure at 8.2 mile between the Water Treatment Plant and North Fork Lake Reservoir
3. The solid waste collection containers are next to be ordered. Input is welcome.
4. The North Fork Lake Dam Construction is still pending with pricing and schedule.

Public Works continues to address day to day operations and issues. If you have any questions or any specific issues, please feel free to contact me.

Thank you,

RCMc

# Craig Recreation Report

**The Harvest Festival was a blast! Thanks to all the great help, hayride driver Sgt Medina, Shannon Silverthorn and Sofie Costalis for help with the riders, set up and more. Ali Peterson and Chrissy Torsey for set up and the Price family and Zach Gardner for clean up. What a fun day, inspite of the weather!**

Ballet and Gymnastics classes both start tomorrow at the Craig City Gym! Ballet at 10am for beginners, 10:30 for ages 7 and up with Tori Houser, Mary Huffemeir and Julie McDonald have Gymnastics class at 3 for beginners and 3:30 at intermediate students. There will be 6 classes in this session on Saturday afternoons

the last Swap meet will be held on Saturday October 25<sup>th</sup> from 9 to 1pm. at the Craig City Gym, Sign up at Craig City Hall. Sign up for your space at Craig City Hall. space at Craig City Hall, just \$10 non profits are free. The fall Bazaar will be held on November 29<sup>th</sup> and December 13<sup>th</sup> for the Holiday Bazaar. Sign up early. We have been selling out!

Recreation is starting several advisory groups, starting with upper elementary, Middle school and high school students. These groups will advise me on activities and programs they would like to see happen in our community.

The Craig Public Library is partnering with Recreation for An After school program with activities at the Craig Youth/Rec Center and the Craig City Gym. October 3rd we start our ceramics class with Jeri Rosenthol. Monday thru Thursday from 3 to 5 and Fridays 2 to 5. On Mondays Minecraft at the Craig Library from 2-4, Tuesdays from 2-5 Robotics and Legos. Wednesdays, writing and journal making and Thursday at 3pm there is a Movie for Kids, then a Teen Movie at 6pm. Fridays we cook at 2, then play chess and board games, with Octorer featuring a Pottery tile class is in the works with Jeri Rosenthol Fridays at 3 for ages 8 to 12.

DVD Yoga at lunch time in the Youth/Rec center with Mary Hummemeir. Monday, Wednesday and Friday from noon to 1pm. Just a \$2 donation.

We are going to try and have a 4 week 4 on 4 volleyball league, starting October 14<sup>th</sup>. Sing up at Open Gym f on Tuesday and Thursday at 7pm with Jose Cevera as our volunteer and scorekeeper. Cost is \$50 per team, ages 14 and up, lets see if we can get enough to play!

Keeping busy.

© Jacob W. Frank/Getty Images



## ALASKA PERMANENT CAPITAL MANAGEMENT

August 2014

REGISTERED INVESTMENT ADVISER (RIA)

900 West 5th Avenue, Suite 601 Anchorage, AK 99501 [www.apcm.net](http://www.apcm.net)

This brochure provides information about the qualifications and business practices of APCM. If you have any questions about the contents of this brochure, please contact us at (907) 272-7575. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. An RIA designation does not imply skill or training.

*Additional information about APCM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*



ALASKA PERMANENT  
CAPITAL MANAGEMENT

Registered Investment Adviser





## TABLE OF CONTENTS

2	<ul style="list-style-type: none"> <li>Summary of Material Changes</li> <li>Advisory Business</li> <li>Fees and Compensation</li> <li>Performance-Based Fee and Side-By-Side Management</li> </ul>
3	<ul style="list-style-type: none"> <li>Types of Clients</li> <li>Methods of Analysis, Investment Strategies and Risk of Loss</li> <li>Disciplinary History</li> <li>Other Financial Industry Activities and Affiliations</li> <li>Code of Ethics Summary and Offer of Delivery to Clients</li> </ul>
4	<ul style="list-style-type: none"> <li>Brokerage Practices</li> <li>Review of Accounts</li> <li>Client Referrals and Other Compensation</li> <li>Custody</li> <li>Investment Discretion</li> <li>Voting Client Securities</li> <li>Financial Information</li> </ul>

### SUMMARY OF MATERIAL CHANGES

Effective July 1, 2014, Julee Duhrsen, CPA, CFA was promoted to Chief Compliance Officer. Ms. Duhrsen has more than 20 years of Alaskan based financial experience, and has been with APCM for more than 10 years. She will continue to oversee client reporting, investment performance and our annual audit.

In spring of 2014, APCM formed the subsidiary APCM Wealth Management for Individuals (AWMI), to provide advisory services to individuals. AWMI Wealth Strategists will use portfolio models developed by APCM to invest client assets. Trade execution to implement models will be performed by APCM investment personnel. Individual clients who are current clients of APCM will be transitioned to AWMI in the coming months. More information on AWMI may be found at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

### Advisory Business

APCM is an investment adviser who has been providing investment advice in Alaska since 1992. We provide investment management for active fixed income portfolios and balanced accounts that include a mix of stock and bond index funds. We are independently owned and have no 3rd party affiliations that compromise our advice to clients. Our only income is the fee income earned from our clients.

APCM was founded by Dave Rose, the first executive director of the Alaska Permanent Fund Corporation. The firm is majority owned by Evan Rose, Chairman and CEO. Other minority owners include Fran Rose, Trustee for the Dave Rose Estate, and employees Bert Wagnon, APCM Sr. Vice President, Jeff Pantages, APCM Chief Investment Officer, Brandy Niclai, APCM portfolio manager, William Lierman, APCM portfolio manager, and two prior employees.

One service that differentiates us is our ability to tailor our portfolios to specific client needs. For our institutional clients, we often manage various accounts that meet differing investment objectives that range from cash flow management to equity-based asset allocation accounts.

As of July 31, 2014, we managed \$3 billion in discretionary assets under management.

### Fees and Compensation

All of our revenues are earned from our clients. Although the majority of our revenue is based on account value for assets we manage, some clients may select an additional service such as financial planning or financial consulting. We do not have any revenue sharing arrangements with any 3rd party organizations nor any performance based fees or side-by-side management arrangement that would affect account management. Clients may elect to pay their fees from their account or be billed separately. Fees are calculated monthly in arrears, based on the end of month market value. Fees for services are billed when the service is performed.

Fees are negotiable depending on size of the account and other considerations that may result in economies of scale. Private wealth account fees range from 1.5% of assets under management and below. Institutional balanced account fees range from 1% of assets under management and below. Institutional fixed income account fees range from 0.50% of assets under management and below.

Other fees clients may incur include custodian fees and other transaction costs. For more information, please see Brokerage Practices. Asset allocation accounts may also incur internal fund expenses for which we receive no remuneration. As our primary goal is to help our clients achieve their financial goals, our selected funds and ETFs have very low expenses.

### Performance-Based Fees and Side-By-Side Management

All accounts are managed with the best interest of each client as the guide. Client accounts are treated fairly and no client is favored over another. We do not have any performance-based fees or side-by-side management arrangements that could potentially create a conflict of interest when managing accounts.



## Types of Clients

Our clients include both institutions and individuals. On the institutional side, our clients include State of Alaska public entities, municipalities, boroughs, Alaska Native Corporations, endowments, and non-profits. For individuals, we manage IRAs, after-tax savings accounts, educational plans, and trusts.

## Methods of Analysis, Investment Strategies and Risk of Loss

We provide two general types of account management: 1) fixed income only accounts, and 2) balanced accounts with equity exposure. The following describes the analysis and strategy for each of those accounts types.

**Fixed Income Accounts:** Fixed income investment strategies are designed to meet client objectives. Macroeconomic trends and monetary policy are examined to establish the appropriate portfolio positioning given the economic environment, within the investment policy parameters. Our investment team carefully considers risk and portfolio structure to the benchmark index chosen by the client. Key portfolio risk factors such as duration, sector exposure and credit quality are measured and controlled using quantitative techniques. Value is added through the active management of yield curve positioning, sector rotation and individual security selection. Fundamental credit and structure analysis is performed on individual securities before purchasing for a portfolio. Our investment style is to make incremental decisions rather than large restructurings of client accounts, and to minimize portfolio turnover to reduce trading costs. We believe a long term perspective and conservative approach are the best ways to add value to our clients.

**Balanced Accounts:** Our balanced account investment strategies are developed with the aid of sophisticated software and modeling programs to achieve an efficient portfolio. Such a portfolio is one that provides the highest expected return given an acceptable level of risk as indicated by the client. We use our inputs on market conditions, projected economic climate, and over 200 years of our firm's combined investment experience to develop different strategies with varying amounts of equity. The process results in an array of models each with varying degrees of asset class exposure that can be selected to meet a client's investment objective. Securities chosen to represent asset class exposure are mainly index funds that are evaluated based on tracking error to the benchmark, internal fund expenses, fund management, and liquidity. Depending on the size of the account, the fixed income exposure may be achieved through an index fund or ETF or it may be managed by our investment team.

Securities purchased may include, but are not limited to: US Treasuries, USTIPS, GNMA and FNMA agency securities, corporate and municipal debt securities, mutual funds, exchange traded funds, asset back securities, CDs, commercial paper, and mortgage backed securities. As with any investment, investing in securities involves risk of loss that clients should be prepared to bear. Clients are encouraged to read the prospectus(es) in order to more fully understand the risks.

## Disciplinary History

We have been an SEC registered investment advisor since 1992 and have no record of disciplinary history since inception.

## Other Financial Industry Activities and Affiliations

We are a privately held firm with no business relationships that create conflict-of-interest in our decision making. APCM is a majority owner of AWMI, an advisor whose primary service is advisory services to individuals. Our practice is to make every investment decision in the best interest of the client.

Since we do not take custody of client assets, clients are free to select their own custodian from a variety of custodians with whom we have technology-based relationships. To eliminate traditional custodian fees, some clients may select Schwab as their custodian since Schwab offers no-cost custodian services. For accounts where Schwab is the custodian, securities are generally transacted through Schwab Brokerage. Such transactions may or may not result in the best price that generally drives our transactions with other brokers and Schwab may charge a transaction fee for buys and sells. In addition, we as a firm receive operational support from Schwab for accounts custodied at Schwab. Such support includes simplified web-based access to account information but does not include any hardware.

## Code of Ethics Summary and Offer of Delivery to Clients

As an SEC-registered adviser and pursuant to SEC rule 204A-1, we have a Code of Ethics that governs employee conduct. A copy is available to anyone upon request.

**Code of Ethics Summary:** In essence, we are fiduciaries to our clients and our employees are expected to act in the best interests of our clients at all times. Employees are required to disclose any potential conflicts of interest that could compromise this duty and such conflicts must be resolved in favor of the client(s). Furthermore, the Code of Ethics covers additional areas such as protecting confidential information, restricting participation in business interests that may create conflicts of interest, and limiting gifts to a de minimis amount. Our employees must report their investment holdings annually and all



their investment transactions quarterly. In addition, employees must obtain preclearance prior to trading on any security that is on our Restricted List.

For trading on client accounts, the Code of Ethics requires employees to maximize client portfolio value by seeking best execution for all client transactions. In addition, traders must ensure fair and equitable trade allocation among client accounts.

The Code of Ethics also covers how we price securities, our portfolio performance process, and requires us to obtain an annual 3rd party verification of our portfolio accounting procedures.

Investing in Securities Recommended to Clients: Our investment strategy includes identifying securities that may represent a potential for gain or, in the case of asset allocation accounts, identifying certain index funds that have low internal expenses while also providing exposure to desired asset classes. Our employees may also invest in these securities. Since the recommended securities are liquid and widely traded, we believe the risk of any employee benefiting from any investment also held in a client account is minimized. However, as part of our personal trading policy, each employee is required to report all trading activity to the Chief Compliance Officer on a quarterly basis.

## Brokerage Practices

As an investment advisory firm, we have a fiduciary duty to transact trades in the manner that is best for our clients. Our Best Execution policy seeks to obtain the best overall trade execution in terms of both quantitative and qualitative considerations, although best price is the primary consideration. On an annual basis, we examine the relationships with broker/ dealers who execute significant amounts of trades for us. Broker/dealers are assessed based on their ability to complete trades in a timely and accurate manner; respond during volatile markets, and account for trade errors.

Any Client accounts custodied at Schwab may have trades executed using Schwab as the broker. In such cases, the typical standards of achieving 'Best Execution' may not apply to these accounts.

Trade Aggregation: Trades may be aggregated if it is beneficial to clients. Allocation procedures are fair and equitable to all clients with no particular group or client favored or disfavored over any other clients. We prohibit any allocation of trades in a manner that APCM's proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts.

## Review of Accounts

In order to provide maximum value to our clients, we have regular reviews of all accounts.

For institutional accounts: A portfolio manager is assigned to each account to ensure that the account is invested in accordance with the client's investment policy. An associate portfolio manager, who may serve as the portfolio manager for other clients, covers the account in the absence of the portfolio manager. Specific investments are made by portfolio managers on behalf of their assigned client portfolios. On a monthly basis, the Chief Investment Officer reviews specific portfolio

parameters of the institutional accounts including yield, asset classes, duration and sector/quality/issuer concentration. The Chief Investment Officer and portfolio manager meet monthly, at a minimum, to review account structure and performance relative to client objectives. The review also consists of an appraisal of macroeconomic conditions including the economy, interest rates, and credit trends.

For private wealth accounts: Each client has a relationship with a Financial Adviser with whom they have regular communication. The Financial Adviser has overall client responsibility and makes recommendations regarding the acceptable level of stock market exposure that a client is suited for based on the risk profile of the client. The Financial Adviser works with a Portfolio Manager to implement the appropriate investment strategy developed as detailed in Methods of Analysis, Investment Strategies and Risk of Loss. Once implemented, the Portfolio Manager and Chief Investment Officer review the holdings and allocations of accounts on a quarterly basis with necessary adjustments made as needed.

## Client Referrals and Other Compensation

Although we appreciate client referrals, we do not compensate any 3rd parties for referrals.

## Custody

We do not take custody of client assets. Clients are responsible for selecting their own custodian. We recommend that clients compare the account statements received by the custodian to the statement we prepare for them.

## Investment Discretion

We have investment discretion on the assets we manage. We accept investment discretion upon the execution of client contract documents granting this authority. On occasion, a client may bring an inherited security with client imposed restrictions into the account we manage. Such restrictions are in writing.

## Voting Client Securities

As a matter of policy and as a fiduciary to our clients, we vote proxies for portfolio securities consistent with the best economic interests of the clients. We vote proxies for debt instruments and, with some exceptions, exchange-traded funds and mutual funds. We do not vote proxies for individual equities. Individual equities are held in a client's account as an accommodation to the client and are not part of our overall management strategy or an appropriate focus for research. Clients are notified that we do not vote these proxies and that we will, upon request, arrange for the clients to receive these proxies directly. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies, disclose any potential conflicts of interest, and make information related to proxies available to clients. The term proxy as used here includes corporate actions and tender offers for debt instruments.

## Financial Information

As a privately held firm who does not have custody of client assets, we are not required to undergo an audit of our financial statements.



## AN UPDATE ON FANNIE MAE AND FREDDIE MAC

Fannie Mae and Freddie Mac are more formally known as the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). They are Government Sponsored Enterprises (GSEs). Both were placed into “conservatorship” during the Financial Panic of 2008.

Fannie and Freddie were created decades ago to provide liquidity to the mortgage market and reduce interest costs for homeowners. These agencies buy loans from mortgage lenders, package them as MBS securities, and sell them to investors. After they are sold to investors, the GSEs then provide a guarantee against default for the life of the loan. To cover the expenses that all of this entails the GSE’s charge a guarantee fee (or “g-fee”) that is deducted from the interest paid by the homebuyer. Currently these fees total approximately 55 basis points (bps).

Fannie and Freddie issued agency debt (short and long term) and buy higher yielding securities to “earn a spread”. Unfortunately they did this big time in the middle of the housing bubble. When prices crashed they lost on their guarantee

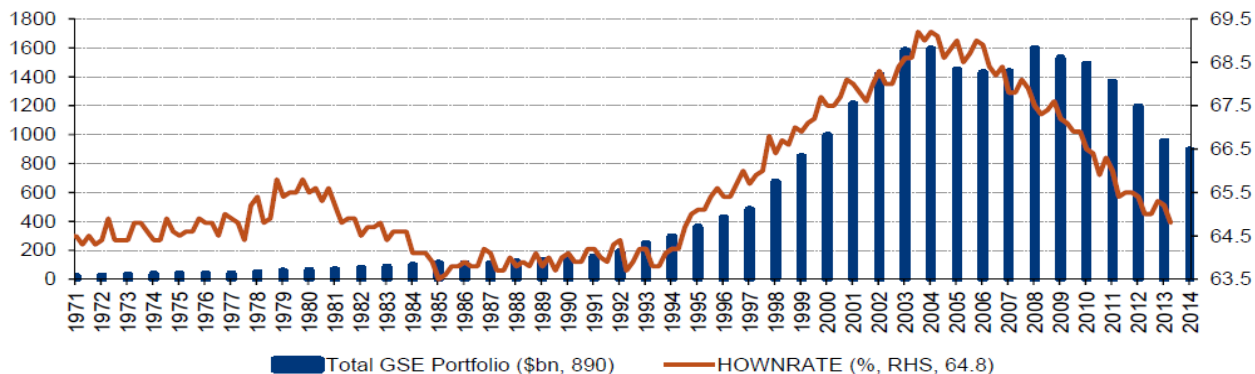
business due to defaults and then lost more on much of the “subprime” securitized debt they bought. (Part of the reason for buying subprime securitized debt was to meet mandated affordable housing guidelines from HUD – their regulator).

Chart 1, from Bank of America, depicts the rise and fall of homeownership rates in the U.S. and the size of the combined Fannie/Freddie portfolio. Unsurprisingly, it’s a nice fit.

Fannie Mae and Freddie Mac were GSEs, but also private companies that were owned by shareholders and whose stock traded on the NYSE. In fact the stocks were star equity performers for years and made shareholders a lot of money. Critics had long argued that they had an unfair advantage as investors viewed their debt as having an “implicit” government guarantee, so they could issue debt very cheaply – and they issued a lot. In fact part of the reasons for their troubles was that they were highly leveraged, having big portfolios but little equity cushion to absorb losses.

*(Continued on page 2)*

**Chart 1: GSE Portfolio Outstanding (\$bn - Left) and U.S. Homeownership Rate (% - Right)**



(Continued from page 1)

The Wall Street Journal had railed about Fannie and Freddie, labelling them the “Toxic Twins” for a numbers of years. They worried about moral hazard risks. That is, the Twins took on too much risk believing the government would bail them out in a crisis. Investors believed this and plowed into both the debt and equity of these GSEs. They would get an extra spread and strong earnings in the good times and a government bailout if things went wrong.

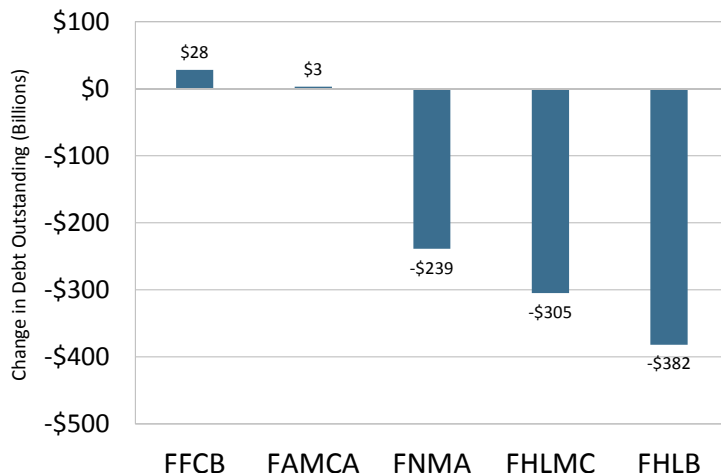
When the financial crisis hit in September 2008 the government stepped in believing that the Twins were a “systemic risk” and “too big to fail” so they placed them into conservatorship – and thus bond holders kept getting paid. The debt was protected but the equity holders were not as all dividend payments were stopped. Most considered the companies insolvent for all intent and purpose.

A new regulator (FHFA) was appointed and the federal government pumped in \$188 billion in taxpayer funds to rescue Fannie and Freddie. As of 2014, the Treasury has received over \$200 billion back.

Part of that is the result of the recovery in housing prices and the decision in 2010 to send all of the earnings from Fannie and Freddie directly to the Treasury. In doing so, Freddie Mac stated that the Treasury “has indicated that it remains committed to protecting taxpayers and ensuring that our future positive earnings are returned to the taxpayers as compensation for their investment.”

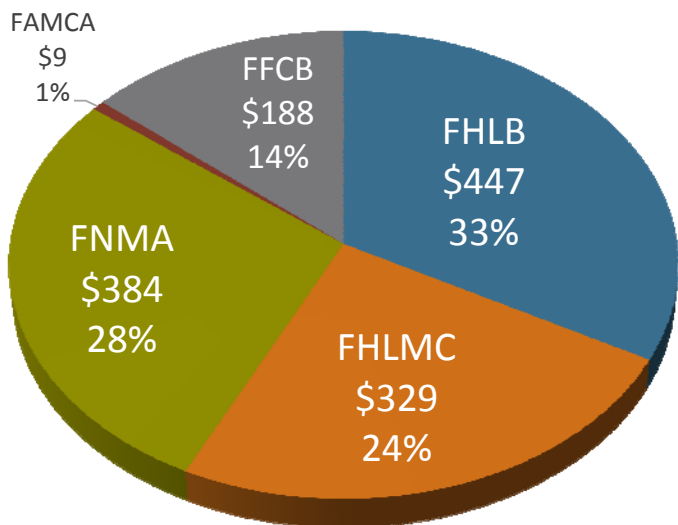
That 2010 decision has sparked lawsuits from common and preferred stockholders who view this as a “taking” of private property. The U.S. government took a 79.9% ownership in the GSEs (there are technical reasons why they couldn’t go over 80% - basically it would have required GSE debt to be shown on the federal balance sheet). The stock still trades in over-the-counter markets and has recovered from under a quarter to \$4 or \$5 dollars a share recently.

**Chart 3: Change in Debt Outstanding by U.S. Agency**

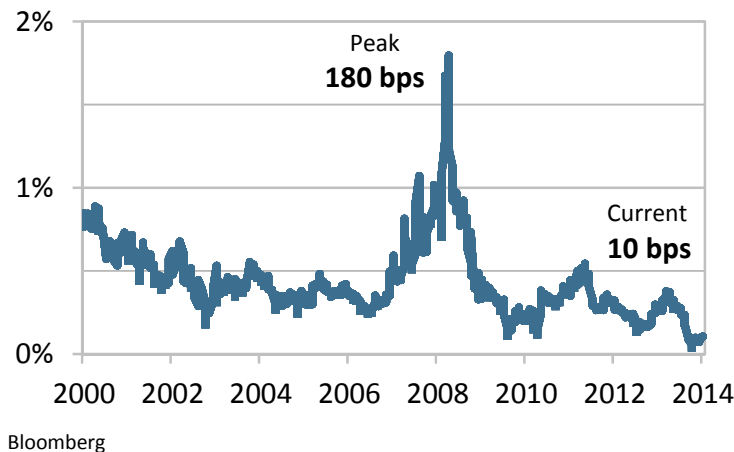


Early on the government mandated that Fannie and Freddie reduce their portfolios down to \$250 billion each by the end of 2018. Chart 2 depicts Agency debt outstanding and Chart 3 shows the decline in debt issued by the Twins and other Agencies over the past 5 years.

**Chart 2: U.S. Agency Debt Outstanding (\$ Billions)**



**Chart 4: Yield Spread: 5 Yr Agency vs. 5 Yr Treasury**



(Continued on page 3)

Note that debt issued by the Federal Home Loan Banks (FHLB) is also shown. This agency lends money to banks and banks aren't borrowing these days.

The decline in issuance has led to a shortage of high quality Agency paper and tight spreads to Treasuries. Chart 4 shows the spread on five year agency paper vs. a similar maturity Treasury. That spread is now a paltry 9 bps and was as wide as 180 bps during the crisis.

Several bills in Congress would dismantle the Twins and shift the risk of mortgage lending from taxpayers to the private sector. Chart 5 from J.P. Morgan depicts two current proposals for winding down these agencies; Corker/Warner and Johnson/Crapo. Both would shut down Fannie and Freddie and create a new Federal Mortgage Insurance Corporation (FMIC) that would backstop first loss mortgage insurance from the private sector, among other things.

**The fate of Fannie and Freddie is unclear.** Legislation in Congress has stalled and will probably drag on, certainly until after the mid-term elections and probably then some.

And the aforementioned lawsuits will be litigated. Brookhurst Capital notes that:

*Public perception of the lawsuits is that a bunch of hedge funds are suing the government to take money from*

*taxpayers to enrich themselves. This makes the political climate for deciding in favor of the shareholders very unfavorable.*

They are hedge funds but the law is the law and would seem to favor the plaintiffs!

In any event, given the apparent return to profitability of the Twins, there are offers on the table to recapitalize them (remember they have zero equity now as the Treasury is taking all profits) and return them to the private sector. The push back is that they would still be perceived as too big to fail given their history and would likely take outsized risks – with the responsibility of failure again being ultimately borne by the taxpayer.

Some believe that given recent events Congress is not enthusiastic about shutting the Twins down and that the time for doing that has past. Alex Pollock, a fellow at the American Enterprise Institute, and no fan of Freddie and Fannie, advocates eliminating the special legal and regulatory advantages enjoyed by the Twins and treating them like every other big bank. They would no longer be GSEs and should be designated a Systemically Important Financial Institution (SIFI) that is overseen by the Financial Stability Oversight Council, just like every other big bank.

Despite these uncertainties, the debt of Fannie Mae and Freddie Mac remains AAA rated. It doesn't yield much over Treasuries to warrant exposure anywhere on the curve.

**Jeff Pantages, CFA**  
Chief Investment Officer

**Chart 5: Comparison of Proposed Legislation for Resolving U.S. Agencies**

Bill attribute	Corker Warner	Johnson Crapo
Wind down and liquidate GSEs	✓	✓
Create a new "Federal Mortgage Insurance Corporation" and securitization utility	✓	✓
FMIC regulates origination, servicing, PMI, and securitization	✓	✓
Issue securities with 10% private capital first lost piece	✓	✓
Outright government wrap supported by a government mortgage insurance fund	✓	✓
Loans need to be QM with at least 5% down, need mortgage insurance if >80 LTV	✓	Only 3.5% down for first time homebuyers

# Memo

To: Mr. Mayor, Craig City Council

From: Ron McIntosh, Public Works Director

CC: Jon Bolling, City Administrator

Date: October 1, 2014

Re: Port St. Nicholas Water Main Replacement Award.

---

The Bids will be received for the Port St. Nicholas Water Main Replacement on Monday October 6, 2014 at 2:00pm. The bids will be reviewed and information compiled for Council action on October 9<sup>th</sup>, 2014.

Thank you,

RCMc



# CITY OF CRAIG MEMORANDUM

To: Mayor and City Council  
 From: Jon Bolling, City Administrator  
 Date: October 2, 2014  
 RE: Proposed Change Order, North Fork Lake Project

---

Attached is a change order for the North Fork Lake Dam project totaling \$116,352. The change order covers costs added to the project since award of the project bid more than a year ago.

### Background

After securing \$375,000 in grant funding to raise the North Fork Lake Dam by 3.5 feet, the city in June 2013 solicited bids to complete the work. The successful bidder for the project, at \$198,000, was Ketchikan Ready Mix. With the engineering and feasibility work costs of \$80,625 added to the construction bid, and \$15,000 set aside for inspection and testing services, the city still had funds to cover the cost of raising the dam by an additional foot, to 4.5 feet. With this opportunity to further increase the storage capacity at North Fork Lake I directed the project engineer to raise the design height of the dam, believing that the additional cost could be met by the funding available for the project.

The table below details the revised project costs.

<b>NORTH FORK LAKE DAM COSTS</b>				
	Original bid			\$198,200
	Pre-bid design and engineering costs			\$80,625
	Maintenance work on road to dam			\$14,950
Amended bid, with new dam design:				
	H D Supply price increase	LS	\$752	\$752
	Fence	LS	\$3,900	\$3,900
	Increase in rebar	LS	\$5,000	\$5,000
	Increase in concrete - 25	CY	\$1,420	\$35,500
	Anchoring System	LS	\$61,200	\$61,200
	Rock fill 100 CY	CY	\$100	<u>\$10,000</u>
	Total Increase in bid			\$116,352
	Construction inspection and testing			<u>\$15,000</u>
	Total Estimated Project Cost			\$425,127
		Grant funding		<u>(\$375,000)</u>
	<b>Cost overrun</b>			<b>\$50,127</b>

Subsequent to award of the bid, but prior to the start of construction, city staff discovered that the Alaska Dam Safety Office, part of the Alaska Department of Natural Resources, had not approved the dam design included in the city's bid solicitation. Dam Safety Office approval is required under state statute and regulation. After about a year of interaction with his office following this discovery, the State Dam Inspector approved a modified design for the dam. Staff then submitted the new design to Ketchikan Ready Mix for an updated cost estimate. The company estimates a project cost increase of \$116,352 to complete construction of the redesigned dam. Of this amount, \$61,200 is due to a modified dam foundation anchoring system required by the dam inspector. The one-foot increase in the height of the dam adds about \$40,000 in concrete and rebar costs. Other costs include fencing, additional shot rock backfill, and inspection services during construction.

### Options

Given these increased costs, if the city moves forward with construction as designed, the grant funding available falls \$50,127 short of the revised construction cost. In order to complete the project, some amount of dollars from another source is needed. The council should consider one or more of the following options as it determines its direction to staff.

1. Eliminate the one foot rise. City staff can direct the contractor to raise the dam by three feet, rather than the redesigned four feet. This approach will reduce construction costs by about \$40,000. This option reduces the additional storage volume in the lake by about 34 million gallons, but still results in a net increase in water storage in the lake of about 119 million gallons. This option likely will require revised engineered drawings for approval by the Dam Safety Office, offsetting the construction savings and possibly delaying the start of construction.
2. Assign alder cutting and other road maintenance costs to another grant. About \$15,000 of the North Fork Lake Dam project cost to maintain the road to the dam can be applied to the roads portion of the Secure Rural Schools grant. The city has about \$30,000 in grant funding for use on local roads from the annual SRS grant. While this option reduces the draw on the general fund, it will also reduce the amount of road maintenance funds otherwise available to the Public Works Department.
3. Seek additional grant funding. At this point I do not have a source of funds identified for additional grant dollars, and the amount of time and effort needed to find additional grant dollars is very uncertain. The existing grant dollars are subject to revocation if additional grant funds are not found in the next two years. The delay as additional funds are sought would also likely mean that the city would have to rebid the project, which could further delay completion.
4. Borrow Funds from ADEC. The Alaska Department of Environmental Conservation has a low interest loan program, typically at 1.5% interest, to make funding available for water and wastewater infrastructure projects. Past applications to the loan fund for this project have not scored well with the department. Still, staff can try again to secure loan funding. Doing so may delay the start of construction. I estimate that debt service payments for the loan would cost the Water Department budget about \$5,400 per year for ten years.
5. Draw from the city's Capital Projects Fund. Earlier this year the council created a Capital Projects Fund and appropriated \$130,948 into the fund. While we as yet have no written policy as to the appropriate use for the fund, my own recollection is that the Capital Projects Fund is in place to provide dollars for construction projects, especially when there is a need for match money. The North Fork Lake Dam project does qualify under that definition, as \$375,000 in grant funding is already in hand and will pay the lion's share of the project's costs.
6. Seek re-appropriation of other state grants. The city holds grants made by the Alaska Legislature with as yet unspent balances. The water and wastewater planning grant, with about \$35,000 remaining can be re-appropriated toward the dam project. Similarly, the public works equipment acquisition grant, with more than \$100,000 remaining, can also be re-appropriated to the dam project. The process to re-appropriate requires approval by the Alaska Legislature. While this process is generally reliable, it is not a certainty, and of course takes funding away from the water/wastewater master planning, and public works equipment acquisition projects. In addition, the dollar amount sought for re-appropriation here is relatively small for the formalities required to make it happen. In

any case, the re-appropriated funds would not be available until late next summer, further delaying the project.

7. Appropriation from the city's General Fund. The city's general fund currently holds \$2.2 million. A \$50,127 draw on the fund would not impose hardships on the city's cash flow needs.
8. Cancel the project. I do not recommend cancelling the project. The city has more than \$80,000 invested in the project already due to engineering and permitting tasks. Cancelling also rules out the use of \$275,000 in grant funds that would otherwise benefit the city's water system.

**Recommendation**

With the very long term (40+ years) benefit potential the city will enjoy from raising the dam a full 4.5 feet, I recommend that the council direct staff to draw up to \$50,127 from the city's Capital Projects Fund to pay construction costs for the North Fork Lake Dam project.

Recommended motion: I move to approve Change Order No. 1 to the North Fork Lake Dam project, and appropriate up to \$50,127 from the City of Craig Capital Projects Fund to meet project costs.



**CITY OF CRAIG**

**CHANGE ORDER NO.**   1  

**DATE:**   October 2, 2014  

**CONTRACTOR/ADDRESS:**   Ketchikan Ready Mix  
4418 North Tongass Hwy  
Ketchikan,, AK 99901  

**OWNER:**   City of Craig  

**PROJECT:**   North Fork Lake Dam  

**Description of Change:**   See Attachment One  

Original Contract Amount	<u>  \$198,000  </u>
Previous Change Order Amount	<u>  \$ 0  </u>
Amount This Change Order	<u>  \$ 116,352  </u>
Revised Total Contract Amount	<u>  \$ 314,552  </u>
Original Completion Date	<u>  2013  </u>
Previous Change Order Time Changes	<u>  None  </u>
This Change Order Time Changes	<u>  None  </u>
Completion Date With This C. O.	<u>  Spring 2014  </u>

**ACCEPTED BY:**

Ketchikan Ready Mix

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**APPROVED BY:**

City of Craig

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**ATTACHMENT ONE TO CHANGE ORDER NO. 1**  
**City of Craig – Craig North Fork Lake Dam Project**  
**Page 2**

Contractor: Ketchikan Ready Mix  
Owner: City of Craig

The scope and cost of the work added, deleted or modified by this change order is defined below. Payment as provided for in this Change Order and the time extension set forth herein, if any, are full and complete compensation to the Contractor for the change(s) to the work, deleted work, modified work, direct or indirect impact on the Contractor's schedule, and for any equitable adjustment or time extension to which the Contractor may be entitled, pursuant to the contract or any other basis whatsoever.

**1) Revised bid based on changes to dam design**

**Total This Item** **\$ 116,352**

**2) Construction Schedule**

Contractor and City will negotiate project completion schedule, with consideration given to the water supply needs of the Port St. Nicholas king salmon hatchery facility and weather conditions between January and May, 2015. Project completion date will be no later than \_\_\_\_\_.

**Total This Item** **No Cost Change**

**TOTAL THIS CHANGE ORDER** **\$ 116,352**

## **CITY OF CRAIG MEMORANDUM**

To: Mayor and City Council  
From: Jon Bolling, City Administrator  
Date: October 3, 2014  
RE: Consider Intervener Status, Big Thorne Timber Sale Appeal

---

The Big Thorne Timber Sale, prepared and issued by the US Forest Service and containing up to 97 million board feet of timber, was awarded recently to Viking Lumber Company. The sale is intended to be release to Viking Lumber over multiple years. The sale also includes a number smaller sales to other mills, hopefully on POW Island. In addition, the project includes five of what the Forest Service calls stewardship contracts, which include trail renovations, stream restoration projects, and thinning projects.

Upon its release, the sale was appealed to federal district court by several groups, including Greenpeace and the Southeast Alaska Conservation Council, among others. Those groups have expressed concerns over the effect of the Big Thorne sale on the viability of wolf and deer populations on POW. Comments in the public press include concerns that the timber sale will cause unrepairable harm to wolf and deer here. The Forest Service recently agreed with the plaintiffs to hold off on any ground disturbing activities related to the sale until April 2015, by which time the Forest Service hopes that the courts will have issued their final decisions on the appeals. This agreement means that even with the award of the timber sale, Viking Lumber may not begin any real work in the field until at least next April.

The City of Craig has a real interest in the release and completion of the sale. We rely on Viking Lumber Company to provide wood chips to the Craig wood boiler project that provides heat to the city's aquatic center and the school district's elementary and middle school buildings. We are hoping to expand that relationship through the installation of a wood burning boiler at Craig High School. In addition, the city leases to Viking Lumber a wood dryer that is designed to pre-dry wood for use by boiler(s) in Craig. That wood drying project is scheduled to come on-line next month. The lack of a reliable wood supply to Viking Lumber threatens to end the supply of wood chips to our existing wood burner and any subsequent burner, as well as put the wood drying lease at risk. In addition, the company provides thirty direct jobs for the Craig/Klawock economy, and many more indirect jobs for Craig and POW Island.

In 2010 the city council authorized city filing of an amicus brief in an appeal of the Logjam Timber Sale as part of a group that included many communities and businesses in Southeast Alaska. That group worked with others that supported the sale to defend the sale through the federal courts. We were fortunate to prevail in that appeal process, as the federal court ultimately upheld the timber sale. I think it is likely that the group being put together to support the Big Thorne sale will follow a similar strategy as followed in the Logjam Timber Sale appeal.

Seeking intervention status from the Federal District Court requires filing a brief asking that the court allow the city's group to become a party to the appeal. If the court approves that request then a number of pleadings would follow as the appeal works its way through the court. Steve

Silver, an attorney who works on various projects for the City of Craig, estimates the cost of the intervention litigation at \$35,000, split among the various groups participating. I estimate the cost to each participant to be between \$5,000 and \$7,500.

The State of Alaska has already filed for intervener status in support of the sale. I expect Viking Lumber to do the same. If Craig enters, the interveners supporting the sale will coordinate their activities as the appeal moves through the courts.

On a related note, the Forest Service is also facing appeals on the merits of the Tongass Land Use Management Plan, which the service uses to guide all activities on the Tongass. That appeal is in part separate from the appeal of the Big Thorne Timber Sale.

### **Recommendation**

The city council has a history of supporting national forest timber sales, and actively supporting other federal land use actions that the council sees as benefitting Craig. I encourage the council to continue that practice as to the Big Thorne sale.

Recommended motion: I move to appropriate an amount not to exceed \$7,500 to support efforts to intervene in the appeal of the Big Thorne Timber Sale.