

**CITY OF CRAIG
COUNCIL AGENDA
APRIL 19, 2018
COUNCIL CHAMBERS
COUNCIL MEETING 7:00 P.M**

ROLL CALL

Mayor Tim O'Connor, Dave Creighton, Don Pierce, Jim See, Julie McDonald, Mike Douville,
Jan Trojan

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

- Introduction and First Reading of Ordinance 708, Application to Exchange/Sell City Property to William Hunt

HEARING FROM THE PUBLIC

- Open for public comment
- Resolution 18-06 – City of Craig Fiscal Policies

READING OF CORRESPONDENCE

- Research Summary: ISER Report on Pension System Funding Shortfall
- Request for New Equipment at Tanner Crab Court Playground
- DOT Director Quarterly Report
- APCM March Report
- USDA Tongass National Forest Correspondence

CONSIDERATION OF RESOLUTIONS AND ORDINANCES

- Resolution 18-06 – City of Craig Fiscal Policies

UNFINISHED BUSINESS

- Review road maintenance fee draft ordinance – Port St. Nicholas Road
- Review driveway draft ordinance

NEW BUSINESS

- Consider comments to Alaska Board of Game on Wolf Harvest Limit
- Discussion of City of Lease Rates of City-Owned Property
- Consider contribution to Prince of Wales Arts Extravaganza and Exhibit
- Approval of Lease of a portion of Tract P USS 2327, and Tract H ATS 1410 to Richard Trojan

ADJOURNMENT

CITY OF CRAIG MEMORANDUM

To: Craig Mayor and City Council
From: Brian Templin, City Planner
Date: April 4, 2018
RE: Application to Exchange/Sell City Property to William Hunt – Ordinance 708
First Reading

William Hunt owns Lot 6, Port St. Nicholas Subdivision. As with most of the lots within this subdivision the PSN Road bisects the lots creating lots generally north and south of the road. The PSN Road bisects Lot 6 near the north end of the property leaving an irregular property.

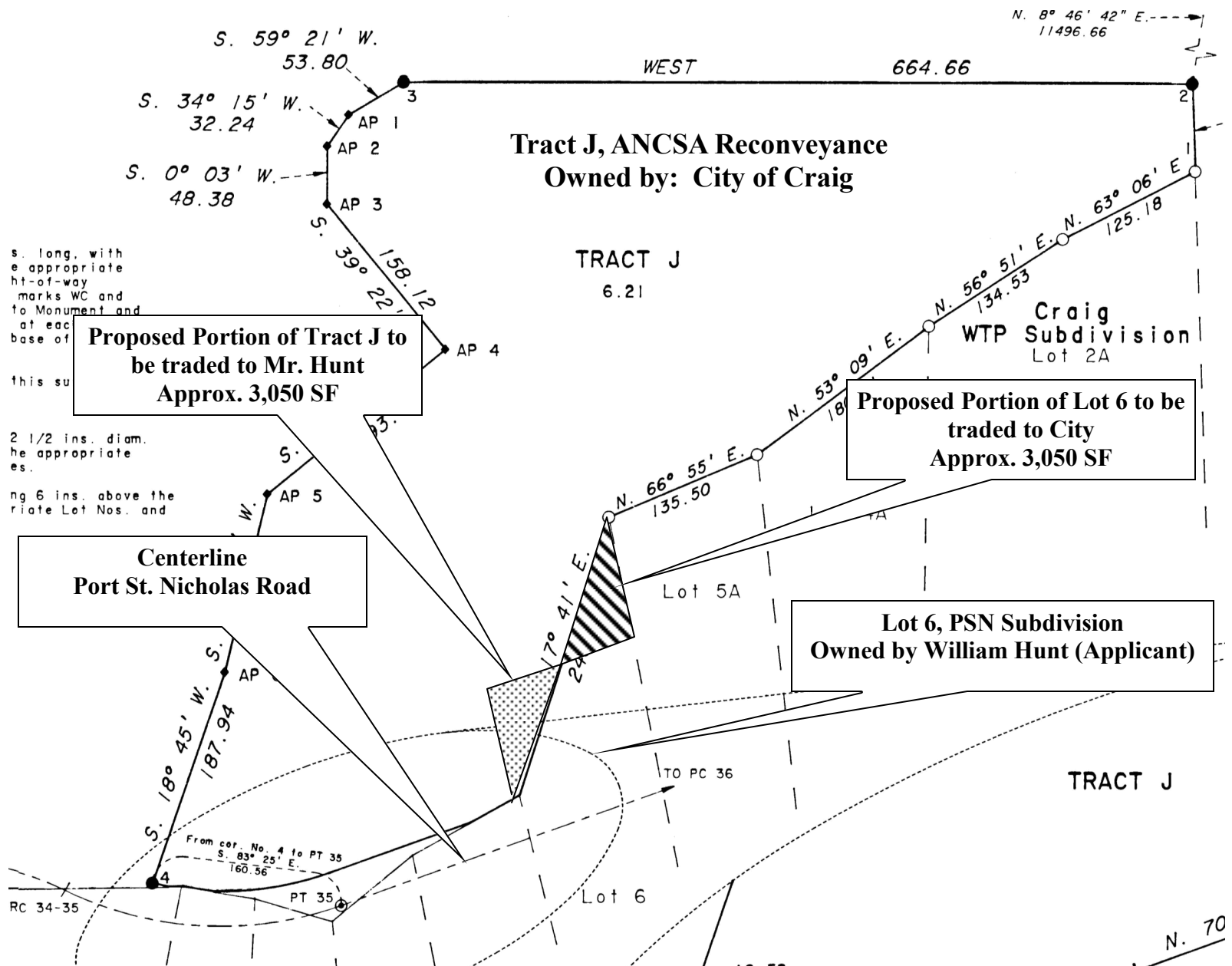
In October 2017 the city council considered a request by Mr. Hunt to purchase approximately 11,250 square feet of Tract J, ANCSA 14c3 Reconveyance Parcel. The council determined that a sale that resulted in such a net loss of Tract J was not in the city's interested and denied the sale application. During the discussion of the sale the council suggested to Mr. Hunt that if he were interested in exchanging a portion of his Lot 6 for a portion of Tract J that he should reapply.

Mr. Hunt has applied to exchange a portion of his Lot 6, Port St. Nicholas Subdivision for a portion of Tract J. Tract J is a 6.2 acre wooded area that attaches to the PSN Road and meanders behind several lots before connecting to the city owned property where the water treatment plant and king salmon hatchery are located. Other than the water treatment plant and hatchery operations there is no other development currently on this lot. The exchange parcel proposed should not have any effect on current or future operations of these facilities.

Mr. Hunt has proposed to trade approximately 3,050 square feet of Lot 6 for an equal amount of Tract J. If the council approves a trade the city will require that a survey and an appraisal is completed for the trade parcels. The intent would be to trade equal parcels with any difference in value based on the final survey and appraisal to be paid in cash. Mr. Hunt intends to create a more usable parcel through this process. Staff and Mr. Hunt have prepared a drawing showing the area that he would like to trade with the city. I have attached a copy of an area drawing to provide additional information to the council.

The sale notice will be published in the April 4th and April 18th editions of the Island Post with the public hearing scheduled at the regular city council meeting on May 3, 2018.

Recommendation: Approve the first reading of Ordinance 708, authorizing the city administrator to negotiate the exchange/sale of city owned property to William Hunt.



Tract J, ANCSA Reconveyance
Owned by: City of Craig

TRACT J
 6.21

Craig
 WTP Subdivision
 Lot 2A

Proposed Portion of Tract J to be traded to Mr. Hunt
Approx. 3,050 SF

Proposed Portion of Lot 6 to be traded to City
Approx. 3,050 SF

Centerline
Port St. Nicholas Road

Lot 6, PSN Subdivision
Owned by William Hunt (Applicant)

s. long, with
 e appropriate
 ht-of-way
 marks WC and
 to Monument and
 at each
 base of

this su

2 1/2 ins. diam.
 he appropriate
 es.

ng 6 ins. above the
 riate Lot Nos. and

RC 34-35

S. 59° 21' W.
 53.80

S. 34° 15' W.
 32.24

S. 0° 03' W.
 48.38

S. 39° 22'
 158.12

WEST

664.66

N. 8° 46' 42" E.
 11496.66

N. 63° 06' E.
 125.18

N. 56° 51' E.
 134.53

N. 53° 09' E.
 181.18

N. 66° 55' E.
 135.50

N. 17° 41' E.
 24.24

S. 18° 45' W.
 187.94

From cor. No. 4 to PT 35
 S. 83° 25' E.
 160.36

TO PC 36

N. 70

**CITY OF CRAIG
ORDINANCE No. 708**

AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE WITH WILLIAM HUNT, THE TERMS OF A EXCHANGE AND/OR SALE OF CITY OWNED LANDS CONSISTING OF A PORTION OF TRACT J, ANCSA RECONVEYANCE

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

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

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

Section 4. Action. This ordinance authorizes the City Administrator to negotiate the exchange and/or sale of approximately 3,050 square feet of city owned land consisting of a portion of Tract J, ANCSA Reconveyance as shown on Plat 95-57, Ketchikan Recording District for equal value land consisting of a portion of Lot 6, Port St. Nicholas Subdivision. Final terms of said sale are subject to the approval of the Craig city council.

Passed and approved this 3rd day of May, 2018.

Mayor Tim O'Connor

Attest

Kassi Mackie, City Clerk

City of Craig Memorandum

To: City Mayor & City Council

From: Joyce Mason, Treasurer

Date: April 13, 2018

RE: Fiscal Policies

The fiscal policies are attached for your review and recommendations.

The policies detail procedures that have been followed but were never adopted by the council. These policies follow the governmental accepted accounting standards. I developed these policies from the best practices from the Government Finance Officers Association.

Please pay special attention to the Fund Balance policy so we can maintain a positive cash flow if revenues or expenditures become difficult to manage.

The policies contain directives on capital improvements which the funding has changed drastic in the last couple years. In the past the state was able to help with this funding and now it will be likely be the sole responsibility of the city. I have ask the department managers to complete a five year capital spending budget to begin the process of finding the needed funding.

If you have any questions please contact me at finance@craigak.com

**CITY OF CRAIG
RESOLUTION NO. 18-06**

ADOPTING CITY OF CRAIG FISCAL POLICIES

WHEREAS, the city shall provide services to the residents of the city and financially account for those services in a conservative, ethical, and positive manner; and,

WHEREAS, the city shall adopt fiscal policies to establish and maintain a financial management and accounting system that conforms to generally accepted accounting principles.

NOW THEREFORE BE IT RESOLVED THAT: The Craig city council by this resolution hereby adopts fiscal policies detailed in Appendix A.

PASSED AND APPROVED by a duly constituted quorum of the city council April 19, 2018.

MAYOR TIM O'CONNOR

ATTEST
KASSI MACKIE, CITY CLERK

Introduction

The financial policies of the City establish the framework for the overall fiscal planning and management and sets forth guidelines for both current activities and long-range planning. These policies are reviewed annually to assure the highest standards of fiscal management. The City Administrator and City Treasurer have the primary role of reviewing financial actions and providing guidance on financial issues to the City Council.

Overall Goals

The overall financial goals underlying these policies are:

1. **Fiscal Conservatism:** To ensure that the City is in a solid financial condition at all times. This can be defined as:
 - a. Cash Solvency – the ability to pay bills
 - b. Budgetary Solvency – The ability to balance the budget
 - c. Service Level Solvency – the ability to provide needed and desired services
2. **Flexibility:** To ensure that the city is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.
3. **Adherence to the Highest Accounting and Management Practices:** As set by the Government Finance Officers' Association standards for financial reporting and budgeting, the Governmental Accounting Standards Board, and other professional standards.

Based on the overall goals listed above the following Financial Policies are provided:

1. Operating Budget Policies

The budget is a plan for allocating resources. The objective is to enable service delivery with allocated resources. Services must be delivered to the citizens at a level that will meet real needs as efficiently and effectively as possible.

The City's goal is to pay for all recurring expenditures with recurring revenues and to use nonrecurring revenues for non-recurring expenditures.

It is important that a positive undesignated fund balance and a positive cash balance be shown in all governmental funds at the end of each fiscal year.

When deficits appear to be forthcoming within a fiscal year, spending during the fiscal year must be reduced sufficiently to create a positive unassigned fund balance and a positive cash balance. As a last result the city council may appropriate prior years' excess funds to achieve a positive unassigned fund balance.

When possible, the City will integrate performance measurement and productivity indicators within the budget. This should be done in an effort to improve the productivity of City programs and employees. Productivity analysis should become a dynamic part of the City administration.

The budget must be structured so that the Council and the general public can readily establish the relationship between expenditures and the achievement of service objectives

The individual department budget submissions must be prepared with the basic assumption that the Council will always attempt to maintain the current tax rates.

Budgetary review by the Administration and Council will focus on the following basic concepts:

A. Staff Economy

The size and distribution of staff will be a prime concern. The Council will seek to limit staff increases to areas where approved program growth and support absolutely requires additional staff and to reduce staff where this can be done without adversely affecting approved service levels.

B. Capital Construction

Emphasis will be placed upon continued reliance on a viable level of funding capital construction through the use of the reserve funds established by the city council to fulfill needs in a City's approved comprehensive capital improvements program

C. Existing Programs and Expansion

The justification for base budget program costs will be a major factor during budget review. Proposed new or expansion of existing programs and services must be submitted as budgetary increments requiring detailed justification. Every proposed program or service expansion will be scrutinized on the basis of its relationship to the health, safety, and welfare of the community.

D. Existing Costs

All service costs will be reviewed during the budget process. Administrative overhead costs will be reviewed and should be kept to an absolute minimum.

Functions of all departments should be reviewed in an effort toward reducing duplicate activities within the City government

The budget will provide for adequate maintenance of capital plant and equipment and for its orderly replacement.

The administration will maintain budgetary controls at the line item level within each department.

The preparation and distribution of monthly budget status reports, interim financial statements, and annual financial reports is required.

The City will develop and annually update long-range (three-five year) financial forecasting system that will include projections of revenues, expenditures, and future costs and financing of capital improvements that are included in the capital budget.

The Finance department prior to May 31 of each year shall submit to the city council the annual budget covering the next fiscal year. The budget shall contain the following information:

- a. A letter from the administrator discussing the proposed financial plan for the next fiscal year, a review of the previous year's activities, and the current financial condition of the City of Craig.
- b. Proposed capital, operations and maintenance, and debt service expenditures by program or department and the type of expenditure for the budget year, along with comparisons to estimated expenditures for the current year and actual expenditures for the five prior years.
- c. Proposed receipts, by source for the budget year, along with comparisons to estimated receipts for the current year and actual receipts for five prior years.
- d. Debt service policies.
- e. A table of organization with proposed staffing levels by division and section, along with comparisons to staffing levels for the current year.
- f. A summary of designated balances for system operations normal replacements and improvements, debt service, risk management, and future capital projects.

The City of Craig operating budget will be developed on a biennial basis. Appropriations for each year of the two-year budget will be approved by the city council annually.

The city's budget basis of accounting differs from generally accepted accounting principles (GAAP) used for preparing the city's annual financial reports. The major differences between budget basis and GAAP basis are as follows;

- a. Encumbrances (contractual commitments to be performed) are considered the equivalent of expenditures rather than the GAAP required reservation of fund balance
- b. Sales tax is recognized when collected rather than when accrued.

2. Capital Budget Policies

The City will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital projects will be projected and included in operating budget forecasts.

The City will maintain all its assets at a level adequate to protect its capital investments and to minimize future maintenance and replacement costs

The City will identify the "full-life" estimated cost and potential funding source for each capital project proposal before it is submitted to the Council for approval.

The City will determine the total cost for each potential financing method for capital project proposals.

The City will identify to cash flow needs for all new projects and determine which financing method best meets the cash flow needs of the project.

3. Capital Reserves

The City will maintain designated reserves as committed fund balance sufficient to ensure that resources are available annually for the replacement of vehicles and equipment. Replacement of these assets will be accounted for in a number of funds, including the governmental and enterprise funds. The cash reserves of these funds will correspond to the City's future equipment needs as identified in a long-term replacement schedule.

4. Investment Policies

There are opportunities from time to time for the city to invest surplus operating funds, (unassigned funds). Such funds are generally short-term in nature and are often restricted as to their use, and as such are best not commingled in the Craig endowment fund. Safety of principal is the foremost investment objective of the City of Craig. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value. The City of Craig seeks to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives and cash flow considerations that restrict placement of public funds. All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the City of Craig.

In accordance with CMC 2.04.060, the responsibility for conducting investment transactions resides with the mayor, city administrator and city treasurer. The mayor, administrator and treasurer shall not deposit funds in any depository that is not a member of the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA) or the Securities Investor Protection Corporation (SIPC). Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The investment policies are explained in the City of Craig Municipal code chapter 3 section 14.

5. Endowment Fund Investments

From time to time, the council will appropriate unassigned funds to the endowment fund. Funds once dedicated are intended to be held in the fund as restricted funds for perpetuity unless otherwise unanimously determined by the council.

The city treasurer or city administrator may, with concurrence of the city council, retain a registered investment advisor to manage all or part of the endowment fund. Such advisor will be bound by all aspects of this chapter. A report of absolute and comparative performance and of compliance with this chapter shall be provided to the city council quarterly by the investment advisor. In addition, a copy of the Association of Investment Management and Research report, and a completed copy of Part II of Securities and Exchange Commission Form ADV, shall be provided to the city council annually by the investment advisor.

The investment policies for the endowment fund are explained in detail in the City of Craig Municipal code chapter 3 section 15.

6. Banking Services

Recognizing that long-term banking relationships are beneficial to the daily operations of the city, city operating funds, i.e., checking and small savings accounts, shall remain with a financial institution, so long as the services provided meet the needs of the city.

The city shall seek to establish and maintain a low-cost banking relationship for its day-to-day operating funds. The treasurer or administrator shall take care to minimize banking fees where possible and maximize interest earnings. At the treasurer or administrator's discretion, a competitive bid process can be initiated to determine the benefits of moving the city's operating funds to a different financial institution. In selecting depositories, the credit worthiness and financial history shall be reviewed. Convenience and efficiency shall be given consideration when reviewing the merits of a financial institution.

For all accounts maintained by the city, the mayor, city administrator, and the city treasurer shall be account signers. For additional convenience, city council members and other city officials may be assigned to the accounts. Withdrawal transactions require two authorized signatures.

7. Debt and Debt Service Policies

The City will not fund current operations from the proceeds of borrowed funds.

The City will consider short-term (less than one year) borrowing or lease/purchase contracts for financing major operating capital equipment when the City Treasurer and the City Administrator determines that this is in the City's best financial interest. Lease/purchase decisions and short term borrowing should have the concurrence of the city council.

The ratio of all short-term debt as a percent of all revenue should not exceed five percent (5%) and ratio of short-term debt as a percent of total debt should not exceed twenty percent (20%).

When the City finances capital projects by issuing bonds it will repay the debt with a period not to exceed the expected useful life of the project

Target debt ratios will be annually calculated and included in the review of financial trends.

The ratio of general obligation debt service expenditure as a percent of General Fund Revenue should not exceed twenty percent (20%) of General Fund Revenue.

The City will maintain good communications about its financial condition with bond and credit institutions.

The city will follow a policy of full disclosure in every annual financial statement and bond official statement.

8. Revenue and Expenditures

The city will maintain a diversified and stable revenue system as a protection from short-run fluctuations.

The City will attempt to maintain a diversified and stable economic base by supporting policies that promote fishing, tourism, timber, commercial and industrial employment.

Revenue estimates should be determined using an objective and analytical approach.

One-time revenues will be used for the purpose which it was intended. These revenues will not be used for ongoing expenditures. For any additional revenue source, city council will consider the following criteria:

- Community acceptability
- Competitiveness – the revenue or tax burden of Craig relative to neighboring communities
- Diversity – the balance of revenue sources that can withstand changes in the business cycle
- Efficiency – the cost of administering a tax or fee should bear a reasonable relation to revenues collected, and any new tax or fee should have minimal effect on private economic decisions
- Fairness – the distribution of the city’s revenue burden as measured by ability to pay, the benefits received, or the community’s definition of the resident’s fair share of the revenue burden.

User fees will be evaluated each year during the budget process. User fees should be designed to recover costs needed to provide the service. The Enterprise Fund fees should recover if possible 100% of the costs. Governmental services may only cover the direct costs. User fees are established by council resolution.

Taxes: The City of Craig will levy property taxes as determined in the Alaska Statutes and city municipal code chapter 3.04. Sales tax will be collected on local sales and rentals as determined by the city code chapter 3.08.

Expenditures will provide for a level of expenditures sufficient to ensure the ongoing health, safety, and welfare of its citizens.

All Expenditures over \$250.00 will be requisitioned with a purchase order prior to purchasing. Expenditures over \$10,000.00 will have prior council approval. Expenditures are monitored through the budget process as outlined above.

9. Fund Balance

The City will maintain the fund balances and retained earnings of the various city operating funds at levels sufficient to maintain the city’s credit worthiness and to provide financial resources for unforeseeable emergencies.

The City will maintain in the unassigned fund balance of the General Fund an amount between twenty (20) percent and thirty (30) percent of the sum of total budgeted general fund operating expenditures, plus the budget amount of general obligation debt (not including GO debt with dedicated sales tax source).

The City will transfer to the Endowment Fund an amount over the 30% of the sum of total budgeted general fund operating expenditures. These funds may be available for emergency operations at the discretion of the city council.

If the fund balance falls below the 20% of the general fund operating expenditures, actions such as reducing expenditures through layoffs, no travel, less services, shorter hours of operation, etc. will be implemented to bring the

balance to the 20% level. Additional revenues may be developed such as higher taxes. The fund balance will be replenished within a year of the time it falls below the 20% of the general fund operating expenditures.

Accounting, Auditing, and Reporting Policies

- The City will establish and maintain a high standard of accounting practices in conformance with General Accepted Accounting Principles (GAAP).
- The accounting system will maintain records on a basis consistent with accepted standards for government accounting according to the Government Accounting Standards Board (GASB)
- Regular monthly financial statements and annual financial reports will present a summary of financial activity by departments and agencies within all funds.
- The finance department will provide monthly information on the total cost of specific services by type of expenditure and revenue by fund to the department managers. Quarterly reports of the same type will be provided to the city council.
- An independent firm of certified public accountants will perform an annual financial and compliance audit and will publicly issue an opinion, which will be incorporated into the Comprehensive Annual Financial Report (CARF).



How Is the State Dealing With the Shortfall in Pension Systems?

By Cliff Groh

Institute of Social and Economic Research, University of Alaska Anchorage

April 2018

In early 2003, financial analysts gave Alaska state officials some very bad news: the two largest pension systems for public employees wouldn't have the money to cover all the expected future costs of

pensions and health-care benefits for state and local employees when they retired. This shortfall—called the unfunded liability—had been caused by, among other things, several years of poor returns on fund investments and soaring health-care costs.

Public pensions are protected in Alaska's constitution, and the state has already contributed nearly \$7 billion to reduce the shortfall. How much more it will need to pay is uncertain, since it depends on many things that are hard to predict. But most analysts believe it will be billions more. That poses a major challenge for the state—which has been dealing with big budget deficits—and for local governments, which need to help pay the unfunded liability but have far smaller financial reserves than the state.

The next few pages summarize a more detailed paper by the same author, describing what the state has done so far, and options it might consider as time goes on. (See box on page 5.)

It's worth saying, before we go on, that a dozen other states also have shortfalls in their pension systems—it's a problem in the news around the country.

WHAT ARE THE RETIREMENT SYSTEMS?

Most Alaska state and local government workers are in the Public Employees' Retirement System (PERS) or the Teachers' Retirement System (TRS).¹ But there is a big difference for those hired before and after July 2006.²

Until mid-2006, the retirement systems offered new employees defined benefits: guaranteed pensions and other specific benefits. But after that, to save money by transferring investment risks from the state to employees, the state changed to defined contribution-plans. Retirees and existing workers would keep the benefits they had, but new employees would have individual retirement accounts instead, funded with a share of their wages and an employer contribution (see box, page 2).

WHERE IS THE SHORTFALL?

The unfunded liability in PERS and TRS is in pension obligations for people hired before mid-2006—about 55,000 people in PERS and 18,600 in TRS (Figure 1). Most of those are retired—64% in PERS and 70% in TRS. The rest are either still working, or worked long enough to qualify for future benefits. About 21,500 of those in PERS and 6,000 in TRS have defined-contribution plans.³

State pension contributions represent the single largest cost driver in the state's operating budget.

Sean Parnell, Alaska governor, 2013

WHAT HAS THE STATE CONTRIBUTED SO FAR?

From fiscal year 2006 through 2018 (the current year), the state has contributed \$6.9 billion for unfunded liability—about \$4 billion to TRS and \$2.9 billion to PERS (Figure 2). These special payments—called state assistance or additional state contributions—are on top of the regular employer contributions the state makes to pension systems. They cover part of the unfunded liability attributed to the state, as well as part of the liability attributed to local governments—which the state agreed to do, in 2008 (see Timeline, pages 3 and 4).

Figure 1. Status of PERS/TRS Members, 2017

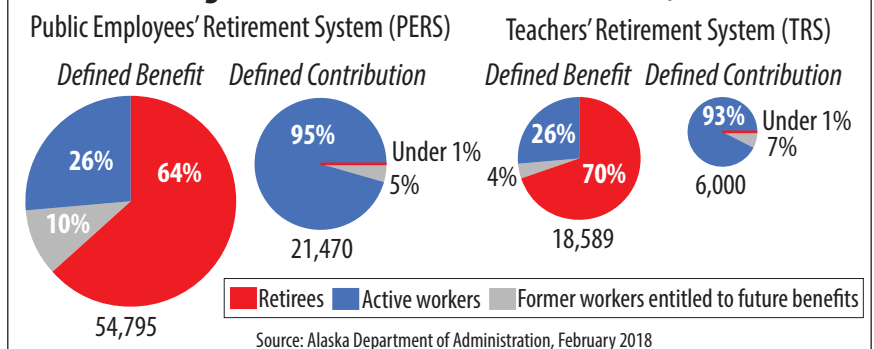
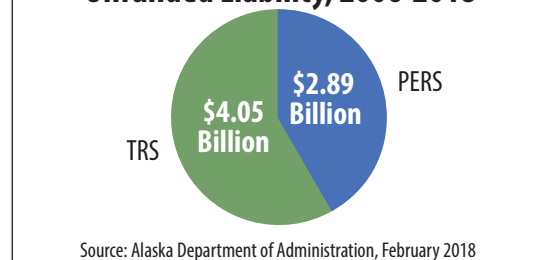


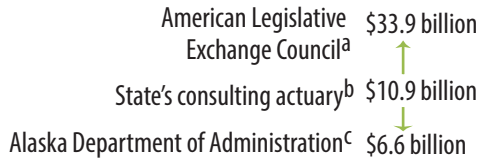
Figure 2. State Contributions for Unfunded Liability, 2006-2018



HOW MUCH MORE MIGHT THE STATE NEED TO CONTRIBUTE?

We don't know how much more the state might need to pay, to eliminate the unfunded liability. Estimates vary with different methods and assumptions. Figure 3 shows a sample of recent projections—from \$6.6 billion to \$34 billion. But the most relevant figure may be \$10.9 billion: the amount the state's consulting actuary projects the state will need to pay over the next 20 years, under the state's plan to pay off the liability by 2039. (The box on page 3 defines actuarial valuation, and the Timeline section describes the pay-off plan.)

Figure 3. Methods and Assumptions Have a Big Effect: Recent Projections of PERS/TRS Unfunded Liability



^aSimilar to method in note b, but assuming just a 2% annual return on investments. ^bThis is the total state assistance actuaries project will be needed, from fiscal years 2019 through 2039, under a plan the state has adopted to eliminate the unfunded liability. Assumes 8% annual investment returns. ^cAmount needed to pay projected unfunded liability, if it were all paid today.

WHAT DOES ALASKA'S CONSTITUTION SAY?

Alaska's constitution says state and local governments have a contractual obligation to honor benefits they offer people in public retirement systems. Additionally, both the state and federal constitutions say states can't pass laws that impair contractual obligations (although federal courts have allowed for some exceptions).⁴

Those provisions mean that while the state was able to change from pensions to individual retirement accounts for future employees, it could not change benefits for existing employees or retirees.

WHO ARE THE PERS AND TRS EMPLOYERS?

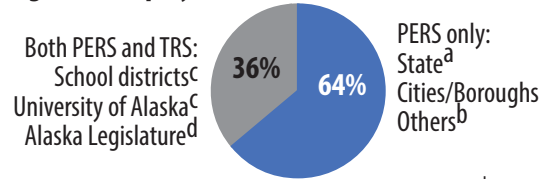
The state government manages PERS and TRS for all the participating employers. State agencies and many local governments participate in PERS, as well as a few others—regional housing authorities, for example. School districts and the University of Alaska participate in both PERS and TRS, because their employees include not only teachers but people in many other kinds of jobs (Figure 4).

WHAT CAUSED THE SHORTFALL?

In 2005, the finance committee of the state senate⁵ listed things contributing to the shortfall in the public-pension funds, including:

Membership in employee retirement systems of the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or impaired.
Alaska Constitution, Article XII, Section 7

Figure 4. Employers (161) in PERS and TRS, 2018



^aEmployees of the Alaska Department of Education who are teachers are in TRS. ^bOthers include regional housing authorities and city-owned hospitals. ^cSchool districts and UA participate in both PERS and TRS, because their employees include teachers as well as those in other kinds of jobs. ^dLegislators who are teachers can choose to be in TRS.

Source: Alaska Division of Retirement and Benefits, *TRS and PERS Participating Employers*

- A sharp stock market decline from 2000 through 2002 caused big investment losses. (See Figure 5.)
- Health-care costs soared in the early 2000s—and Alaska has the highest health-care costs in the country.⁶ This growth hit the retirement systems hard, because they provided health-care coverage for retirees. Figure 6 shows that the average monthly cost of coverage for a PERS employee was about 15 times more in 2004 than in 1977.
- Public employees were retiring earlier and living longer than financial analysts had assumed, adding to pension-system costs.

The state also said that the actuary working for the state at the time made serious errors in projecting pension and health-care liabilities.

Figure 5. Dow Jones Industrial Average, 2000- February 2018 (Monthly Figures)

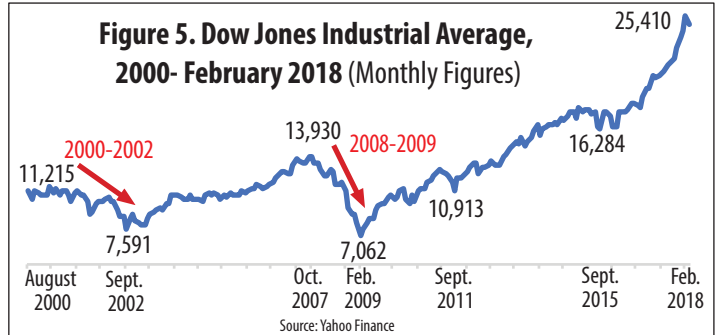
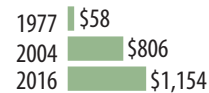


Figure 6. Average Monthly Cost, Health Care for PERS Employee



Sources: Alaska Budget Report; Alaska Department of Administration

WHAT ARE DEFINED-BENEFIT AND DEFINED-CONTRIBUTION PLANS FOR ALASKA PUBLIC EMPLOYEES?

• **Defined benefit:** A pension of a guaranteed amount—based on how long an employee worked and pay level—and specific health-care coverage. While employees are working, both employees and employers pay a percentage of employees' pay into a pension fund. The state invests the money, with the goal of earning enough to cover future pension and health-care costs. The state carries the risk that the fund won't be big enough to cover the costs—as has happened in Alaska and other states.

• **Defined contribution:** An individual retirement savings account. While working, employees pay a percentage of their pay into their accounts, and employers make a matching payment. Employees decide how to invest the money, under options the state offers. How much employees have when they retire varies, depending on how much money went into the account and how much the investments earned. In this plan, the employees themselves carry the investment risks.

WHAT IS AN ACTUARIAL VALUATION?

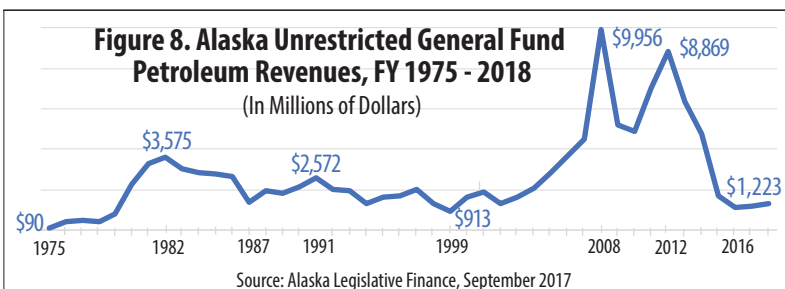
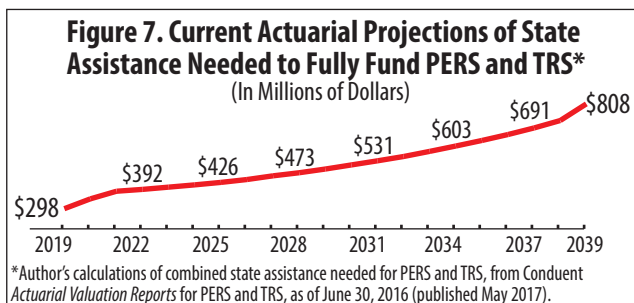
An actuarial valuation is a forecast financial analysts make of the probable future costs of pension and retirement benefits (like health-care coverage), and the contributions to pension funds needed to pay for those benefits.

Such valuations are very hard to do, because they require making many economic and demographic assumptions, including assumptions about how much fund investments will earn, what the inflation rate will be, how much workers' pay will increase, at what age workers will retire, and how long they are likely to live. The accuracy of the valuation depends on the accuracy of these and other assumptions.⁷

WHAT ABOUT NOW?

In 2014 the state adopted a plan (see Timeline) to pay all the unfunded liability by 2039. Under the consulting actuary's current projections, the state would need to make very substantial payments every year to meet that goal—and with payments increasing over time: \$298 million in 2019 but \$808 million in 2039.⁸ (Figure 7).

To put those numbers in context, the state's projected General Fund revenues in the near future are in the range of \$2 billion a year.⁹ The state has faced big budget deficits for several years, because oil revenue—its main source of general operating money—has shrunk to a small fraction of what it once was (Figure 8).



HOW LARGE ARE PENSION SYSTEM ASSETS?

So far we've talked about the shortfall in what state and local governments owe in future pension obligations. But the assets in the pension funds are nevertheless considerable—valued at nearly \$25 billion by the state's actuary in 2016 (Figure 9).¹⁰

How much those pension funds earn is critical to how large the unfunded pension liability is over time. In projecting that liability, the state and its consulting actuary currently assume the funds will earn 8% a year.¹¹

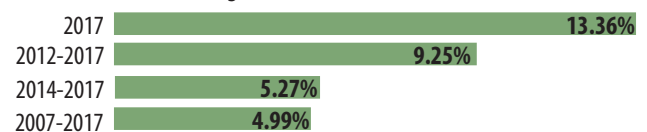
Figure 10 shows, for various periods in the past decade, how much the funds in fact earned. In 2017, a year of big stock market increases, the funds earned more than 13%, and for the period 2012-2017 they earned 9.25%. But over the entire decade, annualized earnings were about 5%.¹²

Figure 9. How Big are Assets of PERS and TRS Funds ?
(2016 Actuarial Valuation*)



*Conduent Human Resource Services, 2016 actuarial valuations of pension assets. Actuarial valuations smooth out year-to-year variations in the market value of the assets, to reflect their probable value based on long-term investment returns.

Figure 10. Annual Pension-Fund Investment Returns, 2007-17
(Average of PERS and TRS Returns)



Source of Data: Alaska Department of Administration, February 2018

TIMELINE: STATE ACTIONS TO BALANCE PENSION SYSTEMS

A number of things have happened since 2003, when state officials learned about the shortfall in the pension funds. Below we summarize the major events, which are described and annotated in the detailed paper that is the basis for this summary (see page 5).

2005: The legislature changes the law, so public employees hired after June 2006 have defined-contribution retirement plans, instead of defined-benefits. (See box, page 2.) The legislature also replaces existing retirement management boards with a new board, the Alaska Retirement Management Board, to manage the pension systems. The board sets contribution rates for PERS and TRS employers and decides how to invest pension assets.

2006: The state begins making additional contributions to the pension funds, to reduce the projected shortfall in amount needed to pay future pension costs—the unfunded liability. The new PERS/TRS management board sharply increases rates local governments pay, also to reduce the unfunded liability. Local governments protest to the legislature.

2007: The management board sues the actuary working for the state when the shortfall was discovered, alleging actuarial errors and misconduct. The state had fired the actuary in 2006,¹³ and the lawsuit settled in 2010, with the actuary agreeing to pay \$500 million to PERS and TRS.

2008: Legislation caps local-government contributions to pay down the unfunded liability at 22% of payroll for PERS employers and 12.56% for TRS employers, and says the state will pay the difference between those contributions and the amount financial analysts project is needed.

2014: The legislature agrees to a proposal by the governor: to add \$3 billion to the PERS and TRS systems—by far the largest contribution to date to pay down the unfunded liability. At the same time, the legislature adopts a plan for paying off the remaining unfunded liability: it directs the pension management board to extend the period for paying off the unfunded liability by nine years, to 2039, and to use the “level-percent of pay” method for calculating annual payments.

That level-percent of pay method uses actuarial calculations about the size of future payrolls, and determines annual payments based on a fixed (or level) percent of the projected payroll. The board had been using the “level-dollar” method, making equal payments every year. The level-percent of pay method reduces annual payments in the short-run, but the state’s current actuary has said that changing to the level-percent of pay method and stretching the payments over an additional nine years will cost the state and other PERS/TRS employers billions of dollars more over the long run.¹⁴

2015: Alaska’s attorney general says the state is not legally responsible for the unfunded pension liability of PERS and TRS employers other than the state—mostly local governments and school districts—despite the 2008 legislation (discussed above) and the state’s historical practice.

2016: Bills are introduced in the legislature to shift more of the costs of unfunded pension liability to local governments and school districts—but the legislature doesn’t adopt any changes.

WHAT OTHER OPTIONS MIGHT THE STATE CONSIDER?

It’s likely that the serious and continuing financial squeeze on the state will over time lead policymakers to consider ways of stemming the flow of money going to unfunded pension liability. Below we briefly summarize some of the possible options, based on a review of legislative history and literature about unfunded pension liability. It’s important to say we’re not endorsing or opposing any of these options—just describing them.

PENSION OBLIGATION BONDS

The legislature has considered selling bonds to pay off some of the unfunded liability—the idea being that the state would take on debt at relatively low interest rates, and pay it off with money from better-paying investments. In 2008 the legislature did agree to allow the sale of pension bonds—but shelved the plan following the stock market crash later that year.¹⁵ More recently, in 2016, the governor again considered selling such bonds, but dropped the idea when legislators said it was too risky.¹⁶

BANKRUPTCY

One time-honored way for U.S. debtors to deal with creditors is declaring bankruptcy and having the debts re-organized—and often reduced—in a court-approved plan. But federal bankruptcy law bars states from filing for bankruptcy, and some scholars argue that the U.S. Constitution does as well.¹⁷

Federal law does, however, give states authority to allow municipalities to declare bankruptcy. If Alaska allowed municipalities to declare bankruptcy, bankruptcy judges would decide whether, and how much, to reduce various kinds of debt—including unfunded pension liability. If courts decided to reduce pension liability, pension cuts would likely follow.¹⁸

SHIFT MORE COSTS TO LOCAL GOVERNMENTS

As we discussed earlier, the legislature has considered but not yet approved shifting more of the costs of unfunded liability to local governments. Such cost-shifting will almost inevitably come up again.

FEDERAL BAILOUT

More than a dozen other states have under-funded pension systems, and some commentators have raised the possibility of the federal government stepping in to help—perhaps through a federal pension reform commission that could provide bridge financing, or guarantee pension restructuring bonds. But as of now, such federal assistance appears unlikely.

BENEFIT REDUCTIONS THROUGH COLLECTIVE BARGAINING

Public employee unions could be allowed to bargain away benefits in negotiations with the state—if they decided bargaining over reductions was better than the alternatives. This option might get more attention in future years. But it’s hard to see how it would work with PERS or TRS beneficiaries—including retirees—who were not union members.

AMENDING ALASKA’S CONSTITUTION

An obvious question is whether Alaska’s constitutional protections for pensions could be changed so existing pension benefits could be cut. The answer is not simple.

Alaska’s Supreme Court has broadly interpreted the constitutional protections, but has also said that “reasonable modifications” to benefits are permissible, as long as changes that disadvantage employees are accompanied by “comparable new advantages.”¹⁹ Also, the court has noted its general agreement that modifications may be made to keep a pension system “flexible to permit adjustments in accord with changing conditions and at the same time maintain the integrity of the system.”²⁰

In practice, many questions would surround a constitutional amendment—including how it would affect benefits of those who entered the system at different times, and whether it would affect benefits only from the time it was enacted, or retroactively.

CONCLUSIONS

The large unfunded liabilities of PERS and TRS will mean continuing controversy. The precise amount of those liabilities is uncertain: depending on investment returns and other factors, they could be larger or smaller. But in any case they will be substantial, and they need to be considered in any discussion of Alaska's ongoing fiscal challenge.

How much the state should continue to pay of the unfunded liability of local governments will likewise be up for discussion. The state may also attempt to avoid or re-allocate the obligation to pay the unfunded liability. Some such efforts may be legally tricky.

The state might also borrow ideas from other states facing large shortfalls in retirement funds. Analysts have described many policy options, some of which we discussed here.

One thing is certain: this problem isn't going away any time soon.

ABOUT THE AUTHOR

Cliff Groh is a lawyer and writer who has lived in Alaska all his life. He was an assistant district attorney for the Alaska Department of Law, and worked as in-house or outside counsel for more than a half-dozen local governments. He was special assistant to the Alaska Commissioner of Revenue, as well as a legislative staffer. He is also a Tier I PERS beneficiary who has drawn a pension since 2006.

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HISTORY AND OPTIONS REGARDING THE UNFUNDED LIABILITIES OF ALASKA'S PUBLIC EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS

This summary is based on a more detailed paper (title above) by the same author. To see the paper, go to www.iser.uaa.alaska.edu and search Publications, by author name or title of paper.

ENDNOTES

1. Alaska also has smaller public-pension funds: National Guard and Naval Militia Retirement System; Judicial Retirement System; and Elected Public Official Retirement System.
2. There are also differences among those hired before 2006. Pre-2006 PERS employees are divided into three tiers, depending on when they were hired. In TRS, pre-2006 employees are divided into two tiers. Those in the later tiers have more limited benefits.
3. Data from Alaska Department of Administration, PERS and TRS 2018 Update. Presented to Alaska Senate Finance Committee, February 14, 2018.
4. Alaska Constitution, Article I, Section 15. ; U.S. Constitution, Article I, Section 10, Clause 1.; United States Trust Co. v. New Jersey, 431 U.S. 1, 15-21 (1977).
5. Alaska State Legislature, Senate Finance Committee, "Retirement Security Act [:] SB 141," March 16, 2005, p. 13.
6. Anchorage Economic Development Corporation, 2016, Alaska Cost of Living Index.
7. For a more detailed explanation of actuarial valuations, see, for example, Investopedia, "Actuary," at <http://www.investopedia.com/terms/a/actuary.asp>.
8. Conduent Human Resource Services, State of Alaska PERS and TRS Actuarial Valuation Reports As of June 30, 2016, May 2017.
9. Alaska Department of Revenue, *Revenue Sources Book*, Spring, 2017, p. 10.
10. Conduent Human Resource Services, 2016 actuarial valuation, as reported By Alaska Department of Administration (see note 3).
11. Conduent, State of Alaska Public Employees' Retirement System, Actuarial Valuation Report As of June 30, 2016, May 2017, p. 39.
12. Alaska Department of Administration; see note 3.
13. *The New York Times*, Gretchen Morgenson, "Mercer's Little Alaska Problem," December 19, 2009.
14. David Slushinsky, Buck Consultants, quoted in *Alaska Dispatch News*, Pat Forgey, "Alaska's looming retirement fund problem shifts to new administration," December 10, 2014.
15. Senate Committee Substitute for Committee Substitute for House Bill 13 (Finance), enrolled as Chapter 35 of the Session Laws of Alaska 2008.
16. Alaska Public Radio Network, Andrew Kitchenman, "Walker puts the brakes on issuing bonds to pay pensions," October 25, 2016.
17. See, for example, *Capitol Ideas*, Jennifer Burnett, "3 Questions on State Bankruptcy," January/February 2015.
18. In Michigan, which has a constitutional provision similar to Alaska's, a bankruptcy judge dealing with Detroit's bankruptcy ruled, "The state constitutional provisions prohibiting the impairment of contracts and pensions impose no constraint on the bankruptcy process." (Opinion Regarding Eligibility, In re: City of Detroit, Michigan, Debtor, U.S. Bankruptcy Court, Eastern District of Michigan, Southern Division, December 5, 2013, p. 74).
19. *Duncan v. Retired Public Employees of Alaska, Inc.*, 71 P.3d 882, 886 (Alaska 2003).
20. *Duncan v. Retired Public Employees of Alaska, Inc.*, 71 P.3d 882, 889 n.26 (Alaska 2003), quoting *Allen v. City of Long Beach*, 287 P.2d 765, 767 (Cal. 1955).

ABOUT ISER

UAA's Institute of Social and Economic Research is Alaska's oldest and largest public policy research organization. It was established by the Alaska Legislature in 1961, soon after Alaska became a state. For nearly 60 years, the faculty and staff at ISER have studied all the big public policy issues Alaska faces. All ISER's research is non-partisan. Visit us at:

www.iser.uaa.alaska.edu



UAA Institute of Social
and Economic Research
UNIVERSITY OF ALASKA ANCHORAGE

RECEIVED
APR 06 2018

March 22nd, 2018

To Craig City Council,

We, the residents of Tanner Crab Court are requesting an update to the community playground in our neighborhood. The playground has been in the community for a number of years and has not been updated. We would like updated equipment that is suitable for all ages. The current equipment is not age appropriate for the children in our community. The swings are too high for young children and there is no climbing gym or slide for the elementary age and older. This is especially frustrating for those in the community with young children that would utilize the park on a regular basis.

Currently, the New Hope Baptist church hosts a weekly "Mommy and Me" play group for families in the community, and would benefit greatly from the use of an updated park.

The current equipment in the park includes a merry-go-round, a swing set, two stationary spring toys, a single picnic table, and a single trash can. The residents are asking that updates to the park include adding an infant swing, a climbing structure, a covered picnic table area, and a slide. Fencing in the park would also keep the wildlife out of the area, making upkeep easier and allowing children to use the play area safely.

Thank you for considering the needs of our community.

Delene Enabey	Paul Edwards
Melissa Bechtold	Margaret Doren
Wendy Hamilton	Jessica Parrot
Lee Dealey	James G. Jones
Gene Enay	Gloria Tolsteth
Amanda Ballam	John Tolsteth
Shafiq Johnson	Ryan Mergler
Zorian Enay	Paul Baum
Anna Johnson	Joe Bahr
Haley Lloyd	
Marciana Enay	Michael Schum
Pat Enay	Blair Anderson
Rachael Ferrara	Sam Hill
Altenstern	
Carnie Durgan	



Southcoast Region

Director's Quarterly

Alaska Department of Transportation & Public Facilities

Spring Edition April 2018

DIRECTOR'S MESSAGE



Lance Mearig

Alaska Department of Transportation's (DOT&PF) Southcoast's Regional Director, Lance Mearig, leads planning and operations for state-owned and managed roads, airports, and ferry facilities in Southeast Alaska, Kodiak, and the Aleutians. Lance has Bachelor's and Master's degrees in civil engineering and over 30 years of work in Alaskan construction engineering. Lance is a licensed civil engineer in Alaska and three other states.

Know Before You Go

As construction season ramps up, you can find road updates online:

- Current driving conditions and scheduled road closures at 511.alaska.gov
- Construction project updates at www.AlaskaNavigator.org



At DOT&PF, we take public safety and the safety of our employees seriously. As the summer construction season kicks off, work zone safety is a top priority.

Alaska averages nearly 80 highway work zone crashes each year. The Federal Highway Administration reports that on average 85% of the deaths in highway work zone crashes are drivers and passengers in cars. Our crew members could be your family, friends or neighbors. We want you to get home safely to your loved ones too!

For everyone's safety, please be safe where construction signage, crews, and equipment are present.

Slow down, pay attention, and follow signs and flaggers when you drive through work zones.

CONSTRUCTION



Kake Keku Road Rehabilitation Project

During the 2018 construction season, DOT&PF will continue work on several construction projects as well as break ground on numerous pavement rehabilitation, road reconstruction projects and bridge or trestle replacements.

Projects in Construction

- Haines Airport Drainage Improvements and Pavement Rehabilitation
- Haines Highway Reconstruction Milepost 3.9 to 12.2
- Juneau Glacier Highway Reconstruction, Fritz Cove Road to Seaview
- Kake Keku Road Rehabilitation
- Ketchikan Front, Mill & Stedman Streets Reconstruction
- Ketchikan Shelter Cove Road Stage 2
- Ketchikan Water Street Trestle #2 Replacement
- Skagway Captain William Henry Moore Bridge Replacement
- Sitka Airport Perimeter Fence and Gate Upgrades
- POW Clark Bay Ferry Terminal & Seaplane Float Parking Lot
- POW Island RWIS Installation

Recently Completed Construction Projects

- Haines Klehini Bridge Replacement & Transfer

PROJECT FUNDING & AWARDS

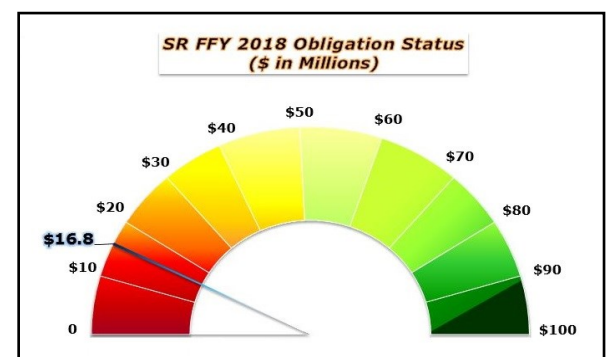
FY18 Project Funding

Total FFY17 funds obligated to date:

\$16,885,978.53

Of which the following are approved:

AMHS = \$923,478.69 SR Only = \$15,962,500.17



Project Awards

- Ketchikan: Front, Mill, & Stedman Streets Reconstruction— Awarded to SECON on January 3, 2018 for \$9,681,105.
- Clark Bay Ferry Terminal & Seaplane Float Expanded Parking— Awarded to Southeast Road Builders on January 17, 2018 for \$1,419,192.
- SR Region-wide Non-NHS Culvert Repair/Replace— Awarded to Admiralty Construction on March 1, 2018 for \$373,425
- King Salmon Airport Main Runway Pavement Rehabilitation— Awarded to Knik Construction on March 27, 2018 for \$16,091,300.

In November 2017, the first phase of Haines Highway MP 3.9-12.2 reconstruction contract was awarded to SECON with a bid of \$36,149,513. This is one of the largest projects SR has put out in recent years. Phases 2 and 3 are still in design and are moving along. Together, all phases of Haines reconstruction are estimated to run roughly \$100 million.

IMPORTANT LINKS

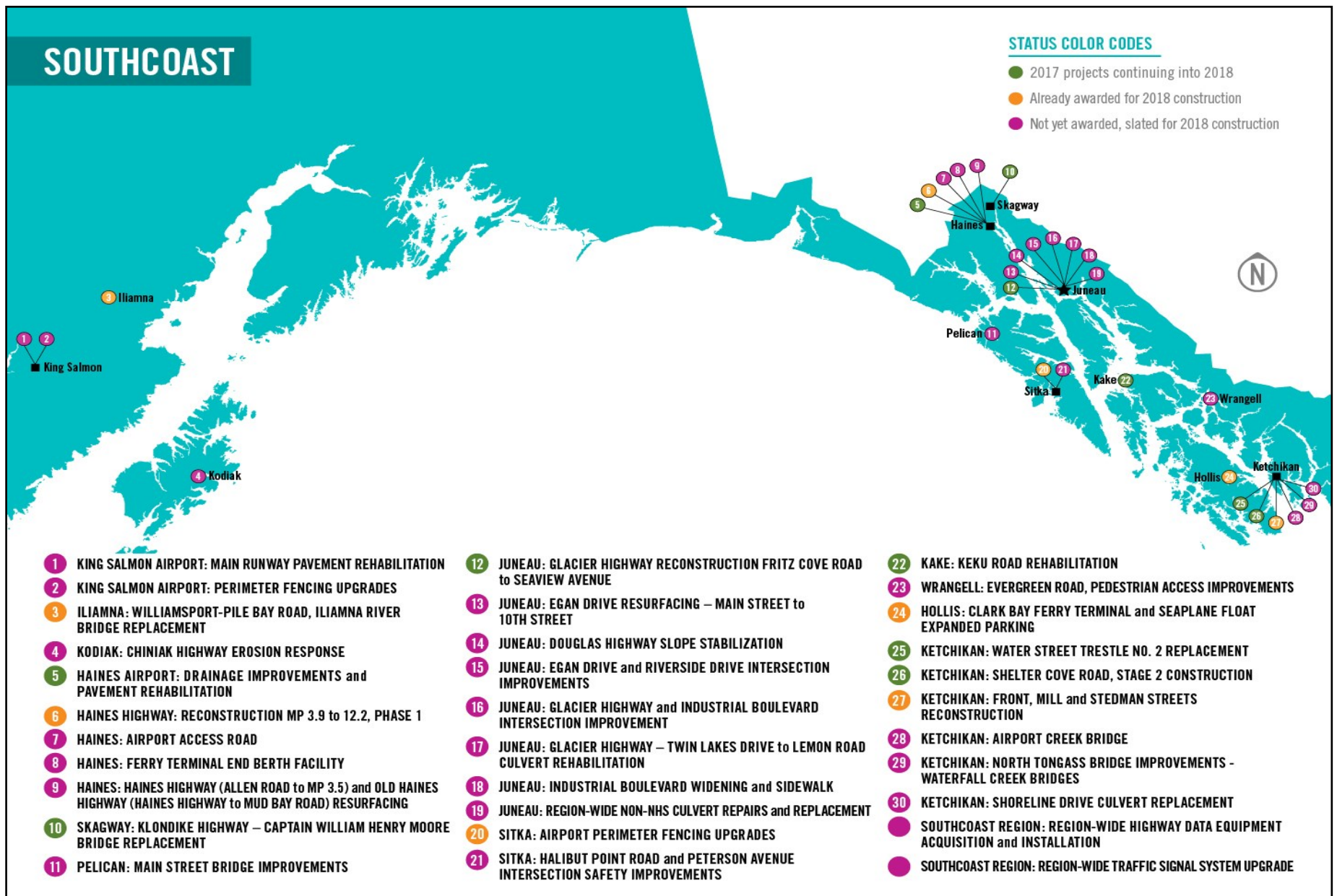
- Construction updates through Alaska Navigator alaskanavigator.org
- Access department news & updates on Facebook & Twitter facebook.com/AlaskaDOTPF @AlaskaDOTPF
- Subscribe to receive news & updates via email public.govdelivery.com/accounts/AKDOT/subscriber/new?
- Get the scoop on Southcoast Region projects <http://dot.alaska.gov/projects-status/>

PRECONSTRUCTION

Southcoast Region Major Projects

Coming soon...2018 Southcoast Region Construction Projects

- 32 Southcoast Region construction projects
- 5 new projects already bid
- 6 projects continuing into 2nd year of construction
- 21 new projects funded and will be ready to bid in time for 2018 construction season



King Cove –Cold Bay Roads Project

The community of King Cove has been anticipating the completion of a road between their community and the Cold Bay Airport for many years. The need for the road connection is identified as the only safe, reliable and affordable means of year-round access to medical services not available in the City of King Cove. Southcoast Region AKDOT&PF is assisting King Cove Corporation with the identifying lands necessary for the construction, operation and maintenance of the Cold Bay to King Cove Road, and with preparing property descriptions of those necessary lands.

MAINTENANCE & OPERATIONS

Kodiak Aleutian District

All the stations have been conducting winter operations. Several stations are short staffed as recruitment/retention at some locations is very challenging. Dutch Harbor is down to one M&O Operator/Foreman and one SEF Mechanic. Kodiak M&O has supported operations in Dutch Harbor by sending two operators out to help during the busy “A” Season for the local fish processors. Phil Smith accepted the position of the Kodiak Foreman.

Hurricane force winds in Kodiak - On 2/26/18 hurricane force winds downed trees which blocked roads and toppled power lines. DOT&PF crews were out with KEA until 3am on 2/26 clearing trees on Rezanof, that took out power lines by the hospital. Crews continued work on 2/27, cleaning up fallen trees and broken utility poles, and opening up other state-managed streets.

Wrangell Zimovia Highway—On Jan 18th at approximately 6:30 pm, a major rock slide occurred at 6.5 mile on the Zimovia Highway in Wrangell, blocking both lanes. The local police department notified the Wrangell Maintenance crew and the crew were on site by 7:30 pm. The crews were able to open the road up for one lane of traffic within a half hour. The remaining closed lane was opened by 4 pm the next day. Some of the boulders were so big, it took two large loaders to move them. Other boulders were broken into pieces before they were moved.



Zimovia Rock Slide

MEET THE SOUTHCOAST REGION

Staff Changes

Nick Allred - Engineer Technician, left State service

Andrew Conrad - Project Engineer, left State service

Megan Daniels - New Environmental Impact Analyst in Predesign

Zack Ferrin - Promoted to Engineering Assistant II

Jake Fleetwood - New Engineering Assistant I in Predesign Section

Todd Fleming - Project Engineer, left State service

Emily Haynes - Promoted to Preconstruction Environmental Impact Analyst

Andrew Hills - Transfer to Construction QA, Engineering Assist III

Jeff Jenkins - Promoted to Procurement Specialist V

Robert Lacey - Engineering Technician, left State Service

Mike Lukshin, P.E. - Transfer to Construction Group Chief, Engineer IV

Garrett Paul, P.E. - Promoted to Engineer III, Construction Project Manager

Jessica Piukala - Promoted to Administrative Assistant II

Phil Smith - Promoted to Kodiak Airport Foreman

DOT&PF Employee Wins Life Saving Award - The Haines Borough Police Department has notified Haines M&O employee Daniel Fitzpatrick that he has won a ‘Life Saving Award’ for his assistance with a 1/10/18 car accident. The award letter also mentions that, while on duty with DOT&PF, Fitzpatrick assisted in recovering stolen property on 2/20/18.

CITY OF CRAIG

Account Statement - Period Ending March 31, 2018

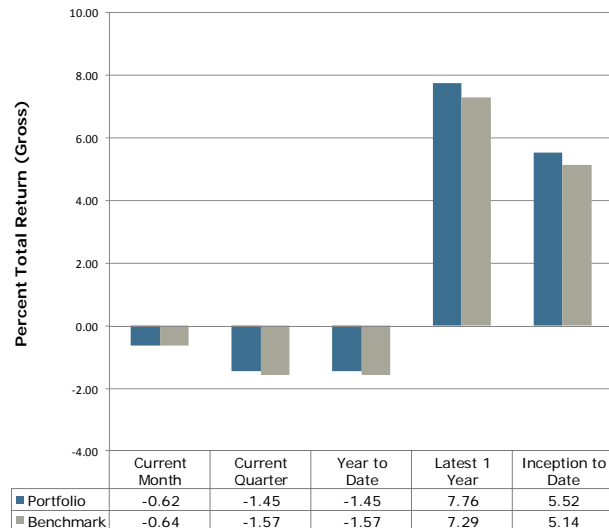


ACCOUNT ACTIVITY

Portfolio Value on 02-28-18	10,292,939
Contributions	0
Withdrawals	-2,573
Change in Market Value	-97,631
Interest	6,538
Dividends	26,806
Portfolio Value on 03-31-18	10,226,077

INVESTMENT PERFORMANCE

Current Account Benchmark:
Equity Blend

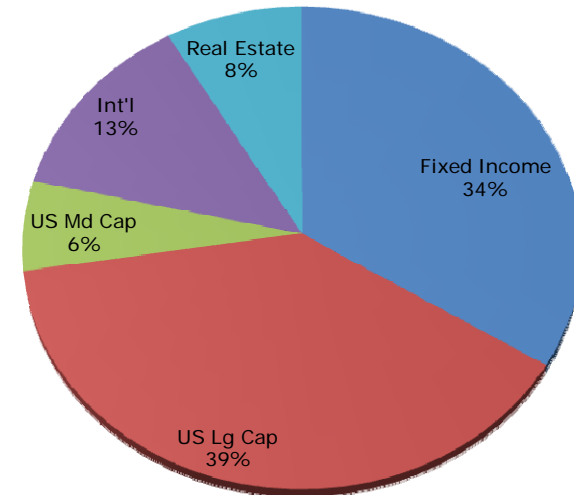


Performance is Annualized for Periods Greater than One Year

MANAGEMENT TEAM

Client Relationship Manager:	Amber Frizzell, AIF® Amber@apcm.net
Your Portfolio Manager:	Bill Lierman, CFA®
Contact Phone Number:	907/272 -7575

PORTFOLIO COMPOSITION



Clients are encouraged to compare this report with the official statement from their custodian.

Alaska Permanent Capital Management Co.
PORTFOLIO SUMMARY AND TARGET
CITY OF CRAIG
March 31, 2018

Asset Class & Target	Market Value	% Assets	Range
FIXED INCOME (34%)			
US Fixed Income (34.0%)	3,407,051	33.3	20% to 45%
Cash (0.0%)	60,012	0.6	na
Subtotal:	3,467,062	33.9	
EQUITY (66%)			
US Large Cap (40.0%)	3,953,829	38.7	30% to 50%
US Mid Cap (6.0%)	614,292	6.0	0% to 10%
Developed International Equity (10.0%)	1,332,423	13.0	5% to 15%
Real Estate (10.0%)	858,471	8.4	5% to 15%
Subtotal:	6,759,015	66.1	
TOTAL PORTFOLIO	10,226,077	100	

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
March 31, 2018

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
FNMA & FHLMC									
5,520	FHLMC POOL G14203 4.000% Due 04-01-26 Accrued Interest	104.56	5,772	103.11	5,692	0.06	221	18	1.43
					18	0.00			
			5,772		5,711	0.06		18	
CASH AND EQUIVALENTS									
	CHARLES SCHWAB LIQUID BANK DEPOSIT ACCOUNT DIVIDEND ACCRUAL		43,532		43,532	0.43			
			16,479		16,479	0.16			
			60,012		60,012	0.59			
CORPORATE BONDS									
50,000	TOYOTA MOTOR CREDIT CORP 2.100% Due 01-17-19	100.48	50,239	99.51	49,756	0.49	1,050	216	2.71
100,000	HSBC USA INC 2.375% Due 11-13-19	99.61	99,608	99.09	99,091	0.97	2,375	910	2.95
50,000	NBC UNIVERSAL MEDIA LLC 4.375% Due 04-01-21	109.20	54,602	103.89	51,947	0.51	2,187	1,094	3.00
50,000	AMERICAN EXPRESS CREDIT 2.250% Due 05-05-21	99.92	49,962	97.41	48,705	0.48	1,125	456	3.13
50,000	GILEAD SCIENCES INC 1.950% Due 03-01-22	96.28	48,141	95.70	47,849	0.47	975	81	3.12
50,000	UNITEDHEALTH GROUP INC 2.875% Due 03-15-22	102.56	51,279	98.87	49,433	0.48	1,437	64	3.18
50,000	COMCAST CORP 2.850% Due 01-15-23	101.83	50,917	97.87	48,937	0.48	1,425	301	3.33
50,000	AFLAC INC 3.625% Due 06-15-23	106.03	53,016	101.47	50,734	0.50	1,812	534	3.31
50,000	BANK OF NEW YORK MELLON 2.200% Due 08-16-23	97.83	48,916	94.01	47,005	0.46	1,100	137	3.43
50,000	JPMORGAN CHASE & CO 3.875% Due 02-01-24	105.18	52,590	101.50	50,750	0.50	1,937	323	3.59
50,000	METLIFE INC 3.600% Due 04-10-24	105.46	52,732	100.16	50,078	0.49	1,800	855	3.57
50,000	WELLS FARGO & COMPANY 3.300% Due 09-09-24	99.88	49,941	97.57	48,785	0.48	1,650	101	3.73
50,000	APPLIED MATERIALS INC 3.900% Due 10-01-25	107.96	53,978	102.71	51,356	0.50	1,950	975	3.48
50,000	ANHEUSER-BUSCH INBEV FIN 3.650% Due 02-01-26	103.01	51,506	99.40	49,702	0.49	1,825	304	3.74
50,000	TARGET CORP 2.500% Due 04-15-26	96.45	48,223	92.91	46,457	0.45	1,250	576	3.52

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
March 31, 2018

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
50,000	LOWE'S COS INC 3.100% Due 05-03-27 Accrued Interest	100.08	50,039	96.33	48,165	0.47	1,550	637	3.57
					7,565	0.07			
			865,693		846,317	8.28		7,565	
DOMESTIC LARGE CAP EQUITY FUNDS/ETF									
15,025	SPDR S&P 500 ETF	141.17	2,121,026	263.15	3,953,829	38.66	NA		
DOMESTIC MID CAP EQUITY FUNDS/ETF									
3,275	ISHARES CORE S&P MIDCAP 400 ETF	96.95	317,517	187.57	614,292	6.01	NA		
INTERNATIONAL EQUITY FUNDS/ETF									
20,225	ISHARES ETF CORE MSCI EAFE	56.65	1,145,800	65.88	1,332,423	13.03	NA		
REAL ESTATE									
11,375	VANGUARD REIT ETF	61.15	695,525	75.47	858,471	8.39	NA		
U.S. TREASURY									
200,000	US TREASURY NOTES 1.500% Due 12-31-18	100.64	201,281	99.57	199,132	1.95	3,000	758	2.08
50,000	US TREASURY NOTES 1.500% Due 10-31-19	99.40	49,701	98.83	49,416	0.48	750	315	2.25
225,000	US TREASURY NOTES 1.250% Due 10-31-19	99.42	223,689	98.46	221,546	2.17	2,812	1,181	2.24
100,000	US TREASURY NOTES 3.500% Due 05-15-20	104.04	104,039	102.41	102,410	1.00	3,500	1,325	2.33
150,000	US TREASURY NOTES 1.750% Due 10-31-20	99.91	149,866	98.46	147,685	1.44	2,625	1,102	2.37
175,000	US TREASURY NOTES 1.875% Due 12-15-20	99.17	173,549	98.72	172,758	1.69	3,281	965	2.37
100,000	US TREASURY NOTES 2.125% Due 08-15-21	99.29	99,291	98.91	98,914	0.97	2,125	264	2.46
75,000	US TREASURY NOTES 2.000% Due 10-31-21	99.92	74,943	98.39	73,793	0.72	1,500	630	2.47
100,000	US TREASURY NOTES 2.000% Due 11-15-21	99.76	99,762	98.36	98,359	0.96	2,000	757	2.48
150,000	US TREASURY NOTES 1.625% Due 11-15-22	97.79	146,686	96.00	144,000	1.41	2,437	922	2.55
125,000	US TREASURY NOTES 2.500% Due 08-15-23	98.87	123,590	99.53	124,414	1.22	3,125	388	2.59
200,000	US TREASURY NOTES 1.375% Due 08-31-23	99.92	199,844	93.85	187,696	1.84	2,750	239	2.60
100,000	US TREASURY NOTES 2.375% Due 08-15-24	100.23	100,227	98.31	98,309	0.96	2,375	295	2.66

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG
March 31, 2018

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
100,000	US TREASURY NOTES 2.000% Due 08-15-25	98.81	98,807	95.30	95,297	0.93	2,000	249	2.71
100,000	US TREASURY NOTES 1.625% Due 05-15-26	101.05	101,055	91.98	91,981	0.90	1,625	615	2.73
150,000	US TREASURY NOTES 2.000% Due 11-15-26	97.14	145,717	94.31	141,469	1.38	3,000	1,135	2.74
50,000	US TREASURY NOTES 2.250% Due 11-15-27	95.30	47,652	95.79	47,894	0.47	1,125	426	2.75
	Accrued Interest				11,567	0.11			
			2,139,699		2,106,642	20.60		11,567	
AGENCIES									
100,000	FHLMC 3.750% Due 03-27-19	101.41	101,410	101.51	101,511	0.99	3,750	42	2.19
100,000	FHLMC 1.700% Due 09-29-20	99.73	99,730	98.11	98,109	0.96	1,700	9	2.48
100,000	FEDERAL HOME LOAN BANK - STEP UP 2.000% Due 11-14-22	99.86	99,865	98.66	98,658	0.96	2,000	761	2.31
100,000	FEDERAL FARM CREDIT BANK 2.850% Due 04-24-25	100.00	100,000	98.10	98,096	0.96	2,850	1,243	3.15
50,000	FHLB 3.625% Due 03-19-27	99.82	49,910	99.78	49,891	0.49	1,812	60	3.65
	Accrued Interest				2,116	0.02			
			450,915		448,380	4.38		2,116	
TOTAL PORTFOLIO			7,801,959		10,226,077	100	77,815	21,266	

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 03-01-18 To 03-31-18

Trade Date	Settle Date	Security	Quantity	Trade Amount
PURCHASES				
AGENCIES				
03-16-18	03-19-18	FHLB 3.625% Due 03-19-27	50,000	49,910.00
				49,910.00
DEPOSITS AND EXPENSES				
MANAGEMENT FEES				
03-31-18	03-31-18	MANAGEMENT FEES		2,556.52
				2,556.52
DIVIDEND				
DOMESTIC LARGE CAP EQUITY FUNDS/ETF				
03-16-18	04-30-18	SPDR S&P 500 ETF		16,479.04
DOMESTIC MID CAP EQUITY FUNDS/ETF				
03-28-18	03-28-18	ISHARES CORE S&P MIDCAP 400 ETF		2,293.50
REAL ESTATE				
03-29-18	03-29-18	VANGUARD REIT ETF		8,033.03
				26,805.57
INTEREST				
AGENCIES				
03-27-18	03-27-18	FHLMC 3.750% Due 03-27-19		1,875.00
03-29-18	03-29-18	FHLMC 1.700% Due 09-29-20		850.00
				2,725.00

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 03-01-18 To 03-31-18

Trade Date	Settle Date	Security	Quantity	Trade Amount
CASH AND EQUIVALENTS				
03-15-18	03-15-18	CHARLES SCHWAB LIQUID BANK DEPOSIT ACCOUNT		3.09
CORPORATE BONDS				
03-01-18	03-01-18	GILEAD SCIENCES INC 1.950% Due 03-01-22		487.50
03-09-18	03-09-18	WELLS FARGO & COMPANY 3.300% Due 09-09-24		825.00
03-15-18	03-15-18	UNITEDHEALTH GROUP INC 2.875% Due 03-15-22		718.75
				2,031.25
FNMA & FHLMC				
03-15-18	03-15-18	FHLMC POOL G14203 4.000% Due 04-01-26		18.81
				4,778.15
PRINCIPAL PAYDOWNS				
FNMA & FHLMC				
03-15-18	03-15-18	FHLMC POOL G14203 4.000% Due 04-01-26	122.83	122.83
				122.83
SALES, MATURITIES, AND CALLS				
U.S. TREASURY				
03-16-18	03-19-18	US TREASURY NOTES 2.250% Due 11-15-27	50,000	47,438.15
				47,438.15

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG
From 03-01-18 To 03-31-18

Trade Date	Settle Date	Security	Quantity	Trade Amount
SOLD ACCRUED INTEREST				
U.S. TREASURY				
03-16-18	03-19-18	US TREASURY NOTES 2.250% Due 11-15-27		385.36
				385.36
WITHDRAW				
CASH AND EQUIVALENTS				
03-22-18	03-22-18	CHARLES SCHWAB LIQUID BANK DEPOSIT ACCOUNT		2,573.23
				2,573.23

Alaska Permanent Capital Management Co.
REALIZED GAINS AND LOSSES
CITY OF CRAIG
From 03-01-18 Through 03-31-18

Date	Quantity	Security	Avg. Cost Basis	Proceeds	Gain Or Loss
03-15-18	122.83	FHLMC POOL G14203 4.000% Due 04-01-26	128.43	122.83	-5.60
03-16-18	50,000	US TREASURY NOTES 2.250% Due 11-15-27	47,652.00	47,438.15	-213.85
TOTAL GAINS					0.00
TOTAL LOSSES					-219.45
			47,780.43	47,560.98	-219.45

Alaska Permanent Capital Management Co.

CASH LEDGER***CITY OF CRAIG****From 03-01-18 To 03-31-18*

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
CHARLES SCHWAB LIQUID BANK DEPOSIT ACCOUNT					
03-01-18			Beginning Balance		32,964.68
03-01-18	03-01-18	dp	Interest	GILEAD SCIENCES INC 1.950% Due 03-01-22	487.50
03-09-18	03-09-18	dp	Interest	WELLS FARGO & COMPANY 3.300% Due 09-09-24	825.00
03-15-18	03-15-18	dp	Paydown	FHLMC POOL G14203 4.000% Due 04-01-26	122.83
03-15-18	03-15-18	dp	Interest	FHLMC POOL G14203 4.000% Due 04-01-26	18.81
03-15-18	03-15-18	dp	Interest	UNITEDHEALTH GROUP INC 2.875% Due 03-15-22	718.75
03-15-18	03-15-18	dp	Interest	CHARLES SCHWAB LIQUID BANK DEPOSIT ACCOUNT	3.09
03-16-18	03-19-18	dp	Sale	US TREASURY NOTES 2.250% Due 11-15-27	47,438.15
03-16-18	03-19-18	dp	Accrued Interest	US TREASURY NOTES 2.250% Due 11-15-27	385.36
03-16-18	03-19-18	wd	Purchase	FHLB 3.625% Due 03-19-27	-49,910.00
03-22-18	03-22-18	wd	Withdrawal	from Portfolio	-2,573.23
03-27-18	03-27-18	dp	Interest	FHLMC 3.750% Due 03-27-19	1,875.00
03-28-18	03-28-18	dp	Dividend	ISHARES CORE S&P MIDCAP 400 ETF	2,293.50
03-29-18	03-29-18	dp	Interest	FHLMC 1.700% Due 09-29-20	850.00

Alaska Permanent Capital Management Co.

CASH LEDGER

CITY OF CRAIG

From 03-01-18 To 03-31-18

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
03-29-18	03-29-18	dp	Dividend	VANGUARD REIT ETF	8,033.03
03-31-18			Ending Balance		43,532.47
DIVIDEND ACCRUAL					
03-01-18			Beginning Balance		0.00
03-16-18	04-30-18	dp	Dividend	SPDR S&P 500 ETF	16,479.04
03-31-18			Ending Balance		16,479.04

CITY OF CRAIG - SCHOOL FUNDS

Account Statement - Period Ending March 31, 2018



ACCOUNT ACTIVITY

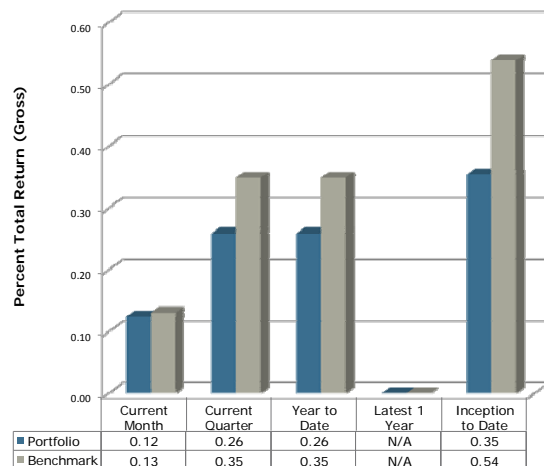
Portfolio Value on 02-28-18	2,004,596
Contributions	0
Withdrawals	0
Change in Market Value	531
Interest	1,947
Dividends	0
Portfolio Value on 03-31-18	2,007,074

MANAGEMENT TEAM

Client Relationship Manager:	Amber Frizzell, AIF® Amber@apcm.net
Your Portfolio Manager:	Bill Llerman, CFA®
Contact Phone Number:	907/272-7575

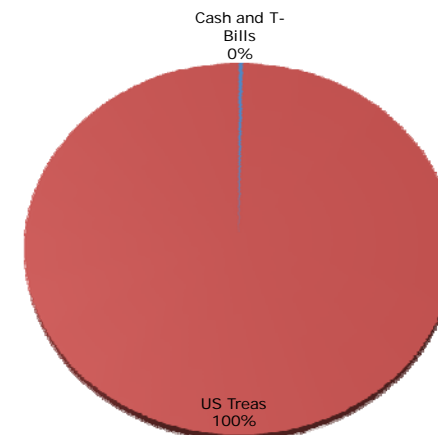
INVESTMENT PERFORMANCE

Current Account Benchmark:
T-Bill shown for reference



Performance is Annualized for Periods Greater than One Year

PORTFOLIO COMPOSITION



Fixed Income Portfolio Statistics

Average Quality: AAA Yield to Maturity: 2.06% Average Maturity: 0.91 Yrs

Clients are encouraged to compare this report with the official statement from their custodian.

Alaska Permanent Capital Management Co.
PORTFOLIO APPRAISAL
CITY OF CRAIG - SCHOOL FUNDS
March 31, 2018

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
CASH AND EQUIVALENTS									
	CHARLES SCHWAB LIQUID BANK DEPOSIT ACCOUNT		6,377		6,377	0.32			
U.S. TREASURY									
345,000	US TREASURY NOTES 1.125% Due 06-15-18	99.89	344,607	99.87	344,545	17.17	3,881	1,141	1.75
550,000	US TREASURY NOTES 1.125% Due 01-15-19	99.53	547,415	99.24	545,831	27.20	6,187	1,299	2.09
550,000	US TREASURY NOTES 1.625% Due 04-30-19	99.44	546,936	99.42	546,820	27.24	8,937	3,753	2.17
560,000	US TREASURY NOTES 1.625% Due 07-31-19	99.25	555,810	99.25	555,800	27.69	9,100	1,508	2.20
	Accrued Interest				7,701	0.38			
			1,994,768		2,000,697	99.68		7,701	
TOTAL PORTFOLIO			2,001,145		2,007,074	100	28,106	7,701	

Alaska Permanent Capital Management Co.
TRANSACTION SUMMARY
CITY OF CRAIG - SCHOOL FUNDS
From 03-01-18 To 03-31-18

Trade Date	Settle Date	Security	Quantity	Trade Amount
PURCHASES				
U.S. TREASURY				
03-27-18	03-28-18	US TREASURY NOTES 1.625% Due 07-31-19	560,000	555,810.15
				555,810.15
INTEREST				
CASH AND EQUIVALENTS				
03-15-18	03-15-18	CHARLES SCHWAB LIQUID BANK DEPOSIT ACCOUNT		8.23
U.S. TREASURY				
03-15-18	03-15-18	US TREASURY NOTES 1.000% Due 03-15-18		2,750.00
				2,758.23
PURCHASED ACCRUED INTEREST				
U.S. TREASURY				
03-27-18	03-28-18	US TREASURY NOTES 1.625% Due 07-31-19		1,407.73
				1,407.73
SALES, MATURITIES, AND CALLS				
U.S. TREASURY				
03-15-18	03-15-18	US TREASURY NOTES 1.000% Due 03-15-18	550,000	550,000.00
				550,000.00

Alaska Permanent Capital Management Co.
REALIZED GAINS AND LOSSES
CITY OF CRAIG - SCHOOL FUNDS
From 03-01-18 Through 03-31-18

Date	Quantity	Security	Avg. Cost Basis	Proceeds	Gain Or Loss
03-15-18	550,000	US TREASURY NOTES 1.000% Due 03-15-18	549,563.85	550,000.00	436.15
TOTAL GAINS					436.15
TOTAL LOSSES					0.00
			549,563.85	550,000.00	436.15

Alaska Permanent Capital Management Co.
CASH LEDGER
CITY OF CRAIG - SCHOOL FUNDS
From 03-01-18 To 03-31-18

Trade Date	Settle Date	Tran Code	Activity	Security	Amount
CHARLES SCHWAB LIQUID BANK DEPOSIT ACCOUNT					
03-01-18			Beginning Balance		10,837.10
03-15-18	03-15-18	dp	Sale	US TREASURY NOTES 1.000% Due 03-15-18	550,000.00
03-15-18	03-15-18	dp	Interest	US TREASURY NOTES 1.000% Due 03-15-18	2,750.00
03-15-18	03-15-18	dp	Interest	CHARLES SCHWAB LIQUID BANK DEPOSIT ACCOUNT	8.23
03-27-18	03-28-18	wd	Purchase	US TREASURY NOTES 1.625% Due 07-31-19	-555,810.15
03-27-18	03-28-18	wd	Accrued Interest	US TREASURY NOTES 1.625% Due 07-31-19	-1,407.73
03-31-18			Ending Balance		6,377.45



Date: April 9, 2018


To Whom It May Concern:

For over a decade, the USDA Forest Service has played a central role in identifying and helping to navigating public-agency path forward toward securing consensus on a plan to become less-reliant on old growth logging and transition to young growth harvesting on the Tongass National Forest. In 2016, this effort culminated in an historic agreement signed by the Tongass Advisory Committee (TAC), with members from conservation, industry, Alaska native, government, and outdoor recreation and fishing interests, setting a course for transitioning to young growth harvesting. The TAC agreement identified the need for additional forest inventory work to be conducted on the Tongass as quickly as possible, and underscored the need for young growth product manufacturing and marketing research to be conducted in tandem with inventory efforts.

Since 2016, efforts have been ongoing to collect inventory data and develop new growth and yield models for the young-growth resource. Over 40,000 acres of young growth have been inventoried through an agreement with the State of Alaska. An additional \$1 million dollars authorized by Congress in March 2018 will support completion of this inventory in 2018. Additionally, under the direction of the Alaska Region, the USDA FS Pacific Northwest Research Station has just finalized the design of a large scale, peer-reviewed young growth wood quality study that would aid in answering questions regarding the suitability of the young-growth resource used in the manufacture of traditional and value-added products, and provide much needed information on emerging small log processing technologies and market potential. The Southeast Alaska Young-Growth Wood Quality Study is intentionally broad in scope and engages several partners, including the Alaskan wood products industry, other Forest Service entities (e.g., State and Private, Forest Products Laboratory), universities, and small log processing equipment manufacturers. While the primary objective of this study is to evaluate wood quality from a products perspective, we are leveraging study results to gain valuable information on logging utilization, biomass, wood measurement systems, carbon capture, and scale appropriate technology.

Significant progress has been made on preparing the study for full field implementation by summer 2018, assuming funding availability. The Alaska Region has supported this study and invested almost \$1 million on funding and in-kind support. The current study timeline is to have all harvest, manufacturing, and marketing results available for industry and public use by 2020. The Alaska Region Forest Service leadership recognizes the value of this work and supports this Southeast Alaska Young-Growth Wood Quality Study moving forward as quickly as possible. The Alaska Region Forest Service welcomes the potential for a public-private partnership in helping to move this project forward as originally scheduled.

Sincerely,


BETH G. PENDLETON
Regional Forester
USDA, Forest Service



**CITY OF CRAIG
MEMORANDUM**

To: Craig City Council

From: Jon Bolling, City Administrator

Date: April 13, 2018

RE: Review of Proposed Ordinance regarding Port St. Nicholas Road Maintenance

At the council's April 5 meeting, it reviewed two draft ordinances related to maintenance and operation of the Port St. Nicholas Road. As a result of the review, the council directed staff to modify wording of the road fee ordinance to better define when work on the city's water transmission lines within the road would fall within the scope of the fee assessed to PSN property owners. The revised road maintenance fee ordinance is attached. I am still working on the text of the driveway ordinance, and so have not presented it here.

I modified section 12.10.030 of the proposed road fee ordinance. The new text attempts to more closely tie water system repairs to use of and impacts to the PSN Road. The decision as to when repair and maintenance work on the PSN water distribution system is tied to use of the road is made by the City of Craig, initially at the staff level, and subject to council review should the council wish to make its own determination on a case by case basis.

I also deleted a section of the ordinance that addressed driveways, and the seventh "WHEREAS" paragraph at the beginning of the ordinance that addressed driveways. I intend that the separate ordinance under review by the council define driveway needs and standards, and leave most driveway references out of the attached ordinance.

Next Steps

At this point the council should discuss the merits of the proposed ordinance and decide whether to move the draft on for formal consideration at the next city council meeting, currently scheduled for May 3.

Staff will of course be available to respond to council questions at the April 19 meeting.

**CITY OF CRAIG
ORDINANCE NO. _____**

**ADDING SECTION 12.10 TO THE CRAIG MUNICIPAL CODE PROVIDING FOR
STREET MAINTENANCE AND CAPITAL IMPROVEMENTS ALONG THE PORT ST.
NICHOLAS ROAD AND ESTABLISHING A FEE FOR MAINTENANCE AND
IMPROVEMENTS**

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

WHEREAS, the City of Craig operates and maintains the Port St. Nicholas Road; and,

WHEREAS, the City of Craig provides maintenance and capital improvements to the paved portion of the Port St. Nicholas Road pursuant to an Agreement with the State of Alaska; and,

WHEREAS, the Agreement with the State of Alaska to maintain and service the Port St. Nicholas Road was required such that without that Agreement the federal funding for the road project would not have been accepted by the State of Alaska for the purpose of the road project; and,

WHEREAS, the City of Craig provides maintenance and capital improvements to the unpaved portion of the Port St. Nicholas Road; and,

WHEREAS, the City of Craig provides maintenance and capital improvements to the municipal water distribution system within the Port St. Nicholas Road; and,

WHEREAS, the City of Craig is authorized to provide water services and provide facilities for utility services and streets outside its boundaries per Alaska Statutes 29.35.020, and may regulate their use and operation outside its boundaries to the extent that the jurisdiction in which they are located does not regulate them; and,

WHEREAS, there is no jurisdictional entity within the Port St. Nicholas Road as defined in this ordinance that regulates facilities for water services and streets in the manner proposed in this ordinance; and,

WHEREAS, the City of Craig has a property interest in the Port St. Nicholas Road and contractual maintenance responsibilities related to the paved portion of the Port St. Nicholas Road; and,

WHEREAS, maintenance, repair, and improvement of the Port St. Nicholas Road is a significant cost to the City of Craig; and

WHEREAS, the installation of water service, water lines, and the maintenance and repair of water related infrastructure is a significant cost to the City of Craig; and

WHEREAS, the property owners who access their property by the Port St. Nicholas Road have benefited and continue to benefit by the construction of the road project, and have benefited

and will continue to benefit by the services and maintenance provided by the City of Craig, for which the City has borne the cost of those services to date; and

WHEREAS, by adoption of this ordinance, the Craig City Council authorizes the delivery, outside of the city's municipal boundaries, of street operation, repair, maintenance, construction and all other necessary street services and facilities as described in this ordinance; the council further authorizes the exercise of the powers necessary for the provision of those services.

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

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

Section 3. Effective Date. This ordinance shall be effective July 1, 2018.

Section 4. Action. This ordinance establishes a new section at 12.10 of the Craig Municipal Code.

12.10 Port St. Nicholas Road Maintenance and Improvement Fee - Extraterritorial
12.10.010 Road Maintenance and Improvement Fee

- A. The owner of record of any lot intersecting with the Port St. Nicholas Road, or any lot where the Port St. Nicholas Road is the primary or only means of overland motor vehicle access to a lot, shall pay to the City of Craig a street maintenance, repair, service and improvement fee.
- B. Road maintenance and improvement fee bills shall be mailed to property owners of record on a regular basis.
- C. Each bill rendered to the property owner shall be due when mailed. All bills not paid by the twentieth day of the month following the mailing shall be considered delinquent.
- D. At any time after the account becomes delinquent, a notice of delinquency may be sent to the owner.
- E. Upon delinquency, the city may lien the delinquent property per Section 1.20 of the Craig Municipal Code and seek to recover the delinquent fee and costs of collection by any manner provided by law.
- F. Section 12.10 applies to areas outside the municipality.

12.10.020 Setting of Fee

The city council shall from time to time set, by resolution, the road maintenance and improvement fee.

12.10.030 Use of Fee

Road maintenance and improvement fees collected will be appropriated from time to time by the city council to meet maintenance, repair, service, capital and operational costs of the Port St. Nicholas Road; maintenance, repair, capital, and operational costs of waterlines and other utilities when those costs result from use of or damage to the Port St. Nicholas Road; and

maintenance, repair, capital, and operational costs of structures within the road. For the purposes of this subsection, the Port St. Nicholas Road means the road as it is defined in 12.10.090, and the portion of the road that lies within the municipal boundaries of the City of Craig.

12.10.040 Plan of Work

- A. The Public Works Department of the city shall prepare an annual plan of work and budget estimating the work tasks and the capital and operational costs for the road, water utility and structures within the Port St. Nicholas Road. The annual plan of work may include street brushing, plowing, sanding, striping, surfacing, grading, excavation, repair and replacement of water main, valves, water meters, water service lines, culverts and drainage structures, repair and maintenance of asphalt and concrete, and all other costs reasonably related to operation, maintenance, and improvement of the road and water utility. For the purposes of this subsection, the Port St. Nicholas Road includes the area identified in 12.10.090.
- B. Upon request, the Public Works Department shall prepare a maintenance report. The report shall include a description of all capital and maintenance activities performed within the road corridor during the course of the prior calendar or fiscal year. The report shall also include an accounting of all fees collected and all expenses incurred during the reporting period.

12.10.050 Setting of Fee

The City Council shall set the fee from time to time by resolution.

12.10.060 Prohibition Applied to Delinquent Properties

A new water service or driveway shall not be installed to any property where the fees required by this section are delinquent.

12.10.070 Notices to Owner

Notices from the City of Craig to the owner of record will normally be given in writing and either mailed to or delivered to the owner's last known address. Where conditions warrant and in emergencies, the city may notify the owner verbally by telephone or messenger.

12.10.080 Notices from Owner

Notices from owners to the city may be given, in writing, at the office of the city clerk at Craig City Hall or to an authorized agent of the city.

12.10.090 Definition

Except where otherwise defined in this section, "Port St. Nicholas Road" is defined as the 60 foot wide road corridor beginning at the intersection of the City of Craig municipal boundary with the Port St. Nicholas Road, and ending at Station 278+89.57, a point 29.57' bearing S88°32'W of Point of Curvature No. 37 of the Port St. Nicholas Road, as shown on Sheet 11 of 14 of Plat 95-57, Ketchikan Recording District.

**CITY OF CRAIG
ORDINANCE NO. _____**

**ADDING SECTION 12.03 TO THE CRAIG MUNICIPAL CODE ESTABLISHING A
PERMITTING PROCESS FOR CONSTRUCTION OF DRIVEWAYS INTERSECTING
CITY STREETS AND EASEMENTS**

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

WHEREAS, the City of Craig provides maintenance and capital improvements to streets, easements, and other public access routes inside and outside the Craig municipal boundaries; and,

WHEREAS, city owned or maintained streets, easements, and other public access routes inside and outside the Craig municipal boundaries typically include water, wastewater, and storm water utility lines; and,

WHEREAS, driveways and approach roads intersecting city owned or city maintained streets, easements, and other public access routes must not preempt the safe and proper functioning of streets, easements, and other public access routes, and the water, wastewater and storm water utilities within those routes; and,

WHEREAS, some city owned or maintained streets, easements, and other public access routes are located outside the Craig municipal boundaries; and,

WHEREAS, the City of Craig is authorized to provide certain services outside its boundaries per Alaska Statutes 29.35.020, and may regulate their use and operation outside its boundaries to the extent that the jurisdiction in which they are located does not regulate them; and,

WHEREAS, the City of Craig finds that establishing standards for the construction of driveways and approach roads intersecting city owned or maintained streets, easements, and other public access routes can provide for safe and efficient operation of public ways and utilities.

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

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

Section 3. Effective Date. This ordinance shall be effective July 1, 2018.

Section 4. Action. This ordinance establishes a new section at 12.03 of the Craig Municipal Code.

12.03.010 - Permit Required.

- A. No person shall construct a driveway or approach road on a public right-of-way or public access easement owned by the City without first obtaining a Driveway Permit from the City, which permit shall be displayed on the job site. Any installation of driveways, approach roads, culverts and other structures placed on a public right-of-way or public access easement subject to this section shall be a type approved by the City.
- B. Per AS 29.35.020, this section also applies to driveways that access city maintained roads and easements outside the boundaries of the city.
- C. Property owner shall submit a completed permit application (on a form prescribed by the City), a site plan, and the required filing fee to the Craig Building Official.
- D. Site Plan shall at a minimum show:
 1. The actual shape, location, and dimensions of the lot;
 2. Location, shape and dimensions of proposed driveway/approach road and drainage structures;
 3. Existing edge of all Rights-of-Way/Public Access Easements that abut the property and edge of improvements (drivable surface, curb and gutter, sidewalk, etc.)
 4. Location and identification of all utility, public use and access easements, rights-of-way, alleys, streets, and roads on, adjacent to, or providing utilities or access to the site;
 5. Major topographic features including but not limited to water bodies, drainage patterns, and slope elevations; special attention shall be given to proper site drainage so that the removal of surface waters will not adversely affect neighboring properties or the public road system;
 6. Proposed traffic control (if necessary);
 7. Location, design, and traffic circulation patterns of all driveways, entrances, off-street parking areas, and designated pedestrian ways, sidewalks, and bicycle pathways; and
 8. Dimensions showing the following distances:
 - i. Distance from each edge of the proposed driveway/approach road to the side lines of the property
 - ii. Distance from the edge of road/street improvements to the property line
 - iii. Width of the proposed driveway/approach road
 - iv. Percent slope of the proposed driveway
 - v. Length and percent slope of the landing area adjacent to the edge of road improvements
- E. Cost of the permit shall be set by the Craig City Council by resolution. Permit cost may include reimbursement to the city for the cost of surveying to establish the edge of right-of-way or city owned public access easement as required.

- F. The issuance of a City of Craig Building Permit that includes the driveway improvements satisfies the requirement for a permit under this section.

12.03.020 - Protection of City Facilities.

- A. A permittee under this section shall construct and maintain a driveway or approach road in such a manner that the existing city streets and all of the street's appurtenances or facilities, including drainage facilities, pipes, culverts, ditches, traffic control devices, pathways, and sidewalks are not impaired or endangered in any way by the construction or maintenance.
- B. A permittee under this section shall construct and maintain a driveway or approach road in such a manner that all utilities contained within the right-of-way or public access easement are not impaired or endangered in any way by the construction or maintenance.
- C. No retaining walls shall be constructed within city rights-of-way or city owned public access easements unless approved by the city. The city shall review the proximity of any proposed retaining walls to city appurtenances and buried utilities to ensure safe operation and maintenance of city appurtenances and utilities. Unless otherwise approved by the city, there shall be a minimum horizontal separation between the toe of any retaining wall and existing waterline equal to or greater twenty feet (20').

12.03.030 - Ownership and Maintenance.

- A. A driveway or approach road constructed under a permit within a City right-of-way or City owned public access easement is the property of the City, but all cost and liability arising from the construction, operation, or maintenance of a driveway or approach road is at the sole expense of those lands served. The city is not obligated to change its maintenance practices to accommodate a driveway or approach road constructed under a permit, or to incur any additional expense removing snow berms or other obstructions from a driveway or approach road within a right-of-way resulting from the city's activities.
- B. The burden and cost of maintaining a driveway or approach road within a City right-of-way or City owned public access easement is upon the lands served by a driveway or approach road. The City is not obligated to remove snow berms plowed into a driveway or approach road during its street snow removal activities. A permittee may not plow snow from a driveway or approach road onto a street, or interfere with drainage structures.

12.03.040 – City Road Construction. If a driveway or approach road that provides ingress to or egress from adjoining land is replaced during a project to construct or reconstruct a city street, the city, as a cost of construction, will, in its discretion, replace the driveway or approach road in a manner and location consistent with the driveway as it existed prior to construction or reconstruction of the city street.

12.03.050 – Minimum Design Standards

- A. All points of access shall be constructed to provide for proper drainage of property and public streets.
- B. There shall be a maximum of two points of access to a public street for each 400 feet of lot frontage or fraction thereof along that street. There shall be only one point of access to a public street for lots with less than 100 feet of frontage along that street.
- C. No point of access shall be allowed within 25 feet of the right-of-way (or City owned public access easement) line of any public intersection.
- D. No access to a public street, right-of-way, or City owned access easement shall be installed or altered without an approved permit from the City.
- E. Where two driveways are provided for on lot frontage, the clear distance between the driveways shall not be less than 25 feet.
- F. No access onto major or collector streets (including the Port Saint Nicholas Road), as defined at Craig Municipal Code Section 18.11.003, shall be permitted that require vehicles to back directly onto the roadway.
- G. Cases requiring variances relative to the above provisions due to topographic limitations shall be heard and acted upon by the planning and zoning commission in accordance with Craig Municipal Code Section 18.06.

CITY OF CRAIG MEMORANDUM

To: Craig City Council
From: Jon Bolling, City Administrator
Date: April 10, 2018
RE: Consider Comments to Alaska Board of Game

The Alaska Board of Game is accepting proposals and comments for game management in Southeast Alaska. The proposal and comment deadline is May 1.

Among the topics within the Board of Game's authority is management of wolves. As the council is well aware, wolf management has been at the forefront of game management issues in Game Unit 2; Unit 2 includes POW Island, and the islands to the west.

The Southeast Alaska Subsistence Regional Advisory Council submitted a proposal (copy attached) to the Board of Game to modify state regulation to allow the harvest of up to 30 percent of the Game Unit 2 wolf population, per year. The rate is currently set at 20 percent.

The harvest rate was set in regulation for many years at 30 percent. Several years ago the Alaska Department of Fish and Game staff proposed lowering the wolf harvest rate due to concerns about the uncertainty of the wolf population and the threat of a petition to list the wolf as threatened or endangered under the Endangered Species Act (that petition was later denied by the US Department of the Interior). While many members of the public concurred with the decision to lower the harvest limit for that year, many were surprised when the department subsequently asked the Board of Game to lower the harvest limit set in regulation, which has the effect of lowering the harvest limit permanently to 20 percent. Given the apparent high wolf populations in Unit 2, a return to the 30 percent harvest rate is warranted. Game management history has shown that wolf populations can typically be maintained at constant levels with an annual harvest rate of 30 percent.

Considerable effort has been put forth in recent years to better estimate wolf populations here; that effort suggests that wolf populations are strong and growing.

On a related note, the ADF&G staff may be readying a proposal for the Board of Game that would restructure the wolf hunting/trapping season from a quota system to a set season system. In other words, the season would not be based on closure after a set amount of wolves are taken, but instead would allow hunting and trapping between set dates, as many other fish and game seasons are managed. As a result the board of game chose to replace the quota system with another management method.

The City of Craig in recent years has consistently supported efforts to maintain a high yet sustainable harvest of wolves in Unit 2. The council should consider here continuing that support by submitting comments to the Board of Game on the matter.

Recommendation

Direct staff to provide comments to the Alaska Board of Game on wolf management measures.

From: dfg.bds.webmaster@alaska.gov
To: [Perry, DeAnna L -FS](#)
Subject: Thank you for Submitting an Online Proposal to Boards Support
Date: Tuesday, March 20, 2018 10:52:59 AM

Thank you for submitting a proposal to Alaska Department of Fish and Game, Boards Division.

Please save the Log Number below for future reference.

LOG NUMBER: EG-F18-016

DETAILS:

Management Unit or Area (if applicable): 2
Topic (if applicable): Hunting, Trapping
Additional Topics (if applicable):
Meeting Name: Southeast Region

AAC: 5 AAC 92.008(1)

Issue:

The Southeast Alaska Subsistence Regional Advisory Council (Council) seeks to increase the allowable take of wolves in Unit 2. The Council is concerned that previous quotas implemented have been too conservative and that the reductions in those harvest quotas during the 2015-2016 and 2016-2017 hunting and trapping seasons were not reflective of the actual wolf population for Unit 2.

Solution:

5 AAC 92.008(1) would be modified to read:

"(1) wolves: the annual harvest of wolves in Unit 2 should not exceed **30** [20] percent of the **most recent** unit-wide, preseason population estimated by the department;"

Name: Southeast Alaska Subsistence Regional Advisory Council
Address: c/o Office of Subsistence Management, 1011 E. Tudor Road
City: Anchorage
State: Alaska
Zip Code: 99503-6199
Phone: 907-586-7918
Email: dlperry@fs.fed.us

CITY OF CRAIG MEMORANDUM

To: Craig Mayor and City Council
From: Brian Templin, City Planner
Date: April 6, 2018
RE: City Lease Rates Discussion

At the regular city council meeting of April 5th there was some discussion about the city's lease rate for municipally owned land. Craig Municipal Code Section 16.02.030A set the minimum lease amount for market value leases at 8% of the appraised value of the land and any improvements owned by the city. Utilities are not considered improvements for the purpose of establishing lease rates. This section of the municipal code sets this as a minimum value. The council may establish a higher lease rate as part of approving terms of individual leases.

Subsequent to the council meeting I did some additional research and discussed the matter with the city's contract assessor to see where the City of Craig's lease rate was compared to other communities in southeast.

Calculating Lease Rates. There are two primary methods used to calculate lease rates for municipalities in southeast. The first method is a percentage of market value of the land being leased. This is the method that Craig currently uses. The market value floor varies from municipality to municipality but is generally between 4% and 10% depending on the type of land and the reasons for leasing. Some local governments lease land at lower values to increase development of specific areas and some look at leases as a revenue opportunity for the city. Increasing development usually means lower lease rates and revenue generation generally means higher lease rates. Craig's 8% of market value appears to be well within the range of lease rates used by other communities. A lease rate of 8% generally means that the city should collect the full value of the property about every 12 years. This method works well in small communities where there are not a significant number of private leases that can be used to establish comparable values.

The second method commonly used to determine lease rates in southeast is to have a "fair market rental value" established by appraisal. This method does not set a minimum percentage of property value, but establishes the rental rate based on comparable rentals in the community. This method works well in communities that have a good mix of private rentals and municipal rentals. In smaller communities there are often not enough private rentals of similar lands to establish appraised rates. In these communities it is not uncommon for the only comparables to be other municipal leases.

Two things currently drive the lease rate for Craig leases:

1. Appraised value of the property/improvements. Under current municipal code each lease requires an appraisal that is not more than twelve months old to establish the value. This appraisal is a market value appraisal of the property and calculates what the market would be if the property were sold. With limited sales of commercial and industrial lands in Craig this value does not regularly change.

Current lease terms require a new appraisal at the beginning of each lease and at each five year interval.

2. Percentage of market value. The second factor that drives the value of the lease rate is the percentage of market value. This rate is set at a minimum of 8%. The council may increase the percentage of market value for each lease individually to any amount it deems correct.

If a property is appraised at a market value of \$100,000 the minimum lease rate would be \$8,000 per year at 8% of market value. If a lease is set for ten years the city would collect about 80% (\$80,000) over the life of the lease. A good example is the lease parcel Lot 7, JT Brown Industrial Park. The city leased this parcel out in 2006 for \$3,200 per year based on a current appraisal at the time establishing the market value of the lot at \$40,000. Since 2006 we have collected \$38,400 in lease fees on this parcel. We are currently in the process of having a new appraisal done to renew this lease.

The council may change the minimum percentage of market value by amending title 16 of the Craig Municipal Code.

Additional Considerations.

There are a couple of other issues that the council may want to consider and discuss if it is interested in amending how the city calculates leases.

Currently a new appraisal is required for new leases and at five year intervals for almost all leases that the city maintains. Appraisals cost between \$800 and \$2,500 depending on the property and what other work the appraiser has in the area.

We have found during the last several updates of appraisals for leases that commercial and industrial land leases have not changed in market value significantly, which results in a large out of pocket cost for the leaseholder for a new appraisal to renew a lease but little change to the lease rate and the amount the city collects. While new appraisals may still be required for new leases (especially for land that has not ever been assessed) there are some alternatives for renewing leases.

1. Establish lease rates based on a percentage of assessed value. Using Lot 7, JT Brown Industrial as an example: In 2006 the property was appraised at \$40,000 to establish the lease value. In 2011 the appraisal was updated and the value remained \$40,000. We are currently working on a new appraisal to renew the lease for another term. The current assessment on the property is \$40,000 and it is not expected that the market value of the lease will change the value significantly. Some municipalities in Alaska use the assessed value of property to set lease rates for new and renewed leases. The council may want to discuss the merits of using assessed data (where available) to set the rate for new leases and/or to adjust lease rates annually or at renewal (five year) intervals. Allowing for adjusting the lease rate annually to match the assessment would capture periodic market value trending adjustments made by the city contract assessors during their annual trips. While some properties (particularly city properties that have never been assessed) may require new appraisals for new leases, using assessed data would work for most other properties. If the city chooses to use

- assessed values in place of appraised values it would move most lease calculations to a percentage of assessed value based on the current assessment.
2. Another method of rate adjustment commonly used is to establish the initial lease rate using one of the methods discussed above (percentage of market value, fair rental market value rate, or percentage of assessed value) and then adjust the lease periodically (annually, at renewal intervals, every five years, etc.) using the Anchorage Consumer Price Index. This index is a calculation of the price of consumer goods in Anchorage relative to previous years (it is the only CPI in Alaska). The CPI generally tracks the rate of inflation in Alaska for the indexed goods. It sometimes goes down but normally rises between 1% and 2% per year on average. The city could choose to adjust the rate of leases based on the change in the CPI from one interval to the next for the life of a lease. The CPI is calculated by the U.S. Department of Labor, Bureau of Labor Statistics (BLS) and available on the Alaska Department of Labor and Workforce Development website.

The city may choose to do a combination of these options as well in order to maintain some flexibility for both the city and the leaseholders. It is reasonable to use some of the options in combination to maximize the value to both the leaseholder and the city. For example, the city may choose to increase the minimum percentage value and choose to use the assessed value instead of an appraisal. This would increase the annual lease fee but save the leaseholder the requirement of paying for a new appraisal every five years.

It is also important to note that leases are subject to city sales tax and that leaseholders are liable for a portion of the property tax on the property they lease from the city and the total value of improvements that they own themselves.

Recommendation.

The council should take some time to discuss lease rates. If the council feels that the city's lease rates or valuation procedures should be changed staff can prepare the appropriate ordinance for council consideration.

**CITY OF CRAIG
MEMORANDUM**

To: Craig City Council
From: Jon Bolling, City Administrator
Date: April 10, 2018
RE: Request for Donation, Prince of Wales Arts Extravaganza and Exhibit

At the council's April 5 meeting, Ms. Gretchen Klein, Ms. Cindy Reeves, and Ms. Mary Hailey presented the council with initial information regarding the 2018 Prince of Wales Arts Extravaganza and Exhibit. The successful 2017 event was held in Kasaan.

The presenters summarized the features of the proposed event, and asked that the council consider a contribution, perhaps \$1,500, to support the effort. Councilmember Jan Trojan asked that the request be placed on the April 19 council agenda for consideration.

If the council is inclined to provide funding for the event a motion and affirmative vote on the motion specifying the amount of the donation is needed.

Gretchen Klein
POW Island Wide Arts Extravaganza & Exhibit
P.O. Box 222
Craig, Alaska 99921

**REGISTER
EARLY
TO SECURE
YOUR
SPOT!**



The Prince of Wales Island Wide Art Extravaganza and Exhibit is a fiscally sponsored project of the Nechiklan Area Arts and Humanities Council

Prince of Wales

ISLAND WIDE ARTS EXTRAVAGANZA & EXHIBIT

Call for Artists

SEPTEMBER 15
NOON-6 P.M.
CRAIG
TRIBAL
ASSOCIATION

Prince of Wales
**ISLAND WIDE ARTS
EXTRAVAGANZA & EXHIBIT**
Call for Artists

Art may be priced to sell. Artist is responsible for transaction with buyer as well as organizing transport or pick-up after 6:00 p.m. on the day of the event. It is not recommended to release artwork to buyer without payment.

Contact Gretchen Klein 907-617-7635 for Exhibitor form

**Best of Show \$500
Honorable Mentions (3) \$250 each**

Submit exhibit registration form by July 10, 2018. Two art pieces per artist. \$25 entry fee. Open to Prince of Wales artists only, due to space limitations.



Check out last year's Highlights on our Facebook page - POW Island Wide Art Extravaganza

Gretchen Klein
POW Island Wide Arts Extravaganza & Exhibit
P.O. Box 222
Craig, Alaska 99921

SEPTEMBER 15
NOON-6 P.M.
CRAIG
TRIBAL
ASSOCIATION

Prince of Wales

ISLAND WIDE ARTS EXTRAVAGANZA & EXHIBIT

Call for Artists

**REGISTER
EARLY
TO SECURE
YOUR
SPOT!**



The Prince of Wales Island Wide Art Extravaganza and Exhibit is a fiscally sponsored project of the Ketchikan Area Arts and Humanities Council.

Prince of Wales
**ISLAND WIDE ARTS
EXTRAVAGANZA & EXHIBIT**
Call for Artists

Best of Show \$500
Honorable Mentions (3) \$250 each

Submit exhibit registration form by July 10, 2018. Two art pieces per artist. \$25 entry fee. Open to Prince of Wales artists only, due to space limitations.

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Contact Gretchen Klein 907-617-7635 for
Exhibitor form



Check out last year's highlights on our Facebook page - POW Island Wide Art Extravaganza

CITY OF CRAIG MEMORANDUM

To: Craig City Council
From: Brian Templin, City Planner
Date: April 4, 2018
RE: Approval of Lease of a portion of Tract P, USS 2327 and a portion of Tract H,
ATS 1410 to Richard Trojan to store and operate a Marine Landing Craft

On June 16, 2016 the Craig City Council approved the city administrator to negotiate a market value lease with Mr. Richard Trojan for the lease of city owned property adjacent to the Craig Public Works yard (a portion of Tract P, USS 2327 and a portion of Tract H, ATS 1410). The lease is for the purpose of storing and accessing a marine landing craft related to Mr. Trojan's transportation and excavation business. The final lease area is smaller than the original lease application showed. The lease also requires Mr. Trojan to construct and maintain the access road to the site at no expense to the city.

Mr. Trojan has already secured a US Army Corps of Engineers permit for installation of piling, construction of a floating ramp/pier/dock, and placement of fill to create an access ramp at the site. The lease limits the activities at the site to access, storage of the landing craft, and loading/unloading. The lease prohibits storage or staging of materials, supplies, or equipment at the site.

Based on an appraisal (Effective date of May 5, 2017) done by Horan and Company the value of the uplands at the site is \$3.90 per square foot and the value of the tidelands at the site is \$2.50. Title 16 of the Craig Municipal Code requires that all market value leases be set at a rate no less than 8% of market value based on an appraisal not more than 12 months old. The lease includes 4,833 square feet of upland and 4,982 square feet of tideland. At the values shown above this comes to a total market value of \$31,305. Eight percent of the total market value is \$2,504.40.

The lease will be an annual lease for \$2,504.40 per year, plus sales tax. The lease may be adjusted by the change in the Anchorage Consumer Price Index annually. The city may also require a new appraisal every five years if it desires to do so. The lease term is for five (5) years with an option to renew up to two times for additional five year periods.

A final lease agreement is attached for council approval.

Recommendation: Approve, by motion, the lease agreement negotiated between the Craig City Administrator and Mr. Richard Trojan of the portion property described in the lease document.

LEASE AGREEMENT

This lease agreement is entered into by and between the City of Craig, Alaska, P. O. Box 725, Craig, Alaska 99921 (hereinafter "City"), and Richard Trojan, PO Box 275 Craig, AK 99921 (hereinafter "Lessee").

WHEREAS Lessee desires to have upland access and tidelands for the purpose of loading, unloading, and storing a marine landing craft related to his transportation and excavation business; and

WHEREAS Lessee has determined that a site on City-owned property on a portion of Tract P, USS 2327 and Tract H, ATS 1410 is a suitable location for said activity; and

WHEREAS Lessee has applied for a lease of said property as required by Chapter 16 of the Craig Municipal Code.

WITNESSETH:

1. The City hereby leases to Lessee that portion of Tract P, USS 2327 (Plat P-109, Ketchikan Recording District) and that portion of Tract H, ATS 1410 (Plat 92-20, Ketchikan Recording District) as shown on Attachment A to this lease.
2. The term of this lease shall be five (5) years beginning the date this lease is signed by the City of Craig. This lease may be renewed for two additional lease periods of five (5) years under those terms and conditions acceptable to both the City and Lessee.
3. The Lessee shall pay to the City an annual lease payment of \$2,504.40 (two thousand five hundred four dollars and forty cents) per year, payable in advance prior to the first month of each twelve (12) month period during the term of the lease; provided, the entire lease amount may be paid in advance at the option of Lessee. City may adjust rent annually at a rate not to exceed the annual increase in the Anchorage consumer price index. City may require a new appraisal at any renewal, or any five year interval of the original lease or any renewal period.

4. The lease is for the sole purpose of providing Lessee with a desirable location for loading and storing the Lessee's marine landing craft associated with the lessee's transportation and excavation activities. The site may not be used for storage or staging of materials, supplies or equipment. Lessee may construct access and storage facilities on the property as approved. Lessee is required to secure all federal, state, and local permits necessary prior to construction of any improvements. This lease will terminate automatically if and when the Lessee suspends use of the leased premises for the activities described in paragraph three above for a period of six (6) months or longer.
5. Lessee agrees to maintain the leased area, and any appurtenant buildings, access roads, or structures in a well-maintained and slightly condition at no cost to the Lessor. Lessee agrees to conform to all applicable City land use requirements and shall comply with all laws and regulations of the City, the State of Alaska and the federal government. Lessee will be required to obtain authorization from the City for construction of any structures not shown on **Attachment A**.
6. The provisions of Craig Code § 16.02.140 (terms and conditions of leases) are incorporated herein by reference, as if fully set forth herein; and Lessee acknowledges receipt of a copy of those provisions.
7. The City shall have the right to enter the leased premises at all reasonable times to examine the condition of same.
8. Lessee agrees to hold harmless, indemnify and defend City against any and all claims for damage, injury, or wrongful death which may be brought or asserted by Lessee, its agents, or third parties resulting from Lessee's use or occupancy of the leased premises.
9. All buildings, fixtures and equipment of whatsoever nature, that Lessee shall have installed upon the leased premises, whether permanently affixed or otherwise, shall continue to be the property of the Lessee and may be removed by it at the expiration or termination of this lease or of any renewal thereof; and at its own expense, Lessee shall repair any injury to the premises resulting from such removal.
10. This lease and all the covenants, provisions and conditions herein contained shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

11. City covenants and agrees that Lessee, upon performance of all Lessee's obligations under this Lease, shall lawfully and quietly hold, occupy and enjoy the premises during the term of this lease without disturbance by City or by any person or entity having title paramount to City's title or by any person or entity claiming under City, subject to the other terms and provisions of this Lease.

12. At no expense to the City, Lessee shall obtain and keep in force throughout the time period of this lease, comprehensive public liability insurance naming the City as an insured or as additional insured, in a coverage amount of at least \$300,000 per occurrence. Lessee will provide the City with proof of insurance coverage in the form of a certificate of insurance; and upon City request, Lessee will additionally provide a copy of the insurance policy. Said insurance policy must provide that the City will be notified at least 30 days before termination, cancellation or material change in the insurance coverage; and include a waiver of subrogation by which the insurer waives all rights of subrogation against the City for payments made under the policy.

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

DATED: _____

By: _____

Richard Trojan

DATED: _____

By: _____

Jon Bolling, City Administrator

ACKNOWLEDGMENT BY LESSEE

STATE OF ALASKA)
) : ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this ____ day of _____, 2018, in _____, Alaska before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Richard Trojan, known to me to be the person he represented himself to be and the same identical person who executed the above and foregoing instrument and who acknowledged to me that he had full power and authority to and did execute the above and foregoing as a free and voluntary act and deed and for the purposes therein mentioned.

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

Notary Public, State of Alaska
My commission expires:_____

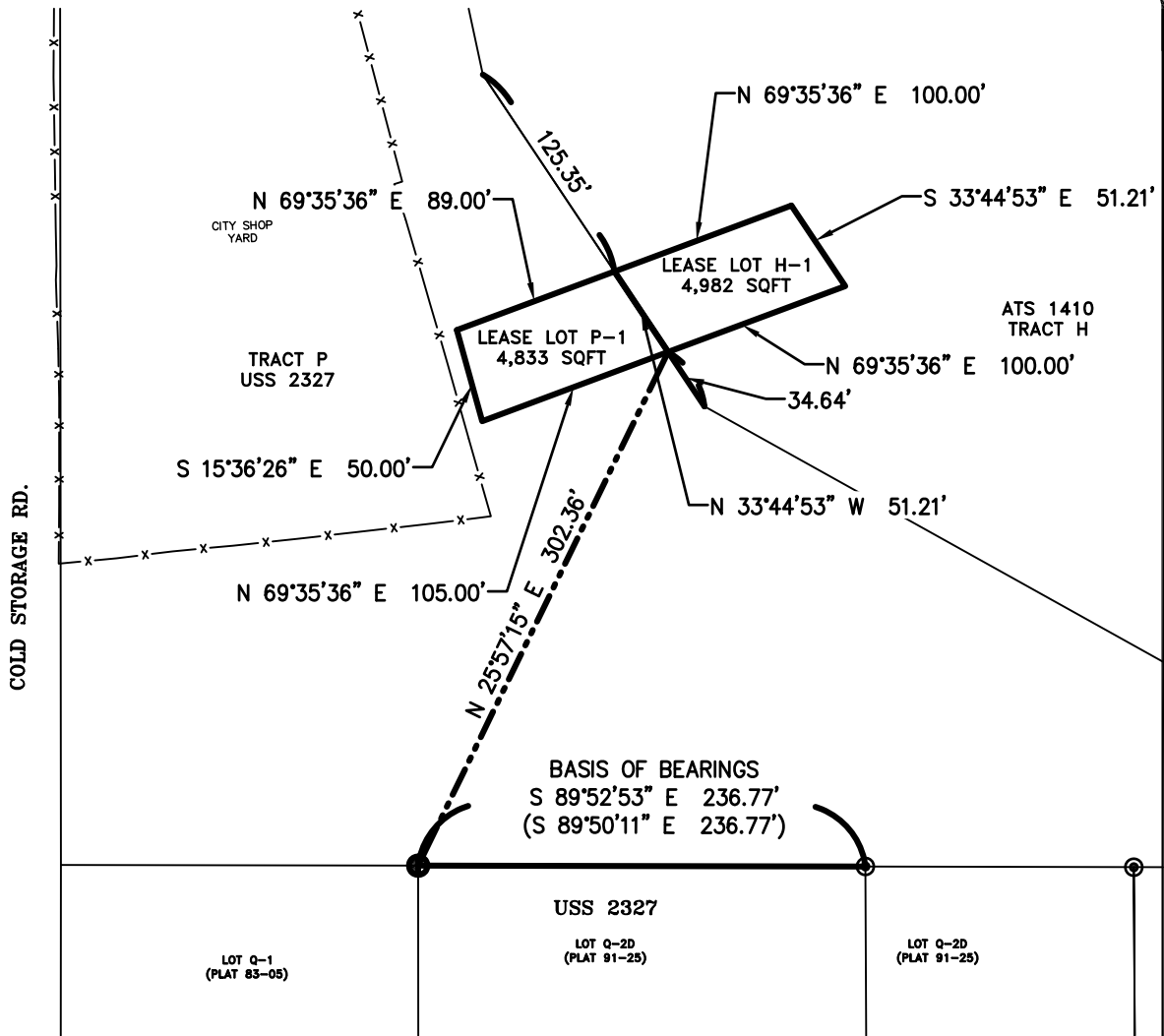
ACKNOWLEDGMENT BY CITY

STATE OF ALASKA)
) : ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this ____ day of _____, 2018, in _____, Alaska before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared JON BOLLING, the Administrator of the City of Craig, Alaska, to me known and known to me to be the person he represented himself to be and the same identical person executed the above and foregoing instrument on behalf of the CITY OF CRAIG, Alaska and who acknowledged to me that he had full power and authority to and did execute the above and foregoing as a free and voluntary act and deed on behalf of the City of Craig, and for the purposes therein mentioned.

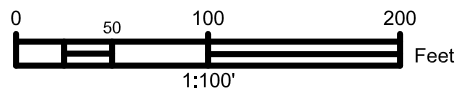
WITNESS my hand and official seal the day, month and year herein first above written.

Notary Public, State of Alaska
My commission expires:_____



TROJAN LEASE LOT P1 AND H1

U.S.S 2327, TRACT P AND
 ATS 141 TRACT H
 SEC 5, T74S, R81E, CRM



PROJECT NO. 132758	SCALE: 1" = 100'	DRAWN BY: C.G.P.	CHECKED BY: CGP	DATE: 6-21-17	SHEET NO. 1 OF 1
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