

November 13, 2012
Aleutians East Borough Assembly Meeting

CALL TO ORDER

Mayor Mack called the November 13, 2012 Assembly meeting to order at 6:30 p.m. at the AEB office building in Anchorage and by teleconference in each community.

ROLL CALL

Mayor Stanley Mack	Present
Paul Gronholdt	Present
Carol Foster	Present
Marvin Mack	Present
Bill Cumberlidge	Present
Ken McHugh	Present
Joe Bereskin, Sr.	Present
Brenda Wilson	Present

Advisory Members:

Nikki Hoblet, False Pass	Absent -Unexcused
Harold Kremer III	Present
Justine Gundersen	Present

A quorum was present.

Staff Present:

- Rick Gifford, Administrator
- Roxann Newman, Finance Director
- Tina Anderson, Clerk
- Ernie Weiss, Resource Director
- Laura Tanis, Communications Manager
- Anne Bailey, Community Development Director
- Jacki Brandell, Finance Assistant

Adoption of Agenda:

Bill moved to adopt the agenda and second by Brenda. There were no objections.

Community Roll Call and Public Comments on Agenda Items:

Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon, Sand Point, Anchorage office.

Paul Day, City of Sand Point Administrator, said city has not taken a formal statement. However, he feels the amount budgeted is low to fund the hovercraft for a year and needs to be looked at. He understands contract can be terminated in 90 days. Real dilemma for the AEB is requirement to provide marine link from Akun to Akutan, which is a tough choice. He is not sure if hovercraft right vessel to do that. Appropriating that kind of money to a single project for the marine link will drain AEB revenue for future infrastructure projects that all communities need. Hope the AEB looks at another option. He understands there is depth issues and can't easily apply any vessel, but feels AEB needs to consider other AEB communities.

Henry Mack, City of King Cove Mayor, said he spoke in work session and shares the same concerns as Paul Day.

Gary Hennigh, City of King Cove Administrator, said the things the AEB has done for King Cove and all AEB communities are commendable. The timing of this issue in front of you for the challenge you have in Akutan has big ramifications to King Cove. At the moment, King Cove is in political spotlight with EIS/land exchange. Somehow a hovercraft entered in and didn't work for King Cove and may work for others. Bottom line Secretary of Interior, Ken Salazar, holds our fate on the land exchange. We believe he is watching this very closely. His concern is that people are wrongly going to say that if the AEB can commit to a hovercraft at \$2-3M in Akutan then surely could have made it work in King Cove. This will give the Secretary of the Interior a chance to say King Cove probably deserve the road but may need to keep working to make the marine link work. He is very concerned that the decision made tonight is going to be the end of the process. Suggest putting contract in a holding pattern right now at this time to not work against us.

City of Sand Point Mayor, Martin Gundersen, thanked Assembly and Mayor for their efforts and contributions to the Sand Point harbor projects. Sand Point is in final phase in concept design of harbor renovations, which goes out to bid in January or February sometime. In regards to Akutan hovercraft, I know there are others that look for money from AEB. Speaking on Akutan behalf he supports their request in trying to get a marine link. However, to continue on for 20 years will be costly to AEB. Speaking for himself, he is in support for everyone to have transportation.

Joe Bereskin, speaking on behalf of Akutan as Mayor, appreciates concerns brought forth to the Assembly. He said he has been on the Assembly for a while and tries not to bring up the fact that what Akutan contributes to the AEB revenue is significant. Akutan puts a lot of tax dollars into the AEB from raw fish tax. Not too sure about the King Cove comments and does not see a tie there, but appreciates people coming forward to voice their opinion.

Minutes, October 4, 2012:

MOTION

Bill moved to approve the October 4, 2012 Minutes as presented and second by Brenda.
Hearing no objections, motion approved.

Minutes, October 15, 2012:

MOTION

Brenda moved to approve the October 15, 2012 Minutes and second by Bill. Hearing no objections motion approved.

Financial Reports, September, October 2012:

MOTION

Brenda moved to adopt the September and October Financial Reports and second by Carol.

DISCUSSION

The Administrator said he has reviewed the financial reports and requested a summary from the Finance Director.

In reviewing, the Finance Director said budget is going along well through the end of October. There will be changes made in December and revision changes on revenues will occur. So far, there is nothing out of the ordinary.

Paul said we have some excess revenues from FY12. In the past we have shared those revenues. Since \$3.5M Fund 22 expenditures, he asked if the FY12 surplus will be needed for this year's Fund 22 expenditures. The Administrator said he will have a better feel for it in January. Obviously we know expense side is going to go up to \$3M plus. At this time, not sure on revenues since no plane is flying to Akun yet. As a precaution he suggested holding onto surplus.

ROLL CALL

Carol-yes, Brenda-yes, Joe-yes, Marvin-yes, Paul-Yes, Ken-yes. Advisory: Harold-yes. **MOTION PASSED.**

Investment Reports:

Paul said, for the record, we lost some investment revenue under Fannie Mae Freddie Mac.

CONSENT AGENDA:

- Resolution 13-11, Adopting an alternative allocation method for the FY13 Shared Fisheries Business Tax Program for FMA 2.
- Resolution 13-12, Adopting an alternative allocation method for the FY13 Shared Fisheries Business Tax Program for FMA 3.
- Resolution 13-13, Approval of contract in the amount of \$102,180 to Harvey Consulting LLP for Resource Development Land Use Permitting System.
- Resolution 13-14, Supporting the City of False Pass CDBG Grant application for False Pass Generator Replacement Project.

MOTION

Paul moved to adopt the Consent Agenda and second by Ken.

DISCUSSION

Joe requested an explanation on Resolution 13-13. The Community Development Coordinator said AEB applied for grant in 2006, received a total of \$235,000. \$102,000 will go to Harvey Consulting, if approved, to assist with setting up the program. It went out to bid in September, received two RFP. Harvey Consulting will set up permitting process for resource development and help get it online.

ROLL CALL

Ken-yes, Paul-yes, Bill-yes, Brenda-yes, Carol-yes, Marvin-yes, Joe-yes. Advisory: Harold-yes. **MOTION PASSED.**

PUBLIC HEARING

Public Hearing Ordinance 13-03, Amending the FY12 budget (FINAL):

MOTION

Joe moved to approve Ordinance 13-03 and second by Brenda.

Mayor Mack opened for public hearing, hearing none public hearing closed.

ROLL CALL

Marvin-yes, Carol-yes, Brenda-yes, Paul-yes, Ken-yes, Joe-yes, Bill-yes. Advisory: Harold-yes.
MOTION PASSED.

OLD BUSINESS

Mayor Veto of amendment to Ordinance 13-02, FY13 Budget Ordinance Amendment:

Mayor Mack said that there was a motion to eliminate a department in AEB. He is exercising his right to veto that motion and has submitted a memo (in packet) on his reasons for his veto.

Carol said action was bad timing. The intent was to not jeopardize the whole budget. In saying that, she requested a workshop before our next budget and see if we can make cuts because that was the intent, to make cuts. We need to really look at the budget due to fishing and other things coming down the line like the hovercraft.

Justine said this is nothing personal, it is about the budget and trying to make some cuts and need to talk about these things. The Communications Director is a great person and it was just a budget issue. She supports having a budget workshop.

Paul asked the attorney Joe Levesque to explain the memo and what options we have.

The Attorney said he was requested by Mayor Mack to do memo. He explained the Mayor can veto the whole ordinance or just the motion to amend the budget. The Mayor decided that he wants to just veto just the amendment, not budget. The other amendments stand. He simply vetoed amendment using his power. Where it stands now that he has vetoed, the Assembly needs to decide what they want to do. Paul asked how much time allowed. Levesque said they can move to override now or next meeting. Paul said he does not plan to vote to override, and feels the budget will be fine.

Brenda asked if his veto isn't overridden, does the amendment go away. Levesque answered yes and added that when a motion is made during a public hearing that has a big change, the public has a right to have another public hearing.

Paul asked the AEB Attorney if any action is necessary if veto is overturned. Levesque said no action and if there is no override, the veto stands.

Approval of Contract in the amount of \$2.56M to Hoverlink for Akutan/Akun Hovercraft Operations:

MOTION

Ken moved to approve the Hoverlink contract in the amount of \$2.56M and second by Bill.

DISCUSSION

Paul does not believe the hovercraft is the best option for moving people from Akun to Akutan. Any financial scenario including mail with Essential Air Service (EAS) will be too many problems and cost too much money. So only sensible thing to do is vote down and get the parties together and negotiate a solution. He feels it will save money in the shortest time possible.

Marvin agrees with Paul. We are bidding for time for the King Cove access project, the road project has been a long process and he agrees with Paul, the hovercraft is not going to work. Money wise it is going to drain revenues and not fair to other communities, schools, etc... He feels we have to bide time until we can work out a plan B.

Carol agrees it is very expensive at \$2.5M plus for operating costs. She does not agree that the King Cove access project should be linked to this project. King Cove/Cold Bay access is going to be there and is down the road. We had this discussion with King Cove and were very adamant about the cost in King Cove being \$900,000 in debt when we ended it. She agrees with Paul that the entities need to find a better solution because we know that the hovercraft is not the best solution. At this time, they are the only community that does not have service. She feels this is wrong and they need to have service like everyone else and there has to be a solution.

Mayor Mack said Plan B is in the works and they have been working on it. Akutan did have an option with the Goose but that option is gone now. They are the only community without transportation right now, except by vessel. He recommends that we approve the contract. We have a 90 day clause in there that allows us to pull out. Meantime, the Assembly can direct administration to fast track an alternative mode of transportation since we know the hovercraft is not going to be the solution.

The Administrator said he has to admit when numbers started coming together it was a big wow. He understands Paul's concerns. The difficulty is these kinds of situations are the ramifications and political ramifications it can cause. He has to refer to Gary Hennigh on King Cove issue because Gary has been involved the longest and can see what that can do. He suggests considering the impact to AEB and the communities in the AEB when making a decision. It could mean no funding for a while. He agrees with Mayor Mack and suggested the Assembly give direction on looking at other alternatives and work with the state and Trident. Another option is postponing this for a couple months to not have an impact on King Cove Access project. He cautioned the Assembly to think hard on this. Carol asked for his recommendations. The Administrator said his recommendation is either postpone decision or approve contract with the direction to move on an alternative. AEB can exercise 90 days termination of contract.

Paul prefers to approve and exercise the termination of 90 days. The Administrator pointed out that once you say termination Hoverlink would be in shutdown mode.

Harold said the whole thing is costly but we do have an obligation to the city of Akutan and state of Alaska on agreement we signed. If we follow through with Gronholdt suggestion of termination in 90 days option, would we have an alternative in place in 90 days? The Administrator said it would be difficult to have something in place by then. Harold supports signing for one year and then have the alternative plan ready to go.

Carol asked when the EAS and airline flights are going to happen. Joe said it sounds like Grant Aviation will get EAS and will have a scheduled flight to Akutan, but nothing official has come out yet.

Rick said his understanding is the EAS contracts are being fine-tuned and close to getting signed. The hurricane slowed things down back east. Mail is not going to be big revenues for hovercraft but will pay the tariff of 50 cents. It would behoove the AEB to get a piece of that EAS contract, may be

difficult but might be worth it. He added that the postal service authorized Grant Aviation to do on-demand charters to get mail in.

AMENDMENT

Paul moved to change contract to a 90 day contract until February 11th. Second by Bill.

FURTHER DISCUSSION

Paul said we are not following code by operating without a contract. Levesque said you have a contract that has been negotiated by two parties, which means that tomorrow Hoverlink can say you are in breach and can pull out now since you are making a unilateral change.

Lobbyist Mark Hickey said that there is about \$2M reimbursement from the state, which has not been received yet. There is also a concern about impacting AEB reputation for future funding.

Ken said we have to look at an alternative but come February 1 we are not going to have an alternative in place, a lot of unknowns at this time. He feels strongly that we approve the contract as is and follow up with a strong study of an alternative. At this point, the amendment is basically closing down the hovercraft and not fulfilling our obligation and not having an alternative in place.

Brenda expressed her concern that the amendment impacts people that do not have a service and feels we need to take care of the people there. She added that three months is not going to fix the problem and need to consider future funding from state. She said if King Cove had wind and ice issues and the hovercraft could not travel, there is going to be many days that Akutan won't be able to use the hovercraft also.

Mayor Mack is concerned that if we serve notice the reimbursement funding will go away and infrastructure will not be put in place. He is reluctant to move forward with discontinuation at this time.

Paul asked the AEB Attorney to clear things up on hovercraft operation. AEB Attorney Joe Levesque clarified by saying, a lot of things going on and we need to buy a little time. He has reviewed the Hoverlink contract. He said Assembly has appropriated money in the budget and approved conceptually that we were going to work with Hoverlink and fulfill our promise that we would have a marine link in place September 1. Only way Hoverlink has agreed to work with the AEB is because we have a MOU in place and that Hoverlink is assured that they are going to get paid for what they are doing. If this is postponed or tabled for indefinite period of time we don't know what Hoverlink is going to do. The Administrator could extend this MOU to February and explain to Hoverlink. The Assembly has spoken, it holds the purse strings and is authorized to take a pause and continue to work with Hoverlink.

MOTION

Paul moved to table Hoverlink contract until February. Second by Carol.

ROLL CALL

Paul-yes, Joe-no, Marvin-yes, Ken-yes, Brenda-yes, Carol-yes, Bill-yes. Advisory: Harold-yes.

MOTION PASSED.

MOTION

Paul moved to authorize to continue to work with Hoverlink to extend with MOU through February.
Second by Marvin.

DISCUSSION

Paul said this continues to keep operation the same as we are doing and right at the moment seems to make sense.

ROLL CALL

Marvin-yes, Ken-yes, Brenda-yes, Bill-yes, Joe-no, Carol-yes, Paul-yes. Advisory: Harold-yes.

MOTION PASSED.

NEW BUSINESS

Capital Projects Priority List – Discussion Only:

MOTION

Paul moved to amend Capital Projects Priority List by adding Cold Bay dock rebuild and wave barrier #2, moving subsidy to Akutan to bottom of list. Second by Bill. There were no objections, **MOTION PASSED.**

DISCUSSION

Paul said last year we had both Cold Bay items on priority list and they were numbered at five and eight. He felt there may be some savings in engineering costs by combining the Cold Bay dock rebuild and a wave barrier.

The Community Development Coordinator said additional projects brought up were Nelson Lagoon dock repairs, Cold Bay wave barrier and Sand Point harbor floats.

She added that Nelson Lagoon dock has \$3.4M in insurance property coverage. So, if there is damage she requested Justine get damage reported. In 2010 docks were \$3M, presently it would have a 5.5% increase. She said that the Nelson Lagoon Dock Agreement is also outstanding. In regards to a wave barrier, there was a study done although not sure where it is at this time.

Transportation Link – Discussion Only:

No discussion

Nelson Lagoon Advisory Member Appointment:

MOTION

Brenda moved to appoint Justine Gundersen as Nelson Lagoon Advisory Member for the remainder of this year and 2013. Second by Ken.

Donation Requests:

City of Sand Point – Community Playground Funding Request of \$1,000:

MOTION

Marvin moved to accept and second by Carol.

DISCUSSION

Carol supports funding, the equipment there is really bad, it has gravel on the ground and kids get hurt. City of Sand Point Mayor said kids use the playground extensively and this is a project that Sand Point City Clerk, Jade Cromer has been working on.

ROLL CALL

Paul-yes, Brenda-yes, Joe-yes, Carol-yes, Bill-yes, Marvin-yes, Ken-yes. Advisory: Harold-yes, Justine-yes. MOTION PASSED

REPORTS AND UPDATES

Paul thanked staff for the real good reports.

Cold Bay airport terminal lawsuit: The Administrator said the lawsuit has settled. AEB asked for \$1.5M for building damages repaired by AEB. There was a countersuit for \$400,000, that has gone away and AEB will receive \$600,000 check.

ASSEMBLY COMMENTS

Carol said discussion on Sand Point new harbor, for the record, it is time to help finish that and it would behoove AEB to get the projects done and then turned over to its rightful owners.

PUBLIC COMMENTS

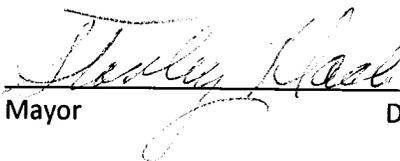
Dick Jacobsen said in regards to the hovercraft discussion, that hovercraft worries him out there. If you get a wind against the tide someone is going to get hurt on that hovercraft. AEB needs to come up with a better solution than that. He put his fishing vessel under water by missing the tide, he does not believe the hovercraft is going to work.

NEXT MEETING DATE & TIME

In December, date and time to be determined later.

ADJOURNMENT

There was no more business, meeting adjourned at 8:53 p.m.



Mayor Date



Clerk Date