

CALL TO ORDER

Mayor Alvin D. Osterback called the Assembly meeting to order at the Anchorage office building and by teleconference on December 14, 2017 at 3:31 p.m.

ROLL CALL

| | |
|--------------------------|----------------|
| Mayor Alvin D. Osterback | Present |
| Chris Babcock | Present |
| Carol Foster | Present |
| Warren Wilson | Absent-Excused |
| Josephine Shangin | Present |
| Paul Gronholdt | Present |
| Brenda Wilson | Absent-Excused |
| Chris Emrich | Present |

Advisory Members:

| | |
|----------------------------------|---------|
| Angela Simpson, Cold Bay | Present |
| Justine Gundersen, Nelson Lagoon | Present |

A quorum was present.

Staff Present:

Roxann Newman, Finance Director
Jacki Brandell, Finance Assistant
Tina Anderson, Clerk
Anne Bailey, Administrator
Laura Tanis, Communications Director
Ernie Weiss, Resource Director
Mary Teshe, Administrator Assistant
Charlotte Levy, Administrative Assistant

Adoption of the Agenda:

MOTION

Paul moved to adopt the agenda with the additions below:

- Remove Resolution 18-13 from Consent Agenda, move to Resolutions.
- Remove Introduction of Ordinance of 18-02 from Consent Agenda, move to New Business.
- Add Resolution 18-20, Western Gulf of Alaska Pollock trawl fishery.

Second by Carol. Hearing no objections MOTION PASSED.

Swearing in newly appointed Assembly Member, Chris Emrich:

Newly appointed Assembly Member, Chris Emrich, was sworn in, taking the Oath of Office.

Community Roll Call and Public Comments on Agenda Items:

The communities of King Cove, Nelson Lagoon and the Anchorage office were participating by teleconference, and also broadcast over KSDP radio. There were no public comments.

Minutes, November 9, 2017 Assembly Meeting Minutes:

MOTION

Carol moved to approve the November 9, 2017 Minutes and second Chris B. Hearing no more MOTION PASSED.

Financial Report, November:

MOTION

Chris B. moved to approve the November Financial Report and second by Carol.

DISCUSSION

The Administrator said the November financial report is tracking along at 30-40%. The Finance Director added that revenues are tracking at 60%.

Chris E. requested information on Fund 40, Interest Revenue of \$1.3M. Finance Director said it is the permanent fund investments interest, which does not include the month of November.

ROLL CALL

Carol-yes, Chris E.-yes, Paul-yes, Chris B.-yes, Josephine-yes. Advisory: Angela-yes, Justine-yes. MOTION PASSED.

October, Investment Report.

In packet.

Paul said during the work session, the investors asked AEB to review the investment policy. Mayor Osterback said we are looking at a February budget workshop, so that would be a good time to address the investment policy.

CONSENT AGENDA

- Resolution 18-14, adopting an alternative allocation method for the FY18 Shared Fisheries Business Tax Program for FMA 2.
- Resolution 18-15, adopting an alternative allocation method for the FY18 Shared Fisheries Business Tax Program for FMA 3.
- Resolution 18-16, recognizing Ken McHugh for his years of service as an Assembly Member.

MOTION

Paul moved to adopt the Consent Agenda and second by Chris B.

ROLL CALL

Paul-yes, Josephine-yes, Chris E.-yes, Chris B.-yes, Carol-yes. Advisory: Justine-yes, Angela-yes. MOTION PASSED.

PUBLIC HEARING

Public Hearing Ordinance 18-03, Amending Title 3 to add 3.02.031, Surplus Property.

MOTION

Josephine moved to adopt Ordinance 18-03 and second by Chris B.

DISCUSSION

Attorney Joe Levesque reviewed Ordinance 18-03, saying this is an ordinance people in the community thought was important. When AEB has surplus property to dispose of, this ordinance provides a procedure on how to deal with it. Surplus property could be sold to the highest bidder once or twice a year.

Mayor Osterback opened for Public Hearing. Hearing none, Public Hearing closed.

Chris E. asked if the surplus resolution that will come before the Assembly will have a minimum dollar amount requirement. Levesque said we will see how this works before that language gets considered.

Carol asked if we have a lot of surplus material. Mayor Osterback said not at this time, as things age we will have some. Feels this ordinance will work fine. If we get big items, we can schedule it before the Assembly, as needed. Chris B. supports the ordinance saying people have approached him about material not going out to the public for bid. Feels it is a good policing tool.

Josephine asked if we have an inventory. Mayor Osterback said that he plans to assess all AEB property so we know where we have property, what the value is, so we can budget for replacement. It is a work in progress.

ROLL CALL

Chris B.-yes, Paul-yes, Josephine-yes, Carol-yes, Chris E.-yes. Advisory: Justine-yes, Angela-yes. MOTION PASSED.

RESOLUTIONS

Resolution 18-17, a resolution of the Aleutians East Borough Assembly approving a grant to the City of Akutan for the Akutan Harbor Utility Project in an amount not to exceed \$212,500:

The Administrator said Akutan recently submitted a Community Development Block Grant (CDBG) requesting \$850,000 for Phase One of the Akutan harbor utility project to provide utilities to current float and design for future float. The total cost is \$1.8M across two years. CDBG requires a 25% match. The city requested a letter of commitment from AEB for the match. AEB drafted a letter of commitment, contingent on Assembly approval. She said there is an Akutan harbor contribution line item in the budget with \$259,000 meant to be used for construction of harbor float or for utilities, so can enter into a grant agreement with the City of Akutan.

MOTION

Carol moved to approve Resolution 18-17 and second by Josephine.

Mayor Osterback said under Akutan projects, grant money set aside for harbor functions. The Administrator said Akutan float system cost was \$6M. The Borough attempted to apply for a state Harbor Facility Grant and this money was originally contribution money from Akutan for the float project that did not get completed due to lack of funding. Paul asked how power lines will get to the harbor. The Administrator said Phase 1 is for the design phase.

ROLL CALL

Chris E.-yes, Josephine-yes, Carol-yes, Chris B.-yes, Paul-yes. Advisory: Angela-yes, Justine-yes. MOTION PASSED.

Resolution 18-18, a resolution of the Aleutians East Borough Assembly authorizing the Borough Mayor to negotiate and execute an agreement with Hoverlink, LLC:

MOTION

Chris B. moved to approve Resolution 18-18 and second by Josephine.

DISCUSSION

The Administrator said Resolution 18-18 authorizes the mayor to negotiate an agreement with Hoverlink. AEB received an offer from a company in Kazakhstan to purchase the hovercraft for \$4.44M. The agreement says, after 20 months, the AEB could potentially be required to buy it back at 50% of the sale price. Hoverlink is willing to take the risk to pay back 50% of sale cost. Resolution 18-18 authorizes Hoverlink, the broker for the hovercraft, to take the risk for the buyback cost, if that were to occur. For Hoverlink to take that risk, it will cost AEB \$200,000. This agreement will only come into place once the hovercraft sale amount is received. Company in Kazakhstan would have to return the hovercraft to original state, if any retrofits, and pay for shipping costs back. Hoverlink can then re-sell it.

Mayor Osterback said, if we take the money and the risk, AEB would have to put half of the money in escrow and wait for 20 months in case the hovercraft is returned. He recommends approval of Resolution 18-18.

Joe Levesque said, once AEB receives the \$4.44M, AEB would pay Hoverlink \$200,000 for buyback risk, plus 5% broker fee that was already agreed upon.

Chris B. asked if they can still come back and tie AEB into litigation. Levesque said no, Hoverlink would assume all the risk.

Paul wants to make sure we are not liable for anything at all. He suggested using a maritime attorney to ensure zero chance to have to go to an international court. Levesque said the sale will be final. Paul asked if escrow money was received. The Administrator said yes, a retainer of \$215,000 per letter of intent, has been deposited with escrow agent, Kim Marine Documentation Inc. AEB has until January 5 to make a decision.

Mayor Osterback said if Assembly approves, the documents can be in the mail tomorrow. If they decide not to purchase the hovercraft, they lose their escrow. Resolution 18-19 is the agreement with Circle Maritime Invest. Paul asked when the \$4.44M would be received.

The Administrator said the Resolutions authorizes mayor to execute. We have drafted the agreement to present to Circle Maritime Invest, if this resolution is approved. Circle Maritime Invest wants the craft by March. According to our letter of intent, if Resolution 18-19 is approved, then escrow funds are not refundable.

Mayor Osterback said, if approved, we agreed to allow them to use the hangar until March, but it will then become their responsibility. After that date, we can assess a fee. They have entered into an agreement with an oil company and will be doing modifications on the craft.

Paul asked when our liability is over. Mayor Osterback said when the money is received. Levesque said, when we get to the contract, we will get a maritime attorney review. Mayor Osterback feels we covered everything necessary.

Josephine asked if there is any other interest to purchase the hovercraft. The Administrator said a lot of interest, but no other offers.

Chris E. asked what the cost of storage is. The Administrator said storing the hovercraft does not cost money, but we do pay insurance and depreciation will occur.

Chris B. asked if Circle Maritime Invest has inspected the hovercraft. Mayor Osterback said they have inspected, know what shape it is in, and all the spare parts available.

ROLL CALL

Paul-yes, Chris B.-yes, Carol-yes, Josephine-yes, Chris E.-yes. Advisory: Justine-yes, Angela-yes. MOTION PASSED.

Resolution 18-19, a resolution of the Aleutians East Borough Assembly authorizing the Borough Mayor to negotiate and enter into a purchase/sale agreement with JSC "Circle Maritime Invest" for the used hovercraft named SunaX, including spare parts and materials in the amount of \$4,440,000 with a return for credit option by the Borough or its agent:

MOTION

Chris B. moved to approve Resolution 18-19 and second by Josephine.

DISCUSSION

The Administrator said the official offer with JSC "Circle Maritime Invest", for the used hovercraft is \$4.44M with a return option at 50% cost. They sent a letter of intent in December. Letter of intent was for \$4.27M. We negotiated to \$4.44M. Retainer of \$215,000 has been received. Upon approval we will begin negotiations of contract.

Josephine asked why Hoverlink would take the risk. Mayor Osterback said if it came back in the shape it went there, as required, Hoverlink can sell at a profit.

Paul, for the record, said when we purchased the hovercraft he had asked if we would get the value back, if we sold. He was assured, at that time, we would get the value back.

Chris B. said, since this money was given to us by the government, he asked if there are any obligations to the government, to return the money. Levesque said AEB lobbyist, Brad Gilman, said there are no strings attached to this money. AEB also purchased an extra engine, sold it and there was no issue.

ROLL CALL

Chris B.-yes, Paul-yes, Carol-yes, Josephine-yes, Chris E.-yes. Advisory: Angela-yes, Justine-yes. MOTION PASSED.

Resolution 18-13, authorizing the mayor to negotiate and execute a contract agreement with Hickey and Associates for lobbying/consulting services for 2018:

MOTION

Carol moved to approve Resolution 18-13 and second by Josephine.

DISCUSSION

The Administrator said Resolution 18-13 authorizes the mayor to negotiate a contract for state lobbying services with Hickey and Associates for 2018. His contract ends on December 31. The contract before you is January 1 through December 31, 2018. Current pay is \$3,500 per month with reimbursement for preapproved extraordinary out-of-pocket expenses.

Paul asked if there have been any reimbursements. The Finance Director said it is not a normal occurrence to receive reimbursement requests. Paul felt it is good policy to go out to bid once in a while for lobbyists and attorney. Hickey and Associates does a great job but probably also works for other communities in AEB, which could cause a conflict, and the lobbyist might have to decide which project is more important for state funding. Even if we move ahead this year, he suggests considering going out to bid in the future.

Mayor Osterback said we can review the registered state lobbyist list that handles municipalities and can bring that information back to the Assembly next time.

ROLL CALL

Josephine-yes, Carol-yes, Chris E.-yes, Paul-yes, Chris B.-yes. Advisory: Angela-yes, Justine-yes. MOTION PASSED.

Resolution 18-20, Assembly supporting Western Gulf of Alaska Pollock trawl fishery, 58' vessel size limit:

Paul moved to adopt Resolution 18-20 and second by Chris B.

Paul said NPFMC discussion paper was on lowering trip limits from 300,000 lbs. to 200,000 lbs. for Pollock. The Alaska Dept of Fish & Game Commissioner, Sam Cotton, proposed adding a 58' vessel size limit to the discussion. Paul suggested the Assembly approve a resolution of support. The proposal will be in the NPFMC discussion paper in eight to ten months. He added that AEB fishermen are in support of the proposal.

Resource Director, Ernie Weiss, said there were several fishery discussion papers. One was a WGOA Pollock trip limit from 300,000 to 200,000 lbs., one option was to combine the

Pollock A & B and C & D Seasons, and the other was 58' vessel size limit. Weiss added that AEB fleet is a 58 foot dominant fleet and he supports approval of Resolution 18-20.

ROLL CALL

Carol-yes, Paul-yes, Chris B.-yes, Chris E.-yes, Josephine-yes. Advisory: Angela-yes, Justine-yes. MOTION PASSED.

OLD BUSINESS

NEW BUSINESS

Introduction Ordinance 18-02, amending chapter 2.16.101, Mayor and adding new Chapter 2.18.010, Borough Administrator:

AEB Attorney, Joe Levesque, reviewed Ordinance 18-02 saying originally we drafted an ordinance putting mayor and administrator under the same section. He separated the two, showing what the mayor does and that he may appoint an administrator. Section 2.18.010, AEB Administrator, shall be appointed by the mayor and will supervise all departments. This is a strong mayor form of government, that can hire and fire at the pleasure of the mayor. Powers and duties are under the new section. Ordinance 18-02 cleans up the ordinance, putting the Borough Administrator section back in.

MOTION

Chris B. moved to accept and set for Public Hearing at the next regular Assembly meeting and second by Chris E.

DISCUSSION

Paul supports.

Josephine asked if it could say, employment-at-will. Levesque said employees that are appointees of the mayor are at-will, but all other employees are not at-will. The language in ordinance states the administrator works at the pleasure of the mayor. Some employees are exempt from that, requiring a cause to fire. Mayor Osterback said in regards to other classified employees, we have an employee handbook that we plan to update soon.

Paul noted that the AEB has entered into a contract with the Administrator, May 2017-May 2019.

ROLL CALL

Carol-yes, Chris B.-yes, Paul-yes, Josephine-yes, Chris E.-yes. Advisory: Angela-yes, Justine-yes. MOTION PASSED.

2018 Advisory Appointments:

The Administrator said before the Assembly are letters of recommendation from Nelson Lagoon and Cold Bay for Aleutians East Borough Advisory Members, recommending Justine Gundersen and Angela Simpson as 2018 Advisory Members.

MOTION

Paul moved to accept the two nominations second by Josephine. Hearing no objections,
MOTION PASSED.

REPORTS AND UPDATES

Borough bond capacity: AEB Attorney, Joe Levesque, said he contacted Chip Pierce, the Financial Advisor for the Alaska Municipal Bond Bank. He said AEB has \$27M in bonds, but doesn't say what the capacity is. The financial advisor said, if AEB needed \$2-3M, felt there would be no problem. An in depth analysis would have to be done at that time to determine how much AEB can afford. If GO Bond, it would also have to go before the voters.

AEB Planning Session: The Administrator said the Planning Session is going well with the Assembly and communities. Very valuable and informational. Beneficial for staff and the Assembly. Also, making communications and transparency better.

Salmon limited entry permits: Mayor Osterback said he attended a meetings as an Assembly Member with the University of Alaska regarding the "graying of the fleet" and permits leaving rural areas. The Governor asked for ideas to retain salmon limit entry permits in rural communities. After attending a few meetings, he put together some recommendations. When he became mayor, he requested Laura Tanis research the concept of having an additional name on limited entry permits. Once completed, he will distribute to the Assembly to discuss.

Resource Director Report:

- AEB has contracted with Eric Volt to fill the Resource Analyst position, starting Feb 2018. Board of Fisheries Area "M" meetings are February 2019, and proposals due April, 2018.
- Annual winter fisheries enforcement meeting is scheduled December 28.
- NPFMC, had great testimonies and a great outcome on the 58' vessel size limit for GOA Pollock.
- Total Allowable Catch dropped. Cod decreased 80%, Pollock decreased 21%, Bering Sea Cod 16%, Bering Sea Pollock stayed the same.
- Trident Seafood's said there might be an increase in price for Pollock.

NPFMC Report by Assembly Member, Paul Gronholdt: Gronholdt reported that the new Advisory Panel appointments were made. Biggest items on agenda was the Bering Sea cod onshore/offshore issue trying to take away from onshore deliveries, Gulf of Alaska cod declining 80%, and the 58' vessel size limit for Pollock to be considered in the WGOA. Weiss also got re-appointed back to the Advisory Panel.

Communication Director Report:

- Laura Tanis travelled to Washington D.C. to attend a hearing along with Gary Hennigh, Angela Simpson, Etta Kuzakin and Della Trumble. The purpose was to get the U.S. Coast Guard on record for King Cove rescues.
- Tanis said she is also doing research on salmon limited entry permits. She will review what the State of Washington has done and discuss with State of Alaska Commissioners.

Assembly Member, Chris Babcock asked about the CNN report on the King Cove road. Tanis said the report was very biased against us, but not as bad. She plans to work on a myth vs. facts sheet. Chris B. asked about the three people that walked from Cold Bay to King Cove from Alaska magazine and New Yorker magazine. Tanis will find out more information.

Administrator Assistant Report:

- She attended the Corps of Engineer meeting on Akun break water project with the Administrator, Mayor Osterback and folks from Akutan. Corps recommended some preliminary work to be done that she will be working on, prior to funding becoming available.
- Applying for Rasmussen grant for \$375,000 for the Cold Bay clinic replacement.
- Attended AML. Of interest to the Borough was the opioid task force discussion and possibly having a couple people come out to the Borough to talk about opioid addiction, to see what can be done for prevention.
- 329 passengers transported on helicopter for the season.

ASSEMBLY COMMENTS

Paul said there was an audit presentation at the work session, and thanked the Finance Director for doing a great job.

Josephine thanked the staff for the Planning Session, felt it is a nice start as a newly elected Assembly Member.

Chris B asked whether AEB has considered bonuses around Christmas for AEB staff. He added the City of King Cove gave bonuses to their employees. The city of King Cove does some cost-of-living, but if things are looking good financially, feels we should reward our employees.

Justine said she has been with the Borough since its formation and feels bonuses are a good idea. The employees that work for the AEB are dedicated. Paul said we have to be clear about government, which is different than private. Suggested getting guidance prior to doing that. Justine said she is on a lot of boards, and she recommends supporting. Paul felt it should be an agenda item, not just a discussion. Chris B. said if we can do it, suggests putting it on the agenda. Mayor Osterback said we can put on as an agenda item, if the Assembly wants, after the attorney reviews.

MOTION

Chris B. moved to give a directive to put employee bonuses on the agenda at the next Assembly meeting, and second by Chris E. There were no objections, MOTION PASSED.

MOTION

Carol moved to give a directive to look at a salary increases for the Finance Director and Clerk. Second by Chris B.

DISCUSSION

Chris B. supports taking good care of AEB employees.

Paul suggested reviewing further. Alvin suggested having our legal counsel explore and bring back recommendations.

Justine said the employees have been doing the best job. She suggested moving forward with increases, it is important to our staff, and they have been faithful employees. Mayor Osterback said we will have recommendations brought back to us by our legal council, for the January Assembly meeting.

Hearing no objections, MOTION PASSED.

PUBLIC COMMENTS

City of King Cove Mayor, Henry Mack, said it is good to hear that the hovercraft is being sold. He also supports the surplus property ordinance, and congratulated Chris Emrich on his appointment to the Assembly. He said the King Cove hydro-electric is producing 100%; and the community jingle bell rock is hidden somewhere, with an \$800 prize for the person who finds it.

Mayor Osterback thanked everyone for attending the Planning Session. He wants more Assembly participation in the decision making. He feels it is healthier to have a well-informed Assembly, having the public be able to go to their elected officials with their concerns and issues to be brought back to the Assembly.

NEXT MEETING DATE:
January 11.

ADJOURNMENT
Chris B. moved to adjourn and second Chris E.
5:24 p.m.



Mayor Alvin D. Osterback



Tina Anderson, Clerk

Date: 1/14/18