Aleutians East Borough
Special Assembly Meeting

Meeting: Thursday, January 8, 2015 – 3:00 p.m.
Roll Call & Establishment of a Quorum
Adoption of Agenda
Agenda
Assembly Special Meeting
(packet available on website www.aleutianseast.org)

Date: Thursday, January 8, 2015

Time/Location: Meeting: 3:00 p.m. - By teleconference in each community location below:
King Cove AEB office False Pass city office
Sand Point – AEB office Akutan city office
Nelson Lagoon Corp. Cold Bay city office - library
AEB Anchorage office (3380 C St)

ASSEMBLY MEETING AGENDA

All communities will be provided with conference calling information for the designated location in your community. Public comments on agenda items will take place immediately after the adoption of the agenda.

1. Roll Call & Establishment of Quorum.
2. Adoption of the Agenda.
3. Community Roll Call and Public Comment on Agenda Items.
4. Resolution 15-12, a Resolution, of the Aleutians East Borough Assembly authorizing the Borough Mayor to enter into a purchase/sale agreement with Cruz Marine, LLC for the used hovercraft vessel named Sunax, including spare parts and tools in the amount of $4,500,000.
5. Resolution 15-13, a Resolution of the Aleutians East Borough Assembly opposing the nomination of the Aleutian Islands National Marine Sanctuary.
6. Approval of Letter of Support for Sam Cotten as ADFG Commissioner.
7. Next Meeting Date and Time.
8. Adjournment
Community Roll Call & Public Comment on Agenda Items
Agenda Statement

Meeting Date:

To: The Honorable Mayor Mack and Borough Assembly

From: Rick Gifford, Administrator

Re: Sale of Hovercraft SunaX

The Aleutians East Borough (AEB) owns a Kvichak Marine Industries built BHT-150 Hovercraft named SunaX (Doc. #1190205) and spare parts, tools and equipment which are located at its hangar in Akutan, Alaska. The SunaX has been used to haul passengers between the communities of King Cove and Cold Bay and most recently, between the Akutan Airport on Akun Island and the community of Akutan. AEB discontinued the hovercraft operations in February, 2014 and has stored the vessel in the hangar at Akutan. The Assembly authorized the sale of the hovercraft, Invitations for Bid (IFB) were issued in May and on June 10, 2014 two bids were received. After reviewing the bids and based upon the advice of the Borough Attorney, AEB rejected all bids as the bids were below the $6 million minimum bid set in the IFB. There were approximately 22 IFB’s sent out to various entities.

Based on recommendations from the Borough Attorney and the Borough’s Code of Ordinances that allows AEB to negotiate the sale of used vessels and equipment, AEB through its sales agent, Kvichak Marine Industries (KMI), met with the two bidders and other interested parties to provide additional information about the hovercraft and negotiate a sale.

Attached is a Letter of Intent (LOI) from Cruz Marine, LLC (CML) to purchase the hovercraft SunaX and related spare parts and tools for $4,500,000. A deposit of $150,000 has been received from CML. CML plans to do a final inspection of the SunaX after Assembly approval of the sale and prior to closing. Once the Borough Assembly approves the sale, the deposit becomes non-refundable unless final inspection determines damage to the vessel that was unknown during the initial inspection. Closing date would be no later than February 27, 2015 and the vessel would then be insured by CML and the agreement will include a “hold harmless” clause while the vessel is stored in the Borough’s hangar in Akutan. Removal of the vessel will occur by July 1, 2015.

The administration recommends the Assembly authorize the Borough Mayor to enter into a Purchase/Sale Agreement with Cruz Marine, LLC for the used vessel SunaX, including spare parts and tools in the amount of $4,500,000.
RESOLUTION No. 15-12

A RESOLUTION OF THE ALEUTIANS EAST BOROUGH ASSEMBLY AUTHORIZING THE BOROUGH MAYOR TO ENTER INTO A PURCHASE/SALE AGREEMENT WITH CRUZ MARINE, LLC FOR THE USED HOVERCRAFT VESSEL NAMED SUNAX, INCLUDING SPARE PARTS AND TOOLS IN THE AMOUNT OF $4,500,000.

WHEREAS, the Aleutians East Borough (AEB) owns a Kvichak Marine Industries built BHT-150 Hovercraft named SunaX (Doc. #1190205) and spare parts, tools and equipment located at its hangar in Akutan, Alaska; and

WHEREAS, the vessel has been certified and operated as a USCG Subchapter “T” boat carrying passengers between the communities of King Cove and Cold Bay and between the Akutan Airport on Akun Island and the community of Akutan; and

WHEREAS, AEB desires to sell the vessel, including spare parts and tools and issued an Invitation for Bids (IFB) receiving two bids on June 10, 2014 that were rejected as the bids were below the $6 million minimum bid set in the IFB; and

WHEREAS, approximately 22 IFB’s were sent out to various entities showing interest in the vessel; and

WHEREAS, AEB Code allows the Borough to negotiate sales of used vessels, so AEB continued to work with its sales agent, Kvichak Marine Industries (KMI), who contacted interested parties; and

WHEREAS, Cruz Marine, LLC has issued a Letter of Intent (LOI) to purchase the Hovercraft SunaX and related spare parts and tools at the price of $4,500,000.

NOW, THEREFORE, BE IT RESOLVED THAT the Aleutians East Borough Assembly hereby authorizes the Borough Mayor to enter into a Purchase/Sale Agreement with Cruz Marine, LLC for the used vessel SunaX, including spare parts and tools in the amount of $4,500,000.

PASSED AND APPROVED BY THE ASSEMBLY OF THE ALEUTIANS EAST BOROUGH on this _______ day of January, 2015.

IN WITNESS THERETO:

By: ________________________        ATTEST:__________________________
    Stanley Mack, Mayor                                   Tina Anderson, Borough Clerk
December 22, 2014

Mr. Rick Gifford
Administrator
3380 C St., Suite 205
Anchorage, AK 99503
(907) 274-7566

Subject: Letter of Intent for the Purchase of SunaX Hovercraft (Model BHT-130) & Spare Equipment/Materials.

Dear Mr. Gifford,

Cruz Marine LLC ("CML" or "Buyer") is pleased to present you with this Letter of Intent ("LOI") which defines the general framework for a separate Vessel Purchase Agreement ("Purchase Agreement") pursuant to which CML would buy and Aleutians East Borough ("AEB" or "Seller") would sell a BHT-130 Hovercraft ("Hovercraft") "as is where is", as further defined in the May 15, 2014 IFB Document provided by Kvichak Marine Industries on behalf of the AEB, and the Spare Equipment/Materials ("Spare Equipment Materials") also listed in the May 15, 2014 IFB. The Hovercraft and Spare Equipment/Materials are sometimes referred to collectively as the "Property."

The general framework of the Agreement would cover the following items:

- SunaX Hovercraft Price: $4,300,000.00
- Spare Equipment/Materials: $200,000.00
- Total Vessel Purchase Price with Spare Equipment/Materials: $4,500,000.00
- Initial refundable deposit ("Deposit") due upon Sellers concurrence to proceed below: $150,000.00
- Net cash at Closing ("Closing") by wire transfer to Seller: $4,350,000.00

Buyer shall make the Deposit with Kim Marine, Seattle, Washington on the date of execution of this LOI. Kim Marine shall act as escrow agent for the transaction.

Closing Date no later than February 27, 2015 EBD.

Purchase Agreement:
  - This LOI shall be followed by the negotiation and execution of the Purchase Agreement which shall contain the terms and conditions of this LOI and the agreements, covenants, representations, warranties, indemnifications and other provisions commonly found in vessel purchase agreements.
  - The transaction is subject to AEB Assembly approval. The Deposit shall become non-refundable upon AEB Assembly approval provided such approval occurs by January 17, 2015.
  - Notwithstanding the above, Buyer shall have the right to inspect the Property prior to Closing. If in Buyer's sole discretion the Hovercraft and/or Spare Equipment/Materials are inoperable, damaged or require repair, Seller shall have the opportunity to make such repairs at its sole cost and expense prior to Closing. If such repairs are not acceptable to Buyer or if Seller decides not to make such repairs then the Purchase Agreement shall terminate and the Deposit returned to Buyer.
  - The parties shall be responsible for their respective costs in connection with this transaction, including attorneys' fees.

Special Conditions:
  - Seller has provided most recent vessel C&V Surveys ("Surveys") to Buyer.
  - Seller shall store the Property in its current secured area until July 1, 2015 unless Buyer decides to remove it sooner; Seller shall not charge Buyer with rent, taxes or other charges for such storage. Buyer shall have access to the Property while it is being stored.
  - Seller shall insure and bear all risk with respect to the Property prior to Closing. Buyer shall insure and bear all risk with respect to the Property upon Closing and shall hold AEB harmless while the Property remains at Seller's storage facility.

General Conditions:
  - Seller represents and warrants that the Property is not encumbered by any mortgage, bond, maritime lien or other encumbrance.
The parties agree to keep the transaction and the terms and conditions of this LOI confidential except as required for AEB Assembly approval and applicable law. Transfer of all right, title and interest to the Property shall be evidenced by appropriate Bill of Sale.

The above purchase price is the final offer CML will offer. There will not be others. This LOI shall expire on January 17, 2015.

We look forward to receiving your concurrence to proceed and working with you to purchase the Property.

Sincerely,

[Signature]
Kevin JT Weiss
Cruz Marine LLC

[Signature]
Rick Gifford
Aleutian East Borough
Memo
To: AEB Assembly, Mayor Mack
Re: Resolution opposing the nomination of the Aleutian Islands National Marine Sanctuary
Fr: Ernie Weiss, Resources Director
January 5th, 2015

NOAA has recently opened a nomination process for new national marine sanctuaries. A group of NGO’s, after attempting to solicit support from local tribes, has submitted a nomination for the proposed Aleutian Islands National Marine Sanctuary (AINMS). The QT Tribe of Sand Point, the Agdaagux Tribe of King Cove and others have already stated public opposition to this proposed huge (554,000 square nautical miles) ‘sanctuary’. Some of the reasons for opposing this nomination are stated in the draft resolution for your consideration.

There is a 30 day review period after a nomination is submitted, for NOAA to see if a nomination meets the established criteria, then another 60-90 days for a more complete review, including reaching out to the State, etc. As you can see on the Sanctuary Nomination Process web page, http://www.nominate.noaa.gov/, community support is listed as key to any nomination.

A link to the nomination can be found with this press release by PEER, one of the NGO’s making the nomination: http://www.peer.org/news/news-releases/2014/12/22/aleutians-should-be-alaskas-first-national-marine-sanctuary/

I appreciate QT Tribe getting the word out early on this nomination. I strongly urge the Assembly to oppose the nomination of the Aleutian Islands National Marine Sanctuary.
RESOLUTION 15-13

A RESOLUTION OF THE ALEUTIANS EAST BOROUGH ASSEMBLY OPPOSING THE NOMINATION OF THE ALEUTIAN ISLANDS NATIONAL MARINE SANCTUARY

WHEREAS, the National Oceanic and Atmospheric Administration (NOAA) has opened a process to nominate potential national marine sanctuaries; and

WHEREAS, a collection of outside non-governmental organizations (NGOs) including Public Employees for Environmental Responsibility (PEER), have nominated an area greater than the size of the State of Alaska to be potentially designated as ‘Aleutian Islands National Marine Sanctuary’ (AINMS); and

WHEREAS, the NOAA National Marine Sanctuary nomination process clearly states that ‘Every Nomination Starts at the Community Level’; and

WHEREAS, the Aleutians East Borough Assembly is not currently aware of ANY local support from local regional communities, tribes or local groups for this nomination; and

WHEREAS, the potential designation of the AINMS would make all current restrictions to fishing and other commerce permanent, and would authorize further onerous permanent restrictions; and,

WHEREAS, fishing stocks in this region are at record levels due to good stewardship by management agencies North Pacific Fishery Management Council (NPFMC), Alaska Department of Fish & Game (ADF&G) and local residents; and,

WHEREAS, The Optimal Response System recently recommended by the Aleutian Island Risk Assessment project will address risks associated with increasing shipping; and,

WHEREAS, the Aleutian Islands is subject to a Fishery Ecosystem Plan of the NPFMC, one of few such plans in the nation, to provide enhanced scientific information and measurable indicators to evaluate and promote ecosystem health, sustainable fisheries, and vibrant communities in the Aleutian Islands region; and,

WHEREAS, much of the Aleutian Islands (277,100 nm2) is already designated as a habitat conservation area, and further protections are not warranted; and,

WHEREAS, the local people who have been good stewards of this region for generations object to the audacity of those who propose to designate this vast area, our home, as a ‘sanctuary’.

NOW THEREFORE BE IT RESOLVED that the Aleutians East Borough Assembly OPPOSES the nomination of the proposed Aleutian Islands National Marine Sanctuary; and,

BE IT FURTHER RESOLVED that this resolution will be forwarded to Governor Bill Walker, NOAA Office of National Marine Sanctuaries, Alaska Legislature, and to the Alaska Congressional Delegation.

PASSED AND APPROVED by the Aleutians East Borough on this ___ day of January, 2015.

____________________  ATTEST: ____________________
Stanley Mack, Mayor          Tina Anderson, Clerk
Memo

To: AEB Assembly, Mayor Mack

Re: Letter in Support of Acting Commissioner

Fr: Ernie Weiss, Resources Director

January 6th, 2015

As you know, former AEB fisheries analyst Sam Cotten was asked by Governor Bill Walker to serve as Acting Commissioner of ADF&G beginning Dec 1, the same day Gov. Walker took office. By statute, the process is different to appoint the ADF&G Commissioner than for commissioners of other departments.

Alaska Statute Sec. 44.39.030. Appointment of commissioner.

“The governor shall appoint the commissioner of fish and game from a list of qualified persons nominated by the Board of Fisheries and the Board of Game meeting in joint session, subject to the right of the governor to request additional nominations. The appointment shall be confirmed by a majority of the members of the legislature in joint session.”

The Joint Board will meet January 14 by teleconference to consider nominations for ADF&G Commissioner. Letters of support for candidates may be submitted to the Joint Board no later than 5PM January 9th.

The attached letter in support of nominating Acting Commissioner Sam Cotten, was drafted for the Mayor’s signature on behalf of the Assembly, thus requiring Assembly approval.

Information regarding the January 14 Joint Board meeting, including resumes of the 5 candidates, where to send letters of support and how to listen-in to the meeting can be found at this link:  
January 8, 2015

Glenn Haight, Executive Director  
Alaska Board of Fisheries

Re: Joint Board Commissioner Nomination Selection

Mr. Haight,

I am pleased to submit this comment on behalf of myself and the Aleutians East Borough Assembly in strong support of Acting Commissioner Sam Cotten as candidate for Commissioner of Alaska Department of Fish & Game. Sam has proven himself a good steward of our State's fish and game resources, and an ally of the communities that depend on those resources. We believe Sam is the most qualified person for the position of Commissioner.

The Aleutians East Borough is comprised of the six communities of False Pass, Akutan, Nelson Lagoon, Cold Bay, Sand Point and King Cove. All of our communities are on the coast of the Western Gulf of Alaska, Bering Sea and/or Bristol Bay. Each of our communities are involved in the commercial harvesting, processing and/or shipping of quality seafood. In addition, there are several active sport hunting and fishing guiding businesses that take advantage of the plentiful fish & game resources within the Borough.

As our former Aleutians East Borough resource analyst, Sam has worked closely with ADFG staff, including on the WASSIP Advisory Panel. His background also includes two terms on the North Pacific Fishery Management Council, and former Alaskan legislator and Speaker of the House. Sam has the right experience, ability and passion for the job. Please consider nominating lifelong Alaskan Sam Cotten for consideration by Governor Walker for ADFG Commissioner.

Sincerely,

Stanley Mack, Mayor
Date & Location of Next Meeting
Adjournment