

KODIAK CITY COUNCIL

WORK SESSION AGENDA

Tuesday, January 24, 2012

Kodiak Island Borough Conference Room

7:30 p.m.

Work sessions are informal meetings of the City Council where Councilmembers review the upcoming regular meeting agenda packet and seek or receive information from staff. Although additional items not listed on the work session agenda are sometimes discussed when introduced by the Mayor, Council, or staff, no formal action is taken at work sessions and items that require formal Council action are placed on a regular Council meeting agenda. Public comments at work sessions are NOT considered part of the official record. Public comments intended for the "official record" should be made at a regular City Council meeting.

Discussion Items

1. Public Comments (limited to 3 minutes)
2. FY2011 Audit Presentation..... (Included Separately)
3. Presentation of Classification and Compensation Study and Implementation Strategies.....(No Backup)
4. Library Project Update..... 1
5. Presentation of Biosolid Composting Proposal32
6. Discussion of City’s Position on Federal Issues38
7. March Meeting Schedule(No Backup)
8. January 26, 2012, Agenda Packet Review



Memorandum

an  ARCADIS company

TO: Aimee Kniaziowski
FROM: Roe Sturgulewski
DATE: January 17, 2012
RE: Kodiak Public Library – Status Update

This provides an update on the Library status.

SCOPE

The Project team is forwarding updated plans under separate cover. MRV's overall level of design completion is consistent with an interim Schematic Design submittal. The Building Committee reviewed a January 12, 2012 version of the floor plan and provided comments. MRV has addressed most of the major Building Committee comments in this version of the plans. The main exception is the Administration area which is still under review. MRV has recently released an updated January 17, 2012 drawing submittal and comments from the Building Committee are being obtained. They will be presented to the Council under separate cover. The size of the building is closely tracking the design target of 16,000 SF. The Project team will be making a design update presentation to the Council on January 24, 2012.

SCHEDULE

The design schedule is generally tracking the goal to complete Schematic Design by the end of January and Construction Documents by July. A concept schedule is being presented with the associated memo on construction delivery methods. The construction delivery method decision and FY 12 Supplemental Budget Enhancement Fund appropriation request both affect the start and end dates of construction. If the \$2m in Enhancement funding is obtained and a decision made to proceed with a Construction Manager/General Contractor delivery method, construction could start this summer.

BUDGET

Find attached a Draft Project Budget and a Draft Revenue Plan dated January 17, 2012. The Revenue and expense amounts are equal.

It is a best practice to have a project with a balanced scope, expense budget and revenue plan. This has a number of benefits. It allows the design to move forward in an efficient manner. It also allows planning for other stages of the project to be addressed with certainty. It is important for our project because if we want to start construction this year we need to get the construction procurement process started in the near term.

The Budget expense amount (\$12.448m) amount is slightly below the cost presented to the Council in December. In my opinion this amount is conservative. The two largest cost items remain Construction and Project Contingency. The January 5, 2012 Concept Design cost estimate from HMS was \$7.7m, or 3.75% below the \$8m budget bid target. MRV is contractually obligated to design the Construction

Documents to this amount (before alternates). While there is still design risk given the stage of design, the Construction amount and Contingency both appear conservative at this point in the project.

The Draft Revenue Plan has two categories. The \$11.5m Subtotal shows existing sources assuming appropriation of \$2M in Enhancement funding by the Council. The additional \$1m reflects future pledges and grants in the KPLA Capital Cabinet Fundraising Plan.

An uncertainty facing the Council is that receipt of the future \$1m in fund raising is not a given. It should be noted the efforts of the Capital Cabinet are extremely positive with \$278k pledged to date. In order to bound the funding uncertainty it is important for the Council to recognize that under a worst case scenario of no additional fund raising, the scope of the project could be tailored to fit the \$11.5m of identified funding. This is not to say there wouldn't be tradeoffs. There would be cuts.

There are multiple ways we could get to a balanced budget. One example is as follows. We could reduce \$230k by not pursuing the ATT parcel. We could direct MRV to design to the \$7.7m in the HMS cost estimate, cutting another \$300k. (While we will not have to dig this deep it's important to note MRV has the obligation to design up to \$1m in alternates). We could eliminate the \$263k of Enhancements. We could lower Contingency to \$982k, reducing another \$218k. Those four changes would get us a balanced budget without additional funding beyond the \$2m in the FY 12 supplemental request. Making all these cuts would require a number of tradeoffs and change the way future financial decisions were evaluated. The main point is that if the Council moves forward with the \$2m in added funding we can balance the scope of the project to match whatever level of other Capital Campaign funding we receive.

Please do not hesitate to contact me at (907) 343-3013 or (907) 244-8669 if you or the Council has any questions.



NEW KODIAK PUBLIC LIBRARY
Draft Revenue Plan
1/17/2012



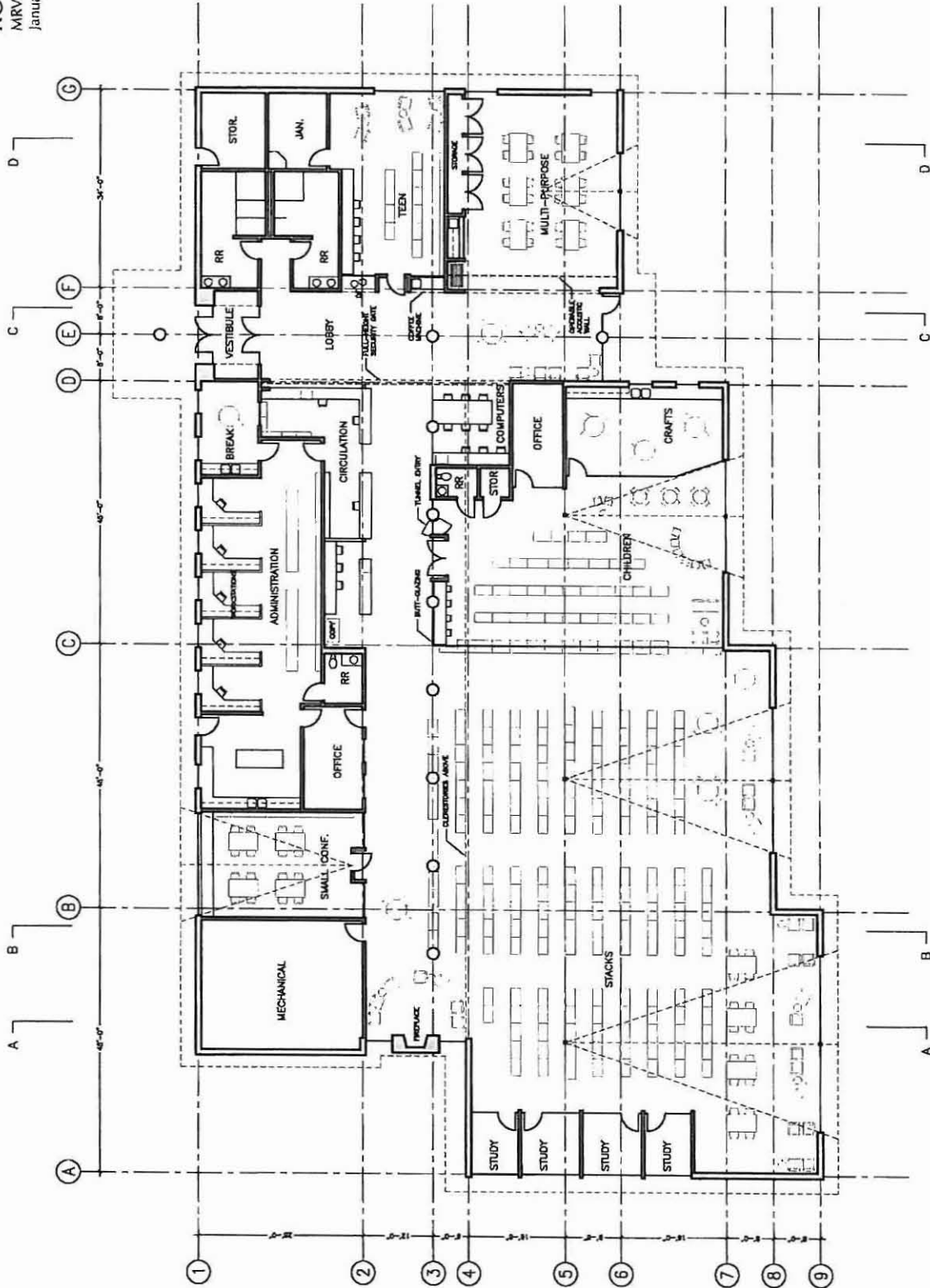
FY 12 State Grant	\$6,900,000
Land & Pre-Development Prefunded Items	\$735,185
Existing Appropriations	\$1,563,187
FY 12 Supplemental (Enhancement Fund)	\$2,000,000
Existing Pledges	\$278,601
Subtotal	<u>\$11,476,973</u>
Future Pledges	\$471,399
Future Grant	\$500,000
Total Anticipated Project Revenue	<u>\$12,448,372</u>



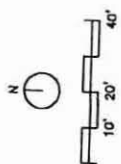
**New Kodiak Public Library
Draft Project Budget
1/17/12**



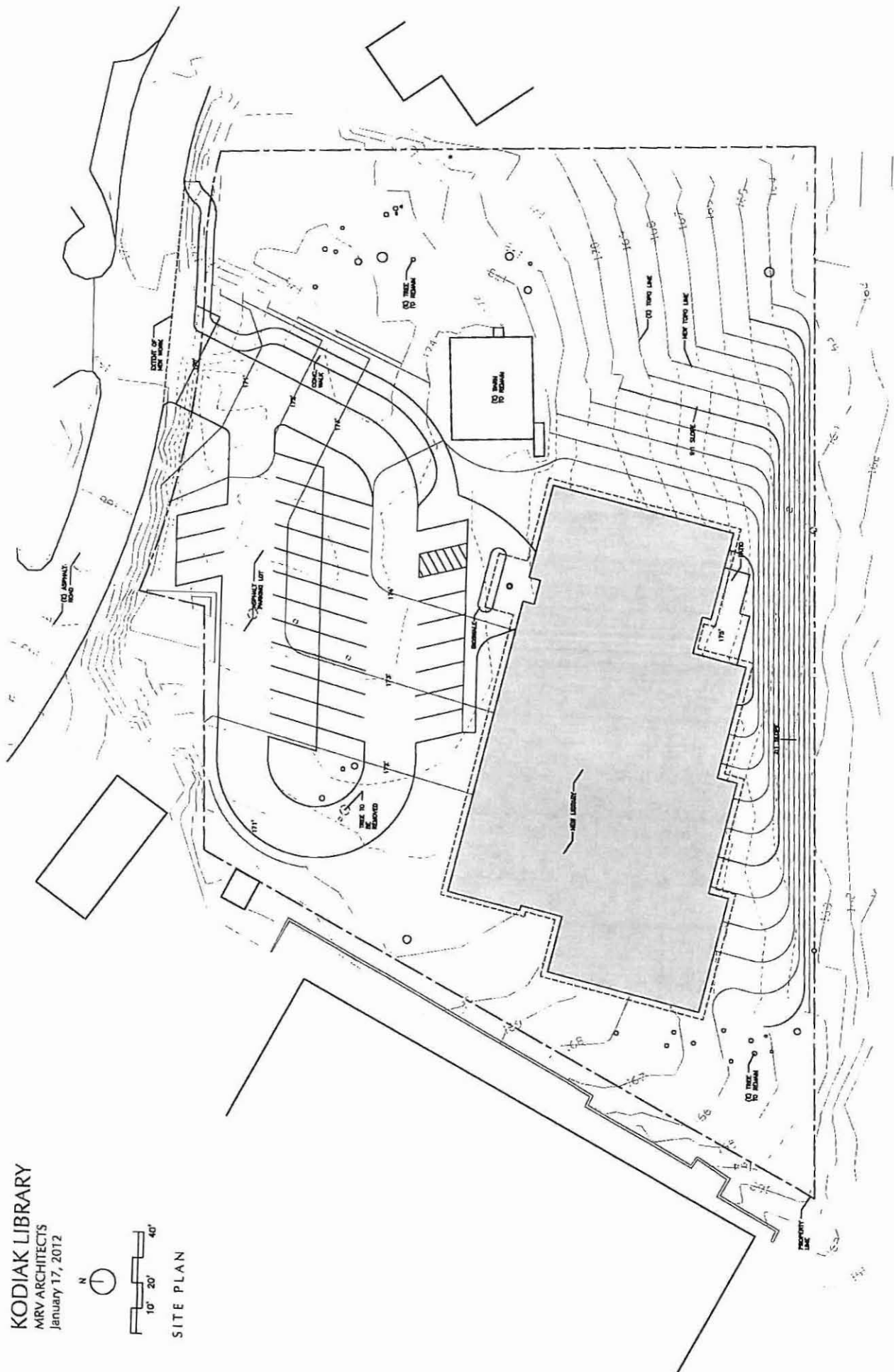
Site Acquisition	Pre-Development Budget	Draft Budget	Obligations	12/31/11 Spent	Comments
<i>lots 6B-1A+1B "Barn Site" *</i>	\$650,000	\$650,000	\$650,000	\$650,000	
<i>Potential Additional Parcel</i>	\$230,000	\$230,000			Deferable. Scope not defined.
Subtotal	\$880,000	\$880,000	\$650,000	\$650,000	
Soft Costs					
<i>Pre-Development Costs *</i>	\$85,185	\$85,000	\$85,000	\$85,000	
<i>Miscellaneous Professional Services</i>	\$30,000	\$80,000	\$58,555	\$26,894	
<i>Miscellaneous Administrative</i>	\$35,000	\$35,000	\$1,818	\$1,818	
<i>1% for Art</i>	\$86,000	\$80,000			
Subtotal	\$236,185	\$280,000	\$145,373	\$113,712	
Management and Design					
<i>Architecture/Engineering</i>	\$1,125,000	\$1,050,000	\$760,661	\$42,704	
<i>Project Management</i>	\$350,000	\$350,000	\$117,299	\$44,361	
<i>Special Inspections</i>	\$25,000	\$25,000			
Subtotal	\$1,500,000	\$1,425,000	\$877,960	\$87,065	
Construction					
<i>General Contractor</i>	\$8,570,034	\$8,000,000			A/E required to define \$1.0M in alternates.
<i>Furniture, Fixtures and Equipment</i>	\$728,000	\$400,000			Could be reduced.
Subtotal	\$9,298,034	\$8,400,000	\$0	\$0	
Enhancements					
		\$263,372			Could be eliminated.
Project Contingency					
	\$1,700,000	\$1,200,000			15% of GC construction. Could be reduced.
Total Project Costs:	\$13,614,219	\$12,448,372	\$1,673,333	\$850,777	
<i>* Pre-funded items Totaling \$735,185</i>					



KODIAK LIBRARY
MRV ARCHITECTS
January 17, 2012



SITE PLAN





Memorandum

an  ARCADIS company

TO: Aimee Kniaziowski
FROM: Roe Sturgulewski
DATE: January 17, 2012
RE: Kodiak Public Library – Construction Delivery Methods

This is to provide information on the two basic construction delivery methods suitable for the Library Project and to request concurrence of the Construction Manager/General Contractor (CM/GC) approach by the Council.

There are two basic construction delivery methods suitable for use on the Library project at this point in the design process. The first is Design-Bid-Build (D-B-B). In this format the Architect designs the Work, the Owner competitively bids the project with cost as generally the sole criteria, and the Contractor builds the Work. This is the most common procurement method in the municipal public sector. Over the past 10 years there has been increased use of alternative procurement methods. Use of Construction Manager/General Contractor CM/GC, (also called Construction Manager at Risk (CMR) or Design Assist) is being increasingly used. This approach uses a combination of cost and qualifications as the basis to select the contractor. The contractor is brought on in the Design Phase. They initially work under a Preconstruction Services Agreement. They participate in the design process and provide value engineering and cost estimating services. They are typically provided the opportunity to sole source bid the Work and if they are within 2-5% of the Owners estimate they generally would be awarded the construction contract.

The CM/GC format generally reduces owner risk from a number of perspectives. Given that qualifications and past history are part of the selection process, problems are less likely. Cost certainty is better at a number of levels. Another major advantage relates to schedule. CM/GC allows the contractor to start initial work before all the design is done. This would allow spring/early summer construction for our project. This avoids fall weather site work and winter work premiums or another year of escalation. It's relevant to note that moving the start date a year translates to about \$300K in savings due to decreased escalation. The D-B-B approach also has advantages. The primary one is that there is direct bottom line cost competition at bid time. Another advantage is that both the contracting community and owner are typically more familiar with this method.

Three products are attached to better help understand the options. The first is a document entitled Introduction to Alternative Construction Delivery Methods. This is a general handout and not specifically tailored for this project. It presents construction durations and costs for a larger project than our library. It is being provided to present a general overview of the different delivery methods. The handout also includes a Design Build (D/B) format which is not consistent with our design contract. The second document is entitled Contract Method Comparison. It details project specific advantages of the D-B-B and CM/GC methods. The third document is a Concept Schedule that details the general timelines for the two options under consideration.

Both RISE Alaska and the Kodiak Library Building Committee recommend use of the CM/GC format. The RISE recommendation is based on the assumption that funding will be received to allow construction to start in 2012.

In the event there is a Council concurrence with the CM/GC approach, we will draft the Request for Proposals (RFP) and Contract. We could submit this for Council review prior to issuance if desired.

Please do not hesitate to contact me at (907) 343-3013 or (907) 244-8669 if you or the Council has any questions.



NEW KODIAK PUBLIC LIBRARY
CONTRACTOR PROCUREMENT CONCEPT SCHEDULES
 January 17, 2012



	2011				2012				2013					
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
OPTION A: CONVENTIONAL DESIGN-BID-BUILD														
DESIGN														
Concept Design														
Schematic Design														
Design Development														
Construction Documents														
CONSTRUCTION														
Bid														
Construction														
OPTION B: CONTRACTOR DESIGN - ASSIST (CM/GC)														
DESIGN														
Concept Design														
Schematic Design														
Design Development														
Construction Documents														
Sitework/Utilities Package														
Foundation/Structural Package														
CONSTRUCTION														
RFP Selection														
Design Assistance														
Sitework/Utilities Package														
Foundation/Structural Package														
Total Construction Package														



KODIAK LIBRARY
Contract Method Comparison
 1/17/2012



Cost	CM/GC	D-B-B	Comments
First "bid" Cost		+	Firms are hungry
Change orders	+		CMR familiar with project and selected partially on quals
Claims/lawsuits	+		Claims history part of selection
Design services		+	Added packages but potential for some decreased specs in CMR
CA services	+		Generally less problems
CM services	+		More cost paperwork but likely less time needed on site.
Tailor scope/budget	+		
Value engineering	+		Real time costing
GMP	+		Some risks transferred to contractor
Reduced cost risk	+		Multiple levels
Escalation	+		Locks main procurement earlier
Competition		+	Direct cost competition

Schedule

Project duration	+		Depends on bidding assumptions
Early 2012 start	+		Take advantage of good weather
Project completion	+		5 - 8 months faster

Quality

Design familiarization	+		Less chance mistakes
Reduced risk	+		Quality and rep part of selection process

Other

Familiarity		+	Contractors and owners more used to design-bid-build
Relationships	+		Less likely to be adversarial
Scope Flexibility	+		



Introduction to Alternative Construction Delivery Methods



Delivery Methods as a Risk Management Tool

- Selecting right delivery method is a risk management tool
- Flexibility to choose most effective delivery method can generate benefits
 - Cooperative team relationship
 - Cost savings
 - Faster delivery
 - Better risk management
 - Fewer claims/lawsuits



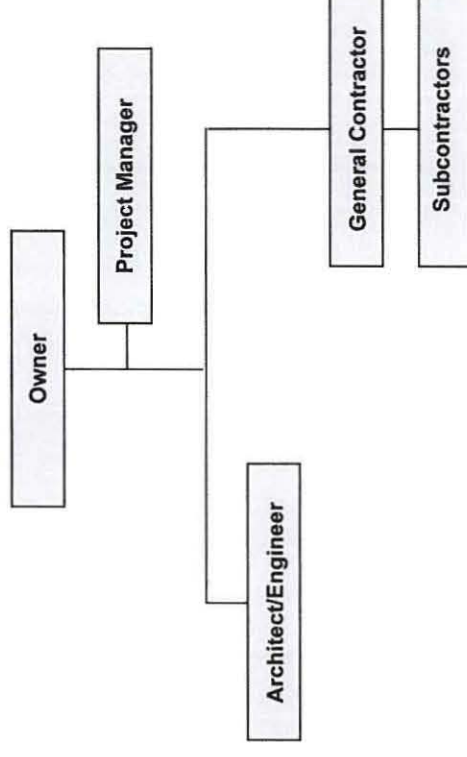
Primary Delivery Methods

1. Design-Bid-Build
2. Design-Build
3. Construction Manager/General Contractor (CM/GC)

1. Design-Bid-Build

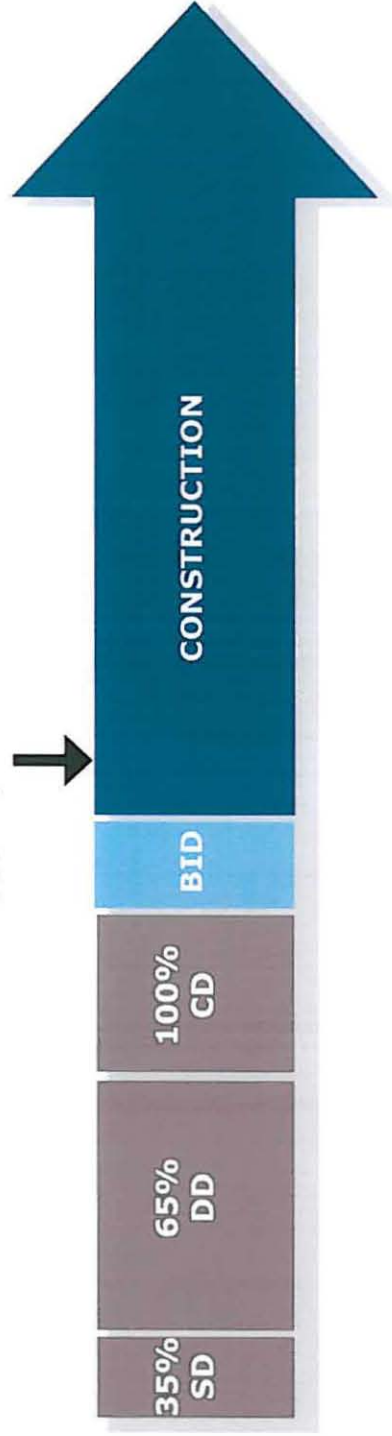
- Owner hires architect to design project
- After design work is complete (100% CDs), project goes out for bid
- Contractors submit competitive construction bids
- Typically, low-bidder wins work and builds project

Design-Bid-Build



DESIGN-BID-BUILD

CONTRACTOR ON BOARD/
COST ESTABLISHED

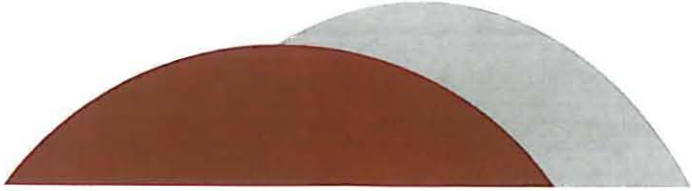


could be 41-51 months



Advantages of Design-Bid-Build

- Well understood by industry and owners
 - Default approach for most government contracting
- Direct relationship between design firm and owner
 - Good for uncertain or unique design
- Building is well defined
 - Gives owner more control over end product
- Objective contract award
- Competitive bidding results in low cost
- Good access for all contractors



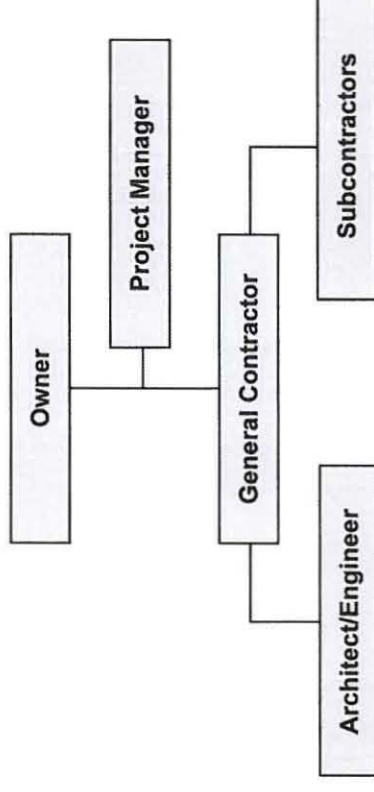
Disadvantages of Design-Bid-Build

- Low bid contractors can be unreliable and may pursue “cut rate” approach
 - Cut corners, low quality staff
- Creates adversarial relationship between owner, contractor and architect
- Absence of contractor during design limits constructability and cost control
 - Missed opportunities for time/cost savings and project betterments
- More change orders and claims as result of constructability issues, adversarial relationships
- Longer schedule due to sequential/linear process

2. Design-Build

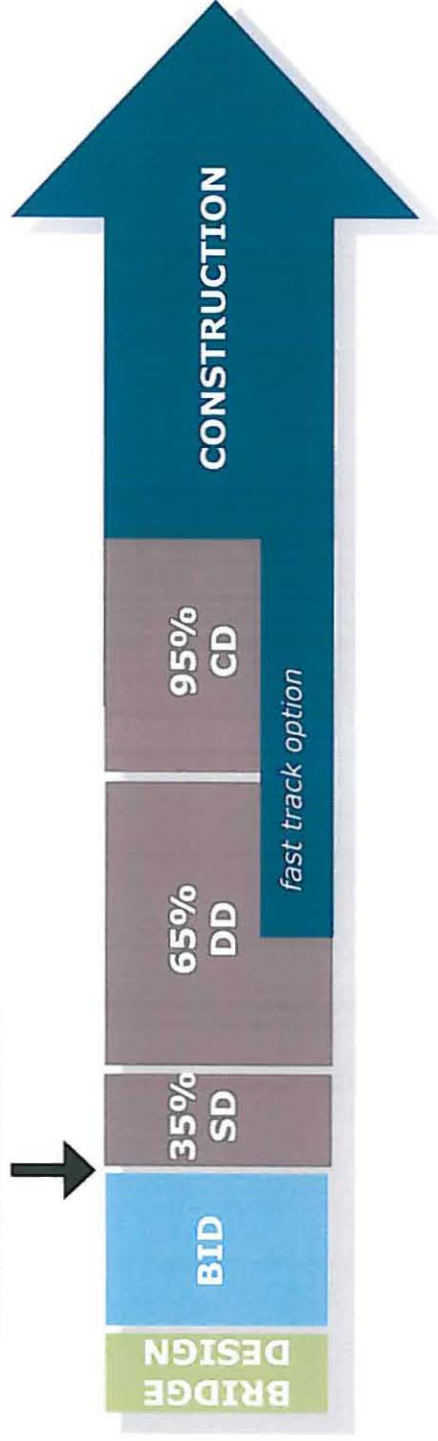
- Program/bridging documents are developed
- Owner issues RFP for contractor (may hold design competition)
- Owner selects contractor to design and build project
 - One contractual team responsible for design and construction

Design-Build



DESIGN-BUILD

CONTRACTOR ON BOARD/
COST ESTABLISHED




could be 31-37 months



Advantages of Design-Build

- Single source of responsibility
- Works well for prototype or simple, well-defined projects
- Fastest project delivery
- Close coordination between contractor and architect
- Owner not exposed to conflicts and disputes between contractor and architect



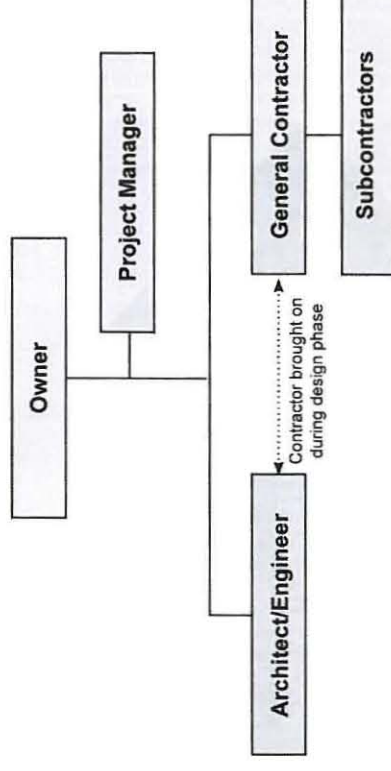
Disadvantages of Design-Build

- Reduced owner input/control of design and flexibility in changes
 - Contractor directs design process
 - Most “compromises” favor the contractor
 - Require well-defined specifications to avoid “surprises”
- Less quality assurance (checks and balances)
- Requires higher level of sophistication than Design-Bid-Build from contractors

3. Construction Manager/General Contractor (CM/GC)

- Owner contracts with architect for design
- Owner selects contractor during design phase based on qualifications and other cost related criteria
- Contractor participates in design phase with owner and architect
 - Provides planning, estimating, scheduling and constructability advice
- Contractor negotiates Guaranteed Maximum Price (GMP) and schedule when design is near completion

CM/GC





Advantages of CM/GC

- “Team” relationship among owner, architect and contractor
- Contractor selected based on qualifications, track record and other value criteria
 - Owner can select “best value” team
- Contractor’s involvement in design
 - Early knowledge of construction cost
 - “Unbuildable” or costly details may be avoided and design/drawing inconsistencies are limited
 - Constructability and value engineering from start
 - Team continuity from design through construction



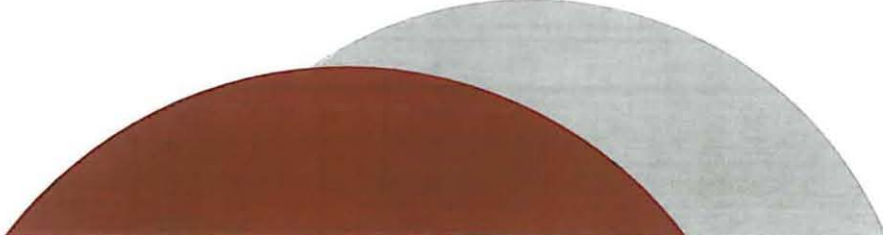
Advantages of CM/GC

- Ability to "fast track" construction by bidding early work prior to final design completion (like Design-Build)
- Summary specs may be used since contractor's input can lead to early agreement on materials, equipment and other features.
- GMP approach provides benefit of lump sum pricing.



Disadvantages of CM/GC

- Potential conflict as contractor's relationship changes from advisory role to contractual role of general contractor
- Level of sophistication required limits competition
- Requires additional management and administrative effort during procurement
- Some jurisdictions require special approval to use this method
- Schedule and cost risks if acceptable GMP is not reached



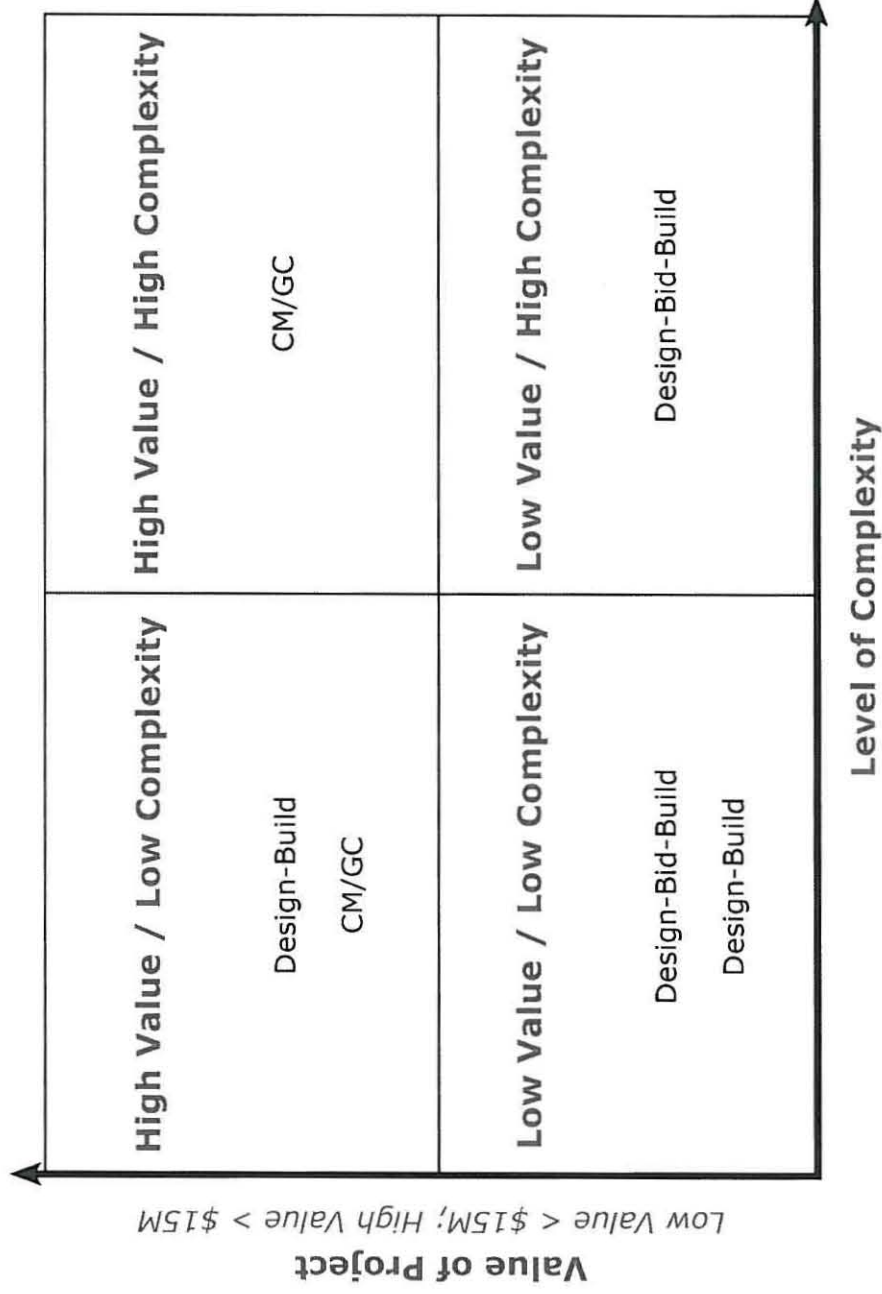
Three steps to selecting the “right” delivery method



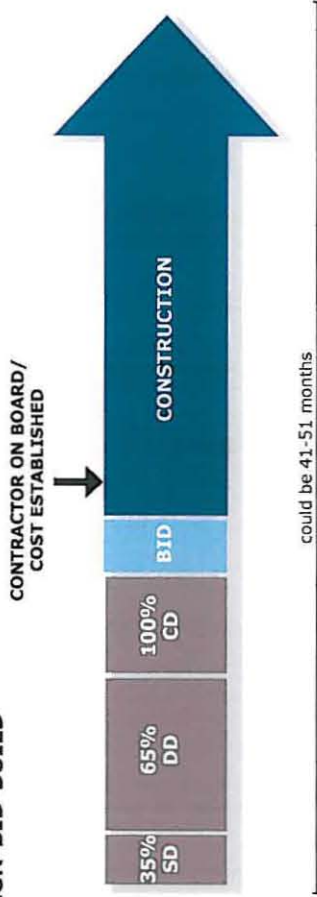
1. Examine owner/project characteristics

- Complexity of project/uniqueness of design
- Funding/budget
- Schedule
- Risk assessment
- Owner's level of expertise
- Owner's regulations and policies

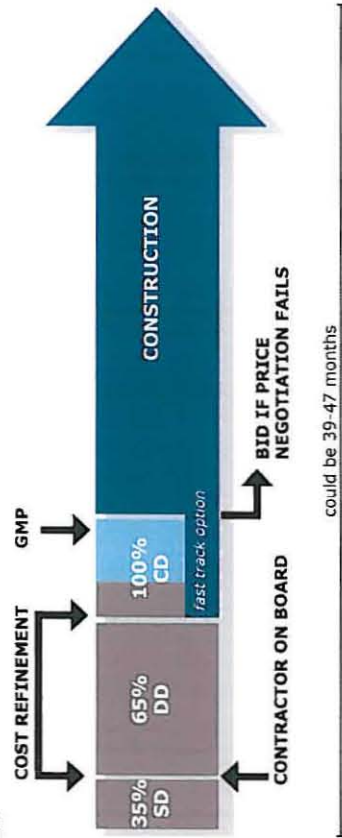
2. Look at Project Value vs. Complexity



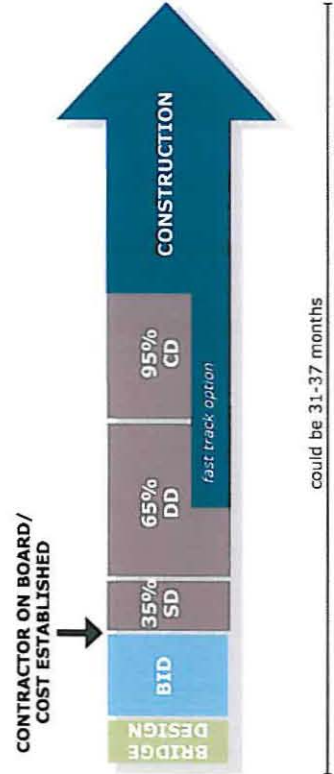
DESIGN-BID-BUILD



CM/GC



DESIGN-BUILD



3. Determine if Accelerated Project Schedule is Necessary.

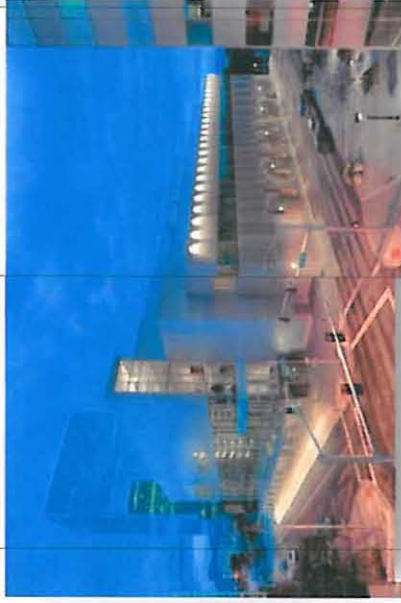
Schedule is influenced by:

- Opening date
- Construction season length
- Project financing
- Political initiatives
- Grant funding

Alternative Delivery Project Examples



Anchorage Museum Expansion



Dena'ina Civic and Convention Center



Ted Stevens Anchorage International Airport



Fairbanks International Airport Terminal Redevelopment



Alternative Construction Delivery Methods

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Quayanna Development Corporation

11801 Middle Bay Drive
Kodiak, Alaska 99615

TEL : (907) 487-2291
CELL : (907) 317-0083
e-mail : plarc@alaska.net

January 6, 2012

Ms. Aimee Kniazowski, City Manager
City of Kodiak
710 Mill Bay Road, Room 219
Kodiak, Alaska 99615

RE: Composting of Sewage Treatment Plant Biosolids

Dear Ms. Kniazowski:

This letter is to confirm our interest in working with the City of Kodiak towards a long term composting program for the biosolids produced at the sewage treatment plant. It is our understanding that the Kodiak Island Borough landfill has informed the City that the landfill expects to curtail acceptance of biosolids in 2012. The City has conducted a study to determine the feasibility of composting the biosolids much as other communities in Alaska and elsewhere do. The study determined that composting is a viable option for the processing and disposal of the biosolids.

The study identified the need for several thousand yards of wood chips and other suitable materials on an annual basis to compost the volume of biosolids produced at the Kodiak facility. There currently is no reliable source for that volume of material. Our company has actively engaged in promoting woody biomass as a long term sustainable resource for wood fuel projects. Integral to the wood fuel efforts is the local production of wood chips on a commercial basis. QDC has been in discussions with various local forest landowners to secure the harvest and salvage rights to logging residues and other woody biomass

sources. These discussions are expected to lead to arrangements that will enable our company to offer composting services to the City.

Based on the informal discussions between the City and QDC, we are comfortable with the City's verbal representations that composting is a viable process to dispose of the biosolids and that the City will seriously entertain such services if they were offered to you on reasonable terms. QDC has therefore made the development of a composting program a high priority in 2012.

It is our goal to offer contract composting services to the City on a long term basis at rates that are reasonable. Our ability to offer these services is dependent on securing property suitable for these purposes, and the necessary volume of wood fiber. The terms upon which these two major items will have a major impact on the prices we will be able to offer for composting. QDC is actively engaged with local landowners in this regard and we are optimistic that we can secure these in a timely fashion and on terms that will enable the project to move forward. It is our goal to secure the necessary land, woody materials, and equipment such that composting could commence by late summer or fall of 2012. At this early date there are obviously any number of occurrences that may influence this timetable, part of which is the administrative processes both parties will need to complete. The attached DRAFT Memorandum of Understanding is intended to provide a framework for future discussions and information dissemination for stakeholders and other interested parties.

QDC enthusiastically looks forward to putting this project together with the City of Kodiak. We are always open to discussing potential solutions to the challenges of putting this composting program together with you.

Sincerely,

QUAYANNA DEVELOPMENT CORPORATION

A handwritten signature in black ink that reads "Peter J. Olsen". The signature is written in a cursive, flowing style.

Peter J. Olsen, Executive Director

MEMORANDUM OF UNDERSTANDING
BETWEEN
QUAYANNA DEVELOPMENT CORPORATION
AND THE
CITY OF KODIAK

This MEMORANDUM OF UNDERSTANDING is hereby made and entered into by and between the CITY OF KODIAK, hereinafter referred to as CITY and QUAYANNA DEVELOPMENT CORPORATION, hereinafter referred to as QDC.

A. PURPOSE:

The purpose of this MOU is to continue to develop and expand a framework of cooperation between CITY and QDC to develop a composting program that processes bio-solids produced from the City of Kodiak Sewage Treatment Plant.

B. CITY SHALL:

- I. Collaborate with QDC to develop a mutually acceptable contract terms between the CITY and QDC for a long term bio-solid composting program.
- II. Provide information and data to QDC regarding bio-solid production and chemical/physical composition statistics that the CITY has on file.
- III. Cooperate with and support efforts for QDC to secure grant funding that will support the development and operation of a composting program.

C. QDC SHALL:

- I. Endeavor to offer contract composting services to the CITY.
- II. Secure long terms sources of woody biomass and other suitable composting mediums for the purpose of composting bio-solids produced at the CITY Sewage Treatment Plant.
- III. Secure real estate property rights that will allow composting of Sewage Treatment Plant bio-solids.

D. IT IS MUTUALLY UNDERSTOOD AND AGREED BY AND BETWEEN THE PARTIES THAT:

1. NEW PROJECT. Composting of sewage treatment plant bio-solids is a proven method to process bio-solids. The process is new to Kodiak however, and no composting infrastructure currently exists. A commercial composting project will have to be assembled from scratch.

2. RATES. It is the intent of QDC to provide contract composting services to the CITY at reasonable rates. QDC's ability to offer reasonable rates is significantly influenced by the property and woody biomass costs QDC will experience. Both QDC and CITY understand that high composting rates may result in the project to become uneconomical to implement.
3. SIMILAR INCENTIVES. QDC and CITY recognize that both parties have an incentive to share data and other information that may help the project proceed on an economical basis.
4. TERMINATION. Either party, upon thirty (30) days written notice, may terminate the agreement in whole, or in part, at any time before the date of expiration.
5. PRINCIPAL CONTACTS. The principal contacts for this instrument are:

CITY:

Ms. Aimee Kniazowski, City Manager
City of Kodiak
710 Mill Bay Road, Room 219
Kodiak, Alaska 99615

QDC:

Peter J. Olsen, Executive Director
11801 Middle Bay Drive
Kodiak, Alaska 99615

6. NON-BINDING DOCUMENT. This agreement is neither a legally binding nor a funds obligation document. Each party shall be fiscally responsible for their own portion work performed under the MOU.
7. LIABILITIES. It is understood that neither party to this Memorandum of Understanding is the agent of the other and neither is liable for the wrongful acts or negligence of the other. Each party shall be responsible for its negligent acts or omissions and those of its officers, employees, agents or students (if applicable), howsoever caused, to the extent allowed by their respective state laws.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the last written date below.

FOR CITY:

Date: _____

Ms. Aimee Kniaziowski, City Manager
City of Kodiak

FOR QDC:

Date: _____

Peter J. Olsen, Executive Director
Quayanna Development Corporation

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To: Aimee Kniazowski
From: Brad Gilman and Sebastian O’Kelly
Re: City of Kodiak 2012 (FY ’13) Federal Agenda
Date: December 14, 2011

Senator Begich has requested that the Alaska communities submit their top three capital project priorities, and also provide views and comments on other priority Federal programs. We already have the City’s capital project list, but thought you might be interested in providing comments to the Senator on other federal programs of importance to Alaskan communities. We believe that Senator Murkowski and Congressman Young will also be interested in a list of project and program priorities. The due date for the submission of these priorities to Senator Begich’s office is February 25, 2012.

Our recommendations stem from recent experience in the new Congress. Programs that Alaskans have taken for granted for the last three decades are at greater risk of funding reductions or elimination as the Congress struggles to balance the federal budget. Certain lower 48 Members who have traditionally opposed elements of these programs that have benefited Alaska have more actively stepped up their opposition in this climate, with bills, hearings and amendments aimed at either eliminating or significantly reducing in a targeted way the benefits to the State and its communities.

The Deficit Reduction Super Committee established by Congress this year has failed to provide a consensus recommendation on cutting an additional \$1.2 trillion from the Federal budget over the next ten years. Under the new deficit reduction law, defense and discretionary programs will have to fill the gap with additional budget reductions in FY ’13, putting all existing programs at risk. The Alaska Delegation will need reinforcement as they make decisions on where to expend their political capital in an increasingly volatile fiscal environment.

Federal Programs

The following are our three recommendations on Federal programs of importance to Alaska that are under some pressure.

1. Bypass Mail: The Congress is currently working on legislation to reform the U.S. Postal System in an effort to stem the financial losses currently being incurred by the U.S. Postal Service. A number of Members of Congress have used this legislative initiative to advocate for the curtailment or elimination of the postal rate subsidies for rural Alaska. The current Bypass Mail system allows the shipment of up to 2,500 lbs of bulk products by air freight to Alaskan communities. Customers pay the USPS parcel post rate for air freight, but Alaskan air carriers receive a “Bush Rate” which is based on the actual costs of flying in Alaska and is higher than the national parcel post rate. This subsidized cost for moving goods air freight to rural Alaska is estimated at roughly \$70 million annually. The Postal Service Inspector General has just come out with a very negative report on the Bypass Mail Program, triggering an equally aggressive response from the Alaska Delegation. The Bypass Mail system was, in part, created in order to encourage air carriers to continue passenger service to rural Alaska. Elimination of the Bypass Mail System would cost rural Alaskans more for air freight movements; would likely result in a curtailment of air passenger service; and could possibly threaten the viability of the Essential Air

Service Program in Alaska (Bypass Mail is one of the key cargoes carried by EAS aircraft). This issue stands to impact all Kodiak residents in one form or another. We recommend that you identify the preservation of the Bypass Mail Program as a federal priority.

2. Economic Development Administration (EDA): The EDA was also a target of House budget cutters this year, but largely escaped taking major reductions. The perception of this group is that EDA funds only pork or wasteful projects (despite that fact that the EDA's budget has not included earmarks for nearly a decade). We've received the eligibility announcement for next year's EDA grant round and the Alaska Department Labor statistics on per capita income and unemployment for the Kodiak census region. The good news is that Kodiak has fared relatively well on both per capita income and unemployment in comparison to the rest of the country. The bad news is that we might not be eligible for the upcoming grant round because of these statistics. A community's eligibility changes from year to year based on national average unemployment rates and per capita income. There will be some years when Kodiak is eligible for EDA grants and other years where we have to sit out grant rounds. We are concerned, however, that the budget cutting will become so severe that the EDA rural community grant program will disappear. Once a program has been eliminated it is very hard to have it restored. We are therefore recommending that Kodiak identify the EDA grant program as a federal priority.

3. Groundfish Surveys: The North Pacific Fishery Management Council has raised concerns with the National Oceanic and Atmospheric Administration about what appears to be slippage in the winter and summer groundfish surveys for the Gulf of Alaska (see attached letter). The diminution in these surveys will eventually come back to haunt Kodiak fishermen and processors should the North Pacific Council turn precautionary in the establishment of annual groundfish quotas due to insufficient stock assessment data. A reduction in federal groundfish quotas for pollock, cod, and rockfish would result in lost economic opportunities for Kodiak residents and lower raw fish tax receipts over time. We recommend that you include the preservation of the Gulf groundfish surveys as a federal priority for 2012.

Format

Should the City Council decide to add these programs to its Federal agenda for 2012, we will draft a letter for the Mayor's signature which lists and explains both the capital project priorities and the Federal program priorities. We will also comply with the instructions of each of the Alaska Delegation Members (all three offices are different) on filing these priorities via their designated websites. Please let us know if you have any questions or want us to do additional research on other issues.

North Pacific Fishery Management Council

Eric A. Olson, Chairman
Chris Oliver, Executive Director



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October 24, 2011

Mr. Eric Schwaab
NOAA Assistant Administrator for Fisheries
1315 East-West Highway, SSMC3
Silver Spring, MD 20910

Dear Mr. Schwaab:

It has come to the attention of the North Pacific Fishery Management Council that there are significant discrepancies between the schedule for hydro acoustic surveys for the Gulf of Alaska walleye pollock resource and the actual number of survey days completed by the NOAA Ship *Oscar Dyson* in 2011. The Gulf of Alaska Groundfish Plan Team received a briefing in September on the GOA hydro acoustic surveys, which was discussed by the Council at our recent October meeting where the Council asked me to contact NOAA Fisheries regarding these surveys. The following is a brief synopsis of the information received by the Council from the Plan Team.

The annual GOA winter hydro acoustic pollock survey is the cornerstone of the pollock assessment, providing the necessary abundance data to facilitate setting the appropriate Acceptable Biological Catch ("ABC") for the Gulf of Alaska. The Shelikof Strait portion of the winter survey has occurred annually since 1981. Over the last thirty years the survey has been missed only three times. The Shumagin portion of the winter survey helps determine the ABC for the Western portion of the Gulf pollock fishery. The *Oscar Dyson* did not survey either of these regions this year, losing all 27 scheduled days. Additionally, the ship completed only 40 of the scheduled 56 survey days of the summer GOA survey.

Strong fishery management requires the best scientific information available to prevent overfishing and maximize the economic benefits from our fisheries. Accurate stock assessment data are critical to remove the scientific uncertainty for the Council and for NOAA. We were therefore very troubled to learn of the significant shortfall in survey days and are especially concerned that based on 2011 performance that this may be the beginning of a disturbing trend. We are hopeful that changes are being made so these poor results will not continue into the future. We would appreciate a response to the following questions:

- (1) What was the reason for the loss of the 2011 GOA winter hydro acoustic survey?
- (2) Why are there such discrepancies between the scheduled days and the actual days for the GOA Biennial summer survey in 2011 (noting a continued erosion of this survey over the past several years)?
- (3) Is any type of fact finding effort planned to understand the NOAA Ship *Oscar Dyson*'s poor performance record during the 2011 survey cycle?

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- (4) Are there any measures to improve upon the ship operating efficiency in order to maximize the number of research days?
- (5) Are there any measures to improve upon the coordination and working relationship between the NOAA Fisheries scientific staff and the NOAA Corps staff to have a more realistic assessment of mission planning and mission performance?

The Council and NOAA are longstanding partners in managing the federal fisheries of the North Pacific. The ship surveys performed by NOAA Ship *Oscar Dyson* are critical tools in producing the type of baseline data for the conservation of these resources. As partners, we need to find ways to maximize the efficiency of this vessel and better understand the reasons for any discrepancies between the research plan and the mission performance. Your response will help us to better understand the current situation. Thank you for your attention to this matter.

Sincerely,



Chris Oliver
Executive Director

CC: Dr. James Balsiger
Dr. Richard Merrick
Dr. Douglas DeMaster
RDML Michael Devany