



CITY OF NORTH POLE *Alaska*

REGULAR CITY COUNCIL MEETING **Monday, March 7, 2011**

Work Session – 6:00 p.m.

FNSB Draft Comprehensive Economic Development Strategy

Committee of the Whole – 6:30 p.m.

Regular City Council Meeting – 7:00 p.m.

COUNCIL MEMBERS

Bonnie Arnold	488-9246
Richard Holm	488-1776
Sharron Hunter	488-4282
Kevin McCarthy- <i>Dep. Mayor Pro Tem</i>	490-9039
Ronald Jones – <i>Alt. Dep Mayor Pro Tem</i>	488-3579
Thomas McGhee - <i>Mayor Pro Tem</i>	455-0010

MAYOR

Doug Isaacson 488-8584

CITY CLERK

Kathy Weber 488-8583

1. Call to Order/Roll Call
2. Pledge of Allegiance to the US Flag & Presentation of Flags – Troop #7
3. Invocation
4. Approval of the Agenda
5. Approval of the Minutes
6. Communications from the Mayor
7. Council Member Questions of the Mayor
8. Communications from Department Heads, Borough Representative and the City Clerk
9. Ongoing Projects Report
10. Citizens Comments (Limited to Five (5) minutes per Citizen)

11. Old Business

- a. Ordinance 11-01, Substitute A, An Ordinance of the City of North Pole, Alaska To Amend Title 13, Public Services

12. New Business

- a) Approve RFP For North Pole Fire Department Ambulance Billing Contract
- b) Recommendation Of Engineering Firm For Waste Water Treatment Plant Engineering And Rehabilitation Design Project.
- c) Ordinance 11-02, An Ordinance Of The City Of North Pole, Alaska Amending Title 5, Chapter 5.02.040, License-Fee
- d) Ordinance 11-03, An Ordinance Of The City Of North Pole Establishing The 2011 Utility Capital Budget
- e) Ordinance 11-04, An Ordinance Of The City Of North Pole, Alaska Amending Title 13, Chapter 28, Section .010, Lien Rights
- f) Resolution 11-07, A Resolution Of The City Of North Pole, Alaska Authorizing The Submission Of A Loan Application For An Alaska Department Of Environmental Conservation Alaska Clean Water Fund Loan In The Amount Of \$1,416,500 To Repair Leaking Sewer Mains And Manholes
- g) Resolution 11-08, A Resolution Of The City Of North Pole Urging The Legislature To Protect Jobs In Alaska, Ensure A Longer Life For The Trans Alaska Pipeline, And Decrease Refining Costs In Alaska By Making Alaska More Competitive For Oil Exploration, Development, Production And In-State Refining

13. Executive Session

- a. Update Council On Possible Legal Issues With Lift Station Phase 1
- b. Update Council On North Pole Fire Department Litigation

13. Council Comments

14. Adjournment

The City of North Pole will provide an interpreter at City Council meetings for hearing impaired individuals. The City does require at least 48 hours notice to arrange for this service. All such requests are subject to the availability of an interpreter. All City Council meetings are recorded on CD. These CD's are available for listening or duplication at the City Clerk's Office during regular business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m. or can be purchased for \$5.00 per CD. The City Clerk's Office is located in City Hall, 125 Snowman Lane, North Pole, Alaska.

**Committee of the Whole – 6:30 P.M.
Regular City Council Meeting – 7:00 P.M.**

A regular meeting of the North Pole City Council was held on Tuesday, February 22, 2011 in the Council Chambers of City Hall, 125 Snowman Lane, North Pole, Alaska.

CALL TO ORDER/ROLL CALL

Mayor Doug Isaacson called the regular City Council meeting of Tuesday, February 22, 2011 to order at 7:00 p.m.

There were present:

**Mr. McGhee
Ms. Arnold
Ms. Hunter
Mr. Jones
Mr. Holm
Mr. McCarthy
Mayor Isaacson**

Absent/Excused

Arrived at 7:14 p.m.

Excused

Excused

PLEDGE OF ALLEGIANCE TO THE U.S. FLAG

Led by Boy Scout Troop #7

INVOCATION

Invocation was given *by* Councilwoman Hunter

APPROVAL OF AGENDA

Mr. McGhee *moved to* Approve the Agenda of February 22, 2011

Seconded *by* Ms. Hunter

Mr. McGhee moved to Amend the agenda to put the following items under consent agenda;

CONSENT AGENDA

**a. REQUEST BY NORTH POLE COMMUNITY CHAMBER OF COMMERCE
FOR 3RD QUARTER BED TAX**

**c. APPROVAL OF ENGAGEMENT LETTER TO PERFORM AUDIT SERVICES
BY MIKUNDA, COTTRELL & CO., INC.**

**d. REQUEST FOR TRAVEL FUNDS FOR THE MAYOR TO BE PRESENT IN
JUNEAU PRIOR TO THE END OF THE SESSION, AS NECESSARY, FOR
NORTH POLE PRIORITIES**

**e. ORDINANCE 11-01, SUBSTITUTE A, AN ORDINANCE OF THE CITY OF
NORTH POLE, ALASKA TO AMEND TITLE 13, PUBLIC SERVICES**

f. RESOLUTION 11-06, A RESOLUTION OF THE CITY OF NORTH POLE REQUESTING THREE AMENDMENTS TO PROPOSED FNSB ORDINANCE 2010-56 AND AMENDMENTS TO TITLE 18 OF THE BOROUGH CODE OF ORDINANCES

Discussion

None

PASSED

YES –4 –Holm, Hunter, McGhee, Isaacson

NO – 0

Abstained- 0

APPROVAL OF MINUTES

Mr. McGhee *moved to* Approve the Minutes of January 18 and February 7, 2011

Seconded by Mr. Holm

Discussion

Mayor Isaacson stated that there were some concerns over the amount of funding that the city would be contributing to the Arctic Winter Games. Ms. Hunter thought that it would be only \$10,000 and thought there was a mistake in the minutes of January 18th. Mayor Isaacson said that the city would contribute \$30,000 over three years.

PASSED

YES – 4 - Holm, McGhee, Hunter, Isaacson

NO – 0–

Abstained- 0

COMMUNICATIONS FROM THE MAYOR

**Communication Highlights from the Mayor for the period ending February 17, 2011
ISSUES:**

- **PLEASE ATTEND Energy Projects Comparison Meeting:** The three mayors have discussed the need to educate our councils on the different energy projects being discussed or in play. There are two natural gas projects that can possibly bring relief in the short term. Mayor Hopkins has invited the Councils of North Pole and Fairbanks to join the Assembly for a **JOINT WORK SESSION: BRIDGING ENERGY SOLUTIONS PROJECTS COMPARISONS on Wednesday, February 23, 5:30 pm**

at the Borough Chambers. Please come to this important and informative meeting. The impact to North Pole can be game changing! For example, the AGPA project would put a \$22 million de-liquefying plant in North Pole and 150 miles of the 500 mile build out would be in North Pole. See the attached, “Comparative Analysis of Fairbanks Energy Bridging Projects” for initial scenarios for discussion. Also attached is an AEA announcement for Railbelt Hydro meetings.

- **THE NORTH POLE SLED DOG CHAMPIONSHIPS** return to North Pole this coming Saturday and Sunday, February 26 & 27! Remember the “good ole days” when the North Pole Sled Dog Championships were held in North Pole in various locations? For the past decade, the races have been more obscure at their Chena Lakes Recreation Area location (thanks to the Borough for maintaining the trail system there!). This year, 80 teams are expected to compete for a \$15,000 purse, thanks to the efforts of Buzz Otis and the North Pole Economic Development Corporation. This is a huge opportunity for community participation and local businesses as the 4-mile, 6-mile and 12 mile courses will be visible to the public from the starting point at Morningstar Ball Fields, off Badger Rd, along Hurst to Peridot where the trails cross over Peridot to the undeveloped northern portion of the City. Drivers are asked to avoid Peridot, which will be closed off for the races, which begin at 10:30 am on both Saturday and Sunday and go until approximately 4 pm each day. Anyone wishing to contribute to the purse or to help as a race official/helper, contact Buzz at 322-8909.

- **THE IRON DOG ROARS BY NORTH POLE** on Saturday, February 26, sometime from Noon through early afternoon. This incredible endurance race involves over 20 teams travelling over 2000 miles across Alaska. The racers will be crossing the North Pole Flood Plain Project, using the location as the last opportunity for fuel prior to making the finish line by the Cushman Bridge in Fairbanks. While you’re enjoying the Sled Dog races (above), come out and witness this truly unique racing spectacle!

- **Mayor and Clerk Travel:** Thank you to Mayor Pro Tem Thomas McGhee and other Council members who stepped up and assisted City Staff while City Clerk Kathy Weber and I travelled with 15 other community leaders and employers with the Employer Support of the Guard and Reserve (ESGR) to MacDill AFB in Tampa FL from Sunday, January 30 to Friday, February 4. We had briefings from NOAA Hurricane chasers, the Florida Air National Guard, the Navy, Special Ops Command, Central Command, whose Area of Responsibility extends from Egypt thru the “Stans” and where our active duty soldiers and guardsmen currently deploy, and others. North Pole will have at least two guardsmen from the Police Department deploying this year. The trip was excellent for

both the information content and the opportunity to become better acquainted with the other members of the trip, including individuals from the School District, State Troopers, City of Fairbanks, and the ESGR.

- AML Juneau Trip. Thank you, to the Council, for also making possible for Ron Jones and I to travel to Juneau to attend the Alaska Municipal League and Alaska Conference of Mayors meetings. It was a quick trip and I wasn't able to see all the decision makers, but we did accomplish quite a bit. Some of the issues we dealt with were energy projects, revenue sharing, PERS Termination Studies and the ongoing impact on local communities ability to manage staffing levels and budget constraints, and Essential Air Services (see report below). We pushed the North Pole priorities, everything from our Capital Projects requests to Library funding to transportation/public works needs to Royalty Oil pricing and Energy projects, meeting with the Governor, various legislators and staffers, and some Agencies. Looking through my notes, some of the people I met with were: Sen. Coghill and staff, Rep T. Wilson and staff, Rep Kawasaki, Joe, staff for Sen. Thomas; staff of Rep Thompson; Rep Lynn; Sen Huggins; Sen. President Gary Stevens; House Speaker Chenault; Sen. Tom Wagnor; Judy Andriajanoff of Foraker Group (also Heidi Ekstand, Pres/Chair, Friends of the Ketchikan Library, Susan Fisher, CEO, Tongass FCU); Jim Dodson, FEDC, Molly Aichner of ACS, Lt. General Dana Atkins (JPARC issues), Governor Parnell and Karen Rehfeld and Randy Ruaro (with other mayors), Conference of Mayors, AML Legis meeting, Sen. Joe Paskvan, DNR Commissioner Dan Sullivan; DOT Commissioner Marc Luiken; Fish & Game Commissioner Cora Campbell; Dept HSS Commissioner Stewart, Labor Commissioner Click Bishop and Deputy Commissioner Tom Nelson, and many others.

- Update on Sulfolane/Clean Water Options: On Friday, February 11, I had an extensive meeting in Anchorage with DEC Commissioner Larry Hartig. Also present: Dan Easton, Deputy Commissioner DEC and Bill Butler, Director of City Services by teleconference; Lynn Kent, and Bill Griffith. Summary: within 2 weeks of today's date, DEC will produce White Paper to the legislature and public outlining a summary of what we know now and the options to fund a piped water system from the City of North Pole to affected areas containing sulfolane. The next step will be to conference with particular state agencies, municipal governments, the Interior delegation, Flint Hills, and other stakeholders, and determine how to proceed. On point for DEC: Lynn and Bill Griffith.

- Joint Base Elmendorf Richardson February 10-11. Prior to meeting with DNR, and at the invitation of Brigadier General Ray Palumbo, Commander USARAK, I overnighted on Joint Base Elmendorf Richardson (JBER) and was given briefings on the United

States Army Alaska (USARAK), which I am happy to share with anyone interested. The various contents included more details on JBER, JPARC, integrated forces throughout the state, including Ft WW, the Combat Training Center, which including hand-to-hand combat, Stryker simulator—which I was permitted to drive and fire the weapons, Roll-over simulator, an Education complex, a community center, and library, these last two can serve as models for facilities to constructed in North Pole.

- Renewable Energy Production Tax Credit for Alaska: [Senate Bill 63](#), introduced by Sen. Lesil McGuire (R-Anchorage), would provide an incentive for power producers and utilities to develop renewable resources by offering a corporate tax credit of 15% of the retail price of the electricity produced. The tax credit would apply only when a project began producing power, and would be applicable for the first five years a project is in service. The total credit would be capped at \$30 million, or 10% of the total project cost (minus any state or federal grants received), whichever is less.
- FMATS Policy Committee met on February 16. Among the action items, the Committee approved two actions benefiting North Pole: 1) a \$62,979 cost overrun funding, due to unexpected grounding issues to our LED Streetlight Conversion Stage 1; 2) an increase to Phase 2 funding from \$50,000 to \$120,000 in FFY 11 for the North Pole Bike Trail Rehabilitation and Connections project, with no additional match required from the City. We also had a quarterly update to the NP Road/Rail Crossing Reduction Project (public comments are due February 28). The Findings of No Significant Impact (FONSI) which will determine the stand-alone aspect of this project is estimated to be signed in February 2012.
- Arctic Winter Games 2014 Update, We got the bid!! Council members have received an email inviting them to witness the signing of this event contract scheduled for Noon, February 23 at the FNSB Assembly Chambers. RSVP with Amber Courtney at abcourtney@ci.fairbanks.ak.us.
- Commissioner Update. The City of North Pole still needs two individuals to represent the city on the FNSB Planning Commission and the FNSB Recycling Commission. There is a lot of local interest in RECYCLING! If you are interested in either one of these positions, please contact Mayor Isaacson at 488-8584. Details of the commissions are online at www.fnsb.us.
- Essential Air Services (EAS) Update: Many of our local businesses either benefit from or are directly involved with services to Rural Alaska. Senator McCain introduced an

amendment to gut \$150 million from a \$200 million EAS budget. Mayor Buthello of Juneau and I (mostly Bruce) wrote the AML/ACoM reply to Congress (see attached). The latest news, as of Wednesday, February 16, was that Essential Air Service is slated to be phased out during the next four years. However, Alaska and Hawaii will continue to be funded in the same amount as prior years. So, Alaska is safe for now.

As I write, an email came from Sen. Begich stating: U.S. Sen. Mark Begich today met with Postmaster General Patrick Donahoe to discuss the future of postal services in Alaska. Mr. Donahoe was sworn in as the 73rd Postmaster General of the United States Postal Service (USPS) in December 2010. Following the meeting, Sen. Begich released the following statement: *“The U.S. Postal Service is crucial to Alaskans and our way of life. It is more than just a mail service; it is food, supplies, and medicine for our communities. The Postmaster General and I talked about how to continue improving services for Alaskans - including the importance of maintaining a viable bypass mail system. The Postmaster General emphasized his support for bypass mail saying the USPS is ‘100% behind bypass mail – it is our universal service obligation’ and I agree with him. I will continue to work with Mr. Donahoe to protect this program’s essential stability for rural Alaska. As a member of the Committee on Homeland Security and Governmental Affairs, which oversees the USPS, I will continue to be a resource for Alaskans and an advocate for increasing and improving USPS services in Alaska.”*

- APOC regulations changes being proposed: APOC has scheduled public hearings on extensive proposed regulatory changes. The attached letter from Gov. Parnell to AML Executive Director Kathie Wasserman highlights some of public comment periods. Public meetings have been scheduled in Anchorage and Juneau and accessible to us by teleconference. As public officials, we need to be aware of the changes and make comments as appropriate. Go to <http://doa.alaska.gov/apoc/proposedRegulations.html> for details.

- Alaska Railroad Crossing Permit Update: There are several projects in which we are engaged with the Alaska Railroad, including the Phase 1 Road/Rail Realignment project mentioned in last meeting’s Communications and for which I helped secure \$1 million to enable that project to proceed, and the ongoing dispute we have had with having to pay an annual \$8000 payment for the railroad’s reconstruction of 2 crossings in North Pole. The new President/CEO, Chris Aadnesen and I have spoken about this issue and on February 16, Bruce Carr, Government Relations, called and will be setting up a meeting in the near future. I will keep the Council apprised with the ongoing developments and any proposed resolution.

FNSB ASSEMBLY MEETING:

Mayor Pro Tem, Thomas McGhee, attended the Assembly meeting of February 10 in my absence and will make the report tonight. The next Assembly meeting is February 24 at 6 pm.

MEDIA:

Jan 29, Jan 30: Mayor's Commentary on Maximum Benefit published in the Ketchikan Daily News, Alaska Dispatch, and Fairbanks Daily News Miner (attached).

Feb 5, 12 & 19, Mayor Isaacson was on KJNP (1170 AM, 100.3 FM) 8 – 9 a.m. "Over the Coffee Cup."

UPCOMING (*see the February-March Mayor's Newsletter and above for other events, dates, and times*)

- **Feb 22:** ICE ALASKA World Ice Art Championships begin at Phillips Field location.
- **Feb 23, 5:30 pm,** JOINT WORK SESSION: BRIDGING ENERGY SOLUTIONS PROJECTS COMPARISONS at the Borough Assembly Chambers.
- **Feb 25 & 26,** Mayor will be judging tables and deserts at the annual "Spouses Dining In" gala at Eielson AFB.
- **Feb 26, 6 pm,** Flint Hills "Have a Heart Auction" benefiting the Boys & Girls Club of the Tanana Valley.
- **Feb 26-27, 10:30 am -4pm,** NORTH POLE SLED DOG CHAMPIONSHIPS, Parking at Morningstar Ball Fields (see above).
- **Feb 26, Noon-ish to?,** Iron Dog Snowmachine Racers pass through the Flood Plain Project at North Pole (see above).
- **Mar 3, 6 pm,** Mayor will participate in the Dr. Seuss Night After School Event at North Pole Elementary School.

COUNCIL MEMBER QUESTIONS OF THE MAYOR

None

COMMUNICATIONS FROM DEPARTMENT HEADS, BOROUGH REPRESENTATIVE AND THE CITY CLERK

Accountant

None

Police Dept, Sgt Nelson

- Officer Sporleder has started the academy in Fairbanks. He is #1 in the Academy and will graduate from the Academy on May 13th.
- Officer Smith, the Reserve Officer, is working many shifts with the department and will be done with field training in a couple of months.
- Sgt Nelson will be gone from August 27th through January 7th with the Air National Guard.
- Sgt Nelson reminded council and the public that the roads are bad and he encouraged everyone to be careful.

Fire Dept, Bryan Lane

- St. Baldericks is coming up and department employees will be shaving their heads to raise money for children with cancer. They have had female employees cut 12 – 14 inches for Locks of Love.
- Received 4 RFP's for ambulance billing contract. That will be in front of council on March 7th.
- April 29th is the North Pole Fire Department Appreciation dinner. Dinner will be held at Hotel North Pole and the special speaker is Mr. Howard from out of state. This is the first time that the department has had a nationwide sponsor who will pick up the tab for this event.
- The NPFDF finished a Hazmat class and will start Fire Fighter 2 classes shortly.
- Newer council members still need to take their NIMS classes. That is required to receive the Homeland Security grants.

Director of City Services, Bill Butler

February 21, 2011 Council Report

Bill Butler

Director of City Services

Building Department

- Tanana Apartments renovation project
 - Permits issued for \$2 million project
- White Eagle Construction plans to complete two, four-unit condominium this summer
 - Expect to issue permits by end of month
- Building in City is following national trend of rental housing construction recovering more quickly than single family housing construction--but it is still early

Public Works

- Major snow event is challenging snow plowing due to limited places to put snow.
 - Snow plowing should be completed this evening with some clean up necessary
- Jesse Lindsoe, Public Works Assistant for 4 years, took apprenticeship with DOT. His last day was February 10

- Tom Blair, part time hire to fill position until spring; started February 16
- Electronic signs; estimated cost difficult to pin down but in range of \$40,000 to \$60,000, possibly more
- Automatic door openers for handicapped access, seeking estimates
- Planning to submit a grant for Bobcat for sweeping/plowing of bike and pedestrian paths
 - Estimated cost: \$50,000
 - *Funding source, Congestion Mitigation and Air Quality Projects (CMAQ); federal DOT*
 - *Proposal due March 11*
 - *Projects require no City matching contribution*

Utility Department

- New drinking water well project will possibly be ready for acceptance at March 7 City Council meeting
- Waste Water Treatment Plant Engineering and Design Project
 - Received four proposals
 - Project will be funded with grants from US Department of Agriculture (\$375,000) and Alaska Department of Environmental Conservation (\$125,000)
 - I plan to make a recommendation at the March 7 City Council meeting related to an engineering firm to conduct the project
- Water Pump Replacement Project
 - Economic stimulus funded project to replace pumps at water treatment plant
 - Completed accept for final engineering bill
 - EPA will be in North Pole week of March 7 to audit project
- Preliminary concepts being prepared by Jantz Associated for Utility Garage
 - Do not expect to build in 2011
 - May request Council approval to construct foundation in 2011 and bid project for construction in 2012
 - Have a \$524,977 Alaska Department of Environmental Conservation grant for the project—requires a 30% match
 - Expected project cost: \$850,000 to \$1 million
- City received offer to apply for a \$1.4 million Alaska Clean Water Fund (ACWF) loan for the repair of aging sewer mains
 - 20 year loan at annual interest rate of 1.5% would be a single annual loan payment of about \$89,000
 - Will require formal resolution from Council to initiate process to apply for funds
 - Will ultimately require a vote of the people to accept debt
 - Developing a full report to Council for consideration a March 7 meeting and possible approval of a resolution authorizing me to apply for the loan

- Need to correct an apparent deletion from 2011 Budget where Capital Projects Fund was approved at first reading of budget but dropped from subsequent readings of the budget.
 - Capital Projects Fund details utility capital projects and funding sources
 - I would like to bring an ordinance to the City Council at its March 7 meeting to get the Capital Projects Fund added back to the 2011 Budget
- Lift Station Rehabilitation Project Phase I subcontractor is threatening City with a law suit
 - Subcontractor, Tesla Electric, claims lift station controls could not be built as designed
 - Lift stations are working after Tesla Electric was removed from the job by prime contractor and Control Contractors was hired to complete project
 - City attorney would like to make a presentation to Council at March 7 meeting
 - City has acquired a third party review of engineering of project that found no significant fault with the lift station control design

Borough Representative, Mayor Isaacson

- **FNSB ASSEMBLY MEETING:**

Mayor Pro Tem, Thomas McGhee, attended the Assembly meeting of February 10 in my absence and will make the report tonight. The next Assembly meeting is February 24 at 6 pm.

City Clerk, Kathy Weber

- The City is in the process of getting quotes for a new server. The server has not been replaced for many years and need a new upgrade.
- Reminder that council members need to have their original copy of their APOC forms turned in to the City Clerk by March 15, 2011.
- Updated council on the ESGR trip to Tampa, Florida from January 30 – February 4. Great trip and interesting briefings from the 5 branches of the military. Those representing the Interior were; Alaska State Troopers, FEDCO, GFCC, Denali State Bank, City of Fairbanks, City of North Pole.
- Kudo's to Officer Binkley for a job well done. Lt. Dutra shared an email from a resident who Officer Binkley helped after the resident had been involved in an accident.
- Itadori Sister City will meet on March 1, 2011 at 6:00 p.m. in the Council Chambers to discuss funding for the trip in May.

ONGOING PROJECTS

- North Pole Library – Update by Sharron Hunter
- North Pole Economic Development – see attached flyer

CITIZENS COMMENTS – 5 Minutes

None

OLD BUSINESS

None

NEW BUSINESS

REQUEST FROM SERGEY STRELTSOV TO DISMISS THE WATER BILLS FOR THE MONTHS OF DECEMBER 2010 & JANUARY 2011

Mr. Sergey Streltsov asked council to dismiss the water bills for December 2010 and January 2011. He said the bottom housing was what broke and caused the leak.

Mr. Butler explained how the meter worked to the council. He said that when water freezes in the meter it expands 10% and will corrupt the bolts that hold the bottom of the meter together. He said that more water went through the meter than what was recorded. He said that precedent has been set by council prior and that the sewer did not go into the system and therefore he could recommend that council forgive the sewer portion of the bill which equals \$1053.35 plus FRR

Public Comment

None

Mr. McGhee *moved to* dismiss the sewer bills for December 2010 and January 2011 in the amount of \$1053.35 plus FFR.

Seconded by Mr. Holm

Discussion

Mr. Holm said it was probably due to a freeze.

Mayor Isaacson said it was an unfortunate incident.

PASSED

YES – 5 – Holm, Arnold, Hunter, McGhee, Isaacson

NO – 0

Abstained -0

COUNCIL COMMENTS

Mr. McGhee – Thanked Troop #7 for presenting the colors. He spoke to the water issue and how high it jumped and that he is concerned there is no alarm system and that there isn't anything to notify the owners.

Mr. Butler explained that there is a system in place that prints a leak report and then customers are mailed a notification of that leak.

Mr. McGhee would like to see a phone cell service ordinance banning cell phone use for the city limits. He said it is more dangerous than drunk driving and that we need to set an example.

Mr. Holm – Agrees with Mr. McGhee that cell phones are a problem. He doesn't know how they will accomplish that. He will try to be at the borough meeting tomorrow night at 5:30 p.m. He was happy to see the Boy Scouts here tonight.

Ms. Arnold – gave everyone a heads up that Dennis Small is in the hospital and that he and Jo enjoyed the flowers sent by the city. They welcome visitors and Dennis will be going to Denali Center when he recovers from the frost bite.

Ms. Hunter – Thanked the Boy Scouts for coming tonight. She asked if there would be a finance committee meeting soon.

Mayor Isaacson – Thanked Mayor Pro Tem McGhee for heading up the last meeting and for signing PO's while he was gone to Florida and Juneau. This Friday is an APOC hearing which is from this past summer. He said APOC is undergoing changes and asked council to read those changes closely. He wished everyone a safe evening.

ADJOURNMENT

Mr. McGhee *moved to* **adjourn the meeting of February 22, 2011**

Seconded by Mr. Holm

No Objection

The regular meeting of February 22, 2011 adjourned at 8:41 p.m.

These minutes passed and approved by a duly constituted quorum of the North Pole City Council on Monday, March 7, 2011.

DOUGLAS W. ISAACSON, Mayor

ATTEST:

KATHRYN M. WEBER, CMC, City Clerk

What is YOUR VISION for a new North Pole Branch Library?

The Library Feasibility Committee wants to hear from you!



Please join us as our community participates in the concept design process

North Pole Branch Library Project Concept Study Workshop



Tuesday, March 22, 2011

5:30 pm -7:30 pm, North Pole City Hall

125 Snowman Lane, North Pole, AK 99705

The Foraker Group, assisted by Bettisworth North Architects, wants us to explore three early design concepts and share our expectations, thoughts and ideas on:

- New library spaces
- Design opportunities on the new library site
- What do we want our new library to look like?

This information will be used to develop very preliminary floor plans and site plans that will be the basis for formulating a more detailed construction cost estimate.

For more information, contact: **Jeff Jacobson, Library Feasibility Committee**
907.459.1305





Coffee, Croissants & Comments

Wednesday, March 9th @ 7am - 11am

Greater Fairbanks Chamber of Commerce Office

100 Cushman Street (attached to Key Bank Bldg)

Join Us To:

- ▶ Send a **CLEAR MESSAGE** that the Interior **SHOULD** be included in **FUTURE** hearing schedules since the department's OCS decisions affect the entire State of Alaska.
- ▶ **SUBMIT** your **PUBLIC COMMENT** and **NETWORK** with other Chamber members and the community.



100 Cushman St, Suite 102
Fairbanks, AK 99701
Ph: (907) 452-1105 / Fax: (907) 456-6968
www.FairbanksChamber.org

DID YOU KNOW???

Public hearings to determine Alaska's interests in Outer Continental Shelf (OCS) lease sales are being held in areas throughout the State of Alaska, **EXCEPT** in Fairbanks!

WHY NOT IN FAIRBANKS???

The Interior Department of Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) **DID NOT** think that Fairbanks had an **INTEREST!**

Coffee, Croissants & Comments is Proudly Sponsored by the Fairbanks Chamber's Natural Resources Committee.

ADDITIONAL INFORMATION:

- ▶ We know your time is valuable and in an effort to make it **FAST** and **EASY**, sample comment cards and letters will be available for easy customization for your business/organization.
 - ▶ We will send **ALL** comments and letters submitted during the Fairbanks Chamber event in one **LARGE PACKAGE** to the BOEMRE to show that Fairbanks does have an **INTEREST** and a **VOICE!**
 - ▶ Over **100** people turned out for the Anchorage "Eat, Drink & Testify" event with **48** people officially testifying!
- OCS lease sales could be **key** to sustaining the Trans-Alaska Pipeline, Alaska's economic **lifeline**.
 - The **Alaska OCS** constitutes one of the world's largest untapped energy resources with an estimated **27 billion barrels of oil** and **132 trillion cubic feet of natural gas** in place.
 - **Your input** could help **shape the future** lease sale policy and could have a big **impact** on our **economy**.
 - For comment points and sample text, please see the RDC Action Alert at: <http://www.akrdc.org/alerts/2011/fiveyearocsalert.html>.
 - In 2009, the Fairbanks Chamber passed a resolution in support of oil and gas leasing, exploration, development, and production in Alaska's Outer Continental Shelf: <http://fairbankschamber.org/members/NaturalResourcesCommittee.html>.

If you are unable to attend the Coffee, Croissants & Comments event, the deadline to submit comments on your own is March 31, 2011:

- Online at: <http://ocs5yeareis.anl.gov>
- Mail to: Mr. James F. Bennett
Chief, Branch of Environmental Assessment
Bureau of Ocean Energy Management
381 Elden Street, MS 4042
Herndon, VA 20170

If you submit comments or letters on your own, please also share a copy with the Chamber's Natural Resources Committee:

- Email: michelle@fairbankschamber.org
- Mail to: Natural Resources Committee
Greater Fairbanks Chamber of Commerce
100 Cushman Street, Suite 102
Fairbanks, AK 99701

Tanana Chiefs Conference

Chief Peter John Tribal Building

122 First Avenue, Suite 600

Fairbanks, Alaska 99701-4897

(907) 452-8251 Fax: (907) 459-3850

REGIONS

PER SKOKWIM

cGrath
ledfra
Jikotai
/akotna
Telida

February 22, 2011

LOWER YUKON

Anvik
Grayling
Holy Cross
Shageluk

Honorable Douglas Isaacson, Mayor
City of North Pole
125 Snowman Lane
North Pole, AK 99705

fax: (907) 488-3002

UPPER TANANA

Dat Lake
Eagle
Healy Lake
Northway
Tanacross
Tetlin
Tok

Dear Mayor Isaacson,

The Tanana Chiefs Conference Annual Delegate and Full Board of Directors Meeting will be held March 14 - 17, 2011 at the Westmark Hotel in Fairbanks, Alaska. Subregional Meetings are scheduled to take place on Saturday, March 12, 2011, at the TCC main office and the Morris Thompson Cultural and Visitors Center. Our theme this year is "Neyeets Ghodet'aakk' ~ May your breath of life be strong".

You are invited to welcome our delegates and tribal members at 9:35 AM on Tuesday, March 15, 2011. Enclosed you will find the draft agenda.

Many events are scheduled throughout the week. We look forward to spending time with our tribal members in Fairbanks for this important meeting. Please call 452-8251 ext. 3112 to confirm your address and for any other information you may need. Tsin'ee.

Sincerely,

TANANA CHIEFS CONFERENCE



Jerry Isaac
President & Chairman

YUKON TANANA

Alatna
Allakaket
Evansville
Fairbanks
Hughes
Lake
Minchumina
Mantley Hot
Springs
Minto
Nenana
Rampart
Stevens Village
Tanana

Bellevue
Boise
Grandview
Moses Lake
Omak
Othello
Quincy
Spokane
Tri-Cities
Walla Walla
Wenatchee
Yakima

To the Shareholders of Mikunda, Cottrell & Co. Inc.
And the Peer Review Committee of the CalCPA Peer Review Program

System Review Report

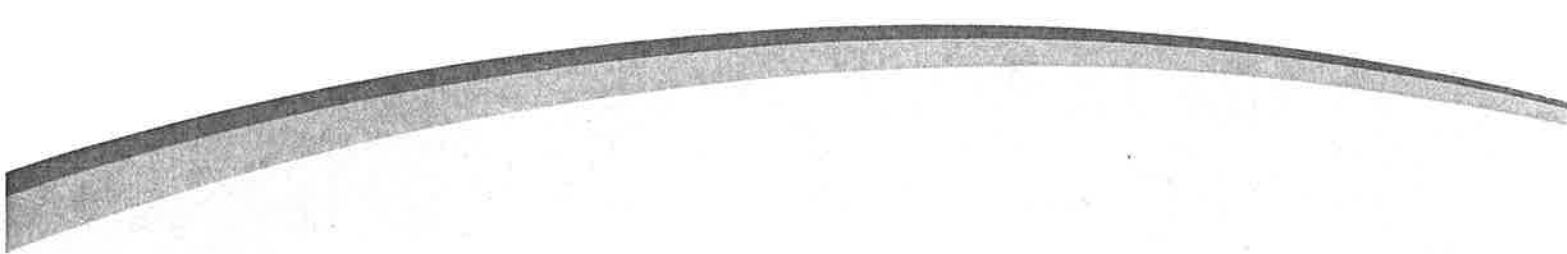
We have reviewed the system of quality control for the accounting and auditing practice of Mikunda, Cottrell & Co., Inc. (the firm) in effect for the year ended March 31, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included (engagements performed under *Government Auditing Standards* and audits of employee benefit plans).

In our opinion, the system of quality control for the accounting and auditing practice of Mikunda, Cottrell & Co., Inc., in effect for the year ended March 31, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Mikunda, Cottrell & Co., Inc. has received a peer review rating of *pass*.



July 28, 2010
Bellevue, Washington



**ORDINANCE NO. 11-01
SUBSTITUTE A**

**AN ORDINANCE OF THE CITY OF NORTH POLE, ALASKA TO
AMEND TITLE 13, PUBLIC SERVICES**

WHEREAS, changes to the public services practices and policies is a continually changing requirement; and

WHEREAS, the City of North Pole Municipal Code should be amended to conform to the requirements of the City.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of North Pole:

Section 1. This ordinance is of a general and permanent nature and shall be codified.

Section 2. Title 13 is amended in the North Pole Code of Ordinances to correct a misprint. Substitute A is required to correct a misprint replacing the words “Low income” with “Senior” in the attached rate table.

Section 3. Effective date.

This ordinance shall become effective upon passage and publication.

PASSED AND APPROVED by a duly constituted quorum of the North Pole City Council this 17th day of January, 2011.

DOUGLAS W. ISAACSON, Mayor

ATTEST:

KATHRYN M. WEBER, CMC, City Clerk

Title 13
PUBLIC SERVICES

Chapters: 13.24 Utility Rates

13.24.020 Metered Water and Sewer Utility Rates

Monthly water and sewer utility rates beginning January 1, 2011 shall be the following:

Customer class	Per gallon water	Monthly base water charge	Per gallon sewer charge ¹	Monthly base sewer charge	FRR ² - Water per gallon charge	FRR ² - Sewer per gallon charge	FRR ² Signifi- cant Industrial Discharger- Sewer
Single family residential	\$0.01464	\$5	\$0.00882	\$5	\$0.0015	\$0.0015	--
Senior Low-income single family residential	\$0.00732	\$5	\$0.00441	\$5	\$0.0015	\$0.0015	--
Multi-family, residential	\$0.01464	\$25	\$0.00882	\$25	\$0.0015	\$0.0015	--
Senior Low-income, multi-family residential	\$0.00732	\$25	\$0.00441	\$25	\$0.0015	\$0.0015	--
Commercial	\$0.01464	\$25	\$0.00882	\$25	\$0.0015	\$0.0015	--
Commercial/ Significant Industrial Discharger	\$0.01464	\$25	\$0.00882	\$25	--	--	\$0.00345

1. The monthly sewer charge for the months of May, June, July and August will be capped at an amount not to exceed the average of the water usage during the months September through April for Single family and ~~Senior Low-income~~ single-family residential customers only.

2. Facility Repair and Replacement: Funds generated to repair and replace utility capital infrastructure.



North Pole Fire Department

125 Snowman Lane - North Pole, Alaska 99705

Phone: 907.488.2232 Fax: 907.488.3747

Mayor Isaacson,

Below is the scoring for the RFP's for the ambulance billing. Systems Design had the best proposal and the best price. I recommend that the City Council award the contract to Systems Design.

Chief Lane

		Care Med Partners	Wittman Enterprises	Systems Design	Fairbanks Billing
Project Services	20	0	20	20	20
Methods	15	0	15	15	15
Project Management	5	0	5	5	5
Project Staff	15	0	15	15	15
Professional Experience	20	0	20	20	20
Estiamated Fee Schedule	20	0	15	20	10
Quality of Proposal	5	0	5	5	2
Total Possible Points	100	0	95	100	87

Note: Care Med did not return Request for proposal sheet with original signature

Request for Proposals "RFP 11-01"
North Pole Ambulance Billing

City of North Pole
125 Snowman Lane
North Pole, AK 99705
Tel: 907-488-2281; Fax: 907-488-3002


ESTIMATED GROSS REVENUE FOR ACTUAL COLLECTIONS*: \$30,000**

UNIT RATE (Percentage Rate) : 6%

TOTAL ESTIMATED COST \$1,800**

*Gross revenue for actual collections is an estimated amount for the initial
Contract period of March 15, 2011 through December 31, 2011

Amendment No.(s) 1 is/are hereby acknowledged.


Original Signature

CEO / C. Mark Spice
Title/Name (Print or Type)

Systems Design West, LLC
Vendor's Name (Print or Type)

PO Box 3510
Address

Silverdale, WA 98383
City, State, Zip

360-394-7020 Toll Free: 800-585-5242
Telephone Number

360-394-7099
Facsimile Number

Addenda

Submitter has received and examined the addenda listed below, receipt of which is hereby acknowledged by listing the addendum number and addendum date.

Addendum Number

1

Addendum Date

February 14, 2011

***Estimate is based on patient demographics and historical collection rates we have seen for Fairbanks NSB. Their demographics average about 30% Medicare and 17% Medicaid, with a 78% gross recovery rate. Using an estimated 48 billable transports for the remainder of 2011, billing \$800 per transport plus using 12.75 miles as the average loaded miles at a rate of \$11, we came up with about \$45,132 that would be billed out in 2011. Of that, the December 2011 and possibly some of the November 2011 transports, would see payments until at least January 2012. We believe a ballpark estimate of about \$30,000 might be recovered in the remainder of the 2011 calendar year. With our 6% fee of the collected amount, this would have a cost of about \$1800 in the remainder of calendar year 2011.*

Request for Proposals "RFP 11-01"

North Pole Ambulance Billing

City of North Pole
125 Snowman Lane
North Pole, AK 99705
Tel: 907-488-2281; Fax: 907-488-3002

ESTIMATED GROSS REVENUE FOR ACTUAL COLLECTIONS*: \$20,000*

UNIT RATE (Percentage Rate) : 7%

TOTAL ESTIMATED COST \$ 1400.00

*The gross collection rate is based on a nine month period not a full year with an average transport amount of \$900. Billing may take up to a full year before maximum legal potential is reached.

*Gross revenue for actual collections is an estimated amount for the initial contract period of March 15, 2011 through December 31, 2011.

Amendment No. (s) 1 and 2 is /are hereby acknowledged.



Original Signature Vendor's Name (Print or Type)

Corinne Wittman Wong 21 Blue Sky Court

Title/Name (Print or Type) Address

Sacramento, CA 95828

City, State, Zip

916-669-4608

Telephone Number

916-471-5107

Facsimile Number

Addenda

Submitter has received and examined the addenda listed below, receipt of which is hereby acknowledged by listing the addendum number and addendum date.

Addendum Number

1

Addendum Date

February 14, 2011

2

February 16, 2011



Request for Proposals "RFP 11-01"
North Pole Ambulance Billing

City of North Pole
125 Snowman Lane
North Pole, AK 99705
Tel: 907-488-2281; Fax: 907-488-3002

ESTIMATED GROSS REVENUE FOR ACTUAL COLLECTIONS*: 27,582.75

UNIT RATE (Percentage Rate): 11%

TOTAL ESTIMATED COST \$ 3,034.08

*Gross revenue for actual collections is an estimated amount for the initial contract period of March 15, 2011 through December 31, 2011

Amendment No.(s) 1,2 is/are hereby acknowledged.

Katie Best Katie Best
Original Signature Vendor's Name (Print or Type)

owner Fairbanks Billing Service
Title/Name (Print or Type) Address 315 Illinois Street

Fairbanks, AK 99701
City, State, Zip

907. 456. 7767
Telephone Number

907. 456. 8050
Facsimile Number

RFP 11-01
Ambulance Billing
City of North Pole

		Care Med Partners	Wittman Enterprises	Systems Design	Fairbanks Billing
Project Services	20	0	20	20	20
Methods	15	0	15	15	15
Project Management	5	0	5	5	5
Project Staff	15	0	15	15	15
Professional Experience	20	0	20	20	20
Estiamated Fee Schedule	20	0	15	20	10
Quality of Proposal	5	0	5	5	2
Total Possible Points	100	0	95	100	87

Note: Care Med did not return Request for proposal sheet with original signature

125 Snowman Lane
North Pole, Alaska 99705
(907) 488-8593
(907) 488-3002 (fax)
bill@northpolealaska.com

City of North Pole
Director of City Services

Memo

To: North Pole City Council
From: William Butler, Director of City Services
Date: March 2, 2011
Subject: Recommended of engineering firm for City of North Pole's Waste Water Treatment Plant Engineering and Rehabilitation Design Project

Recommendation

The project funders, US Department of Agriculture and Alaska Department of Environment Conservation, must review the City Council's recommended engineering firm. The City Council's decision, proposals and supporting documentation will be sent to the funding agencies for review. As a professional services contract, cost must be negotiated with the selected contractor.

Recommendation 1: Recommend to the funding agencies that USKH, Inc. is the City's preferred engineering firm for the project and PDC, Inc. is the preferred alternative firm.

Recommendation 2: Grant Director of City Services authority to negotiate a contract with the approved contractor. If an acceptable contract cannot be negotiated with the recommended contractor, authorize the Director of City Services to negotiate a contract with the alternate contractor. The proposed contract will be brought to the City Council for approval.

Background

The City of North Pole received four proposals in response to its request for proposals (RFP) for its Waste Water Treatment Plant Engineering Rehabilitation and Design Project. The firms that applied were Design Alaska, USKH, PDC and CH2MHill. Paul Trissel, North Pole Utility Supervisor and Bill Butler, Director of City Services reviewed the proposals in relation to the criteria provided to submitters in the RFP. A copy of the criteria is attached.

As reviewers, Paul and I reviewed the proposals independently and then met to discuss our assessments. All four proposals had strengths and weaknesses, but we were in agreement that

two proposals were the strongest—PDC and USKH’s proposals while Design Alaska and CH2MHill’s proposals were less competitive. Weaknesses of the Design Alaska and CH2MHill’s proposals were the professional engineers with the most relevant waste water expertise similar to North Pole’s treatment works were either from out of state and/or their expertise with Arctic environments was not as extensive as the engineering teams proposed in the PDC and USKH proposals. The engineers the different firms plan to assign to the project also reflect different degrees of a history of working together as teams. USKH and PDC’s proposed teams of engineers and associated staff appear to have more extensive histories of working together on projects similar to the North Pole project than the teams listed in the Design Alaska and CH2MHill proposals. It is the reviewers belief that a team of engineers with a history of working together on projects similar to North Pole’s project will be better able to respond quickly and effectively to the utility’s needs. Design Alaska and CH2MHill also tended to score slightly less on most of the evaluation criteria. Scoring slightly lower on several evaluation criteria had the cumulative effect of separating PDC and USKH’s proposals from Design Alaska and CH2MHill’s proposals. The lower scores lent support to the reviewers’ assessment that PDC and USKH have a better understanding of the utility’s needs and their proposed work will more directly address the utility’s needs.

Paul’s and my review of PDC and USKH’s proposals had the firms with close scores in relation to the evaluation criteria. We decided to reassess these two proposals and compare updated assessments. As part of the review I called references provided by the firms. I was able to reach only one of the references for each of the applicants. The other references were not available when I made reference calls. The references contacted were very satisfied with each firm’s performance. Related to references, of PDC’s three references, two of the references were for a subcontractor not PDC itself. All three of USKH’s references were for projects wholly managed by USKH. The references provided by USKH were also for projects more similar to the comprehensive North Pole project than were PDC’s references. All engineering projects are unique and North Pole’s treatment works has its own unique design so it is unlikely that another treatment works would mirror ours.

As with our initial assessment of USKH and PDC’s proposals both were still strong proposals, but again USKH’s proposal was the stronger of the two. The USKH proposal showed a greater degree of understanding of the City’s needs which was reflected in proposed innovative solutions. As an example, all the firms that submitted proposals visited the treatment works to assess its current conditions. The lift station in the treatment works is nearing failure. USKH proposed an innovative solution that combined the need to upgrade the means for discharging waste water from the treatment works with the utility’s interest in energy saving approaches and reducing the need for operator control. USKH suggested increasing the size of the discharge pipe and relying on gravity flow, eliminating the need for pumping. This is only a preliminary proposal and may not be a realistic solution upon further analysis, but it revealed an ability to “think outside the box”.

Two engineering firms that submitted proposals and the American Council of Engineering Companies of Alaska expressed concern about the RFP placing a relatively high weight on the estimated cost of a firm’s services. The utility’s intention for requiring the submission of an estimated fee was to help assess how realistic was its proposal. The utility has experience with engineering projects and we have a concept of how much the engineering and design project

should cost. A proposal with too low a budget would suggest an unrealistic understanding of the needed work and an overly high fee would suggest a padded budget. Requesting cost proposals was not to select the lowest cost applicant. Paul and I both found Design Alaska's low cost proposal to be too low and suggested a lack of understanding what the project would cost, especially since a significant share of the firm's technical expertise would be engineers outside of Alaska. The two highest rated proposals—USKH and PDC--were only different by \$2,200. Even the highest estimated fee proposed by CH2MHill, was not unrealistically high and was within the utility's range of expected cost for the project.

The following are Paul's and my evaluation scores for the proposals.

	Design Alaska		CH2MHill		PDC		USKH	
Criteria	Trissel	Butler	Trissel	Butler	Trissel	Butler	Trissel	Butler
Project Services (15)	13	12	11	13	14	14	15	15
Methods (15)	13	11	12	13	13	13	14	15
Project Management (5)	3	3	2	3	4	4	4	5
Project Staff (15)	12	12	12	12	13	14	13	14
Professional Experience (20)	15	14	14	14	18	18	17	18
Visitability/Affordability to Geographic Location (5)	4	5	2	4	5	5	5	5
Estimated Fee Schedule (20)	18	15	14	15	16	18	17	18
Quality of Proposal (5)	4	4	4	3	4	4	5	5
Total	82	76	71	77	87	90	90	95
	Design Alaska		CH2MHill		PDC		USKH	
Average	79		74		88.5		92.5	

Proposal Assessment Criteria

1. Project Services15

The firm states, in a concise manner, its interpretation and understanding of the project. Proposal demonstrates the firm's comprehension of the objectives and services of the proposed project. The firm identifies what aspects of the project it believes will prove to be the most challenging and how such challenges will be overcome by the firm.

2. Methods15

The proposal outlines the methods for accomplishing the proposed project. The proposal describes what, when, where, how and in what sequence the work will be done and identifies the amount and type of work to be performed by any Subcontractors. The proposal explains how each task will be carried out, what services will be required from the City and plans for coordinating work with the City.

3. Project Management5

The proposal describes the administrative and operational structures that will be used to perform the proposed work; for example, who has overall responsibility for the contract? What will the lines of authority be? Inclusion of a graphic depiction is preferred in the response to this criterion. The proposal discusses how the physical location of the firm's offices with respect to the project site and the City's offices affect the firm's ability to provide services.

4. Project Staff.....15

The proposal names the key individuals who will perform the following functions, and other professional/technical functions deemed essential to the performance of the project.

Project Manager: Single point of contact directly engaged in contract performance and compliance.

Project Staff: The proposal describes the work to be performed by the individuals named in the proposal and details their specific qualifications and substantive experience directly related to the proposed project.

5. Professional Experience20

The proposal identifies the period of time the firm has been performing work similar to that requested in the RFP and the proposal needs to demonstrate that the firm has previous experience designing WWTP plants in regions where the climate is similar to that in the City of North Pole.

The proposal shall identify the firm's qualifications to perform value engineering per the USDA bulletin: <http://www.usda.gov/rus/water/regs/valueengbulletin.pdf>. The proposal must include descriptions of a minimum of three (3) prior projects that the firm conducted that were similar to the work requested in this RFP. The discussions shall include a summary of the work performed; identifies any of the Project Staff to be assigned to the North Pole project who participated in a prior project; and when and where the work was done. For each contract discussed, the proposal must provide the name of the contracting entity and a reference (contact person and a telephone number). More than three reference projects may be listed. Any project references beyond the minimum three required shall be listed in an appendix. The level of experience will be a factor in assessing a firm's professional experience.

6. Visitability/Affordability to Geographic Location5

The proposal identifies offices and staff responsible for the project and their proximity to the project site and City offices. The proposal documents what measures will be taken to reduce the engineering firm's cost for visiting with city staff and required inspections. Proximity is a criterion related to familiarity and experience with local conditions that affect the conduct of the project.

7. Estimated Fee Schedule.....20

Proposal provides a reasonable fee estimate in relation to the proposed project activities. The fee estimate contains a breakdown of project activities that at a minimum address:

- Generation of a Preliminary Environmental Report that satisfies USDA-RUS Bulletin 1794-602, March 2008, Version 1.2.
- Generation of an Engineering Report satisfies USDA-RUS Bulletin 1780, 2003 edition.
- Generation of engineering and design documents to the 100% completion level.
- Generation of a recommended phased rehabilitation construction schedule.
- Generation of detailed cost estimates for the different components of the phased construction schedule.
- Other. List and describe any other services the firm proposes to provide.

8. Quality of Proposal.....5

Submitters do not respond to this criterion. Review Committee members will rate this criterion based upon their evaluation of the clarity, completeness and presentation of the proposal. Note: This criterion is NOT used to evaluate color, graphics or other visual techniques except as they may detract from legibility.



Introduced and Advanced: March 7, 2011
Adopted: March 21, 2011

CITY OF NORTH POLE

ORDINANCE 11-02

AN ORDINANCE OF THE CITY OF NORTH POLE, ALASKA AMENDING TITLE 5, CHAPTER 5.02.040, LICENSE-FEE

WHEREAS, changes to the North Pole Municipal Code is a continually changing requirement;
and

WHEREAS, the City of North Pole Municipal Code should be amended to conform to the
requirements of the City and to provide clarification as needed.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of North Pole:

Section 1. This ordinance is of a general and permanent nature and shall be codified.

Section 2. General Provisions of the North Pole Municipal Code of Ordinances are
amended as follows:

5.02.040 License - Fee.

The license fee for each business shall be ~~Twenty-five~~ **Fifty** dollars per year and shall be paid no
later than February 15th of each year. (Ord. 03-10 §2 (part), 2003)(Ord. 00-1 §2(part), 2000)

Section 3. Effective Date. This ordinance shall be effective at 5:00 pm on the first City business
day following its adoption.

PASSED AND APPROVED by a duly constituted quorum of the North Pole City Council this
21st day of March, 2011.

DOUGLAS W. ISAACSON, Mayor

ATTEST:

KATHRYN M WEBER, CMC, City Clerk

Yes -
NO -
Abstained -

CITY OF NORTH POLE

ORDINANCE 11-03

**AN ORDINANCE OF THE CITY OF NORTH POLE ESTABLISHING
THE 2011 UTILITY CAPITAL BUDGET**

WHEREAS, changes to the North Pole Municipal Code is a continually changing requirement;
and

WHEREAS, the City of North Pole Municipal Code should be amended to conform to the
requirements of the City and to clarify questionable areas, and

WHEREAS, the City Council approved the 2011 Capital Projects Fund as part of the 2011
Budget by unanimous vote on November 1, 2011, and

WHEREAS, the Capital Fund did not appear in the subsequent two readings of the 2011
Budget.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of North Pole:

Section 1. This ordinance is of a special nature and shall not be included in the North Pole Code
of Ordinances.

Section 2. The anticipated Utility, Water & Sewer Reserves, and FRR Restricted Cash fund
revenues of **\$888,336.03** are hereby appropriated to fund January 1, 2011 to December 31, 2011
operations as follows:

PASSED AND APPROVED by a duly constituted quorum of the North Pole City Council this
21st day of March, 2011.

DOUGLAS W. ISAACSON, Mayor

ATTEST:

KATHRYN M. WEBER, CMC, City Clerk

125 Snowman Lane
North Pole, Alaska 99705
(907) 488-2281
(907) 488-3002 (fax)
bill@northpolealaska.com

City of North Pole
Director of City Services

Memo

To: North Pole City Council
From: Bill Butler
Date: February 28, 2011
Subject: Correct Fiscal Year 2011 Budget: Capital Projects Fund

The original 2011 City of North Pole Budget included a Capital Projects Fund. (See Utility Department Budget as provided in November 1, 2011 Council packet.) The budget included this fund to document the source of funding for contracted and planned Utility Department capital projects. On November 1, 2010, the City Council unanimously approved a single amendment to the budget—related to the Police Department--and unanimously approved the amended budget. (See attached November 1, 2010 City Council meeting minutes contained in the November 29, 2010 Council packet—found on pages listed as 9 and 10 in the Council packet.)

The budget the City Council reviewed and approved at its November 29 meeting did not contain the Capital Projects Fund. (See Utility Department budget as supplied to City Council in the November 29, 2010 Council Packet.) The proposed ordinance is intended to reinsert the Utility Department Capital Projects Fund back into the 2011 City of North Pole Budget.



CITY OF NORTH POLE *Alaska*

REGULAR CITY COUNCIL MEETING Monday, November 1, 2010

Committee of the Whole – 6:30 p.m.
Regular City Council Meeting – 7:00 p.m.

COUNCIL MEMBERS

Bonnie Arnold	488-9246
Richard Holm	488-1776
Sharron Hunter - <i>Mayor Pro Tem</i>	488-4282
Kevin McCarthy- <i>Alt. Dep. Mayor Pro Tem</i>	490-9039
Ronald Jones	488-3579
Thomas McGhee	455-0010

MAYOR

Doug Isaacson 488-8584

CITY CLERK

Kathy Weber 488-8583

1. Call to Order/Roll Call
2. Pledge of Allegiance to the US Flag
3. Invocation
4. Approval of the Agenda
5. Approval of the Minutes
6. Communications from the Mayor
 - Proclamations
 - World Diabetes Day*
 - United Way Presentation by Karen Lidster*
 - Reorganization of Council*
7. Council Member Questions of the Mayor
8. Communications from Department Heads, Borough Representative and the City Clerk
9. Ongoing Projects Report

10. Citizens Comments (Limited to Five (5) minutes per Citizen)

11. Old Business

a. Ordinance 10-10, An Ordinance of the City of North Pole Amending Title 1, City Seal, Section 1.16.020, City Seal – Adoption Used to Authenticate Acts

12. New Business

a. Request For 1st, 2nd, & 3rd Quarter Bed Tax From The City of North Pole To Christmas In Ice And An Additional Cash Contribution Of \$5,000 For Ice Sculptures & the City of North Pole Logo At The Ice Park

b. Request for 3rd Quarter Bed Tax From The City of North Pole To North Pole Economic Development Corporation

b. Ordinance 10-11, An Ordinance Establishing The 2011 Budget And Levying The Mill Rate

c. Resolution 10-42, A Resolution Of The North Pole City Council Designating City Officials Authorization To Sign On City Of North Pole Accounts

13. Council Comments

14. Adjournment

The City of North Pole will provide an interpreter at City Council meetings for hearing impaired individuals. The City does require at least 48 hours notice to arrange for this service. All such requests are subject to the availability of an interpreter. All City Council meetings are recorded on CD. These CD's are available for listening or duplication at the City Clerk's Office during regular business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m. or can be purchased for \$5.00 per CD. The City Clerk's Office is located in City Hall, 125 Snowman Lane, North Pole, Alaska.

BUILDING FUND - Fund 05

Line #	Account Number	Account Title	2008 Actual	2009 Actual	2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
REVENUES									
1	05-00-00-4001	Residential Plan Check Fee	4,777	2,000	8,000	8,000			8,000
2	05-00-00-4002	Residential Building Permit Fee	17,789	12,256	15,000	15,000			15,000
3	05-00-00-4003	Commercial Plan Check Fee	24,169	-	8,000	8,000			8,000
4	05-00-00-4004	Commercial Building Permit Fee	57,527	854	15,000	10,000			10,000
5	05-00-00-4005	Industrial Plan Check Fee	-	-	4,000	4,000			4,000
6	05-00-00-4006	Industrial Building Permit Fee	4,492	1,554	7,500	7,500			7,500
7	05-00-00-4007	Road Excavation Bond	-	5,000	5,000	5,000			5,000
8	05-00-00-4008	Storm Water Plan Inspection Fe	720	-	750	1,440			1,440
9	05-00-00-4009	Storm Water Permit Fee	480	-	480	960			960
10	05-40-00-4010	Special Inspection Fee		1,500	-	-			-
11	05-00-00-5900	Transfer In From Fund Balance		-	-	35,500			35,500
		TOTAL	109,953	23,163	63,730	95,400	-	-	95,400

95,400

EXPENSES									
12	05-00-00-7000	Road Excavation Bond Return	-	5,000	5,000	5,000			5,000
13	05-00-00-7001	Residential Plan Review	4,700	-	7,000	15,000			15,000
14	05-00-00-7002	Residential Inspections	-	1,500	13,000	23,000			23,000
15	05-00-00-7003	Commercial Plan Review	19,078	1,101	7,000	10,000			10,000
16	05-00-00-7004	Commercial Inspections	6,858	24,399	13,000	17,000			17,000
17	05-00-00-7005	Industrial Plan Review	-	-	5,000	8,000			8,000
18	05-00-00-7006	Industrial Inspections	-	-	7,500	10,000			10,000
19	05-00-00-7007	Storm Water Plan Inspections	480	-	480	1,440			1,440
20	05-00-00-7008	Storm Water Site Inspections	720	-	750	960			960
21	05-01-00-7001	Publications & Advertising	-	-	500	100			100
22	05-01-00-7005	Legal Fees	-	113	500	250			250
23	05-01-00-7006	Professional Services	1,838	-	500	3,000			3,000
24	05-01-00-7022	Office Supplies/Software	10,195	-	1,000	1,000			1,000
25	05-01-00-7029	Admin/Misc. Expenses	125	246	500	250			250
26	05-01-00-7041	Bad Debt Expense		1,500		-			-
27	05-01-00-7049	Training Classes/Manuals	2,018	660	2,000	400			400
		TOTAL	46,013	34,519	63,730	95,400	-	-	95,400

95,400

CAPITAL PROJECTS FUND - Fund 03-xx

Line #	Project Description	Expense	Revenue	Revenue Source
1	Water Treatment Plant Engineering & Design	125,000.00	125,000.00	State - Municipal Matching Grant - Pending
2	Water Treatment Plant Engineering & Design	375,000.00	375,000.00	USDA - Preplanning Grant
3	Waste Water Treatment Plant Engineering & Design	125,000.00	125,000.00	State - Municipal Matching Grant - Pending
4	Waste Water Treatment Plant Engineering & Design	375,000.00	375,000.00	USDA - Preplanning Grant
5	Utility Garage	524,977.00	524,977.00	State - Municipal Matching Grant - #63319
6	Utility Garage	300,000.00	300,000.00	Water - Sewer Fund
7	Well Rehabilitation & Adjustment Control Panel	147,500.00	147,500.00	State - Legislative Grant - #09-DC-505
8	Sewer Lift Station Renovation Phase 2	1,964,922.00	1,964,922.00	State - Municipal Matching Grant - #63317
9	Sewer Lift Station Renovation Phase 2	970,000.00	970,000.00	EPA STAG Grant - #XP-00110701-0
10	Sewer Lift Station Renovation Phase 2	148,603.00	148,603.00	Water - Sewer Fund
11	Waste Water Treatment Plant Sludge Removal	595,000.00	595,000.00	State - Municipal Matching Grant - #63318
12	Waste Water Treatment Plant Sludge Removal	300,000.00	300,000.00	Water - Sewer Fund
13	Old Water Treatment Plant Roof Repair	24,257.00	24,257.00	State - Legislative Grant - #08-DC-471
14	Restricted Jet Vac Replacement Fund (10 year replacement)	30,000.00	30,000.00	Water - Sewer Fund
15	Restricted Crane Truck Replacement Fund (10 year replacement)	10,000.00	10,000.00	Water - Sewer Fund
16	Restricted Operator Truck Replacement Fund (5 year replacement)	7,500.00	7,500.00	Water - Sewer Fund
Total		6,022,759.00	6,022,759.00	

Revenue Summary

State - Municipal Matching Grants	3,334,899.00
State - Legislative Grants	171,757.00
USDA - Grants	750,000.00
EPA - Grants	970,000.00
City Funds (these funds have not been budgeted for in this budget)	796,103.00
Total	6,022,759.00

Capital Projects Fund as presented
in budget on November 1, 2010

SEWER RESERVES FUND - Fund 25-10

Line #	Account Number	Account Title	2009 Actual	2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
1	27-10-00-5900	Transfer From Sewer Dept (FRR)	-	48,000	81,234			81,234
2	27-10-00-5900	Transfer From Sewer Dept (FRR - Industrial)		79,000	76,891			76,891
	27-10-00-5900	Transfer From Sewer Dept (Sewer Base)	-	67,800	75,960			75,960
		TOTAL	-	194,800	234,085	-	-	234,085

234,085

This is a new fund set up in 2010 to account for the revenues that are received from the FRR and Sewer Base portions of the Sewer bills.

Expenses to this fund will be for the repair and replacement of sewer utility infrastructure. These expenses will need to have the approval of council.

Expenses to this fund will also be for the 10% pay back on the principal and the related interest on various ADEC sewer loans.

CITY OF NORTH POLE
2011 PROPOSED BUDGET

SEWER DEPARTMENT EXPENSES - Fund 02-12

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
PERSONNEL COSTS			2008	2009	2010				2011
		Salaries - Accrued							
		Salaries	171,008	179,781	173,623				176,794
		Salaries - OT	9,579	13,322	10,000				10,000
		Taxes	2,584	2,757	2,471				2,500
		Pers	29,174	58,952	47,285				41,095
		Pers (state pd)							7,819
		Accrued Vacation Pay							
		Workman's Comp	8,357	7,943	7,558				12,000
		Health Insurance	39,391	54,485	64,000				63,000
		Total Cost of Personnel	260,094	317,240	304,937				313,207
		(percent of operating budget)	24%	26%	28%				30%
OPERATING COSTS			2008	2009	2010				
		(percent of operating budget)	76%	74%	72%				70%
		TOTAL OPERATING BUDGET	1,083,005	1,222,368	1,084,433				1,043,231

SEWER DEPARTMENT EXPENSES - Fund 02-12

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
44	02-12-00-7300	Richardson Hwy. Dawson Crossing	1,516	-	-	-			-
45	02-12-00-7400	Deferred Maintenance Expense	-	-	25,000	21,339			21,339
46	02-12-00-8100	Sewer - Depreciation Expense	415,400	409,228	-	-			-
47	02-12-04-7016	Electricity - WWTP	65,080	44,174	45,000	50,000			50,000
48	02-12-04-7017	Heating Fuel - WWTP	17,044	9,770	15,000	12,000			12,000
49	02-12-04-7018	Telephone - WWTP	1,646	2,691	2,500	3,200			3,200
50	02-12-04-7020	Building Maintenance - WWTP	200	2,044	5,000	5,000			5,000
51	02-12-05-7018	Telephone - SCADA	-	-	-	1,000			1,000
52	02-12-06-7016	Electricity - Generator Storage	993	368	1,000	500			500
53	02-12-06-7017	Heating Fuel - Generator Storage	351	-	1,500	-			-
54	02-12-70-7016	Electricity - Lift Station 1A - Holiday	4,817	4,048	4,000	4,500			4,500
55	02-12-70-7018	Telephone - Lift Station 1A	-	-	500	1,000			1,000
56	02-12-71-7016	Electricity - Lift Station 2A - Yukon	2,424	3,861	2,500	5,200			5,200
57	02-12-72-7016	Electricity - Lift Station 3A - Kitt	1,084	965	1,000	1,200			1,200
58	02-12-73-7016	Electricity - Lift Station 3B - 8th Ave	626	830	1,000	1,000			1,000
59	02-12-73-7018	Telephone - Lift Station 3B	-	-	750	750			750
60	02-12-74-7016	Electricity - Lift Station 3C - N Blanket	2,763	3,116	2,000	2,750			2,750
61	02-12-74-7018	Telephone - Lift Station 3C	-	-	-	1,000			1,000
62	02-12-75-7016	Electricity - Lift Station 4B - S Blanket	1,349	923	1,000	1,000			1,000
63	02-12-75-7018	Telephone - Lift Station 4B	422	448	750	1,000			1,000
64	02-12-76-7016	Electricity - Lift Station 4C - Black Bear	3,206	2,341	3,000	3,000			3,000
65	02-12-76-7018	Telephone - Lift Station 4C	422	456	750	1,000			1,000
66	02-12-77-7016	Electricity - Lift Station 4F - H&H	5,190	3,973	3,500	5,000			5,000
67	02-12-77-7018	Telephone - Lift Station 4F	-	-	-	1,000			1,000
68	02-12-78-7016	Electricity - Lift Station 5A - Finnel	624	2,197	500	2,200			2,200
69	02-12-78-7018	Telephone - Lift Station 5A	-	-	-	1,000			1,000
70	02-12-79-7016	Electricity - Lift Station 5B - Hurst	593	629	750	1,750			1,750
71	02-12-80-7016	Electricity - Lift Station 6A - Old Richardson	910	777	750	1,000			1,000
72	02-12-81-7016	Electricity - Lift Station 6B - Tanana	826	671	750	1,000			1,000
73	02-12-82-7016	Electricity - Lift Station Mockler	581	478	750	750			750
74	02-12-83-7016	Electricity - Lift Station Stillmeyer	1,917	2,922	2,000	3,500			3,500
75	02-12-83-7018	Telephone - Stillmeyer	422	456	750	1,000			1,000
76	02-12-00-7092	Transfer to Sewer Reserves (FRR Industrial)	-	-	79,000	76,891			76,891
77	02-12-00-7092	Transfer to Sewer Reserves (FRR)	-	-	48,000	81,234			81,234
78	02-12-00-7092	Transfer to Sewer Reserves (Sewer Base)	-	-	67,800	75,960			75,960
		TOTAL	1,083,005	1,222,368	1,084,433	1,043,231	-	-	1,043,231

1,043,231

CITY OF NORTH POLE
2011 PROPOSED BUDGET

SEWER DEPARTMENT EXPENSES - Fund 02-12

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
1	02-12-00-6090	Overtime	9,579	13,322	10,000	10,000			10,000
2	02-12-00-6091	Holiday Pay	167	231	-	-			-
3	02-12-00-6097	Workers Comp. Ins.	8,357	7,943	7,558	12,000			12,000
4	02-12-00-6099	Medicare	2,584	2,757	2,471	2,500			2,500
5	02-12-00-6100	PERS	29,174	58,952	47,285	48,913			48,913
6	02-12-00-6102	Health & Disability Insurance	39,391	54,485	64,000	63,000			63,000
7	02-12-00-6103	Leave Cash Outs	-	3,822	3,500	5,000			5,000
8	02-12-00-6105	Insurance	2,561	2,599	21,000	30,000			30,000
9	02-12-02-6107	WWTP Land Acquisition	-	-	10,000	-			-
10	02-12-00-6117	AR Clerk	10,734	18,832	19,291	19,638			19,638
11	02-12-00-6211	Utility Supervisor	38,340	38,880	39,658	40,451			40,451
12	02-12-00-6212	Utility Assistant	24,116	25,608	15,750	15,750			15,750
13	02-12-00-6214	Utility Assistant	43,476	32,860	34,041	34,041			34,041
14	02-12-00-6215	Dir. of City Services	25,377	25,920	26,439	26,970			26,970
15	02-12-00-6216	Utility Assist.	28,798	33,628	34,944	34,944			34,944
16	02-12-00-6500	Rev. Bond Int. (HwyPkSewer)	25,716	27,904	28,500	28,500			28,500
17	02-12-00-6501	Interest Expense - ACWF Loans	-	1,500	-	-			-
18	02-12-00-6600	Rev. Bond Princ.(HwyPkSewer)	-	-	7,500	7,500			7,500
21	02-12-00-7001	Publications & Advertising	945	2,565	3,000	1,000			1,000
22	02-12-00-7003	Billing Service	-	-	-	1,800			1,800
23	02-12-00-7004	Audit/Accounting Fees	8,500	9,500	9,990	10,000			10,000
24	02-12-00-7005	Legal Fees	-	791	2,500	5,000			5,000
25	02-12-00-7006	Professional Services	18,236	304	10,000	10,000			10,000
26	02-12-00-7007	Safety Equipment	6,227	340	2,500	2,500			2,500
27	02-12-00-7008	Pretreatment Program	11,487	88,083	52,206	5,000			5,000
28	02-12-00-7009	Equipment Outlay/Repair	45,253	67,345	75,000	70,000			70,000
29	02-12-00-7010	Utility Truck Replacement	33,132	-	40,000	-			-
30	02-12-00-7011	System Supplies	31,864	11,405	12,500	15,000			15,000
31	02-12-00-7012	I & I Evaluation & Repair	6,934	-	5,000	-			-
32	02-12-00-7013	WWTP Chemicals	-	23,593	30,000	25,000			25,000
33	02-12-00-7014	Vehicle Maintenance	1,537	1,893	2,500	5,000			5,000
34	02-12-00-7015	Vehicle Gas & Oil	5,032	4,816	6,000	5,500			5,500
35	02-12-00-7017	Heating Fuel - WWTP	220	-	-	-			-
36	02-12-00-7019	Laboratory	70,901	136,511	115,000	115,000			115,000
37	02-12-00-7021	Liability Insurance	14,584	13,583	20,000	15,000			15,000
38	02-12-00-7022	Office Supplies	1,313	1,332	2,500	2,500			2,500
39	02-12-00-7029	Miscellaneous	3,997	6,473	4,000	3,000			3,000
40	02-12-00-7039	Utility Postage	2,122	3,252	2,000	1,000			1,000
41	02-12-00-7042	Bad Debt Expense	1,943	1,038	1,000	1,000			1,000
42	02-12-00-7045	Training	-	-	-	2,000			2,000
43	02-12-00-7060	Accumulated Annual Leave	-	2,933	-	-			-

CITY OF FTH POLE
2011 PRC ED BUDGET

SEWER DEPARTMENT REVENUE - Fund 02-12

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
1	02-12-00-4165	PERS Relief	-	17,598	-	7,819			7,819
2	02-12-00-5000	Sewer Utility Revenue	612,788	574,726	674,633	681,328			681,328
3	02-12-00-5002	Flint Hills Lab Testing	59,884		-	-			-
4	02-12-00-5005	SID Pretreatment Program	-	-	100,000	5,000			5,000
5	02-12-00-5800	Interest on Deposits	164	365	-	-			-
6	02-12-00-5801	Miscellaneous Revenue	-	27,147	-	-			-
7	02-12-00-5802	Industrial SID Lab Tests	13,577	125,424	115,000	115,000			115,000
8	02-12-00-5805	Facility Repair & Replacement	104,503	78,120	79,000	76,891			76,891
9	02-12-00-5815	Tie-In Fees	3,738	1,613	-	-			-
10	02-12-00-5820	Interfund Trans.from General	-	152,102	-	-			-
11	02-12-00-5825	Sewer FRR Com'l & Residential	-	52,423	48,000	81,234			81,234
12	02-12-00-5830	Sewer Base	-	60,654	67,800	75,960			75,960
		TOTAL	794,654	1,090,171	1,084,433	1,043,232	-	-	1,043,232

1,043,232

CITY OF NORTH POLE
2011 PROPOSED BUDGET

WATER RESERVES FUND - Fund 20-10

Line #	Account Number	Account Title	2009 Actual	2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
1	25-10-00-5900	Transfer From Water Dept (FRR)	-	49,000	81,234			81,234
2	25-10-00-5900	Transfer From Water Dept (Water Base)	-	67,800	75,960			75,960
		TOTAL	-	116,800	157,194	-	-	157,194

157,194

This is a new fund set up in 2010 to account for the revenues that are received from the FRR and Water Base portions of the Water bills.

Expenses to this fund will be for the repair and replacement of water utility infrastructure. These expenses will need to have the approval of council.

Expenses to this fund will also be for the 10% pay back on the principal and the related interest on various ADEC water loans.

CITY OF APOLE
2011 PR ID BUDGET

WATER DEPARTMENT EXPENSES - Fund 02-10

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
PERSONNEL COSTS			2008	2009	2010				2011
		Salaries - Accrued							
		Salaries	125,507	137,891	151,702				153,374
		Salaries - OT	481	1,833	2,000				2,000
		Taxes	1,787	2,053	2,204				2,500
		Pers	23,176	43,710	40,349				34,182
		Pers (state pd)							6,503
		Accrued Vacation Pay	-	3,676	3,500				5,500
		Workman's Comp	4,988	5,597	6,157				11,500
		Health Insurance	19,377	27,900	32,878				47,000
		Total Cost of Personnel	175,317	222,660	238,790				262,560
		(percent of operating budget)	20%	25%	28%				29%
		OPERATING COSTS	714,700	665,051	627,848				648,246
		(percent of operating budget)	80%	75%	72%				71%
		TOTAL OPERATING BUDGET	890,016	887,711	866,638				910,806

CITY OF NORTH POLE
2011 PROPOSED BUDGET

WATER DEPARTMENT EXPENSES - Fund 02-10

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
40	02-10-00-7500	Utility Truck Replacement	-	-	40,000	-			-
41	02-10-00-7802	Reimbursable Water Breaks	7,996	-	15,000	15,000			15,000
42	02-10-00-7900	Water Meter Upgrade	14,129	-	2,500	-			-
43	02-10-00-8100	Water - Depreciation Expense	223,677	280,354	-	-			-
44	02-10-04-7016	Electricity	83,988	65,531	75,000	75,000			75,000
45	02-10-04-7017	Heating Fuel	75,430	49,640	60,000	60,000			60,000
46	02-10-04-7018	Telephone WTP	4,607	4,846	5,000	6,000			6,000
47	02-10-04-7020	Building Maintenance	1,316	3,259	25,000	5,000			5,000
48	02-10-06-7016	Electricity - Hiway Park	21,419	13,176	17,500	20,000			20,000
49	02-10-06-7017	Heating Fuel - Hiway Park	8,036	3,245	6,000	3,000			3,000
50	02-10-06-7018	Telephone - Hiway Park	365	399	500	500			500
51	02-10-06-7020	Building Maintenance - Hiway Park	290	271	1,000	1,000			1,000
52	02-10-08-7016	Electricity - 8th Avenue	10,258	9,564	10,000	10,000			10,000
53	02-10-08-7017	Heating Fuel - 8th Avenue	3,107	8,091	8,000	2,500			2,500
54	02-10-08-7020	Building Maintenance - 8th Avenue	-	391	2,500	2,500			2,500
55	02-10-10-7016	Electricity - Stillmeyer	17,167	9,813	15,000	17,000			17,000
56	02-10-10-7017	Heating Fuel - Stillmeyer	1,337	2,372	3,300	1,500			1,500
57	02-10-10-7018	Telephone - Stillmeyer	418	456	450	500			500
58	02-10-10-7020	Building Maintenance - Stillmeyer	-	343	500	1,000			1,000
59	02-10-10-7092	Transfer to Water Reserves (FRR)	-	-	49,000	81,234			81,234
60	02-10-10-7092	Transfer to Water Reserves (Water Base)	-	-	67,800	75,960			75,960
61	02-10-00-7999	Move to Retained Earnings	-	-	-	-			-
		TOTAL	890,016	887,711	866,638	910,806	-	-	910,806

910,806

CITY OF H POLE
2011 PR ID BUDGET

WATER DEPARTMENT EXPENSES - Fund 02-10

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
1	02-10-00-6090	Overtime	481	1,833	2,000	2,000			2,000
2	02-10-00-6091	Holiday Pay		156	-	-			-
3	02-10-00-6097	Workers Comp. Ins.	4,988	5,597	6,157	11,500			11,500
4	02-10-00-6099	Medicare	1,787	2,053	2,204	2,500			2,500
5	02-10-00-6100	PERS	23,176	43,710	40,349	40,686			40,686
6	02-10-00-6102	Health & Disability Insurance	19,377	27,900	32,878	47,000			47,000
7	02-10-00-6103	Leave Cash Out	-	3,676	3,500	5,500			5,500
8	02-10-00-6105	Insurance	1,174	2,599	19,122	30,000			30,000
9	02-10-00-6117	A/R Clerk	25,332	18,832	19,291	19,638			19,638
10	02-10-00-6211	Utility Supervisor	38,340	38,880	39,658	40,451			40,451
11	02-10-00-6212	Utility Assistant	24,117	25,608	36,749	36,750			36,750
12	02-10-00-6214	Utility Assistant	-	14,083	14,589	14,589			14,589
13	02-10-00-6215	Dir. of City Services	25,376	25,920	26,439	26,970			26,970
14	02-10-00-6216	Utility Assist.	12,342	14,412	14,976	14,976			14,976
15	02-10-00-6500	Interest Expense ADWF	11,875	6,750	7,000	8,000			8,000
16	02-10-00-6800	Salary-Public Works Director	-	-	-	-			-
17	02-10-00-7001	Publications & Advertising	3,626	575	2,000	2,000			2,000
18	02-10-00-7003	Billing Service				1,800			1,800
19	02-10-00-7004	Audit/Accounting Fees	9,300	9,500	9,990	10,000			10,000
20	02-10-00-7005	Legal Fees	-	3,718	2,500	5,000			5,000
21	02-10-00-7006	Professional Services				10,000			10,000
22	02-10-00-7007	Safety Equipment	4,838	235	2,500	2,500			2,500
23	02-10-00-7009	Equipment Outlay/Repair	34,766	102,562	55,186	70,000			70,000
24	02-10-00-7011	System Supplies	32,203	7,306	10,000	10,000			10,000
25	02-10-00-7012	Water Treatment Chemicals	-	16,376	20,000	20,000			20,000
26	02-10-00-7014	Vehicle Maintenance	244	152	2,000	5,000			5,000
27	02-10-00-7015	Vehicle Gas/oil	5,699	4,955	5,000	4,000			4,000
28	02-10-00-7019	Laboratory	2,889	15,791	6,000	6,000			6,000
29	02-10-00-7021	Liability Insurance	11,941	11,440	15,000	17,500			17,500
30	02-10-00-7022	Office Supplies	2,614	2,196	3,500	3,500			3,500
31	02-10-00-7029	Miscellaneous	731	5,824	3,000	3,000			3,000
32	02-10-00-7039	Postage	1,238	398	1,000	1,000			1,000
33	02-10-00-7041	Bad Debt Expense	41,886	17,459	10,000	10,000			10,000
34	02-10-00-7045	Training				2,000			2,000
35	02-10-00-7050	Debt Retirement-AK.Drinking Water	-	-	25,000	25,000			25,000
36	02-10-00-7060	Accumulated Annual Leave	-	2,933	-	-			-
37	02-10-00-7300	Richardson Hwy. Dawson Crossin	271	-	-	-			-
38	02-10-00-7301	Ford Subdivision Water System	2,778	-	-	-			-
39	02-10-00-7400	Deferred Maintenance Expense	73,090	2,530	25,000	24,252			24,252

CITY OF NORTH POLE
2011 PROPOSED BUDGET

WATER REVENUE - Fund 02-10

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Council Adjustments	Council Adjustments	Approved 2011 Budget
1	02-10-00-4165	PERS Relief	-	13,048	-	6,503			6,503
2	02-10-00-5000	Water Utility Revenue	594,219	679,274	734,838	726,108			726,108
3	02-10-00-5800	Interest on Deposits	107	-	-	-			-
4	02-10-00-5801	Miscellaneous Revenue	21,588	31,474	-	-			-
5	02-10-00-5802	Reimbursable Water Breaks	13,127	5,587	15,000	15,000			15,000
6	02-10-00-5810	Bulk Water Sales Revenue	-	776	-	-			-
7	02-10-00-5815	Tie-in Fees	1,251	2,805	-	-			-
8	02-10-00-5820	Interfund Trans.from General	-	147,898	-	-			-
9	02-10-00-5825	Water FRR Residential/Com'l	-	49,135	49,000	81,234			81,234
10	02-10-00-5830	Water Base	-	64,564	67,800	75,960			75,960
11	02-10-00-5835	Lab Testing	-	-	-	6,000			6,000
		TOTAL	630,292	994,560	866,638	910,805	-	-	910,805

910,805



CITY OF NORTH POLE *Alaska*

REGULAR CITY COUNCIL MEETING Monday, November 29, 2010

Committee of the Whole – 6:30 p.m.
Regular City Council Meeting – 7:00 p.m.

COUNCIL MEMBERS

Bonnie Arnold	488-9246
Richard Holm	488-1776
Sharron Hunter	488-4282
Kevin McCarthy- <i>Dep. Mayor Pro Tem</i>	490-9039
Ronald Jones – <i>Alt. Dep Mayor Pro Tem</i>	488-3579
Thomas McGhee - <i>Mayor Pro Tem</i>	455-0010

MAYOR

Doug Isaacson 488-8584

CITY CLERK

Kathy Weber 488-8583

1. **Call to Order/Roll Call**
2. **Pledge of Allegiance to the US Flag**
3. **Invocation**
4. **Approval of the Agenda**
5. **Approval of the Minutes**
6. **Communications from the Mayor**

Students of the Month

David Ghukasayan – NPE

Meghan McKinnell - NPHS

United Way Presentation by Karen Lidster

7. **Council Member Questions of the Mayor**
8. **Communications from Department Heads, Borough Representative and the City Clerk**
9. **Ongoing Projects Report**

10. Citizens Comments (Limited to Five (5) minutes per Citizen)

11. Old Business

a. Ordinance 10-11, An Ordinance Establishing The 2011 Budget And Levying The Mill Rate, 2nd Reading

12. New Business

a. Request From North Pole Police Department Urging The City Council To Accept A Grant From The Department Of Public Safety In The Amount Of \$86,569 For The Continuation Of The Byrne JAG Funding For The ABADE Investigator

b. Resolution 10-43, A Resolution Of The City Of North Pole Requesting Funds From The State Of Alaska To Replace The Roofs On Holiday Heights Senior Housing In North Pole

c. Resolution 10-44, A Resolution Accepting Ownership And Maintenance Responsibility For *Street Names*, Ford Subdivision, Third Addition

d. Resolution 10-45, A Resolution Establishing Zebra Pen Corporation As The New Sarasa Metallic Gel Pen The "Official Pen Of The North Pole" For The 2010 Holiday Season

13. Council Comments

14. Adjournment

The City of North Pole will provide an interpreter at City Council meetings for hearing impaired individuals. The City does require at least 48 hours notice to arrange for this service. All such requests are subject to the availability of an interpreter. All City Council meetings are recorded on CD. These CD's are available for listening or duplication at the City Clerk's Office during regular business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m. or can be purchased for \$5.00 per CD. The City Clerk's Office is located in City Hall, 125 Snowman Lane, North Pole, Alaska.

NO – 0
Abstained- 0

*Minutes of November 1, 2011 Council
meeting related to 2011 Budget*

On the main motion as amended

PASSED

YES – 7–Holm, Arnold, McCarthy, McGhee, Jones, Hunter, Isaacson

NO – 0

Abstained- 0

**REQUEST FOR 3RD QUARTER BED TAX FROM THE CITY OF NORTH POLE
TO NORTH POLE ECONOMIC DEVELOPMENT CORPORATION**

Buzz Otis officially requested the 3rd quarter bed tax for NPEDC. He went over some of the things they have been involved in these past two quarters.

Public Comment

None

Mr. Jones moved to Approve the Request For 3rd Quarter Bed Tax From The City Of North Pole To North Pole Economic Development Corporation

Seconded by Mr. McCarthy

Discussion

None

PASSED

YES – 7–Holm, Arnold, McCarthy, McGhee, Jones, Hunter, Isaacson

NO – 0

Abstained- 0

Mayor Isaacson was excused at 8:29.

**ORDINANCE 10-11, AN ORDINANCE ESTABLISHING THE 2011 BUDGET
AND LEVYING THE MILL RATE**

Lisa Vaughn introduced the ordinance to council and the public.

Public Comment

None

Mr. Jones moved to Introduce and Advance Ordinance 10-11, An Ordinance Establishing The 2011 Budget And Levying The Mill Rate

Seconded by Mr. McCarthy

Discussion

Mr. McGhee asked about the changes that were made and asked Lisa Vaughn to come forward and explain them. These were the changes made since the workshop:

- I put in \$3500 for Council Expenses for the laptops.
- Increased Vehicle Maintenance by \$500 (Admin line 46)
- Increased Vehicle Gas by \$1800 (Admin line 45).
- In Professional Services, I increased Insurance by \$1000 (PS line 1)
- Decreased Website Design by \$6800 (PS line 12)

Ms Hunter moved to adjust line item 6022 training overtime, transfer from General Fund Balance \$4,500 to increase to \$10,500 in the Police Dept budget plus associated benefit costs

Seconded by Mr. Jones

On the amendment

PASSED

YES – 7–Holm, Arnold, McCarthy, McGhee, Jones, Hunter, Isaacson

NO – 0

Abstained- 0

On the main motion as amended

PASSED

YES – 7–Holm, Arnold, McCarthy, McGhee, Jones, Hunter, Isaacson

NO – 0

Abstained- 0

RESOLUTION 10-42, A RESOLUTION OF THE NORTH POLE CITY COUNCIL DESIGNATING CITY OFFICIALS AUTHORIZATION TO SIGN ON CITY OF NORTH POLE ACCOUNTS

Ms. Weber stated that this was a housekeeping issue that we do every year.

Public Comment

None

Mr. Jones move to Approve Resolution 10-42, A Resolution Of The North Pole City Council Designating City Officials Authorization To Sign On City Of North Pole Accounts

Seconded by Mr. McCarthy

Discussion

None

CITY OF RTH POLE
2011 PRO. JED BUDGET

WATER / SEWER ENTERPRISE FUND - Fund 02-xx

WATER - 12-10		SEWER - 12-12		TOTAL WATER & SEWER	
Revenues	910,805	Revenues	1,043,232	Revenues	1,954,037
Expenses	910,806	Expenses	1,043,231	Expenses	1,954,037
Difference	(0)	Difference	0	Difference	(0)

2011 Utility Budget as presented to
City Council at November 29, 2011 meeting
- without Capital Projects Fund.

CITY OF 9TH POLE
2011 PROPOSED BUDGET

WATER REVENUE - Fund 02-10

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Difference Between 2010 & 2011	Council Adjustments 11/1/10	Council Adjustments	Approved 2011 Budget
1	02-10-00-4165	PERS Relief	-	13,048	-	6,503	6,503			6,503
2	02-10-00-5000	Water Utility Revenue	594,219	679,274	734,838	726,108	(8,730)			726,108
3	02-10-00-5800	Interest on Deposits	107	-	-	-	-			-
4	02-10-00-5801	Miscellaneous Revenue	21,588	31,474	-	-	-			-
5	02-10-00-5802	Reimbursable Water Breaks	13,127	5,587	15,000	15,000	-			15,000
6	02-10-00-5810	Bulk Water Sales Revenue	-	776	-	-	-			-
7	02-10-00-5815	Tie-in Fees	1,251	2,805	-	-	-			-
8	02-10-00-5820	Interfund Trans.from General	-	147,898	-	-	-			-
9	02-10-00-5825	Water FRR Residential/Com'l	-	49,135	49,000	81,234	32,234			81,234
10	02-10-00-5830	Water Base	-	64,564	67,800	75,960	8,160			75,960
11	02-10-00-5835	Lab Testing	-	-	-	6,000	6,000			6,000
		TOTAL	630,292	994,560	866,638	910,805	44,167	-	-	910,805

910,805

CITY OF NORTH POLE
2011 PROPOSED BUDGET

WATER DEPARTMENT EXPENSES - Fund 02-10

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Difference Between 2010 & 2011	Council Adjustments 11/1/10	Council Adjustments	Approved 2011 Budget
1	02-10-00-6090	Overtime	481	1,833	2,000	2,000	-			2,000
2	02-10-00-6091	Holiday Pay		156	-	-	-			-
3	02-10-00-6097	Workers Comp. Ins.	4,988	5,597	6,157	11,500	5,343			11,500
4	02-10-00-6099	Medicare	1,787	2,053	2,204	2,500	296			2,500
5	02-10-00-6100	PERS	23,176	43,710	40,349	40,686	337			40,686
6	02-10-00-6102	Health & Disability Insurance	19,377	27,900	32,878	47,000	14,122			47,000
7	02-10-00-6103	Leave Cash Out	-	3,676	3,500	5,500	2,000			5,500
8	02-10-00-6105	Insurance	1,174	2,599	19,122	30,000	10,878			30,000
9	02-10-00-6117	A/R Clerk	25,332	18,832	19,291	19,638	347			19,638
10	02-10-00-6211	Utility Supervisor	38,340	38,880	39,658	40,451	793			40,451
11	02-10-00-6212	Utility Assistant	24,117	25,608	36,749	36,750	1			36,750
12	02-10-00-6214	Utility Assistant	-	14,083	14,589	14,589	-			14,589
13	02-10-00-6215	Dir. of City Services	25,376	25,920	26,439	26,970	531			26,970
14	02-10-00-6216	Utility Assist.	12,342	14,412	14,976	14,976	-			14,976
15	02-10-00-6500	Interest Expense ADWF	11,875	6,750	7,000	8,000	1,000			8,000
16	02-10-00-6800	Salary-Public Works Director	-	-	-	-	-			-
17	02-10-00-7001	Publications & Advertising	3,626	575	2,000	2,000	-			2,000
18	02-10-00-7003	Billing Service				1,800	1,800			1,800
19	02-10-00-7004	Audit/Accounting Fees	9,300	9,500	9,990	10,000	10			10,000
20	02-10-00-7005	Legal Fees	-	3,718	2,500	5,000	2,500			5,000
21	02-10-00-7006	Professional Services				10,000	10,000			10,000
22	02-10-00-7007	Safety Equipment	4,838	235	2,500	2,500	-			2,500
23	02-10-00-7009	Equipment Outlay/Repair	34,766	102,562	55,186	70,000	14,814			70,000
24	02-10-00-7011	System Supplies	32,203	7,306	10,000	10,000	-			10,000
25	02-10-00-7012	Water Treatment Chemicals	-	16,376	20,000	20,000	-			20,000
26	02-10-00-7014	Vehicle Maintenance	244	152	2,000	5,000	3,000			5,000
27	02-10-00-7015	Vehicle Gas/oil	5,699	4,955	5,000	4,000	(1,000)			4,000
28	02-10-00-7019	Laboratory	2,889	15,791	6,000	6,000	-			6,000
29	02-10-00-7021	Liability Insurance	11,941	11,440	15,000	17,500	2,500			17,500
30	02-10-00-7022	Office Supplies	2,614	2,196	3,500	3,500	-			3,500
31	02-10-00-7029	Miscellaneous	731	5,824	3,000	3,000	-			3,000
32	02-10-00-7039	Postage	1,238	398	1,000	1,000	-			1,000
33	02-10-00-7041	Bad Debt Expense	41,886	17,459	10,000	10,000	-			10,000
34	02-10-00-7045	Training				2,000	2,000			2,000
35	02-10-00-7050	Debt Retirement-AK.Drinking Water	-	-	25,000	25,000	-			25,000
36	02-10-00-7060	Accumulated Annual Leave	-	2,933	-	-	-			-
37	02-10-00-7300	Richardson Hwy. Dawson Crossin	271	-	-	-	-			-
38	02-10-00-7301	Ford Subdivision Water System	2,778	-	-	-	-			-
39	02-10-00-7400	Deferred Maintenance Expense	73,090	2,530	25,000	24,252	(748)			24,252

WATER DEPARTMENT EXPENSES - Fund 02-10

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Difference Between 2010 & 2011	Council Adjustments 11/1/10	Council Adjustments	Approved 2011 Budget
40	02-10-00-7500	Utility Truck Replacement	-	-	40,000	-	(40,000)			-
41	02-10-00-7802	Reimbursable Water Breaks	7,996	-	15,000	15,000	-			15,000
42	02-10-00-7900	Water Meter Upgrade	14,129	-	2,500	-	(2,500)			-
43	02-10-00-8100	Water - Depreciation Expense	223,677	280,354	-	-	-			-
44	02-10-04-7016	Electricity	83,988	65,531	75,000	75,000	-			75,000
45	02-10-04-7017	Heating Fuel	75,430	49,640	60,000	60,000	-			60,000
46	02-10-04-7018	Telephone WTP	4,607	4,846	5,000	6,000	1,000			6,000
47	02-10-04-7020	Building Maintenance	1,316	3,259	25,000	5,000	(20,000)			5,000
48	02-10-06-7016	Electricity - Hiway Park	21,419	13,176	17,500	20,000	2,500			20,000
49	02-10-06-7017	Heating Fuel - Hiway Park	8,036	3,245	6,000	3,000	(3,000)			3,000
50	02-10-06-7018	Telephone - Hiway Park	365	399	500	500	-			500
51	02-10-06-7020	Building Maintenance - Hiway Park	290	271	1,000	1,000	-			1,000
52	02-10-08-7016	Electricity - 8th Avenue	10,258	9,564	10,000	10,000	-			10,000
53	02-10-08-7017	Heating Fuel - 8th Avenue	3,107	8,091	8,000	2,500	(5,500)			2,500
54	02-10-08-7020	Building Maintenance - 8th Avenue	-	391	2,500	2,500	-			2,500
55	02-10-10-7016	Electricity - Stillmeyer	17,167	9,813	15,000	17,000	2,000			17,000
56	02-10-10-7017	Heating Fuel - Stillmeyer	1,337	2,372	3,300	1,500	(1,800)			1,500
57	02-10-10-7018	Telephone - Stillmeyer	418	456	450	500	50			500
58	02-10-10-7020	Building Maintenance - Stillmeyer	-	343	500	1,000	500			1,000
59	02-10-10-7092	Transfer to Water Reserves (FRR)	-	-	49,000	81,234	32,234			81,234
60	02-10-10-7092	Transfer to Water Reserves (Water Base)	-	-	67,800	75,960	8,160			75,960
61	02-10-00-7999	Move to Retained Earnings	-	-	-	-	-			-
		TOTAL	890,016	887,711	866,638	910,806	44,168	-	-	910,806

910,806

WATER DEPARTMENT EXPENSES - Fund 02-10

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Difference Between 2010 & 2011	Council Adjustments 11/1/10	Council Adjustments	Approved 2011 Budget
PERSONNEL COSTS			2008	2009	2010					2011
		Salaries - Accrued								
		Salaries	125,507	137,891	151,702					153,374
		Salaries - OT	481	1,833	2,000					2,000
		Taxes	1,787	2,053	2,204					2,500
		Pers	23,176	43,710	40,349					34,182
		Pers (state pd)								6,503
		Accrued Vacation Pay		3,676	3,500					5,500
		Workman's Comp	4,988	5,597	6,157					11,500
		Health Insurance	19,377	27,900	32,878					47,000
		Total Cost of Personnel	175,317	222,660	238,790					262,560
		(percent of operating budget)	20%	25%	28%					29%
		OPERATING COSTS	714,700	665,051	627,848					648,246
		(percent of operating budget)	80%	75%	72%					71%
		TOTAL OPERATING BUDGET	890,016	887,711	866,638					910,806

Total Payroll Expense

Pers @ .22

M Care @ .0145

W Comp @ .0548

155,374

34,182.30

2,252.92

8,514.50

CITY OF NORTH POLE
2011 PROPOSED BUDGET

WATER RESERVES FUND - Fund 25-10

Line #	Account Number	Account Title	2009 Actual	2010 Budget	Proposed 2011 Budget	Difference Between 2010 & 2011	Council Adjustments 11/1/10	Council Adjustments	Approved 2011 Budget
1	25-10-00-5901	Transfer From Water Dept (FRR)	-	49,000	81,234	32,234			81,234
2	25-10-00-5902	Transfer From Water Dept (Water Base)	-	67,800	75,960	8,160			75,960
		TOTAL	-	116,800	157,194	40,394	-	-	157,194

157,194

This is a new fund set up in 2010 to account for the revenues that are received from the FRR and Water Base portions of the Water bills.

Expenses to this fund will be for the repair and replacement of water utility infrastructure. These expenses will need to have the approval of council.

Expenses to this fund will also be for the 10% pay back on the principal and the related interest on various ADEC water loans.

CITY OF NORTH POLE
2011 PROPOSED BUDGET

SEWER DEPARTMENT EXPENSES - Fund 02-12

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Difference Between 2010 & 2011	Council Adjustments 11/1/10	Council Adjustments	Approved 2011 Budget
1	02-12-00-6090	Overtime	9,579	13,322	10,000	10,000	-			10,000
2	02-12-00-6091	Holiday Pay	167	231	-	-	-			-
3	02-12-00-6097	Workers Comp. Ins.	8,357	7,943	7,558	12,000	4,442			12,000
4	02-12-00-6099	Medicare	2,584	2,757	2,471	2,500	29			2,500
5	02-12-00-6100	PERS	29,174	58,952	47,285	48,913	1,628			48,913
6	02-12-00-6102	Health & Disability Insurance	39,391	54,485	64,000	63,000	(1,000)			63,000
7	02-12-00-6103	Leave Cash Outs	-	3,822	3,500	5,000	1,500			5,000
8	02-12-00-6105	Insurance	2,561	2,599	21,000	30,000	9,000			30,000
9	02-12-02-6107	WWTP Land Acquisition	-	-	10,000	-	(10,000)			-
10	02-12-00-6117	AR Clerk	10,734	18,832	19,291	19,638	347			19,638
11	02-12-00-6211	Utility Supervisor	38,340	38,880	39,658	40,451	793			40,451
12	02-12-00-6212	Utility Assistant	24,116	25,608	15,750	15,750	-			15,750
13	02-12-00-6214	Utility Assistant	43,476	32,860	34,041	34,041	-			34,041
14	02-12-00-6215	Dir. of City Services	25,377	25,920	26,439	26,970	531			26,970
15	02-12-00-6216	Utility Assist.	28,798	33,628	34,944	34,944	-			34,944
16	02-12-00-6500	Rev. Bond Int. (HwyPkSewer)	25,716	27,904	28,500	28,500	-			28,500
17	02-12-00-6501	Interest Expense - ACWF Loans	-	1,500	-	-	-			-
18	02-12-00-6600	Rev. Bond Princ.(HwyPkSewer)	-	-	7,500	7,500	-			7,500
21	02-12-00-7001	Publications & Advertising	945	2,565	3,000	1,000	(2,000)			1,000
22	02-12-00-7003	Billing Service	-	-	-	1,800	1,800			1,800
23	02-12-00-7004	Audit/Accounting Fees	8,500	9,500	9,990	10,000	10			10,000
24	02-12-00-7005	Legal Fees	-	791	2,500	5,000	2,500			5,000
25	02-12-00-7006	Professional Services	18,236	304	10,000	10,000	-			10,000
26	02-12-00-7007	Safety Equipment	6,227	340	2,500	2,500	-			2,500
27	02-12-00-7008	Pretreatment Program	11,487	88,083	52,206	5,000	(47,206)			5,000
28	02-12-00-7009	Equipment Outlay/Repair	45,253	67,345	75,000	70,000	(5,000)			70,000
29	02-12-00-7010	Utility Truck Replacement	33,132	-	40,000	-	(40,000)			-
30	02-12-00-7011	System Supplies	31,864	11,405	12,500	15,000	2,500			15,000
31	02-12-00-7012	I & I Evaluation & Repair	6,934	-	5,000	-	(5,000)			-
32	02-12-00-7013	WWTP Chemicals	-	23,593	30,000	25,000	(5,000)			25,000
33	02-12-00-7014	Vehicle Maintenance	1,537	1,893	2,500	5,000	2,500			5,000
34	02-12-00-7015	Vehicle Gas & Oil	5,032	4,816	6,000	5,500	(500)			5,500
35	02-12-00-7017	Heating Fuel - WWTP	220	-	-	-	-			-
36	02-12-00-7019	Laboratory	70,901	136,511	115,000	115,000	-			115,000
37	02-12-00-7021	Liability Insurance	14,584	13,583	20,000	15,000	(5,000)			15,000
38	02-12-00-7022	Office Supplies	1,313	1,332	2,500	2,500	-			2,500
39	02-12-00-7029	Miscellaneous	3,997	6,473	4,000	3,000	(1,000)			3,000
40	02-12-00-7039	Utility Postage	2,122	3,252	2,000	1,000	(1,000)			1,000
41	02-12-00-7042	Bad Debt Expense	1,943	1,038	1,000	1,000	-			1,000
42	02-12-00-7045	Training	-	-	-	2,000	2,000			2,000
43	02-12-00-7060	Accumulated Annual Leave	-	2,933	-	-	-			-

CITY OF NORTH POLE
2011 PROPOSED BUDGET

SEWER DEPARTMENT EXPENSES - Fund 02-12

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Difference Between 2010 & 2011	Council Adjustments 11/1/10	Council Adjustments	Approved 2011 Budget
44	02-12-00-7300	Richardson Hwy. Dawson Crossing	1,516	-	-	-	-			-
45	02-12-00-7400	Deferred Maintenance Expense	-	-	25,000	21,339	(3,661)			21,339
46	02-12-00-8100	Sewer - Depreciation Expense	415,400	409,228	-	-	-			-
47	02-12-04-7016	Electricity - WWTP	65,080	44,174	45,000	50,000	5,000			50,000
48	02-12-04-7017	Heating Fuel - WWTP	17,044	9,770	15,000	12,000	(3,000)			12,000
49	02-12-04-7018	Telephone - WWTP	1,646	2,691	2,500	3,200	700			3,200
50	02-12-04-7020	Building Maintenance - WWTP	200	2,044	5,000	5,000	-			5,000
51	02-12-05-7018	Telephone - SCADA	-	-	-	1,000	1,000			1,000
52	02-12-06-7016	Electricity - Generator Storage	993	368	1,000	500	(500)			500
53	02-12-06-7017	Heating Fuel - Generator Storage	351	-	1,500	-	(1,500)			-
54	02-12-70-7016	Electricity - Lift Station 1A - Holiday	4,817	4,048	4,000	4,500	500			4,500
55	02-12-70-7018	Telephone - Lift Station 1A	-	-	500	1,000	500			1,000
56	02-12-71-7016	Electricity - Lift Station 2A - Yukon	2,424	3,861	2,500	5,200	2,700			5,200
57	02-12-72-7016	Electricity - Lift Station 3A - Kitt	1,084	965	1,000	1,200	200			1,200
58	02-12-73-7016	Electricity - Lift Station 3B - 8th Ave	626	830	1,000	1,000	-			1,000
59	02-12-73-7018	Telephone - Lift Station 3B	-	-	750	750	-			750
60	02-12-74-7016	Electricity - Lift Station 3C - N Blanket	2,763	3,116	2,000	2,750	750			2,750
61	02-12-74-7018	Telephone - Lift Station 3C	-	-	-	1,000	1,000			1,000
62	02-12-75-7016	Electricity - Lift Station 4B - S Blanket	1,349	923	1,000	1,000	-			1,000
63	02-12-75-7018	Telephone - Lift Station 4B	422	448	750	1,000	250			1,000
64	02-12-76-7016	Electricity - Lift Station 4C - Black Bear	3,206	2,341	3,000	3,000	-			3,000
65	02-12-76-7018	Telephone - Lift Station 4C	422	456	750	1,000	250			1,000
66	02-12-77-7016	Electricity - Lift Station 4F - H&H	5,190	3,973	3,500	5,000	1,500			5,000
67	02-12-77-7018	Telephone - Lift Station 4F	-	-	-	1,000	1,000			1,000
68	02-12-78-7016	Electricity - Lift Station 5A - Fimmel	624	2,197	500	2,200	1,700			2,200
69	02-12-78-7018	Telephone - Lift Station 5A	-	-	-	1,000	1,000			1,000
70	02-12-79-7016	Electricity - Lift Station 5B - Hurst	593	629	750	1,750	1,000			1,750
71	02-12-80-7016	Electricity - Lift Station 6A - Old Richardson	910	777	750	1,000	250			1,000
72	02-12-81-7016	Electricity - Lift Station 6B - Tanana	826	671	750	1,000	250			1,000
73	02-12-82-7016	Electricity - Lift Station Mockler	581	478	750	750	-			750
74	02-12-83-7016	Electricity - Lift Station Stillmeyer	1,917	2,922	2,000	3,500	1,500			3,500
75	02-12-83-7018	Telephone - Stillmeyer	422	456	750	1,000	250			1,000
76	02-12-00-7092	Transfer to Sewer Reserves (FRR Industrial)	-	-	79,000	76,891	(2,109)			76,891
77	02-12-00-7092	Transfer to Sewer Reserves (FRR)	-	-	48,000	81,234	33,234			81,234
78	02-12-00-7092	Transfer to Sewer Reserves (Sewer Base)	-	-	67,800	75,960	8,160			75,960
		TOTAL	1,083,005	1,222,368	1,084,433	1,043,231	(41,202)	-	-	1,043,231

1,043,231

SEWER DEPARTMENT EXPENSES - Fund 02-12

Line #	Account Number	Account Title	2008 Actual	2009 Actual	Amended 2010 Budget	Proposed 2011 Budget	Difference Between 2010 & 2011	Council Adjustments 11/1/10	Council Adjustments	Approved 2011 Budget
PERSONNEL COSTS			2008	2009	2010					2011
		Salaries - Accrued								
		Salaries	171,008	179,781	173,623					176,794
		Salaries - OT	9,579	13,322	10,000					10,000
		Taxes	2,584	2,757	2,471					2,500
		Pers	29,174	58,952	47,285					41,095
		Pers (state pd)								7,819
		Accrued Vacation Pay	-	-	-					-
		Workman's Comp	8,357	7,943	7,558					12,000
		Health Insurance	39,391	54,485	64,000					63,000
		Total Cost of Personnel	260,094	317,240	304,937					313,207
		(percent of operating budget)	24%	26%	28%					30%
		OPERATING COSTS	822,911	905,128	779,496					730,024
		(percent of operating budget)	76%	74%	72%					70%
		TOTAL OPERATING BUDGET	1,083,005	1,222,368	1,084,433					1,043,231
		Total Payroll Expense								186,794
		Pers @ .22								41,094.70
		M Care @ .0145								2,708.51
		W Comp @ .0580								10,834.06

CITY OF NORTH POLE
COMBINED CASH INVESTMENT
MAY 31, 2011

COMBINED CASH ACCOUNTS

CASH ALLOCATION RECONCILIATION

2 ALLOCATION TO UTILITY FUND	381,510.96
25 ALLOCATION TO WATER RESERVES	108,197.02
27 ALLOCATION TO SEWER RESERVES	149,991.48
TOTAL ALLOCATIONS TO OTHER FUNDS	639,699.46
ZERO PROOF IF ALLOCATIONS BALANCE	639,699.46

CITY OF NORTH POLE
BALANCE SHEET
MAY 31, 2011

UTILITY FUND

ASSETS

02-0000-1000	CASH - COMBINED	381,510.96	
02-0000-1005	RESTRICTED CASH - FRR	248,636.57	
02-0000-1006	HIWAY PK SEWER BOND 92-06	37,279.97	
02-0000-1030	ACCOUNTS RECEIVABLE	175,173.32	
02-0000-1031	ALLOW/DOUBTFUL ACCOUNTS	(58,292.40)	
02-0000-1035	SUPPLIES INVENTORY	17,264.18	
02-0000-1045	DEFERRED CHARGE-BOND ISSUE	8,291.45	
02-0000-1050	AMORTIZATION OF DEFERRED CHG	(2,487.47)	
02-0000-1100	LAND	348,414.93	
02-0000-1110	EQUIPMENT	1,098,931.50	
02-0000-1115	ACCUMULATED DEPRECIATION	(493,047.04)	
02-0000-1120	UTILITY PLANT	30,097,333.37	
02-0000-1125	ACCUMULATED DEPRECIATION	(20,872,187.79)	
02-0000-1130	CONTRACT PAYMENT	(22,076.78)	
TOTAL ASSETS			10,964,744.77

LIABILITIES AND EQUITY

LIABILITIES

02-0000-2000	ACCOUNTS PAYABLE	97.04	
02-0000-2150	ACCRUED VACATION TIME	20,358.94	
02-0000-2450	WATER/SEWER SERVICE DEPOSITS	16,740.24	
02-0000-2500	HIGHWAY PARK REVENUE BOND	555,869.83	
02-0000-2525	ADWF NOTE	400,000.00	
02-0000-2550	BOND INTEREST PAYABLE	14,402.00	
02-0000-2700	DEFERRED REVENUE-GVEA	182,823.53	
TOTAL LIABILITIES			1,190,291.58

FUND EQUITY

02-0000-3105	CONTRIBUTED CAPITAL	26,199,096.16	
02-0000-3110	AMORTIZATION	(15,820,902.77)	

CITY OF NORTH POLE

ORDINANCE 11-04

AN ORDINANCE OF THE CITY OF NORTH POLE, ALASKA AMENDING TITLE 13, CHAPTER 13.28, SECTION 13.28.010 LIEN RIGHTS

WHEREAS, changes to the North Pole Municipal Code is a continually changing requirement; and

WHEREAS, the City of North Pole Municipal Code should be amended to conform to the requirements of the City and to clarify questionable areas.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of North Pole:

Section 1. This ordinance is of a general and permanent nature and shall be codified.

Section 2. Amend Title 13, Chapter 13.28, Section 13.28.010 Lien Rights as follows:

13.28.010 Lien rights.

A. The City of North Pole shall have a lien upon any and all real property service by any of the utilities referenced in this title for the payment of all charges incurred by the utility customer with the city. This lien shall be superior to any and all other liens to the maximum extent allowed under state law.

B. The ~~city clerk~~ **Utility Billing Clerk** shall maintain a list of all individuals whose utility accounts with the city are more than ninety days delinquent. The list shall include the name of the individual holding the account with the city utility, the legal description of the property serviced by the utility, and the amount delinquent. The ~~city clerk~~ **Utility Billing Clerk** shall cause a lien to be recorded for the amounts owed, including fees, costs and attorney fees, ninety days from the date of delinquency.

C. The lien created in this section may be foreclosed upon pursuant to the procedures set forth in Section ~~4.08.155~~ **13-28.020** of this code. ~~providing for the sale of real property for delinquent taxes.~~

D. The customer of the city utility shall pay all administrative fees, costs and attorney fees incurred by the city in the collection of the delinquent utility bills and said amount shall be included in the lien in favor of the city. (Ord. 99-07 §3(part), 1999)

13.28.020 Delinquent Utility Account Resolution Process

A. 30 days past due accounts. When a utility account becomes 30 days past due, the customer shall receive their regular utility bill indicating the account balance including any additional charges. In addition to sending the account holder their utility bill, the City shall do the following:

- 1. The account balance shall include a late charge calculated at 0.00875% of the delinquent account balance.***
- 2. The account holder shall be sent by regular US mail a separate notification that the account is delinquent.***

B. 60 days past due accounts. When an account becomes 60 days past due, the customer shall receive their regular utility bill indicating the account balance including any additional charges. In addition to sending the account holder their utility bill, the City shall do the following:

- 1. The account balance shall include a late charge calculated at 0.00875% of the delinquent account balance.***
- 2. A lien shall be filed against the property owner responsible for the account. If the utility account holder is a tenant, the lien shall be filed against the property owner.***
- 3. The utility account shall be assessed a liquated damages fee equivalent to the charges to file and remove a lien plus a \$25.00 filing fee.***
- 4. The account holder shall be sent a notice of account delinquency via certified mail indicating the amount of the account balance, including all additional charges, and notification that a lien has been filed against the property.***
- 5. The City will attempt to contact, by certified mail, the property owner if the delinquent account is for a tenant. It is the responsibility of property owners to notify the City of tenant-owner relationships and to provide the City with current contact information.***

C. 90 days past due: When an account becomes 90 days past due, the account holder shall receive their regular utility bill indicating account balance including any additional charges. In addition to sending the account holder their utility bill, the City shall do the following:

- 1. The account balance shall include a late charge calculated at 0.00875% of the delinquent account balance.***
- 2. A liquidated damages charge of \$50.00 shall be added to the account balance after determination of the late charge.***
- 3. The account holder shall be sent a notice of account delinquency via certified mail indicating the amount of the account balance, including all charges. The notification shall indicate the deadline that the account holder must pay the***

delinquent account balance or by which they must sign a legally binding Confession of Judgment specifying a repayment plan to prevent a shut off of water service.

4. A door hanger shall be placed at the residence of the delinquent account holder indicating the amount of the account balance, including all charges. The door hanger shall indicate the deadline that the account holder must pay the delinquent account balance or by which they must sign a legally binding Confession of Judgment specifying a repayment plan to prevent a shut off of water service.

5. If the account holder has neither paid the delinquent utility account balance in full by the deadline specified in the certified mail notification and in the door hanger notice or signed a Confession of Judgment, the City shall, unless the account holder consents to the City entering the premises to shut off the water, initiate legal action to shut off water service to the property. Upon proof of compliance with this ordinance, the City shall be entitled to a writ of assistance and an order allowing it to enter the premises served by the utility for the purpose of shutting off the water service and to verify, at reasonable intervals based on the circumstances, that the water shut off device has not been bypassed or tampered with.

6. All legal fees and costs associated with resolving a delinquent utility account shall be borne by the account holder. In the case where the account is held by a tenant who fails to resolve the delinquent account, the landlord and tenant shall be jointly responsible for the delinquent account and any associated charges, costs or attorney fees.

7. The City will attempt to contact by certified mail the property owner if the delinquent account is for a tenant. It is the responsibility of property owners to notify the City of tenant-owner relationships and to provide the City with current contact information.

8. All accounts not paid in full upon completion of the above process, including account holders who fail to timely satisfy the terms of a confession of judgment, shall be subject to foreclosure of the entire parcel of real estate served by the utility by complaint filed in the District or Superior Courts of the State of Alaska, as appropriate for the amount due. Upon presenting proof of completion of the process set forth in this ordinance, and after the passage of 60 days from service of the foreclosure complaint, the City shall be entitled to a judgment of foreclosure against the real estate and judgment against the account holder, unless the account has been paid in full plus costs, attorney fees and interest incurred until the account is paid in full.

9. Upon the sale of foreclosed real estate, the property owner shall be entitled to all proceeds in excess of the amount owed to the City, after payment of all costs of sale or any other costs or attorney fees incurred by the City in collecting on the account.

Sponsored by: Mayor Isaacson
Introduced & Advanced: March 7, 2011
PASSED: March 21, 2011

Section 3. **Effective Date.** This ordinance shall be effective at 5:00 pm on the first City business day following its adoption.

PASSED AND APPROVED by a duly constituted quorum of the North Pole City Council this 21st day of March 2011.

DOUGLAS W. ISAACSON, Mayor

ATTEST:

KATHRYN WEBER, CMC, City Clerk

CITY OF NORTH POLE

RESOLUTION 11-07

A RESOLUTION OF THE CITY OF NORTH POLE AUTHORIZING THE SUBMISSION OF A LOAN APPLICATION FOR AN ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION ALASKA CLEAN WATER FUND LOAN IN THE AMOUNT OF \$1,416,500 TO REPAIR LEAKING SEWER MAINS AND MANHOLES

WHEREAS, the City submitted a request to the Alaska Department of Environmental Conservation (ADEC) Alaska Clean Water Fund (ACWF) for a loan to reduce inflow and infiltration of ground water into leaking sewer mains and manholes, and

WHEREAS, the ADEC identified in its Fiscal Year 2011 Intended Use Plan, Point Source Funding Priority List the City as eligible for an ACWF loan in the amount of \$1,416,500 for the Inflow and Infiltration Project, and

WHEREAS, award of a loan from ADEC to the City will be dependent upon approval of the City's loan application; and

WHEREAS, acceptance of a loan and associated debt from the ADEC to the City will be dependent upon an affirmative vote by a majority of the City's electorate in a ballot initiative.

NOW, THEREFORE, BE IT RESOLVED, by the North Pole City Council of the City of North Pole approves submitting a loan application to ADEC for a ACWF loan in the amount of \$1,416,500 to reduce inflow and infiltration into the City's waste water collection system and final acceptance of the loan will be subject to a vote of the City's electorate.

PASSED AND APPROVED by a duly constituted quorum of the North Pole City Council on the 7th day of March, 2011.

Douglas W. Isaacson, Mayor

ATTEST:

Kathryn M. Weber, CMC, City Clerk

CITY OF NORTH POLE

RESOLUTION 11-08

A RESOLUTION OF THE CITY OF NORTH POLE URGING THE LEGISLATURE TO PROTECT JOBS IN ALASKA, ENSURE A LONGER LIFE FOR THE TRANS ALASKA PIPELINE, AND DECREASE REFINING COSTS IN ALASKA BY MAKING ALASKA MORE COMPETITIVE FOR OIL EXPLORATION, DEVELOPMENT, PRODUCTION AND IN-STATE REFINING

WHEREAS, the City of North Pole has become a leading energy production center in Alaska, being the home to two oil refineries: Flint Hills Resources and Petro Star, and capable of generating 180 megawatts of electricity using naphtha / diesel fuels in the GVEA power plants. The refineries are essential in providing fuels to Eielson AFB and Ft. Wainwright, and heating oil to Interior and rural Alaska. Flint Hills, Alaska's largest refinery, produces 16% of the gasoline used in Alaska, accounts for up to 45% of the Alaska Railroad Corporation's revenue, has historically provided up to 60% of the commercial jet fuel used at Ted Steven's International Airport in Anchorage and up to 100% of the commercial jet fuel used at Fairbanks International Airport, it positively impacts the Port of Anchorage's revenues, and both directly and indirectly provides employment for hundreds of people in the State of Alaska; and

WHEREAS, the State of Alaska's economy is driven by oil & gas investment, development, production and refining, and according to the Department of Revenue, "The State of Alaska depends heavily on the oil industry, with more than 80% of its unrestricted revenue coming from oil taxes and royalties. State officials should continue to monitor the state's competitiveness in oil and gas opportunities, and be prepared to modify it as the need arises" (Oil & Gas Tax Status Report 2011, January 18, 2011); and

WHEREAS, Alaska's production tax system, Alaska's Clear and Equitable Share (ACES) has cost Alaskans jobs. The Make Alaska Competitive Coalition has compiled the following disturbing statistics:

- a. According to the Alaska Department of Labor, 1,700 jobs have been lost in Alaska's oil & gas industry in the past three years (12 percent decline);
- b. The number of unemployment claims in the oil and gas sector has more than doubled. Jobs growth in the oil and gas sector immediately following passage of ACES was due to infrastructure maintenance and repair work in the wake of the oil spill at Prudhoe Bay – and subsequent field shutdown – and development activity at the Oooguruk field, which was already under way. Now that maintenance work has stabilized at a more sustainable level and Oooguruk is in production, oil and gas employment has declined significantly, and there are fewer oil and gas jobs in Alaska than when ACES was adopted;
- c. The number of active drilling rigs on the North Slope also has continued to decline since ACES was imposed, and is now at a 5-year low. Each active rig generates 100-150 direct jobs;
- d. Despite the steady increase in oil prices since early 2009, drilling on the North Slope has been below pre-ACES levels every year since the tax increase was adopted, according to data from the Alaska Oil & Gas Conservation Commission;
- e. However, more than 1,000 new state government jobs have been created since ACES was adopted – one of the few "growth sectors" in Alaska's job market; and

WHEREAS, According to the Alaska Oil & Gas Conservation Commission, exploratory and development drilling on the North Slope reached 10-year lows in 2009, despite rising oil prices. Preliminary data for 2010 indicate only a slight uptick in drilling activity. Roger Marks, an economist hired by Alaska Legislative Budget & Audit to evaluate ACES, in his written report, states that Alaska has the highest marginal tax rate...83% at current prices in February 2011, and "Norway aside, the next highest country is Brazil at 63%, a full 20 percentage points less than Alaska. This is a significant difference;" and

WHEREAS, The Trans Alaska Pipeline (TAPS) throughput is falling at an alarming rate, putting the long-term viability of the pipeline in jeopardy, which consequently puts in jeopardy the existence of the two refineries in North Pole: Flint Hills and Petro Star, and the Petro Star refinery in Valdez.

- a. The pipeline is operating at less than one-third of capacity. Since peaking at more than 2.1 million barrels a day in the late 1980s, it has declined to about 600,000 barrels a day;
- b. Throughput has fallen more than 100,000 barrels a day since ACES, and declined 7 percent in 2010. The decline is projected to continue at an average annual rate of 4-6 percent;
- c. The decline not only jeopardizes state revenues and the economic viability of the pipeline, but also poses serious technical challenges that could force shutdown in the next 10 years. Among others, the significantly slower velocity rates resulting from lower throughput increase the risks of freezing and wax build-up inside the pipeline;
- d. If oil and gas exploration is approved and successful in the Beaufort and Chukchi seas (federal Outer Continental Shelf), it's expected to take more than 10 years for that oil to be produced. OCS production will only be possible if TAPS is still viable; and

WHEREAS, Oil and gas taxes on most North Slope production are the highest in North America and some of the highest in the world. Under the ACES marginal tax rate, government take can exceed 90 cents for every \$1 price increase once prices reach about \$125/barrel. According to data compiled by the Alaska Oil & Gas Conservation Commission and global statistics compiled by Baker Hughes, the active drilling rig count in the rest of the U.S., Canada and worldwide has increased by double-digit rates since oil prices rebounded in mid-2009. Rig activity on the North Slope has declined during the same period; and

WHEREAS, Alaska once was the No. 1 state in oil production, Alaska is now a distant second to Texas, and if current trends continue, will be third behind California in the next few years. North Dakota is projected to surpass Alaska in less than 10 years, which would drop us to No. 4; North Dakota currently has more than 150 active oil and gas drilling rigs—the North Slope has 12; and

WHEREAS, According to the Institute of Social & Economic Research (ISER) at the University of Alaska, oil accounts for a third of Alaska's economy; and

WHEREAS, The cost of refining royalty oil in-state includes fees that are approximately 15% greater than charged to refineries out of state, a situation that depresses the local economy due to a much higher than the national average price per gallon of gasoline even in North Pole, which has two oil refineries within the city limits. The fees associated with refining royalty oil in-state are such that only one in four refineries actually buys royalty oil from the State and as the price of a barrel of oil has increased, the refining production has decreased, putting in question the viability of that refinery in the near future, the loss of which would do great harm to the economy in Interior Alaska and along the Railbelt.

NOW, THEREFORE BE IT RESOLVED that the City Council of North Pole urges the Legislature, within this immediate session, 1) to modify the oil production tax system to make Alaska more competitive for oil exploration, development and production, and 2) to modify contracts to decrease the fees charged for refining royalty oil within the state of Alaska both steps are necessary to protect jobs in Alaska, ensure a longer life for the Trans Alaska Pipeline, and strengthen Alaska's economy for years to come.

BE IT FURTHER RESOLVED that this resolution is distributed to all local and State officials, to the Congressional Delegation, and to those Agencies cited.

PASSED AND APPROVED BY THE NORTH POLE CITY COUNCIL, on this 7th day of March, 2011

Douglas W. Isaacson, Mayor

ATTEST:

Kathryn M. Weber, CMC, City Clerk

ATTACHMENTS:

- State of Alaska Department of Revenue, “Oil and Gas Production Tax Status Report to the Legislature,” January 18, 2011
- Roger Marks, “Evaluation of ACES and Proposal,” February 2011
- Make Alaska Competitive Coalition, “Learn More,” www.makealaskacompetitive.com/learn-more
- First National Bank of Alaska, “Board of Directors Resolution – March 25, 2010, and flyer
- Resource Development Council For Alaska, Inc., “Alaska’s Economy Trumped by ACES?” and “From the President-Tom Maloney, Production and drilling drops significantly since ACES,” Resource Review, March 2011

State of Alaska
Department of Revenue

Commissioner Bryan Butcher



SEAN PARNELL, GOVERNOR

333 Willoughby Avenue, 11th Floor

P.O. Box 110400

Juneau, Alaska 99811-0400

Phone: (907) 465-2300

Fax: (907) 465-2389

Oil and Gas Production Tax
Status Report to the Legislature
Alaska Department of Revenue
January 18, 2011

Report Purpose

In August 2006, the 24th Alaska state legislature approved House Bill 3001, which represented a major restructuring of the state's oil and gas production tax. As part of the legislation, lawmakers asked that the Department of Revenue study the impact of the production tax changes on several criteria and produce a report on or before the first day of the 2011 legislative session on the findings of that study.¹ This report summarizes those findings.

Executive Summary

This report evaluates six elements of Alaska's production tax system since implementation of the Petroleum Profits Tax (PPT) in 2006 and Alaska's Clear and Equitable Share (ACES) in 2007. The six elements and our key findings with respect to each of them are described briefly below.

- 1. Revenue Generation/Tax Rate** – State revenues under PPT and ACES exceeded the amount that would have been received under ELF for each of the four fiscal years since implementation of a net profits tax. Although the production tax rate under ACES may be as high as 75%, tax rates in each of the

¹ **AS 43.55.180 Required Report.** (a) The department shall study

(1) the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011, the tax credits provided under AS 43.55.023 - 43.55.025, and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and

(2) the effects of the tax rates under AS 43.55.011 (i) on state revenue and on oil and gas exploration, development, and production on private land, and the fairness of those tax rates for private landowners.

(b) The department shall prepare a report on or before the first day of the 2011 regular session of the legislature on the results of the study made under (a) of this section, including recommendations as to whether any changes should be made to this chapter. The department shall notify the legislature that the report prepared under this subsection is available.

four years were much lower than the maximum rate.

The oil tax rate of 5% of the gross value at the point of production at AS 43.55.011(i) for private landowners has not raised any significant concerns that have been communicated to the Department of Revenue.

2. **Industry Investment** – Investment in the form of capital expenditures has increased in each of the four fiscal years since implementation of the net profits tax, however, it is unclear how much of the capital expenditures were drilling or well-related and how much were maintenance or facilities-related.
3. **Impact on Exploration, Development, and Production** – Exploration has generally increased from 2003, when the EIC credit was implemented, but has dropped off in 2010. Development continues in three relatively new North Slope projects, yet production continues to decline.
4. **Industry Employment and New Entrants** – Industry employment rose steadily from 2006 through 2009, but dipped slightly in 2010. The number of companies filing annual tax returns doubled between 2006 and 2009, indicating interest by companies that are either new or returning to the Alaska oil and gas industry.
5. **Use and Expansion of Tax Credits** – The amount of credits used has increased annually since 2006 and we expect the trend to continue as new credit programs were added in the 2010 legislative session.
6. **Tax Administration and Compliance** – The department continues to write regulations for the new tax system, and the first audits under the net profits tax have been completed. The department has, however, been hampered in its tax reporting and compliance efforts by the lack of a centralized database to house and manage the large volumes of oil and gas data it receives.
7. **Conclusions and Recommendations** – Based on the multiple changes to the tax laws over the past few years, drawing any conclusion about their effect on Alaska's investment climate is difficult. However, what is clear is that production continues to decline. The state should continue to monitor its competitiveness with other oil and gas jurisdictions worldwide and be prepared to change its tax structure as needed.

Overview

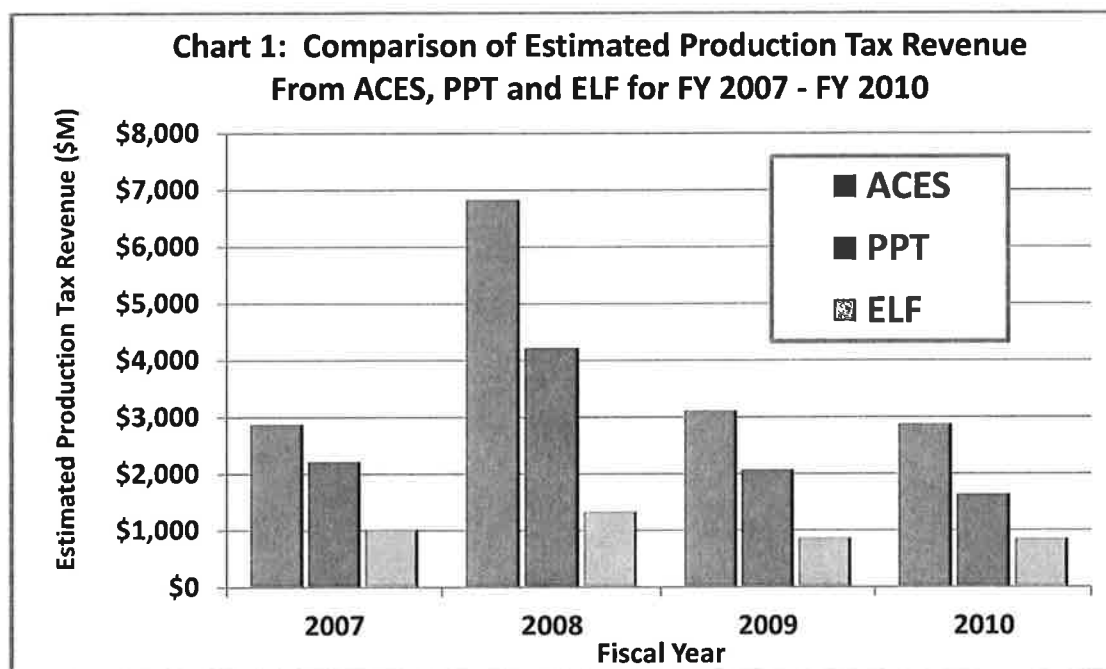
This report reviews and summarizes information gathered over the approximate five-year period since the implementation of the Petroleum Profits Tax (PPT) in 2006, and in 2007, Alaska's Clear and Equitable Share (ACES). The report covers six critical elements for evaluation and a section with conclusions and recommendations, as follows:

1. Revenue Generation/Tax Rate
2. Industry Investment
3. Impact on Exploration, Development and Production
4. Industry Employment and New Entrants
5. Use and Expansion of Tax Credits
6. Tax Administration and Compliance
7. Conclusions and Recommendations

Revenue Generation/Tax Rate

Both PPT and ACES have generated more production tax revenue for the State than would have been received under the previous production tax system, which used the Economic Limit Factor (ELF). In the one year that PPT was in place, FY 2007, the production tax totaled \$2.2 billion. That year, the ANS West Coast oil price averaged \$61.60 and production on the North Slope averaged 734,000 barrels per day. In contrast, the average oil price one year earlier, in FY 2006, was \$62.12, production averaged 840,000 barrels per day, and the production tax under ELF totaled \$1.2 billion--\$1 billion, or 45% less than collected under PPT. It should be noted that PPT became effective on April 1, 2006, adding two months of tax collections to the FY 2007 total, making FY 2007 effectively a 14-month fiscal year. Regardless, the level of PPT collections above those that would have been collected under ELF, at least at moderately high prices, is significant.

In the three years that ACES has been in place, production tax revenues have increased to higher levels than under PPT. This is largely because ACES has higher base and progressivity tax rates than did PPT, and because one of the credits under PPT – the transition investment expenditure credit – was reduced substantially. The chart below shows production tax revenue collections under PPT and ACES as compared to how production tax revenue collections would have looked under two tax systems that were not in place during those years.



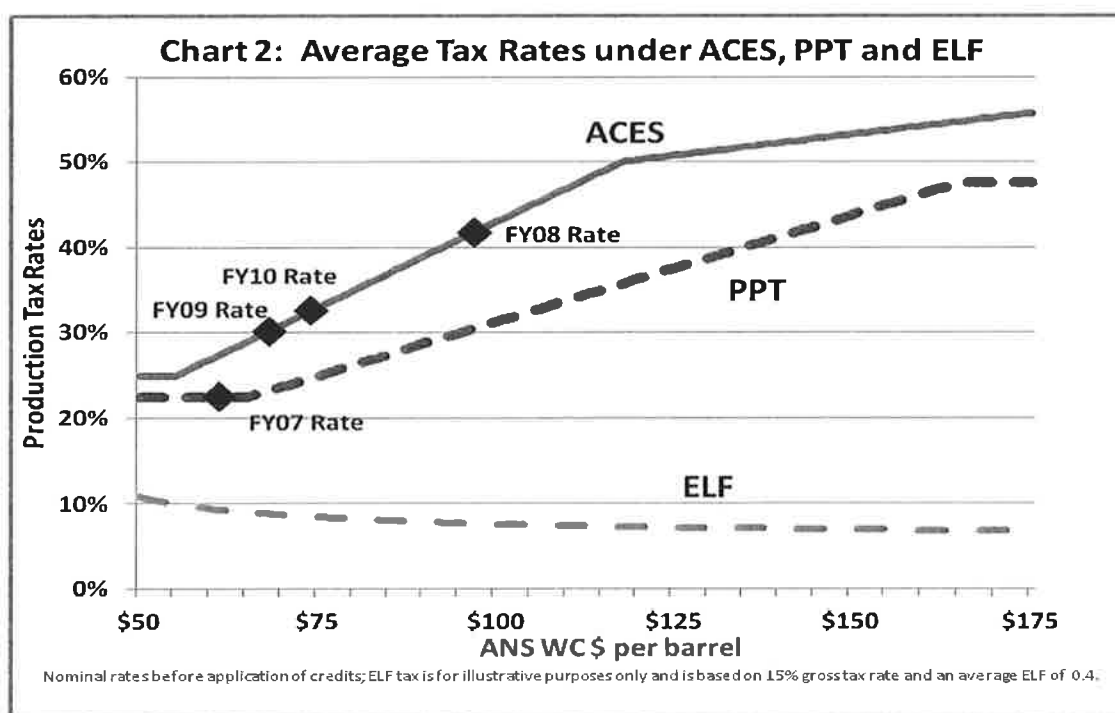
Production tax under both PPT and ACES is calculated on the net profits of oil and gas production, whereas ELF production tax was calculated on the gross profits of oil and gas production. Relative to taxes based on the gross value of production, net profit tax systems generally provide more tax revenue when oil prices are high and less tax revenue when prices are low. The progressive tax mechanism, designed to increase the total tax rate when per-barrel profit exceeds a pre-determined threshold, can increase the tax rate substantially. In addition to the progressive tax rate, the per-barrel profit level where the progressive tax is triggered is important. In the case of ACES, the progressive tax trigger is \$30 net profit per barrel, whereas with PPT, the progressive tax trigger was \$40 net profit per barrel.

Alaska North Slope (ANS) oil prices over the past four fiscal years were high relative to previous fiscal years. ANS crude prices over the four fiscal years of 2007 through 2010 averaged about \$75 per barrel compared to \$42 per barrel for the fiscal years of 2003 through 2006. Under ACES, an average price of \$75 per barrel would yield an average profit of \$50 per barrel, producing a combined base and progressivity tax rate of 33% ($25\% + [(\$50 - \$30) \cdot 0.04]$). The tax under this scenario before credits would be \$16.50 per barrel. In contrast, the tax rate under ELF of 15% of the gross value at the point of production, even if the ELF calculated to 1, would yield a production tax of \$10.50 per barrel, assuming transport costs of \$5 per barrel.

When oil prices are low, however, a net profits-based tax structure would likely provide less production tax revenue than a gross profits-based tax. For example, a tax of 15% on the gross value, regardless of profit, could create a loss for companies producing oil

if profits were equal to or less than the tax. Because PPT and ACES recognize the costs of production in their calculation, a company with no profit would not pay any production tax and would likely get tax credits to offset future tax liabilities. Low oil prices experienced late in the year 2008 and early 2009 generated tax liabilities for many companies operating on the North Slope that were lower than they would have been under the ELF system.

Chart 2 below shows the average tax rates of PPT, ACES and ELF under a range of oil prices. Also shown is the average tax rate in each of the years that a net profits tax has been in place.



The department was also asked to review the tax rate for oil produced from private land of 5% of the gross value at the point of production.² The department is not aware of any concerns expressed on behalf of industry or private landowners as to the fairness of this tax.

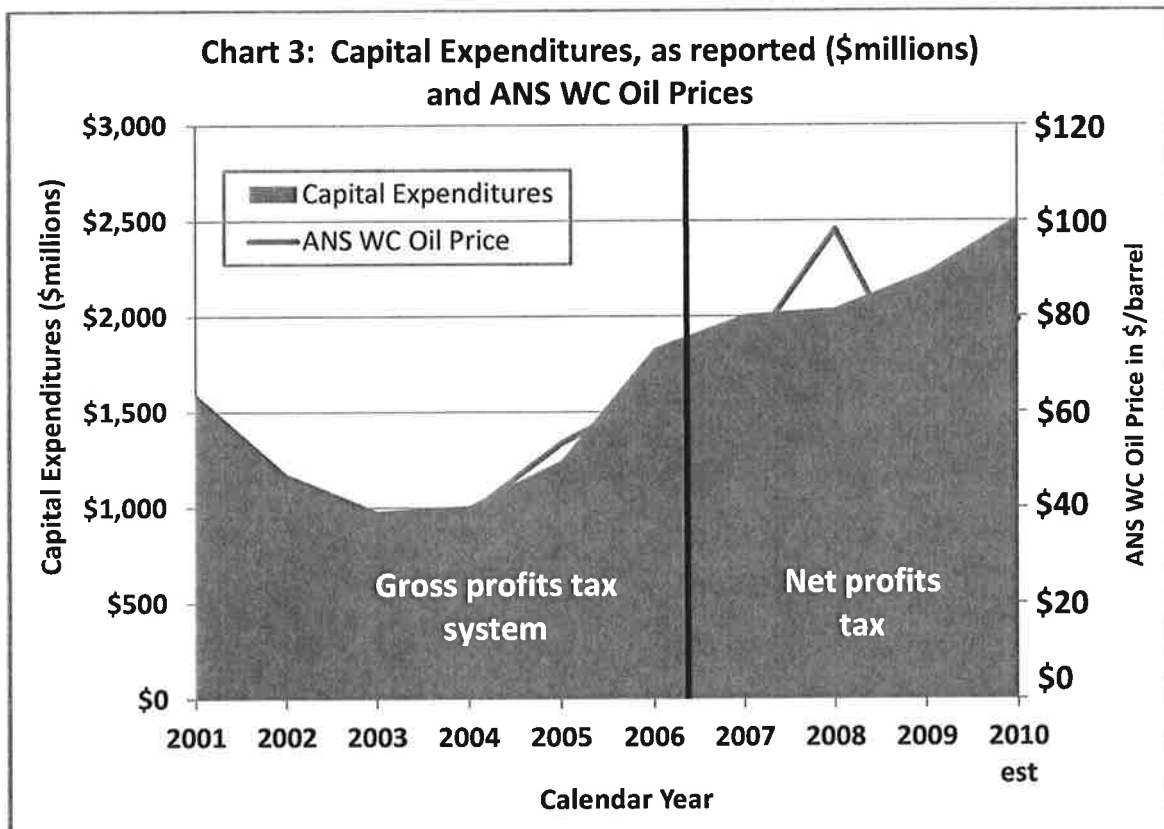
Industry Investment

Investment is an important component in Alaska's oil and gas industry. Producing oil, especially in an arctic environment, requires substantial financial outlays before, during

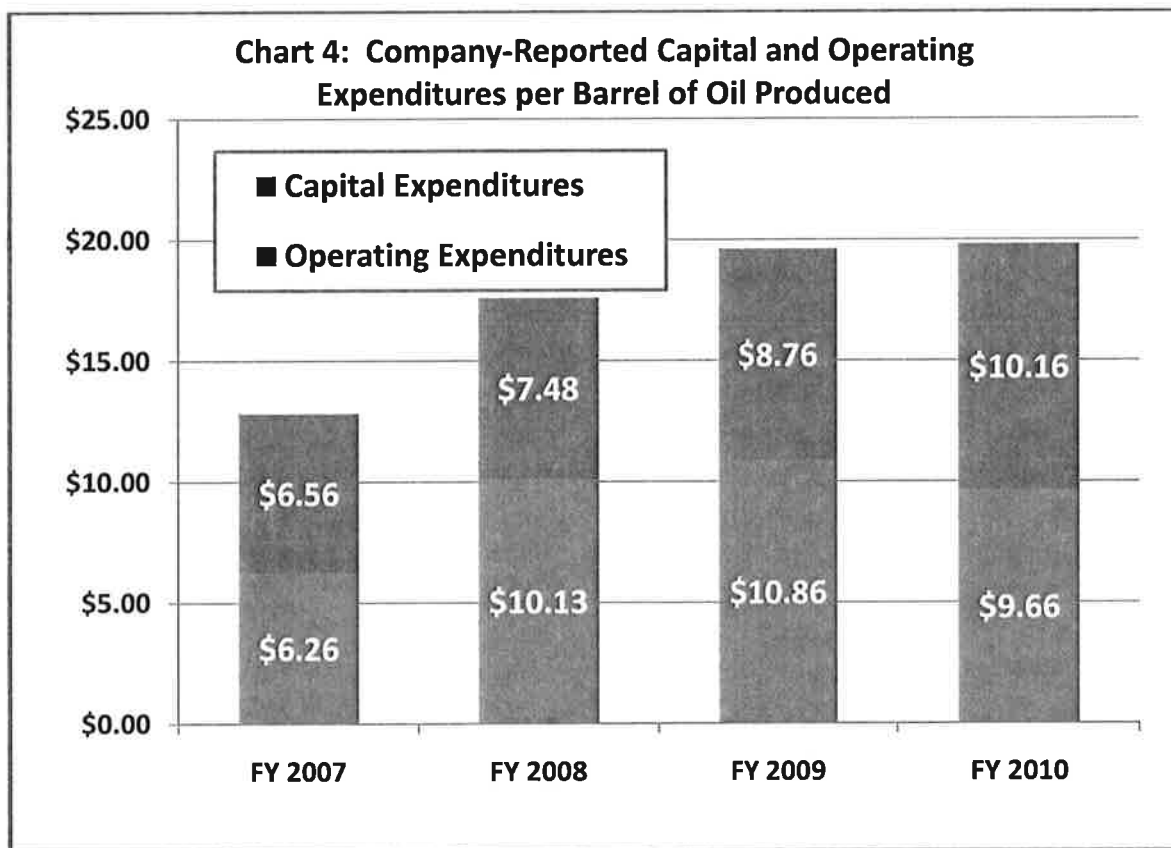
² AS 43.55.011(i)

and after producing the oil. In massive oil fields such as Prudhoe Bay, which has been operating for more than 30 years, maintaining and upgrading equipment and facilities is key to continued undisrupted oil production. Companies must also invest in research and new technologies in order to achieve the maximum recoverability of petroleum from the reservoirs they have developed. Because the companies that invest in petroleum projects can and do operate in areas outside of Alaska and the country, Alaska oil projects must compete with other petroleum opportunities throughout the world for those investment dollars.

Industry investment is generally reflected in capital expenditures, as opposed to operating expenditures, which are normally considered day-to-day expenditures for producing oil and gas. Alaska's fiscal system, which gives credits for capital expenditures, theoretically encourages these types of investments. Our review of the past 10 years of data appears to bear this out. Chart 3 below shows company-reported data from tax filings from calendar year 2001 through calendar 2010 (estimated). While capital expenditures over the five-year period (2006 through 2010) since the implementation of a net profits tax with credits for capital expenditures have increased each year, we have limited data as to the nature of the expenditures.

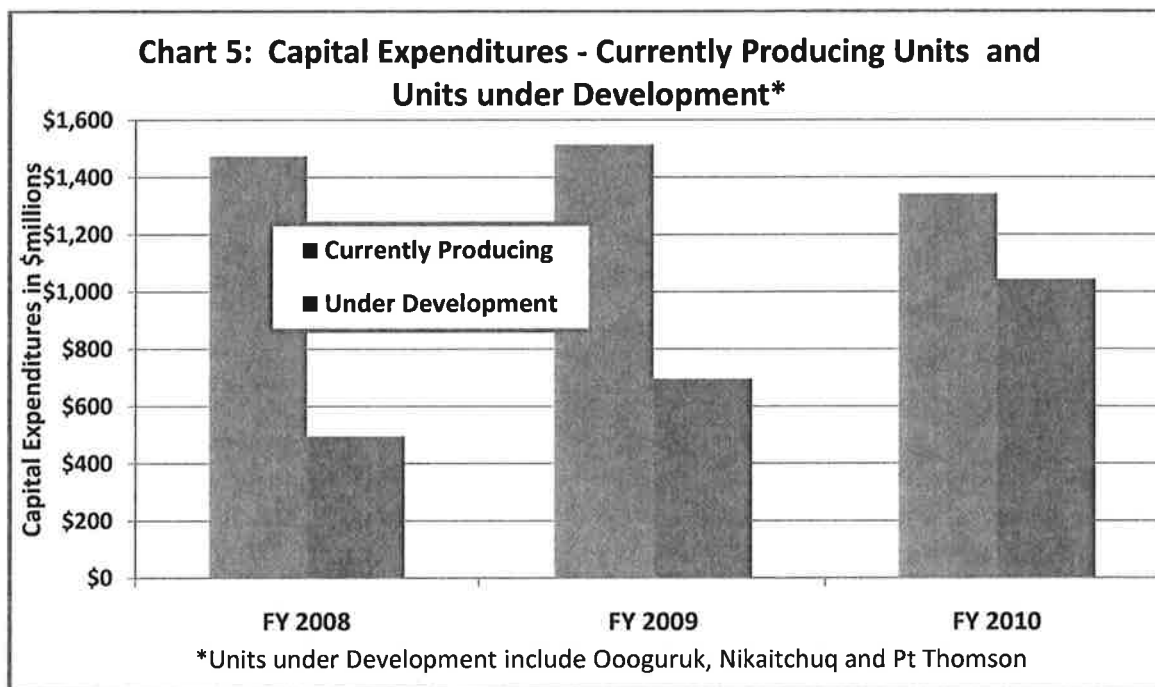


In the context of petroleum basin operations, capital expenditures are generally an indicator of expanding production or enhancing or extending the life of facilities or equipment. Expenditures for drilling wells normally fall into the category of capital expenditures as do expenditures for building housing or processing facilities. The Department of Revenue has extremely limited data from which to determine the nature of the capital expenditure increases. Given the age of North Slope facilities and infrastructure, it is quite possible that much of the capital investment in currently producing properties such as Prudhoe Bay is to extend the life of the facilities or infrastructure. Production on the North Slope continues to decrease, with a 7% decline rate between FY 2009 and FY 2010. The end result is that capital expenditures per barrel of oil produced are rising, while operating expenditures per barrel have leveled off and even decreased somewhat, as shown in Chart 4 below.³



³ The slight decline in capital expenditures per barrel between FY 2007 and FY 2008 can be explained by the fact that FY 2007 included 14 months of expenditures, due to the effective date of the tax change of April 1, 2006.

One trend that has been observed in annual capital expenditures figures is that the proportion of capital spending in units under development has been increasing relative to the total capital expenditures spent on the North Slope. Chart 5 below shows expenditures by currently producing units and units under development over the past three fiscal years.

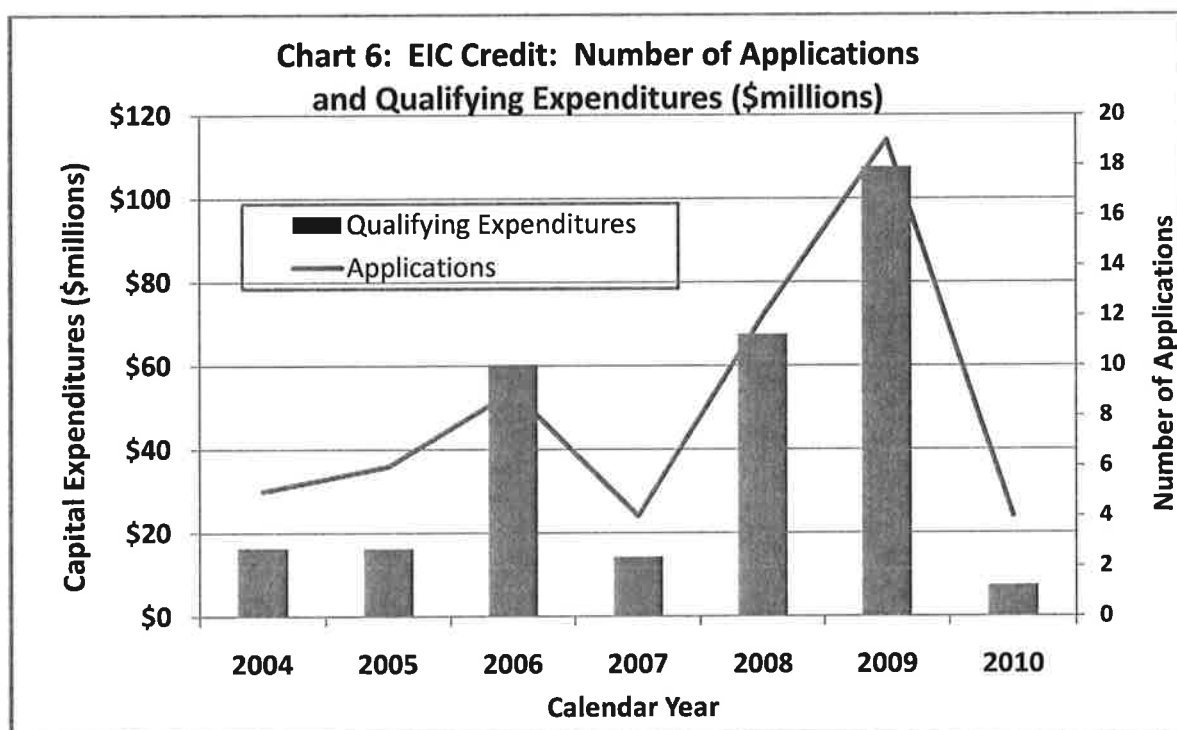


Capital expenditures also earn credits under the new production tax system. The credit system for capital expenditures on the North Slope does not distinguish between types of capital expenditures in existing units. The legislature in 2010 expanded the credit program in Cook Inlet to include an additional 20% credit (total of 40% credit) for lease expenditures related to wellwork. A credit increase of this nature may also prove beneficial to incentivize capital expenditures on drilling and increased wellwork on the North Slope.

Impact on Exploration, Development and Production

As discussed in the previous section, the net profits tax system includes credits for capital expenditures, without distinction as to the nature of the expenditure. The tax system also includes credits for exploration expenditures through its exploration incentive credit (EIC) at AS 43.55.025. This credit was implemented in 2003 and was expanded with the ACES tax changes. If a project meets certain exploration criteria, it may be eligible for 40% credit under the EIC program.

The department began receiving applications under the EIC program in 2004, and the number of applications and amount of qualifying expenditures has generally increased each year peaking in the winter of 2008/2009⁴. The number of applications for EIC credit decreased significantly in 2010, reflecting a decrease in activity for the winter of 2009/2010. Chart 6 shows the number of applications and the expenditures that qualify under the EIC program from 2004 through 2010.

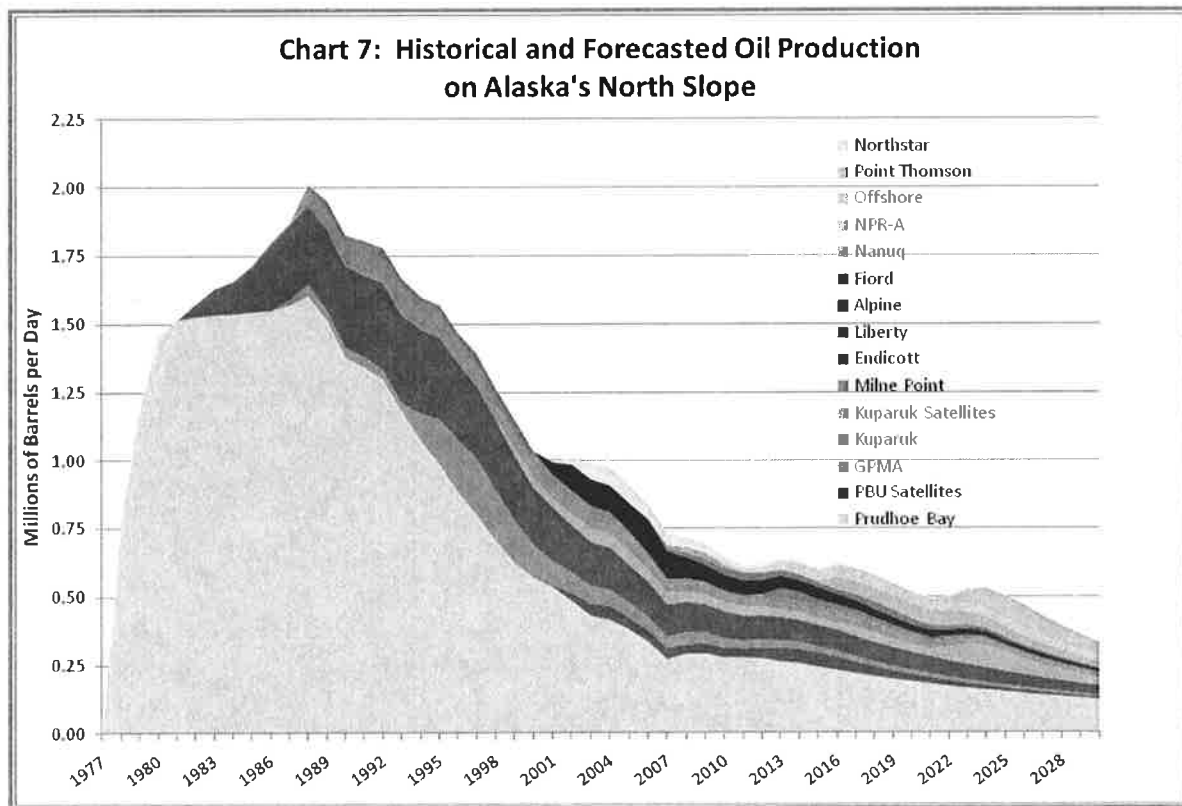


It is much more difficult to measure a tax system's impact on oil development and production from existing fields. The department's production forecasters twice annually create production profiles from limited information about an area's geology, drilling results, and other information exchanged in confidential discussions with operators. The compilation of production profiles for each North Slope field is a challenging task, employing the use of an engineering consultant, generally accepted engineering principles, and special software. The results of this compilation are subject to further revision as projects face delays that are typical in the petroleum industry such as reservoir challenges, permitting difficulties or lack of project funding.

New commercial developments on the North Slope include the Oooguruk Unit, which began production in 2009, and the Nikaitchuq Unit, which is expected to begin production in 2011. The Point Thomson Unit is also under development, expected to

⁴ The sharp decrease in 2007 may be due to the tax change to the PPT, which at the time provided credit equal to the lower credit rate of the EIC program, without the reporting requirements.

begin production in 2015. Despite the addition of these developments, North Slope production continues to decline. From FY 2009 to FY 2010, oil production declined 7%; another 4% decline is projected between FY 2010 and FY 2011. Chart 7 below shows historical and projected oil production from the North Slope.

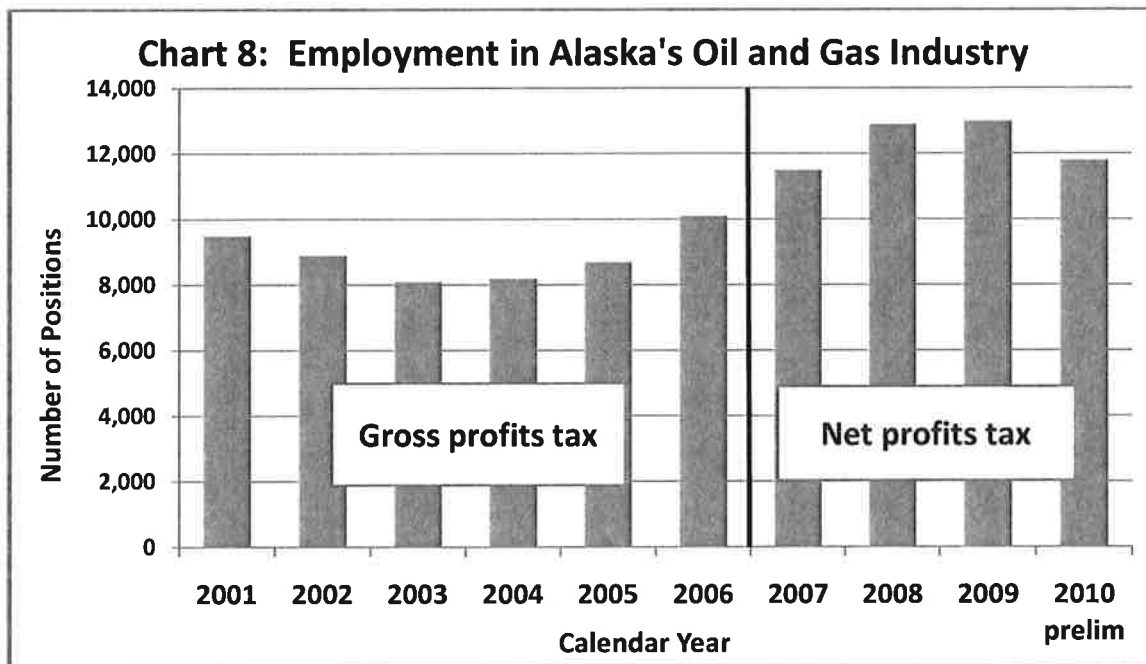


Industry Employment and New Entrants

Employment in the oil and gas sector is another important measure of the health of the oil and gas industry in Alaska. Although oil and gas employment is not the largest category in the state, it is among the most sought-after employment, due to high wages. The Alaska Department of Labor and Workforce Development (DOLWD) reports that in 2009, the average earnings for a person employed in the oil and gas extraction industry was close to \$14,000 per month. These earnings are more than 3 times higher than the average earnings for all industries and government in the state of about \$4,000 per month.

The department also reports number of employees by industry. Oil industry employment in the state includes jobs with duties that would fall into one of three categories: (1) oil and gas extraction; (2) drilling oil and gas wells; and (3) support activities for oil and gas operations. Officials at DOLWD acknowledge that the definition

is fairly narrow, leaving out important oil-related employment, such as jobs at Alyeska Pipeline Service Company and at refineries in the state. Employment in the oil and gas industry has increased in the years since PPT was implemented, although the department projects a slight decrease in 2010. These data are shown in Chart 8 below.



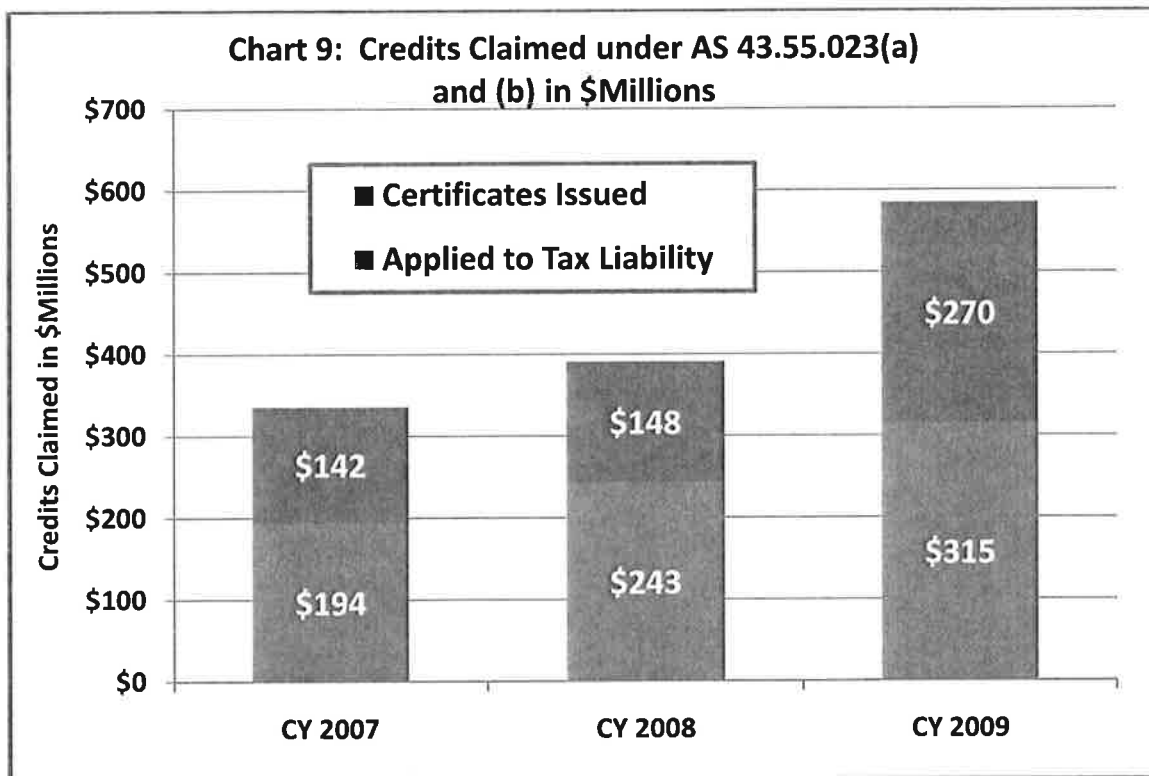
The state has seen new entrants into the Alaska oil and gas industry since the implementation of a net profits production tax. At the most recent lease sale held in October of 2010, a company new to Alaska successfully bid on over 100 tracts of oil and gas property. The steadily increasing number of production tax returns filed annually also indicates companies' new or renewed interest in Alaska's oil and gas opportunities. In 2006, the first year that filings were made under a net profits tax, there were 19 companies filing annual returns. In 2007, the number of companies filing production tax returns totaled 26, and in 2008, 36 companies filed annual production tax returns. The filing for 2009 increased only slightly from 2008, with 39 companies filing returns.

Use and Expansion of Tax Credits

Tax credits have played and continue to play an important role in the net profits production tax system. There are currently five credit programs specific to the oil and gas production tax, and each of the programs have had substantial interest, and in most cases, use from taxpayers. Alaska's tax credit programs are intended to steer spending to certain in-state activities.

The most widely used credits under the production tax system are the qualified capital expenditure credits at AS 43.55.023(a). Tax credits under this program may be applied to production tax to reduce a taxpayer's tax liability. If an oil and gas company has no tax liability, the credit may be carried forward, transferred to another company, or sold to the state. AS 43.55.023(b), credits for carried-forward net operating losses, are also widely used and may also be carried forward, transferred to another company, or sold to the state. Combined, these credits made up over 80% of the credits issued by the DOR Tax Division over the past three years.

Chart 9 below shows the total number of tax credits claimed under AS 43.55.023(a) and (b), categorized by the number of tax credits applied against a tax liability and the number of credits that were issued credit certificates for future use. We note that credits increased in each of the three years shown. The forecast for increased capital expenditures will translate to more credits applied against tax liabilities as well as more credits certificated.



Other credits include Small Producer/New Area Development credits (AS 43.55.024(a) and (c)) and Alternative Credit for Exploration (AS 43.55.025). These credits have seen less use than the credits under .023.

Credits have been expanded – both in credit rate and number of credits available – over the past year. The credit rate under the Qualified Capital Expenditure credit (AS 43.55.023) was increased for well lease expenditures relative to projects in Cook Inlet from 20% to 40%. Credit under the corporate income tax was also increased and extended (AS 43.20.043) for exploration and development of natural gas in Cook Inlet. The credit rate increased from 10% of qualified capital expenditures and qualified services to 25% of these costs and the credit program was extended from 2013 to 2016. For a complete listing of tax credits available against the production tax and other taxes, see the Fall 2010 *Revenue Sources Book*, at:

<http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?2126f>

Tax Administration and Compliance

The numerous changes associated with the shift from a tax on gross value to a tax on profits have been a challenge for the Department of Revenue in a few specific areas. The first order of business under a tax system with a new, different way of calculating the tax is to define the inputs. This has taken place over the past several years in the process of creating, vetting, and implementing regulations. The regulations writing process for the production tax change has been extraordinarily interactive with the taxpayers, incorporating their input in all phases of development. Although this process may have slowed the pace of development, it resulted in more clarity in a complex set of regulations. The regulations writing process continues to date.

The change to a production tax on net profits also posed challenges for the audit staff in the areas of hiring qualified auditors and training auditors for the new demands of the position. The department has had difficulties attracting qualified auditors under the state pay schedule. New and expanded credit programs have also added to their workload. Despite these challenges, the audit staff has completed most of the audits under the PPT system.

The greatest difficulties faced by the department since the implementation of a net profits production tax system are the collection, use, and storage of the huge amounts of data received monthly and annually. As an example, the department receives monthly information from each active oil and gas company regarding the amount of oil and gas produced, the amount spent in operating and capital expenditures, the amount of credits earned and used, and the payment submitted. The department also receives documents pertaining to petroleum sales and netback calculations, most of which are submitted in Adobe Acrobat pdf format, which is not a suitable format for data storage or use. Assembling this data in a useable format is time-intensive and subject to error, as the data are cut and pasted into spreadsheets manually. Further compilations and changes subject the data to additional error and distortion.

The department's access to and use of this important data would be substantially improved if the information were housed in a central database, with access provided to all users of the data. The department believes securing a database will assist in operating more efficiently and effectively as an interface with both taxpayers and the public.

Conclusions and Recommendations

A government's fiscal regime is just one element for oil and gas companies to consider when weighing options for where to invest. Many other elements, such as resource risk, political risk, environmental factors, and availability of labor and equipment, also play a part in companies' decisions about where to invest. It is very difficult to separate these factors in order to determine the extent to which a government's fiscal system influences investment choices.

While it is untenable to blame a tax system for the lack of industry investment, it is equally untenable to claim that the tax system is the reason increased activity or investment occurs. The past three years have seen dramatic swings in oil prices from a high of \$134 per barrel to a low of \$38 per barrel just 6 months later. An economic recession stifled investment and business activity in the United States and much of the developed world for over a year. The economic activity of the past three years may not have been the best benchmark by which to judge the impact of a tax system.

Nevertheless, it is prudent for state officials to monitor praise for and criticisms of its fiscal systems from both industry and the general population that they serve. High oil prices of recent years have swelled state bank accounts and some have suggested that the state is in the best financial position since statehood. Business periodicals and industry journals report that state is benefitting at the expense of a single industry – petroleum – and that the tax rate under ACES is too high and “takes away the upside” for the oil and gas producers. Criticism is often centered around the marginal tax rate under ACES, under which the government share of each additional dollar of profit may be as high as 93%.

State officials also make efforts to stay informed on the global oil and gas markets and opportunities in other jurisdictions, including how Alaska ranks competitively against them. Among the recent events in government taxation was the royalty modification undertaken by the Canadian province of Alberta. Studies conducted for the Alberta government showed that the royalty changes made in 2007, combined with the recession, the changes in natural gas markets, and other jurisdictions' efforts to attract investment, were making Alberta less competitive for limited petroleum investment

capital. The government responded to this information by changing its royalty structure in a way that the government's share of oil and gas profits would be lower.

The State of Alaska depends heavily on the oil industry, with more than 80% of its unrestricted revenue coming from oil taxes and royalties. State officials should continue to monitor the state's competitiveness in oil and gas opportunities, and be prepared to modify it as the need arises.

Evaluation of ACES and Proposal

Roger Marks
Logsdon & Associates
Prepared for Legislative Budget & Audit
February 2011

I. Introduction

Alaska's oil (and gas) production (or severance) tax (AS 43.55), called "ACES" (Alaska's Clear and Equitable Share), was enacted in 2007. The tax has a base tax rate of 25% on the net value of oil, the value after all exploration, development, production, operating, and transportation costs are deducted.

There is also a progressivity element that is added to the base tax rate. Progressivity is the practice of increasing the tax rate as income increases. In ACES the tax rate rises as per barrel net value increases, and is applied to the total net value.

Progressivity starts as per barrel net value rises above \$30/bbl. (This is referred to as the "trigger".) Progressivity rises at a rate of 0.4% for every per barrel dollar of net value above \$30. (This is referred to as the "slope.") Above \$92.50/bbl in net value the progressivity rate increase drops to 0.1% per dollar of net value.

For example, current Alaska North Slope ("ANS") market prices are about \$90/bbl. The current estimated costs are as follows:

- Marine shipping	\$2/bbl
- TransAlaska Pipeline (TAPS) tariff	\$4/bbl
- Operating exploration, development, capital	\$11/bbl
- Capital exploration, development, capital	<u>\$12/bbl</u>
TOTAL	\$29/bbl

Thus the net value would be:

$$\$90 - \$29 = \$61/\text{bbl}$$

The progressivity would be:

$$(\$61 - \$30) \times .004 = 12.4\%$$

The total tax rate with the base 25% rate would be:

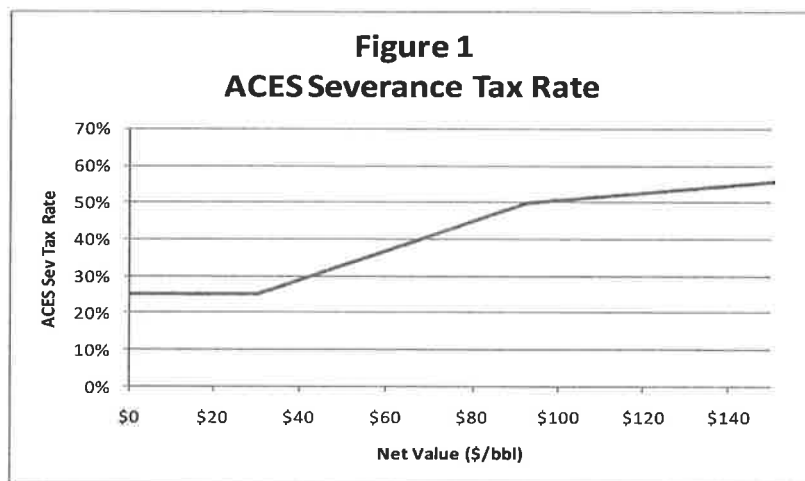
$$25.0\% + 12.4\% = 37.4\%$$

Again, the progressivity surcharge applies to the entire net value. So the tax would be:

$$37.4\% \times \$61 = \$22.81/\text{bbl}$$

(This progressivity structure was actually enacted in 2006 under the Petroleum Profits Tax (PPT) system. ACES decreased the trigger from \$40 to \$30, and increased the slope from 0.25% to 0.4%.)

Figure 1 shows the ACES severance tax rate depending on net value.



ACES also contains several credit provisions, most notably a 20% credit on capital expenditures.

II. Marginal Tax Rates under ACES

As stated above, when the progressivity surcharge kicks in at the \$30 net value trigger, it applies to the entire net value, not just the amount above the trigger. So the tax additional tax rate applies to every dollar of value, not just the last one.

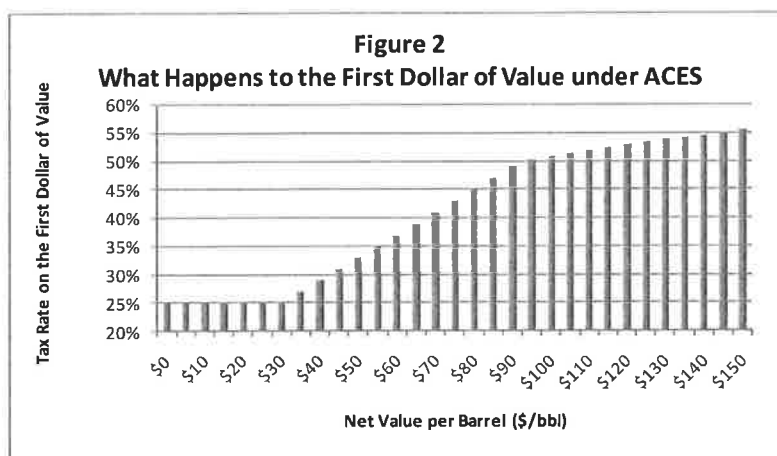
This sits in stark contrast with most progressivity systems (oil or otherwise), where the additional tax rate only applies to the additional value. For example, the U.S. federal income tax has progressivity. **Table 1** shows the U.S. federal income tax rates for a single taxpayer for 2010.

TABLE 1
2010 U.S. Tax Rate for Single Taxpayer

First \$8,375	10%
Next \$25,625	15%
Next \$48,400	25%
Next \$89,450	28%
Next \$201,800	33%
Anything over \$373,650	35%

The first \$8,375 of income pays a 10% tax rate. The next \$25,625 pays a 15% rate. But no matter how much money you make, the first \$8,375 stays at 10%. The additional tax only applies to the additional income. This is referred to as a “bracketed” system, where tax rates in the different income ranges, or brackets, do not change. This is how progressivity is applied nearly everywhere.

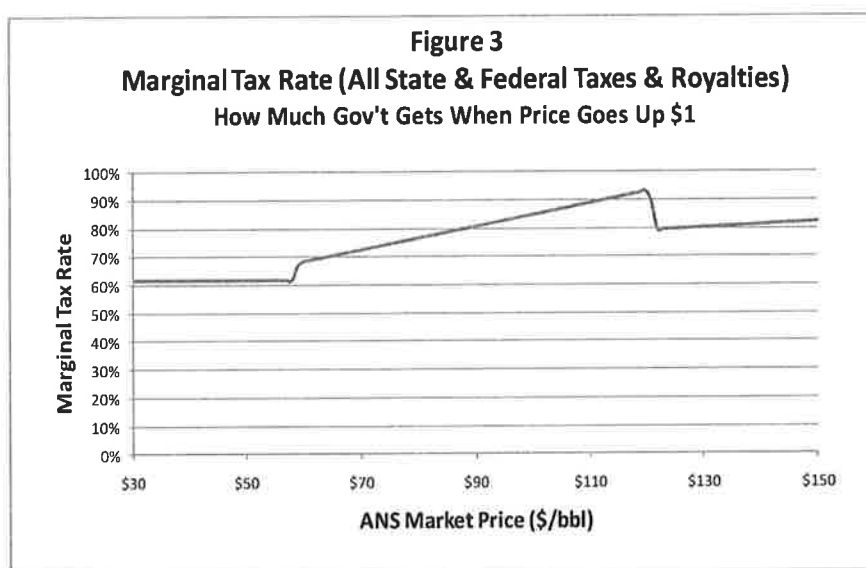
But under ACES, whenever net value goes up, the increased tax rate applies to every single dollar of value. **Figure 2** shows what happens to the first dollar of value under ACES. Below \$30/bbl of net value it is taxed at 25%, but after progressivity kicks in the rate keeps going up. Again, this characteristic is unique to ACES.



However, as price goes up, not only is the tax rate on the first dollar of value drawn up, but the tax rate on all *subsequent* dollars of value is drawn up, as well. In other words, as price goes

from \$90/bbl to \$91/bbl, the tax rate on the 1st, 2nd, and all the way up to the 90th dollar of value is drawn up. And every time price goes up the tax is drawn up on more and more dollars.

This is depicted in **Figure 3**, which shows the marginal tax rate. The marginal tax rate is when price goes up one dollar how much of that dollar goes to government. Since we will be later comparing the marginal tax rate from the entire government take between different jurisdictions, Figure 3 includes the marginal tax from all state and federal royalties and taxes. But the entire increase in marginal tax rates is due to ACES because the other taxes and royalties have flat rates. (Appendix 1 illustrates the derivation of the marginal tax rate at the 93% peak at the \$124/bbl market price.)



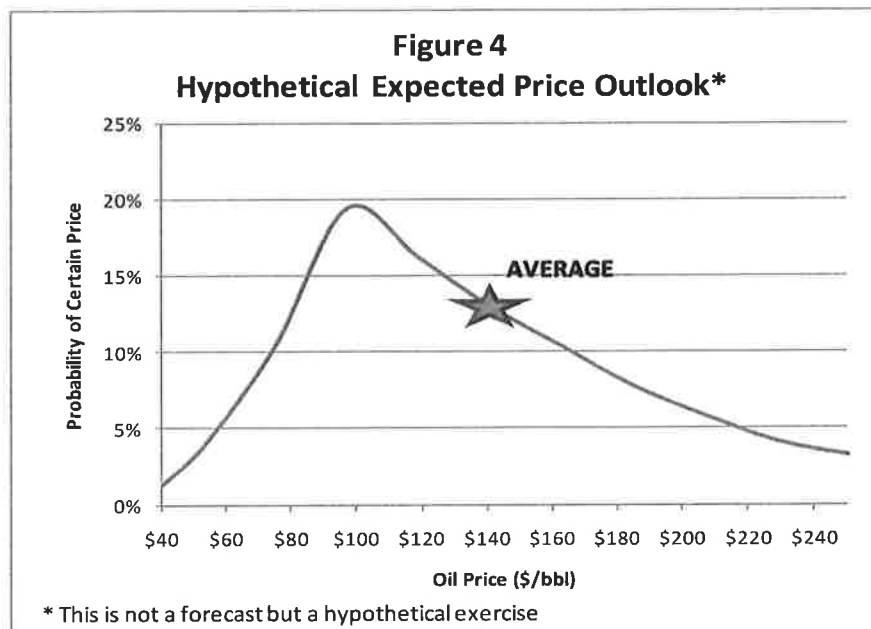
As seen in Figure 3, at current prices of \$90/bbl the marginal tax rate is 80%. That means when price goes up \$1 the government gets 80 cents of that dollar. At slightly above \$120/bbl the marginal tax rate exceeds 90%. That means when the price goes up \$1 the governments gets in excess of 90 cents of that dollar.

Because the slope of the progressivity drops when net value gets to \$92.50/bbl (about \$122/bbl market price), the marginal tax rate curve drops at that point and then starts increasing at a slower rate. But at any price above the current level the marginal tax rate will exceed 80%.

With high marginal tax rates the investors do not make much more money when the price goes up. As price increases there is a ceiling on profit. Thus “upside potential” is limited. By upside potential we mean the potential to make a lot of money at high prices.

Upside potential can be very important in shaping investment decisions. When investors evaluate opportunities they need to forecast oil prices. There is a lot of uncertainty about oil prices so they evaluate the projects over a range of outcomes.

Figure 4 shows a reasonable price expectation outlook for an investor. Where the most likely price might be around \$100/bbl, there are a lot more things that can happen to make price go up rather than down. (It is not difficult to find oil price forecasts of \$200/bbl in 2020.) That is why the curve is skewed to the right.

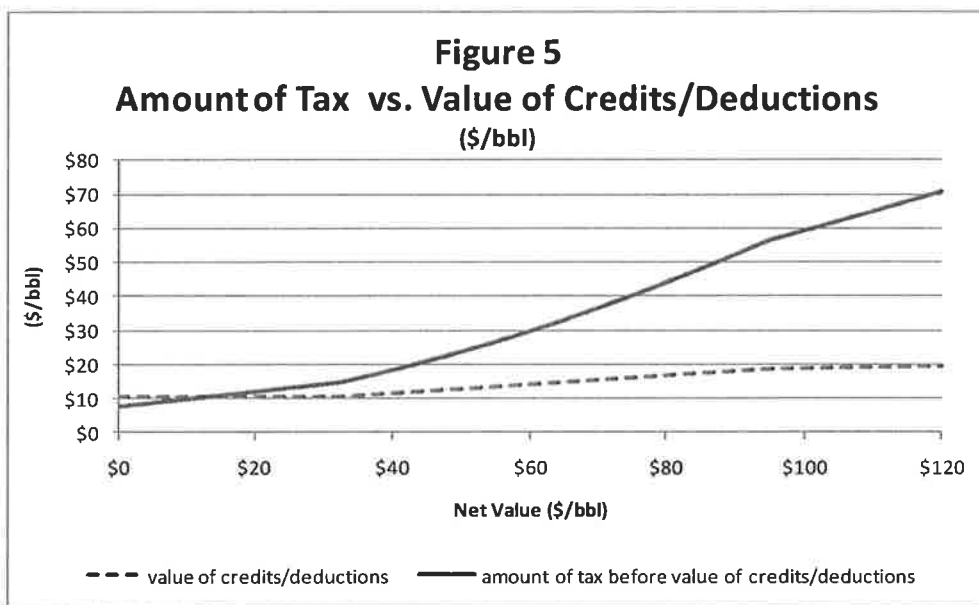


In evaluating around a range of outcomes the results will revolve around the average price. On this curve the average price is \$140/bbl, in the high price area. So what happens on the upside can have a big impact on the expected results. And even though the upside may be of relatively low probability, investors can make so much money when it does happen that it can make the investment worth pursuing.

But, if the upside potential is suppressed, the investors may not see enough profit potential to approve the project, and the project may not happen.

While the credits and the ability to deduct costs are powerful features, they simply do not offset the cash flow impact of the high taxes that occur at high prices. **Figure 5** shows the per barrel value of the credits and deductions compared to the amount of tax before those adjustments.

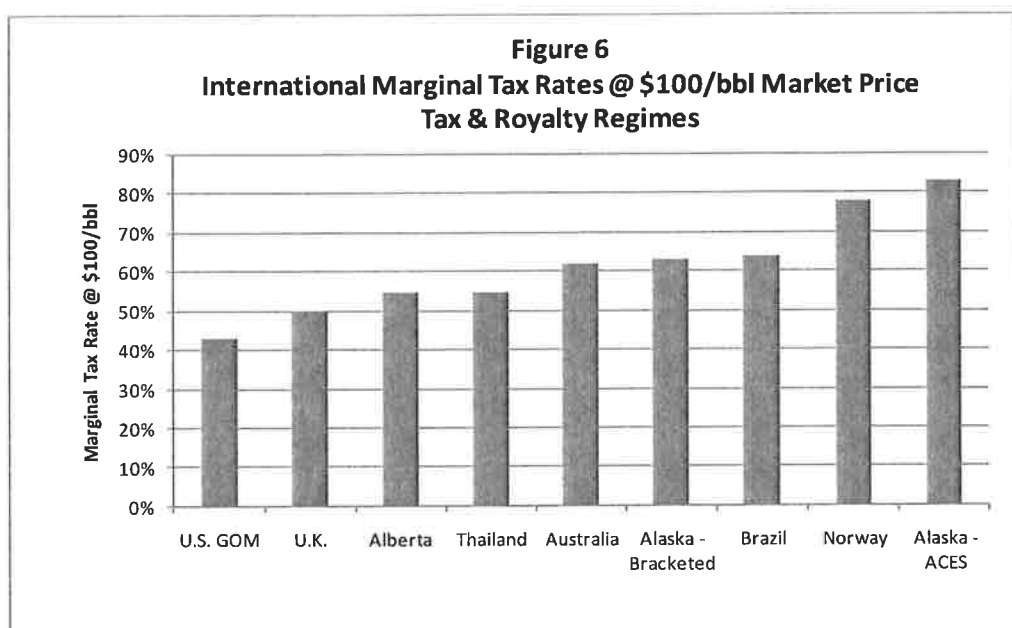
Because the credits and deductions are a fixed amount regardless of price, while the tax goes up as price goes up, the amount of the tax dwarfs the other items at high prices.



III. International Competitiveness

Many factors affect international competitiveness: resource potential, costs, political stability, and fiscal stability. But fiscal terms are very important.

Figure 6 shows a comparison of marginal tax rates at a \$100/bbl market price between Alaska and the other major industrialized petroleum democracy jurisdictions Alaska competes with. These are the “tax and royalty” regimes, where fiscal terms are generally dictated by statute. These include all taxes and royalties.



These stand in contrast to the “profit sharing contracts,” generally found in the Mideast, Africa, and the former Soviet Republics, where fiscal terms are set by contract, and include some degree of fiscal stability.¹ These jurisdictions generally have greater resource potential and lower costs than the tax and royalty jurisdictions. Often, specific profit sharing arrangement terms are not public.

Alaska has the highest marginal tax rate out of all these regimes, 83% at current prices, again indicating the suppression of upside potential.

Moreover, Norway, which has the second highest rate, should be viewed carefully. Seventy percent of the equity production in Norway is owned by Statoil, and 70% of Statoil is owned by the Norwegian government. The government contributes to investment and receives revenues proportional to their ownership share. But the government receives all taxes. So to a large degree the government is paying taxes to itself.

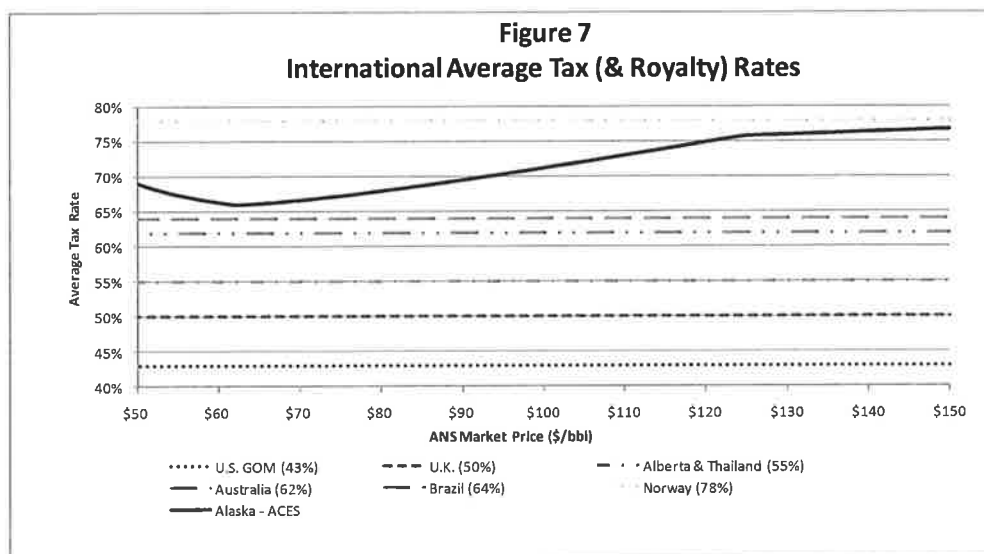
Norway aside, the next highest country is Brazil at 63%, a full 20 percentage points less than Alaska. This is a significant difference.

To see how much these differences are worth we need to look at the average tax rates.

Figure 7 shows the average tax rates for the same jurisdictions. Where the marginal tax rate is the tax on the last dollar, the average tax rate is the tax on the average dollar, or the total tax

¹ Generally under production sharing contracts the sovereign retains all ownership of the oil, the oil company develops the field, and is compensated in a share of the oil covering both costs and profit.

divided by the total net value. It represents the percentage of the entire value going to government. As the marginal tax rate increases it pulls the average tax rate up. Again, these figures represent all taxes and royalties.



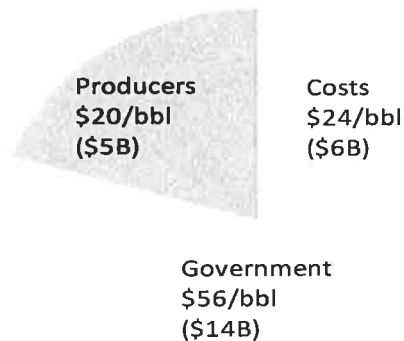
Alaska has the highest average tax rate other than Norway, at 73% at \$100/bbl oil. Brazil at second place is 9 percentage points back, and the Gulf of Mexico, with the lowest rate, is a full 30 percentage points back.

Because none of the other jurisdictions have progressivity, their average tax rates are flat at all prices.² Because Alaska has progressivity, its average tax rate is ever increasing, and with the exception of Norway is higher at low prices and higher at high prices.

In 2008 oil prices averaged \$100/bbl, generating \$25 billion in total market value. **Figure 8** shows where the \$100 went.

² While they are flat in regard to price, some rates may vary depending on, for example, well productivity, lease vintage, location, years in production, or volume. In addition, where there is progressivity for the corporate income tax rates, the maximum rate is obtained at a relatively low income threshold for international oil companies. These are the maximum total rates.

Figure 8
Where \$100/bbl (\$25B) Went in 2008



The first \$24/bbl, or \$6 billion, was cash costs (ignoring past investments).

The next \$56/bbl, or \$14 billion, was taxes. \$11 billion of this went to the state, of which \$7 billion was the severance tax. The other \$3 billion were federal corporate income taxes.

The final \$20/bbl, or \$5 billion, went to the producers. Some would say this is a lot of money. Some would say it is not. But the more important question is how much they would have made in other places.

In Alaska, given the costs and the amount of production, every percentage point of the average tax rate was worth about \$175 million to the producers after-tax.

Table 2 shows what the producers would have made had the tax regimes of the other jurisdictions been in place. With the exception of Norway they would have made from \$1.6 billion more (32% more) with Brazil's taxes, up to \$5.3 billion more (106% more) with the Gulf of Mexico's taxes. Again, these are significant differences.

Regardless of how much was made in Alaska, more could have made somewhere else.

TABLE 2
After-Tax Income that Would Have Been Earned in Alaska in 2008
With Rates from Other Tax & Royalty Regimes
(\$billions)

Gulf of Mexico	\$10.3
U.K.	\$9.0
Alberta	\$8.2
Thailand	\$8.2
Australia	\$6.9
Brazil	\$6.6
Alaska	\$5.0
Norway	\$4.1

We see a good example of how high marginal tax rates are manifested in looking at what happens to incremental income at high prices and how it is taxed. ConocoPhillips, one of the major North Slope producers, isolates their Alaska operations in their public financial statements, so we can compare Alaska with the rest of the world. ConocoPhillips operates in over 30 countries worldwide and is one of the largest oil and gas exploration and production companies in the world, a true multi-national corporation. What happens in the rest of the world is a good barometer of the international investment climate.

In 2009 ConocoPhillips' worldwide oil prices averaged about \$60/bbl. In 2008 they averaged about \$100/bbl.

In Alaska, between 2009 and 2008 their pre-tax income increased by \$3,673 million. Their taxes increased by \$2,898 million. Of this tax increase, about 80% was severance tax and 20% was income tax. Doing the subtraction, their additional after-tax income was \$775 million. Thus of the original \$3,673 million before-tax, they retained 21% of it after-tax, implying a 79% marginal tax rate.

Outside Alaska, between 2009 and 2008 their pre-tax income increased by \$14,707 million. Their taxes increased by \$7,163 million. Of this tax increase, about 10% was severance tax and 90% was income tax. Doing the subtraction, their additional after-tax income was \$7,544 million. Thus of the original \$14,707 million before-tax, they retained 51% of it after-tax, implying a 49% marginal tax rate.

This difference of 30% in the marginal tax rate indicates a significant disadvantage in Alaska's international competitiveness.

Table 3 illustrates this.

TABLE 3
ConocoPhillips Financial Performance: Alaska vs. Rest of World (\$millions)
2008 (\$100/bbl) vs. 2009 (\$60/bbl)

	<u>Alaska</u>	<u>Rest of World</u>
Additional pre-tax income 2009 over 2008	\$3,673	\$14,707
Additional taxes 2009 over 2008*	<u>\$2,898</u>	<u>\$7,163</u>
Additional after-tax income 2009 over 2008	\$775	\$7,544
Percentage of additional pre-tax income retained after-tax	21%	51%

* Alaska: 80% severance tax / 20% income tax; Rest of World: 10% severance tax / 90% income tax

Finally, **Table 4** shows the severance tax rates for the 27 U.S. states that have oil production.

TABLE 4
OIL SEVERANCE TAX RATES BY STATE

<u>State</u>	<u>Rate (% of gross)</u>	:	<u>State</u>	<u>Rate (% of gross)</u>
Iowa	NONE	:	Illinois	5.00%
New York	NONE	:	Colorado	5.00%
Pennsylvania	NONE	:	West Virginia	5.00%
Ohio	10 cents/bbl	:	Utah	5.00%
California	0.10%	:	Mississippi	6.00%
Indiana	1.00%	:	Wyoming	6.00%
Nebraska	3.00%	:	Michigan	6.60%
New Mexico	3.75%	:	Oklahoma	7.00%
Alabama	4.00%	:	Florida	8.00%
Kansas	4.30%	:	North Dakota	11.50%
Kentucky	4.50%	:	Louisiana	12.50%
South Dakota	4.50%	:	Montana	12.50%
Texas	4.60%	:	<u>ALASKA @ \$90 market</u>	(25 % of gross equivalent)
Arkansas	5.00%			

Most of these states tax on a gross value basis. Because Alaska taxes on a net basis, we have converted Alaska's net tax rate at the current market price of \$90/bbl to a gross equivalent basis. The equivalent rate is 25%, twice as high as the next highest state.

Note that two-thirds of the states have rates at 5% or less.

IV. Evidence of Problems

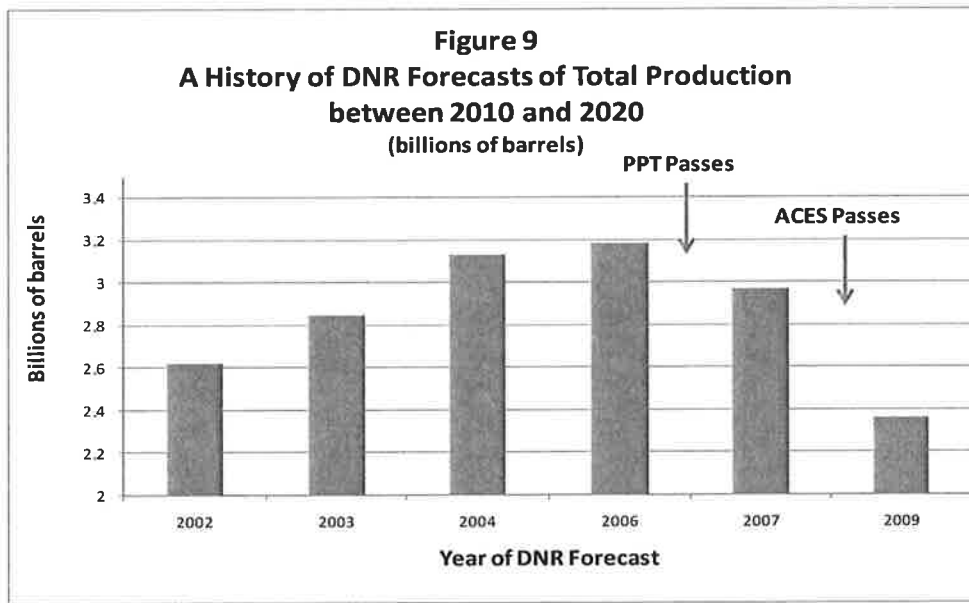
When ACES passed in 2007 and imposed the higher tax there was much entrenched activity on the North Slope that was already in motion and could not be curtailed. The companies paid the new taxes on this activity, and the state is making a lot of money. So the question could be asked as to whether the state has a problem now.

There has been some analysis performed as to whether ACES is functioning properly, looking at items like investment and employment. There is evidence there has been an increase in investment, though as we shall see, it is unclear what the spending is for. The figures on employment are mixed.

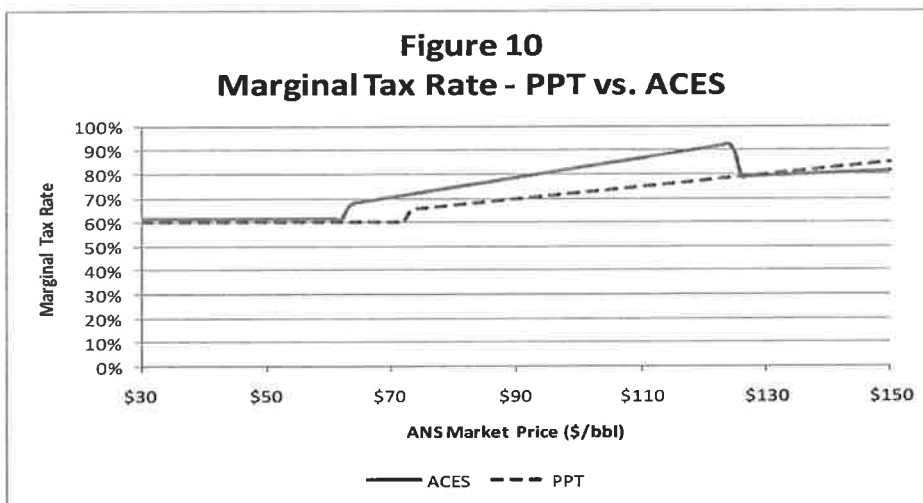
But one item that has not been examined, and it is really the most important one for Alaska, is barrels of oil produced.

Both the Departments of Revenue (DOR) and Natural Resources (DNR) issue periodic production forecasts. These forecasts are conducted independently, though their results are similar. One difference between the forecasts is that DOR looks out only ten years at a time, so every forecast is looking at different years. DNR has consistently looked out beyond 2020, so they have been forecasting the same years.

For that reason we will focus on the DNR forecast, in order to compare forecasts for the same years over a long time period. Since 2000, DNR has issued six forecasts. **Figure 9** shows the history of how they have viewed the 2010-2020 time period.

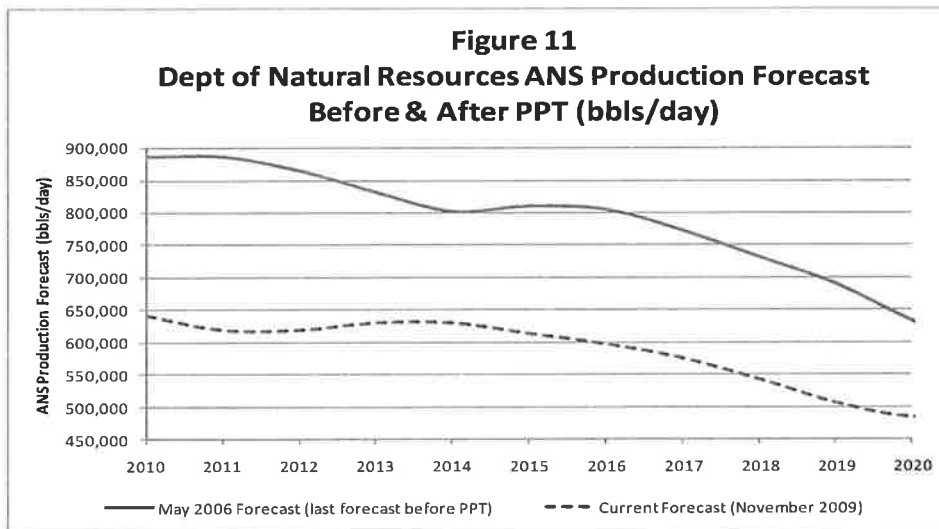


Prior to 2006, when the PPT passed, the production outlook had been increasing. PPT imposed the same progressivity structure as ACES. And although PPT had a higher trigger and a lower slope, because the slope on ACES drops after \$92.50/bbl net, while PPT does not, the marginal tax rate under PPT actually exceeded that for ACES at high prices. This is shown in **Figure 10**. Thus PPT, as well as ACES, severely limited upside potential.



After 2006 the outlook dropped. And after ACES passed in 2007 it dropped more. In 2006 the outlook peaked at 3.2 billion barrels being produced between 2010-2020. In the latest forecast, November 2009, forecasted production was down to 2.4 billion barrels. This 800 million barrel loss exceeds 200,000 barrels per day for the 10-year period.

Figure 11 compares the detailed year-by-year forecasts. As recently as five years ago DNR was forecasting 900,000 bbls/day would be produced in 2011. Now actual production is 600,000 bbls/day, 300,000 bbls/day, or 33%, less than forecasted.



For the most part the two forecasts contain the same fields. There is just less oil in each field, especially the existing “core fields” (Prudhoe Bay, Kuparuk, Alpine, etc.)

Figure 12 shows DNR’s long term production by field out to 2050. The core fields account for 85% of the production.

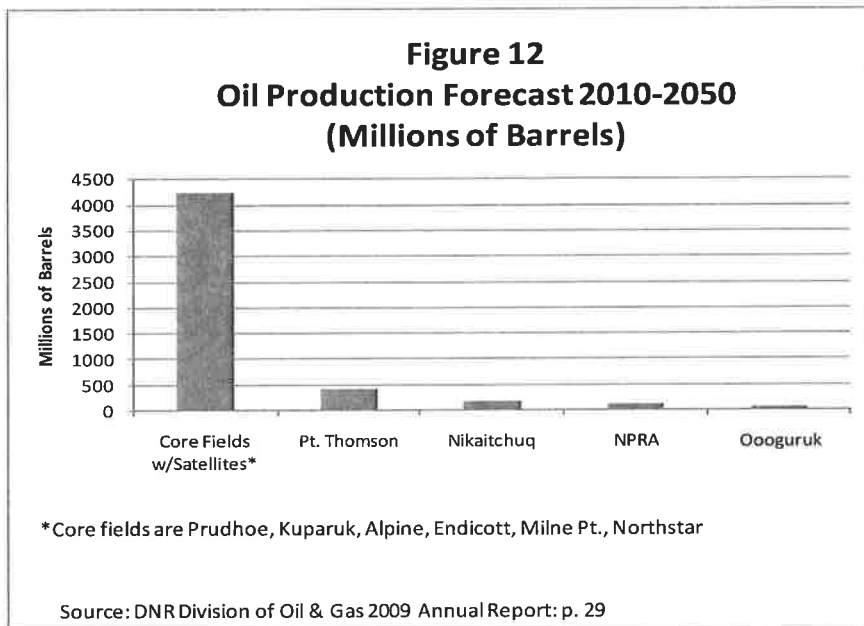
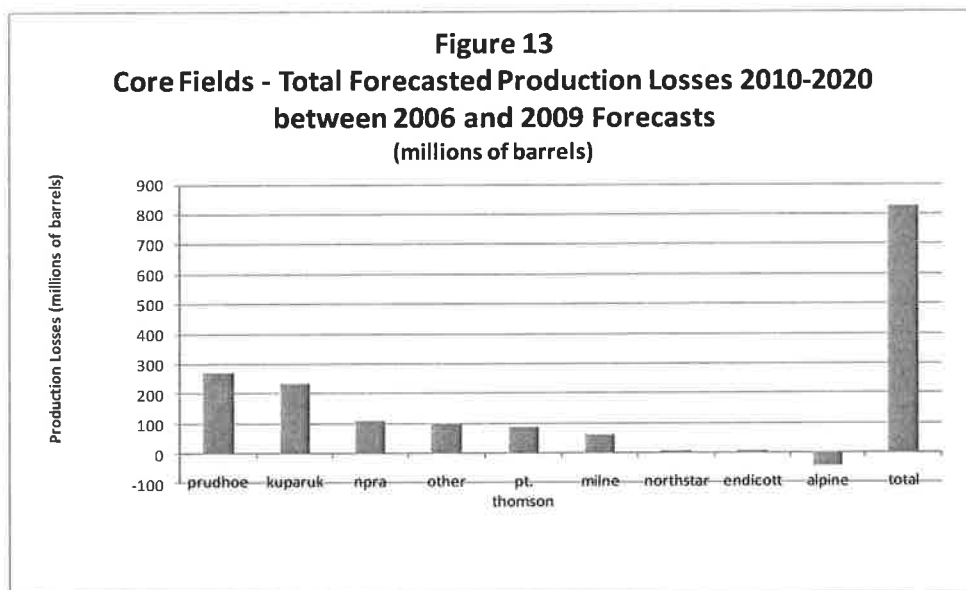


Figure 13 shows a breakdown of the production losses between 2006 and 2009 in DNR's forecasts. Of the 800 million barrel loss, two-thirds, or 530 million barrels, will come from the core fields. This is 130,000 barrels per day each and every day for the ten-year period.

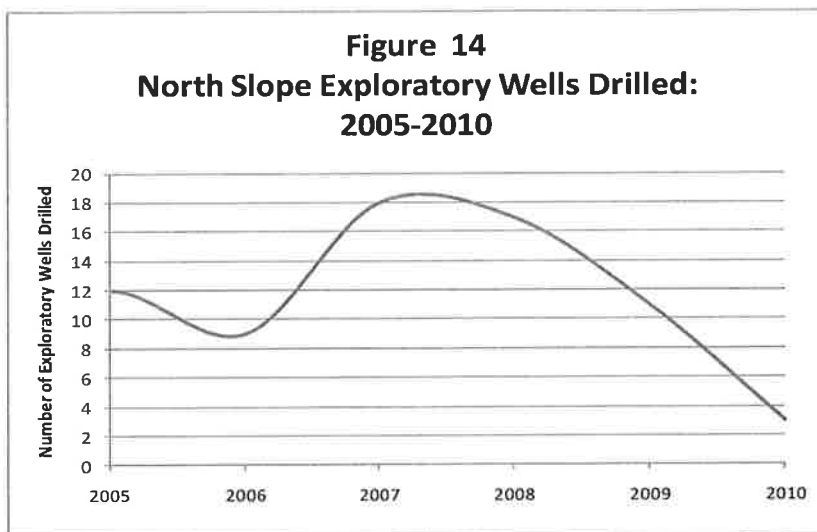


These production losses are perhaps not 100% attributable to ACES, but ACES is most likely a major contributing factor. No other significant event occurred to explain this. As many producers have stated publicly, projects have been put on hold because of the tax.

Moreover, when the 2006 forecast was made, the outlook for 2011 was for oil prices of about \$50/bbl. Prices are nearly double that now. Higher prices should lead to more production. However, it is very possible that as price goes up, the schism between Alaska's taxes and the rest of the world opens up more and more, Alaska becomes relatively more uncompetitive, and so as price goes up, Alaska's production falls.

Yet the resource potential is there. A 2007 Department of Energy report estimates there are 10 billion barrels of additional economically recoverable oil on the North Slope in the current core producing areas.³ DNR's current forecast under the status is for 5 billion barrels between now and 2050, suggesting additional investment would lead to additional production.

Figure 14 shows North Slope exploratory drilling since 2005. In 2010 only three exploratory wells were drilled. This is the lowest number since 1988, when oil prices were \$8/bbl.



Department of Revenue data shows that capital spending is up since ACES passed. It is important to look at the context of spending to see why spending is up while production is down.

³ Department of Energy, National Energy Technology Laboratory, "Alaska North Slope Oil & Gas: A Promising Future or an Area of Decline?," August 2007, pp. 2 – 152-153.

There is no public data breaking down spending, but in public testimony before the state Legislature last year ConocoPhillips asserted the following:⁴

- Spending is up for maintenance, repair, and replacement on core fields. This does not add barrels to production.
 - Spending on development projects and drilling in core fields is down.
 - Development spending on non-core fields (Nikaitchuq and Pt. Thomson) is up.
- Again, these are a small share of potential reserves. Note that there are no other new fields on the horizon. (Liberty is being developed on the federal Outer Continental Shelf and will not be subject to the state severance tax.)

In addition, there is one more important factor that may very well explain increased spending without the commensurate increase in production. It is called “gold-plating,” and it means spending more than you normally would because someone else is actually incurring the expense. It may be slightly complicated but it is important to understand, because it leads to inefficient spending that is costing the state a lot of money.

The high percentage of costs that get deducted at high tax rates with progressivity, coupled with the 20% capital credits, leads to the after-tax cost of an expense being much lower than the pre-tax cost.

We can look at **Table 5** to illustrate how gold-plating works.

⁴ Presentations to Senate Finance on February 23, 2010 and March 8, 2010.

TABLE 5
GOLD-PLATING

Spending more because someone else is picking up the tab

	<u>Before</u>	<u>Spend \$1 in Capital</u>
ANS Market Price	\$90.00	\$90.00
Less:		
Transportation Cost	\$6.00	\$6.00
Capital Cost	\$12.00	\$13.00
Operating Cost	<u>\$11.00</u>	<u>\$11.00</u>
Net value	\$61.00	\$60.00
Severance Tax		
Severance Tax Rate	37.40%	37.00%
Credit	\$2.40	\$2.60
Severance Tax	\$20.41	\$19.60
Pre-income tax income	\$40.59	\$40.40
Combined state/federal income tax (41%)	\$16.64	\$16.56
After-income tax income	\$23.95	\$23.84
Reduction in income		\$0.11

Let's suppose current oil prices of about \$90/bbl. The marine transportation and pipeline tariffs are about \$6/bbl. The capital costs are about \$12/bbl and the operating costs are about \$11/bbl. This gives a net value of \$61/bbl.

Under ACES the severance tax rate is 37.4%. With the 20% credit the capital credit would be 20% of the \$12/bbl capital cost, or \$2.40. This would give a severance tax after credits of \$20.41/bbl.

The pre-income tax income would be \$61.00 less \$20.41, or \$40.59/bbl. The combined state/federal income tax rate is 41%. This would give an income tax of \$16.64/bbl. This would give an after-tax income of \$23.95/bbl.

Now let's suppose the producer spends an additional \$1/bbl for capital. Four things happen:

First, with the additional cost the net value goes down \$1 to \$60/bbl.

Second, this decreases the severance tax rate to 37.0%. So the lower rate applies to a lower net value.

Third, there is the additional 20% credit on the additional \$1, so the credit is 20 cents more. All these decrease the severance tax from \$20.41 to \$19.60.

Finally, because taxable income has decreased because of the \$1 expenditure, the income tax decreases from \$16.64 to \$16.56/bbl.

Putting all these together, the after-tax income decreases from \$23.95 to \$23.84/bbl. This is an 11-cent decrease.

In other words, even though the producer spent \$1, after-tax they were only 11 cents poorer. The other 89 cents were paid by the government in the form of lower taxes.

At higher prices and higher tax rates the effect is exacerbated even more.

With the government picking up such a large amount of the cost, a gold-plating effect could occur, in which the producers spend more than they ordinarily would because someone else is picking up the tab.

Gold-plating could cause inefficient spending; i.e., spending that does not go toward producing more barrels. The high marginal tax rates under ACES may encourage gold-plating. And this may explain much of the increased spending that has occurred without a commensurate increase in production. As long as the value to the producer exceeds the after-tax cost, the expenditure could be made. This may not be in the state's best interests.

V. Proposal for Amending the Production Tax

Alaska's constitution mandates maximizing the benefit of resource development to the people. In this context the concept of "fair share" comes in. Fair share is a complicated concept, and means many things to many people, but the dimension of competitiveness certainly has to come into play.

Most people would agree that maximizing the benefit means maximizing the long term benefit. And the long-term benefit is linked to maximizing long-term production to provide stable revenues to the state over many years. The engineering reality is that production is maximized by continual investment.

In looking at international competitiveness, at the corporate level where budgeting decisions are made, capital is finite. Capital is also very fluid; the corporation has many opportunities. In making worldwide budgeting decisions capital will go where it can get the best deal.

In designing a tax, one needs to be mindful of how investing in Alaska stacks up against other investment opportunities. "Fair" is what you can get in a competitive environment. In that regard, a fair share of revenues is no different than a fair price for a loaf of bread or for a gallon of milk. There are many sellers trying to get the most money, but many consumers who want the lowest price and have many alternatives. The sellers have to compete. With oil, there are many

jurisdictions trying to get the most money, but many oil companies who want the largest return and have many alternatives. The jurisdictions have to compete.

Accordingly, the tax system needs to line up with international standards.

Again, the problem with Alaska's tax system is not progressivity per se, but the progressivity structure, which draws up the taxes on the entire value of oil as prices rise.

Thus it is recommended that Alaska change its progressivity system to a bracketed structure similar to the IRS system, where incremental tax only applies to incremental value as the price goes up.

Recently two bills were introduced that proposed significant changes to the progressivity structure in the oil and gas production tax. HB 17 was introduced by House members. HB 110 (and its companion SB 49) was introduced by the Governor.

Both bills attempt to repair the progressivity structure in the same way. Whereas the ACES structure draws up the taxes on all value as value increases, the two bills implement a "bracketed" structure, where the incremental tax rate only applies to incremental value. This significantly reduces the high marginal tax rate problem.

The following is the bracketed progressivity system proposed under HB 17:

\$0/bbl - \$30.00/bbl	20.0%
Next \$21.67/bbl (\$30.00 - \$51.67/bbl)	24.3%
Next \$21.67/bbl (\$51.67 - \$73.34/bbl)	28.6%
Next \$21.67/bbl (\$73.34 - \$95.01/bbl)	32.9%
Next \$21.67/bbl (\$95.01 - \$116.68/bbl)	37.2%
Next \$21.67/bbl (\$116.68 - \$138.35/bbl)	41.5%
Next \$21.65/bbl (\$138.35 - \$160.00/bbl)	45.8%
Anything over \$160.00/bbl	50.0%

Note that this proposal reduces the base tax rate from 25% to 20%.

HB 110 proposes two bracketed tax structures, one for field in existing units, and one for all other fields. The following is the proposed bracketed structure for fields in existing units:

\$0/bbl - \$30.00/bbl	25.0%
Next \$12.50/bbl (\$30.00 - \$42.50/bbl)	27.5%
Next \$12.59/bbl (\$42.50 - \$55.00/bbl)	32.5%
Next \$12.50/bbl (\$55.00 - \$67.50/bbl)	37.5%
Next \$12.50/bbl (\$67.50 - \$80.00/bbl)	42.5%
Next \$12.50/bbl (\$80.00 - \$92.50/bbl)	47.5%
Anything over \$92.50/bbl	50.0%

The following is the proposed bracketed structure for all other fields:

\$0/bbl - \$30.00/bbl	15.0%
Next \$12.50/bbl (\$30.00 - \$42.50/bbl)	17.5%
Next \$12.59/bbl (\$42.50 - \$55.00/bbl)	22.5%
Next \$12.50/bbl (\$55.00 - \$67.50/bbl)	27.5%
Next \$12.50/bbl (\$67.50 - \$80.00/bbl)	32.5%
Next \$12.50/bbl (\$80.00 - \$92.50/bbl)	37.5%
Anything over \$92.50/bbl	40.0%

Note that this proposal reduces the base tax rate for all other fields from 25% to 15%.

The major differences between the proposals can be summarized as follows. Progressivity starts at \$30/bbl net value under all the proposals:

HB 17:

Base tax rate: 20%

The tax rate increases from 20% to 50% as net value increases from \$30 to \$160

HB 110 – Fields in Existing Units:

Base tax rate: 25%

The tax rate increases from 25% to 50% as net value increases from \$30 to \$92.50.

HB 110 – Other Fields:

Base tax rate: 15%

The tax rate increases from 15% to 40% as net value increases from \$30 to \$92.50

Figure 15 compares the severance tax rates in the two proposals depending on the *net value* (the market price less all costs).

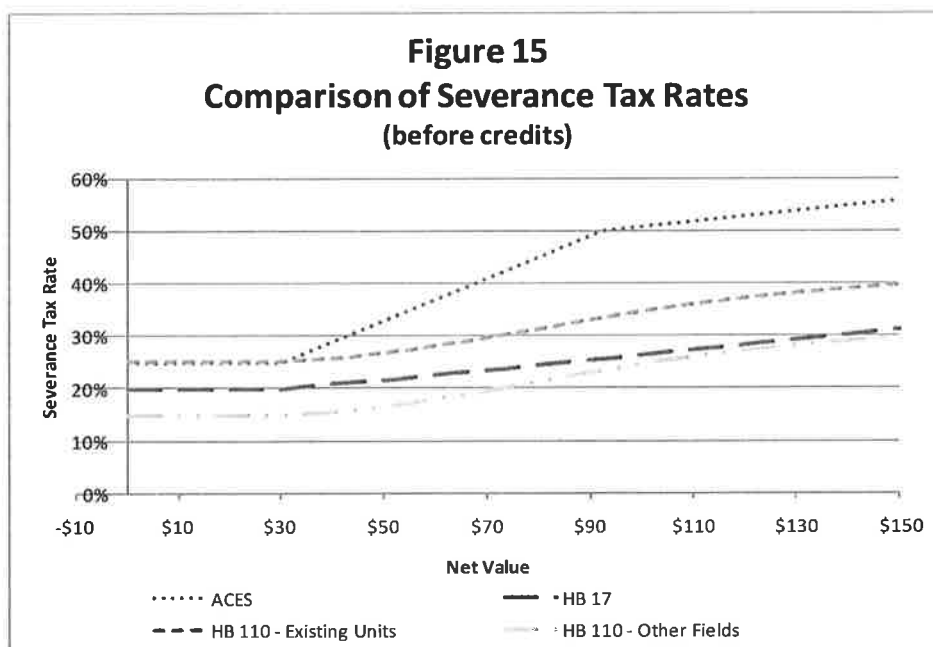


Figure 16 compares the severance tax per barrel depending on the *market price*. (The net value is approximately \$29/bbl less than the market price at current costs.)

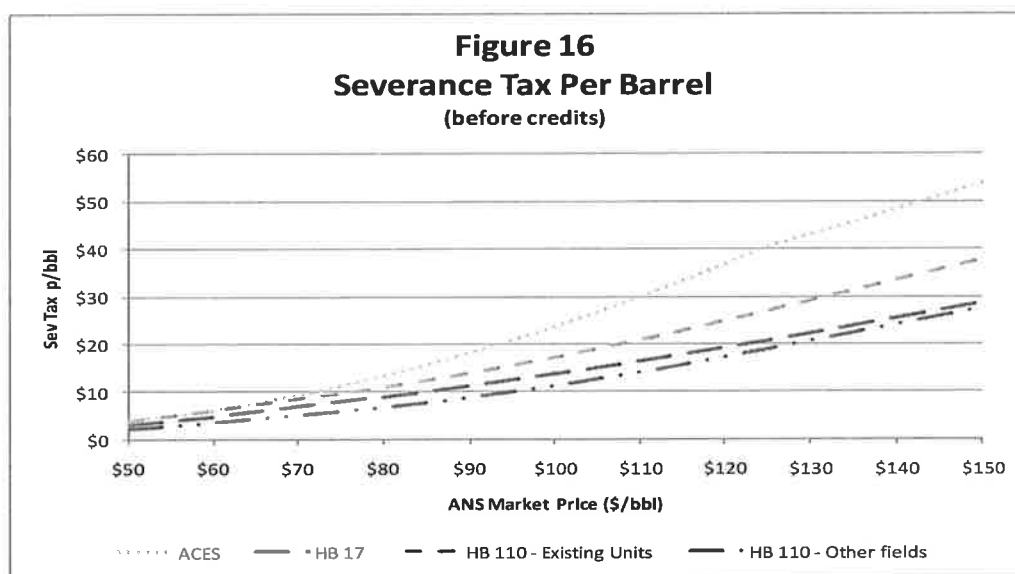


Figure 17 shows the comparative marginal tax rates depending on *market price*. These include all state and federal taxes, and royalties.

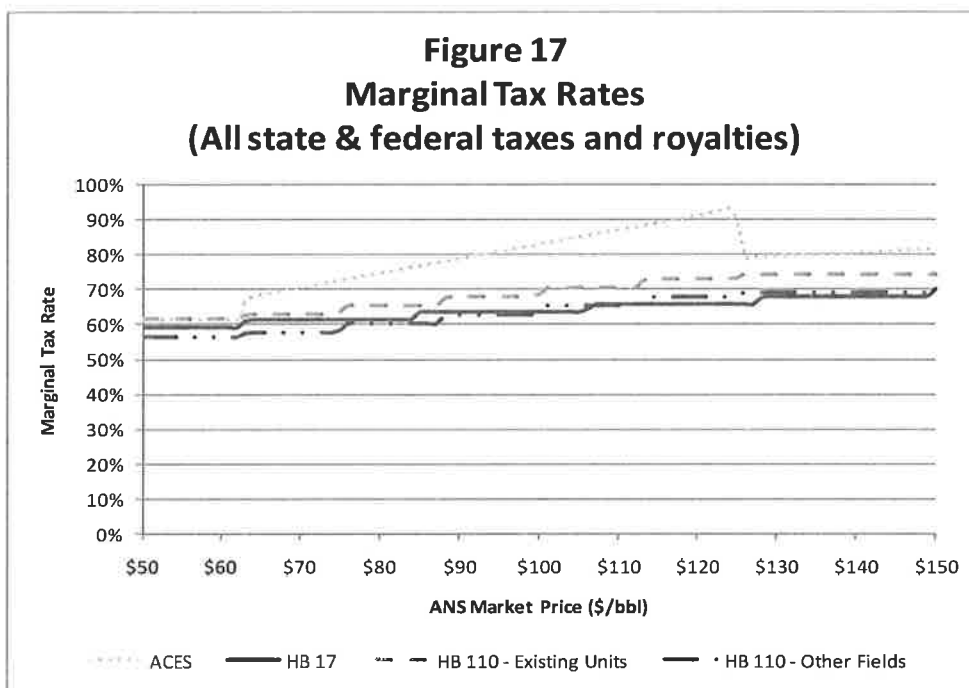


Figure 18 shows the relative marginal tax rates at a \$100/bbl *market price* between Alaska and the other major industrialized petroleum jurisdictions it competes against. As these other jurisdictions do not have progressivity, the marginal tax rate displayed here is also the marginal tax rate at all prices.

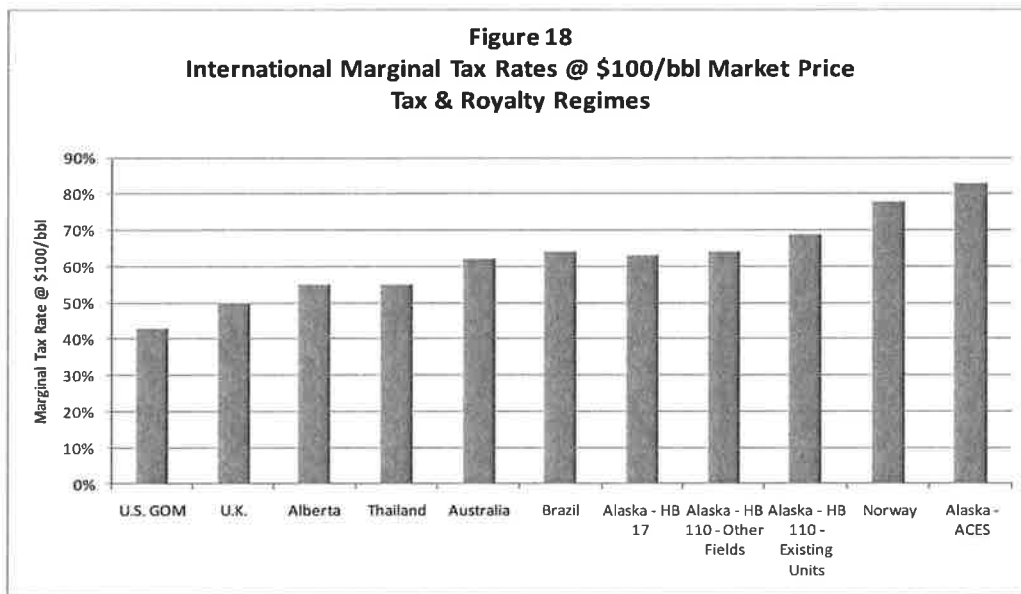
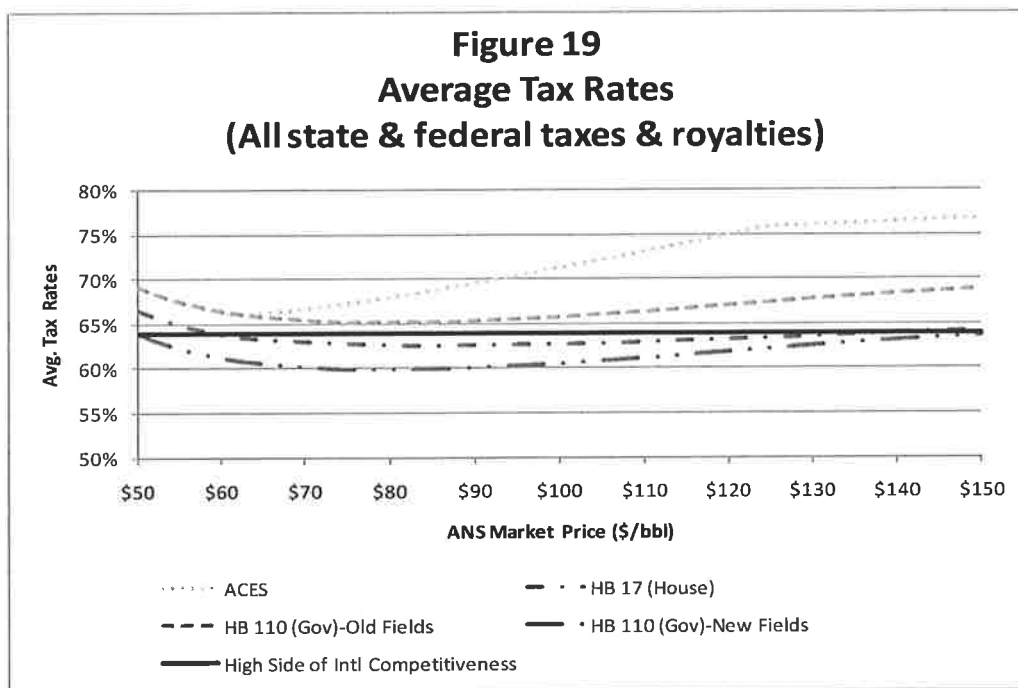


Figure 19 shows the comparative *average* tax rates depending on *market price*. Average tax rates are the tax on the average barrel, or the total tax divided by total net value.



Other than Norway, Brazil has the highest average tax rate of the other industrialized petroleum jurisdictions (64%). Figure 19 also shows Brazil as a gauge as to how the bills compare at the high side of international competitiveness.

VI. Conclusion

If either of the current proposals are passed, the per barrel tax will decline. How will that affect revenues? It is very plausible production was lost as a result of ACES, and equally plausible that there will be greater production if taxes are decreased. Thus revenues between the status quo and the proposals cannot be made using the same number of barrels.

With increased production will come greater royalties, property taxes, and state corporate income taxes. Anecdotally, it is not difficult to demonstrate under either proposal that coupled with the production levels forecasted in 2006, the state would be making more total revenues now than under the status quo. Even though the tax change would have an initial negative fiscal impact, that could turn positive over time.

And finally, the question has surfaced as to whether an international competitiveness review is needed.

The downside of waiting for such a review to be completed is that any production losses that are occurring now with the current tax system will continue to accumulate.

The benefit of such a review is that insofar as one is trying to gauge the tax system with international standards, more information is useful. However, the question is how much more useful the information is beyond what we have now.

Most competitiveness reviews look at the entire life cycle of a field, from exploration through shutdown. However, the core North Slope fields, where most of the oil is, are existing fields. They have significant sunk costs, many of those costs are unknown, and the incremental production from additional investment is largely uncertain. Suitable comparisons with other fields would be difficult to find.

Moreover, in Prudhoe Bay for example, one of the most attractive development targets are isolated geological fault blocks. Given the uniqueness of the field and the activity, finding a systematic and relevant comparison of similar developments in similar 37 year-old fields would be challenging.

On existing fields the tax/royalty rates will be the major fiscal determinant of competitiveness. And the most relevant comparative tax/royalty rates are now already known.

APPENDIX 1
Derivation of the Marginal Tax Rate @ \$124/bbl Market Price

<u>ANS at \$123</u>			:	<u>ANS at \$124</u>	
<u>Line</u>		<u>P/Bbl</u>		<u>P/Bbl</u>	<u>Total</u>
1	barrels		:		100
2	price	\$123.00	:	\$124.00	\$12,400
3	transportation cost	\$6.00	:	\$6.00	\$600
4	gross value (L2 - L3)		:		\$11,700
5	royalty (.125 X L4)		:		\$1,463
6	operating cost	\$11.40	:	\$11.40	\$1,140
7	capital cost	\$11.40	:	\$11.40	\$1,140
8	net value (L4 - L5 - L6 - L7)		:		\$7,958
9	taxable barrels (.875 X L1)		:		87.5
10	net value p/bbl (L8 / L9)		:		\$90.94
11	tax rate (.25 + ((L10 - 30) X .004)		:		49.38%
12	severance tax before credits		:		\$3,929
13	credits (.2 X L7)		:		\$228
14	total severance tax (L12 - L13)		:		\$3,701
15	property tax	\$1.50	:	\$1.50	\$150
16	pre-tax income (L8 - L14 - L15)		:		\$4,106
17	state & federal income tax (.4111 X L16)		:		\$1,688
18	after-tax income (L16 - L17)		:		\$2,418
19	total to government (L5 + L14 + L15 + L17)		:		\$7,002
additional amount to government					
20	(L19 from \$124 - L19 from \$123)				\$93
marginal tax rate (L20 / L1)					93%



PARTICIPATE

Join our cause

 Follow us

Contact us

SUPPORTERS

Join these Alaska businesses working to protect and strengthen Alaska's economic future

Joy Larson

Susan Harrington

Mayor Doug Isaacson

Gene Mountcastle

RE/MAX Properties, Carrigan Grigsby

Weaver Bros., Inc., Logan Newby

Weaver Bros., Inc., James C. Doyle

Specialty Supply Inc.

Uresco Construction Materials

Shawn Hansen

[View full list](#)

STEERING COMMITTEE

Will Anderson, Koniag Inc.

Carl Brady, Brady Inc.

Margie Brown, CIRI

Bill Corbus, Alaska Energy and Resources

Cynthia Henry, Hops Hallmark

Jim Jansen, Lynden

Tony Knowles, Governor

Marc Langland, Northrim Bank

Harry McDonald, Carlie Transportation Systems

Bill Moran, FirstBank

Gail Phillips

Norm Phillips, Jr., Doyon

Ed Rasmuson

Bill Sheffield, Governor

Richard Wien, Florcraft

Judy Brady

LEARN MORE

ACES: It's bad for the present and bad for the future

ACES has cost Alaskans jobs.

- According to the Alaska Department of Labor, 1,700 jobs have been lost in Alaska's oil & gas industry in the past three years (12 percent decline).
- The number of unemployment claims in the oil and gas sector has more than doubled.
- Jobs growth in the oil and gas sector immediately following passage of ACES was due to infrastructure maintenance and repair work in the wake of the oil spill at Prudhoe Bay – and subsequent field shutdown – and development activity at the Oooguruk field, which was already under way. Now that maintenance work has stabilized at a more sustainable level and Oooguruk is in production, oil and gas employment has declined significantly, and there are fewer oil and gas jobs in Alaska than when ACES was adopted.

ACES has stifled oil and gas investment.

- The high level of taxation & the "progressive" nature of ACES eliminate the upside potential of risky investments at high oil prices and distort the balance between investment risk & reward. Total government "take" (federal, state & local) at current oil prices for every \$1 in pre-tax profits is 82 cents.
- A disproportionate share of "capital spending" since ACES was imposed has been on maintenance and repair activities that produce **NO** new oil. BP has reduced overall capital spending by 15 percent, but investments in development activity are down 30 percent. The company's "drilled footage" on the North Slope – a key indicator of spending on new oil – is down by half since ACES.
- ConocoPhillips estimates more than \$2 billion in development projects has been deferred because of ACES. Historically Alaska's most active explorer, ConocoPhillips did not drill an exploratory well in Alaska in 2010 for the first time in 45 years and plans none in 2011.
- Only one wildcat exploratory oil well was drilled on the North Slope in 2010, and only one is planned for 2011.
- According to the Alaska Oil & Gas Conservation Commission, exploratory and development drilling on the North Slope reached 10-year lows in 2009, despite rising oil prices. Preliminary data for 2010 indicate only a slight uptick in drilling activity.
- The number of active drilling rigs on the North Slope also has continued to decline since ACES was imposed, and is now at a 5-year low. (Each active rig generates 100-150 direct jobs.)
- Despite the steady increase in oil prices since early 2009, drilling on the North Slope has been below pre-ACES levels every year since the tax increase was adopted, according to data from the Alaska Oil & Gas Conservation Commission.

TAPS throughput is falling at an alarming rate, putting the long-term viability of the pipeline in jeopardy.

- The pipeline is operating at less than one-third of capacity. Since peaking at more than 2.1 million barrels a day in the late 1980s, it has declined to about 600,000 barrels a day.

EVENTS

Feb 28 Public Hearing on HB 110
1:00 pm

Mar 9 Presentation to the Palmer
Chamber of Commerce
12:00 pm

Mar 11 Chamber Forum,
Presentation to the
Fairbanks Community
12:00 pm

[View all events](#)

Make Alaska Competitive Coalition | 3501 Denali
Street #202, Anchorage, AK 99503 | 907.569.7070

- Throughput has fallen more than 100,000 barrels a day since ACES, and declined 7 percent in 2010. The decline is projected to continue at an average annual rate of 4-6 percent.
- The decline not only jeopardizes state revenues and the economic viability of the pipeline, but also poses serious technical challenges that could force shutdown in the next 10 years. Among others, the significantly slower velocity rates resulting from lower throughput increase the risks of freezing and wax build-up inside the pipeline.
- If oil and gas exploration is approved and successful in the Beaufort and Chukchi seas (federal Outer Continental Shelf), it's expected to take more than 10 years for that oil to be produced. OCS production will only be possible if TAPS is still viable.

90 days is plenty of time for the legislature to enact responsible changes to ACES this year.

- ACES was introduced, debated, loaded with onerous terms and passed in less than a month in 2007.
- ACES was the third and largest tax increase imposed on the major North Slope producers in three years with little concern that the prior two tax schemes hadn't been in effect long enough to assess their impacts.
- The legislature has demonstrated that when there's a will to act quickly, it can find a way.

The more state government takes from the private sector, the more it spends. State government doesn't need the money.

- More than 1,000 new state government jobs have been created since ACES was adopted – one of the few "growth sectors" in Alaska's job market.
- State spending has grown dramatically since ACES was adopted – now is close to \$10 billion a year.
- The state has amassed more than \$12 billion in "savings," not counting the Permanent Fund.

Alaska is losing the competition for investment capital.

- Oil and gas taxes on most North Slope production are the highest in North America and some of the highest in the world. Under the ACES marginal tax rate, government take can exceed 90 cents for every \$1 price increase once prices reach about \$125/barrel.
- According to data compiled by the Alaska Oil & Gas Conservation Commission and global statistics compiled by Baker Hughes, the active drilling rig count in the rest of the U.S., Canada and worldwide has increased by double-digit rates since oil prices rebounded in mid-2009. **Rig activity on the North Slope has declined during the same period.**
- North Dakota currently has more than 150 active oil and gas drilling rigs. The North Slope has 12.
- Alaska once was the No. 1 state in oil production. Now we're a distant second to Texas, and if current trends continue, we'll be third behind California in the next few years. North Dakota is projected to surpass Alaska in less than 10 years, which would drop us to No. 4.
- A 2010 study by the international oil and gas research and consulting firm Wood Mackenzie ranked Alaska No. 129 among 141 oil and gas regions worldwide in terms of fiscal stability.
- A 2010 survey by another international research organization ranked Alaska near the bottom of the list of U.S. states in terms of attractiveness for oil and gas investment. The Fraser Institute found that Alaska's image only ranked ahead of California's, New York's and Florida's among U.S. producing states. It fell short of nearly all Canadian provinces, and ranked in the third quintile globally, joining regions like Peru, Turkey, Angola, Syria and Vietnam.
- Alberta oil sands production is growing at a double-digit annual rate due to massive industry investments. Companies like ExxonMobil, Chevron, ConocoPhillips and BP are investing tens of billions of dollars in new development projects in places like Papua New Guinea, Ghana, Iraq and Australia, while new development activity in Alaska is negligible. The industry speaks with its checkbook, and the silence in Alaska has been deafening since ACES.

Alaska's economic future depends on oil production.

- According to the Institute of Social & Economic Research (ISER) at the University of Alaska, oil accounts for a third of Alaska's economy. (The other two-thirds are federal government spending and "everything else.")
- Ninety percent of our state government general fund revenues are from oil production.
- A North Slope gas line – when and if one is built – will not fill the fiscal gap stemming from declining oil production. Gas development is dependent on a healthy oil business on the North Slope, and oil production is vital as a "bridge" to gas commercialization.
- If oil production continues to decline, a state income tax and/or reduced Permanent Fund dividends are inevitable, and it may be necessary to tap the Permanent Fund corpus to fund state spending. A percentage of royalties from oil production automatically is deposited into the Permanent Fund, and oil royalties were the foundation of the fund.

Expand
next previous
Close

Previous
0/0

Next

Board of Directors Resolution – March 25, 2010

WHEREAS, for more than 88 years First National Bank Alaska has demonstrated a genuine interest in the success of Alaskans and Alaska businesses, providing them with banking services necessary to safe keep their money, purchase and improve their homes, send their children to college, save for their retirements, start, operate and expand their businesses, and pay their employees; and

WHEREAS, Alaska's seasonally adjusted unemployment rate was 8.5 percent in February 2010, a 37percent increase from February 2008's rate of 6.2% and the highest rate for the month of February since 1992; and

WHEREAS, Alaska Department of Labor data clearly shows that Alaska employment in most every industry has dramatically fallen since the last 4 months of 2008*, including 1,500 lost oil and gas industry jobs; and

WHEREAS, Alaska's economy is built mainly on the sale of natural resources and inflows of cash from the federal government; and

WHEREAS oil & gas investment, development and production is by itself one of the three major supports of Alaska's economy; and

WHEREAS, the experienced management at First National Bank Alaska knows that more than one third of all working Alaskans owe their livelihood to resource exploration, development and extraction in Alaska, including not only jobs within the petroleum and mining sectors but also jobs in the State and local government, finance, infrastructure, trade, construction, small business, and service sectors; and

WHEREAS, oil production in Alaska has declined from 2.1 million barrels per day in 1988 to approximately 700,000 barrels per day today, and is expected to decline by more than five percent per year⁺, and more investment is needed to stem that decline; and

WHEREAS, other areas in the world encourage oil and gas investment with fiscal terms and incentives not offered by Alaska's existing policies; and

WHEREAS:

- North Slope oil development activity has declined
- Total Alaska drilling activity has decreased 14% while Lower 48 oil drilling activity has increased
- Exploration drilling activity is down nearly 64%, e.g. one major producer will not be drilling an exploration well for the first time in 45 years
- Over \$2.5 billion in North Slope oil and gas projects have been deferred
- Outer continental shelf ("OCS") permitting delays are limiting offshore oil development in Alaska

WHEREAS, Alaskans are in a position to positively affect our state's economic future and to reverse the current momentum of decline by creating a more competitive environment for continued investment and reinvestment by the resource extraction industries that sustain the economy and state revenues of Alaska;

NOW THEREFORE BE IT RESOLVED, First National Bank Alaska urges the Alaska State Legislature to act in the 2010 regular legislative session to halt the loss of jobs for Alaskans and to reduce Alaska's unemployment rate by establishing policy and/or amending law to further incentivize investment and increase the competitiveness of Alaska relative to other oil and minerals producing areas, so that creation of jobs for Alaskans and opportunities for Alaska businesses may sustain our state's economy for generations of Alaskans to come.

AND BE IT FURTHER RESOLVED, that copies of this resolution be sent to Governor Sean Parnell, his commissioners, the Alaska Legislature, various statewide business, industry and trade organizations and statewide media.

March 25, 2010

* *Except government, health and manufacturing (fish processing), categories that were excluded because their growth is not closely related to the underlying strength or health of the Alaska economy.*

+ *Alyeska Pipeline Service Company to the Alaska Department of Revenue.*

Alaska has been incredibly lucky, but times are changing.

North Slope oil production has fueled the economy for 40 years, bringing prosperity to every corner of the state. But the easy-to-reach oil is running out.

Alaskans have worked to diversify away from oil, but with only limited success.

Fortunately there are billions of barrels of oil still in the ground. But they will be harder to produce and so will generate less profit for industry and less revenue for state government. Marketing our natural gas will also be challenging and expensive. And revenues from gas will be only a fraction of those from oil at today's prices.

The good news is that producing this hard to reach oil will create sustaining jobs and new business opportunities for Alaskans—if we make the right decisions.

As we look toward a post Prudhoe Bay future...

...we have a choice of two paths:

A slow decline

Down this path, we manage Alaska's natural resources to generate short-term benefits only for the current generation of Alaskans. We take for granted industry investment in new, productive activities but do not actively encourage it, so that investment declines. The economy slowly winds down and is punctuated by unpleasant periodic shocks as the state's competitive advantages disappear.

Along the road ...

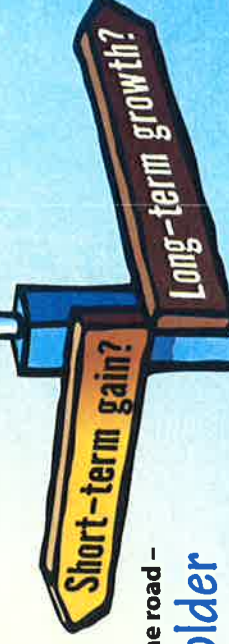
- New job opportunities disappear
- Existing businesses struggle
- Young Alaskans leave
- Property values fall
- Infrastructure crumbles
- Public services erode

Stability and sustained growth

Along this path, Alaska's natural resources are managed to generate steady, long-term gains for current and future generations. Alaskans trade off some short-term benefits for investments that build future economic strength. Industry investments are concentrated where they can make a real difference, with petroleum continuing to play a central role. The economy grows steadily.

Along the road ...

- New jobs for young Alaskans
- Businesses thrive with new opportunities
- Kids stay in Alaska
- Property values increase
- Infrastructure secure
- Public services maintained



**At the end of the road –
Alaska: older
and poorer**

**At the end of the road –
Alaska: dynamic
and prosperous**



Warning signs of our economic vulnerability:

- Disappearing oil investments
- Falling federal assistance
- Uncertain gas prospects
- No state fiscal plan
- Poor economic competitiveness ranking

Ask questions and support a plan to get us on the path to **sustained economic stability** and growth.

Only positive action will make it happen.

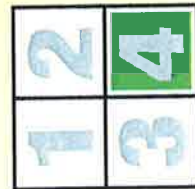
- What steps can we take to encourage new responsible investment in Alaska resource development that produces lasting benefits?
- What steps can we take to build a fiscal plan that conserves our assets and provides for long term stability?
- What steps can we take to ensure that all Alaskans share a commitment to stable and sustained growth?

For more information on Alaska's economy, visit these Web sites:

www.iser.uaa.alaska.edu

- "What Drives Alaska's Economy – New Summary and Full Report"
- "Investing for Alaska's Future"

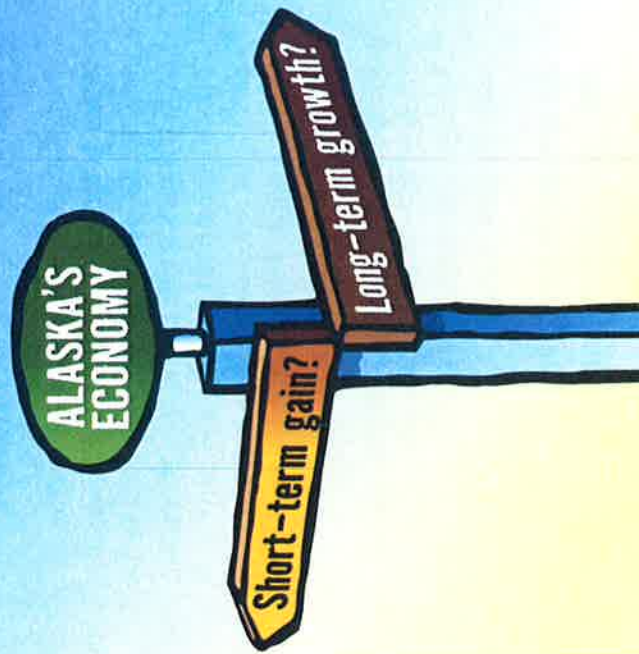
www.AlaskasEconomy.org



This is **part 4** of a 4-part series explaining how Alaska's economy works. Scott Goldsmith, a professor of economics at the Institute of Social and Economic Research at the University of Alaska Anchorage, did the analysis. This message is brought to you by Alaskan-owned and operated businesses concerned about the future of the Alaska economy.



Which path will **sustain** Alaska's economy for future generations?



First National Bank Alaska paid for the production and printing of this brochure.

RESOURCE *review*

akrdc.org

A periodic publication of the Resource Development Council for Alaska, Inc.

March 2011



Alaska's economy trumped by ACES?

The oil industry is the foundation of Alaska's economy. North Slope oil production built the \$39 billion Permanent Fund, accounts for at least a third of all jobs in the state, and provides 80 to 90 percent of Alaska's unrestricted general fund revenues that pay for state government.

On the surface, the state's current fiscal position appears strong, especially compared to the other 49 states. Alaska is only one of four states with a surplus. In addition to the \$39 billion Permanent Fund, Alaska has over \$11 billion in its savings accounts.

Yet not all is well. In fact, across Alaska's private sector, there is growing concern – even outright alarm – about where the state's economy is heading. Fiscal analysts warn those huge reserves and the high price of oil sweep a chronic oil production decline under the rug. That decline has accelerated and could usher in the premature shut down of the Trans-Alaska Pipeline System (TAPS), leading to a catastrophic drop in state revenues.

Higher oil taxes have kept state coffers overflowing, but oil production is declining faster than anticipated and there are no new fields on the horizon beyond Eni Petroleum's 10,000 barrels per day (bpd) Nikaitchuq project which just came on line and BP's Liberty field, expected in 2013.

In an effort to attract major industry investment back to Alaska to stimulate new exploration, promote infield drilling, and stem the production decline, RDC is encouraging legislators to pass Governor Sean Parnell's HB 110, a bill that would make major revisions to the state's oil tax structure. The debate on the governor's bill is the biggest issue of the session. It has support from House leaders, but faces resistance in the Senate.

"Obviously, oil production is critical to our state's future and provides the bulk of funding for our infrastructure, education system and vital services,"

said Parnell. "Alaska must compete for jobs in the global context and we need to act this session to keep ourselves in the game."

With investment leaving the state for other areas, Governor Parnell warned that Alaska is close to slipping from being the country's second largest oil producing state to its fourth largest. "The more you tax, the less you get,"

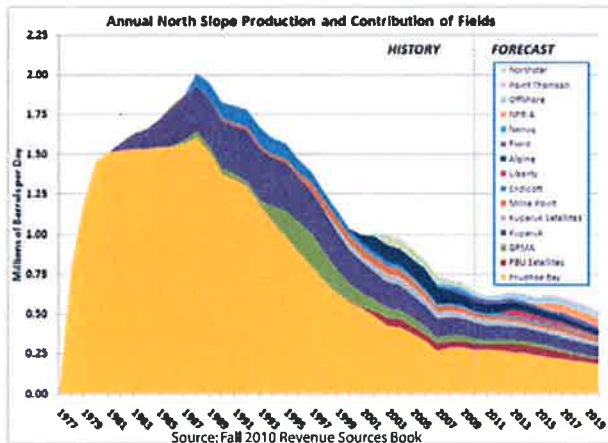
(Continued to page 4)

In this issue

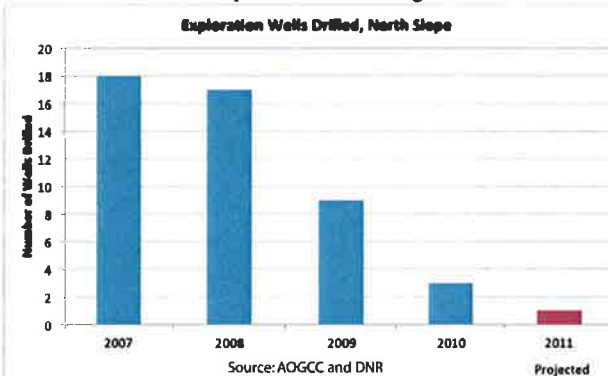
Trumped by ACES	1, 4-6
Alaska Business Report Card	3
Polar bear habitat challenged	6
'Wild Land' policy denounced	7-8
Women in Resources reception	7
Shell delays Alaska OCS drilling	9
From the President	10
Industry digest	11

Troubling Indicators

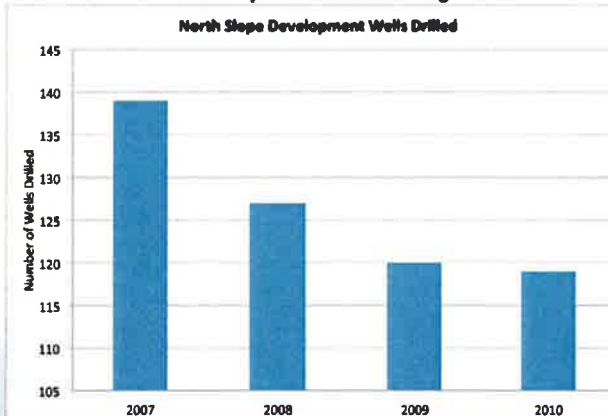
Production is Declining



Exploration is Declining



Development Wells Declining



This edition sponsored by: Carlile Transportation Systems & CH2M HILL

New investment, production trumped by ACES

(Continued from page 1)

Parnell said. "The more we tax companies for producing a commodity, the less they will produce here, and the more they will produce elsewhere."

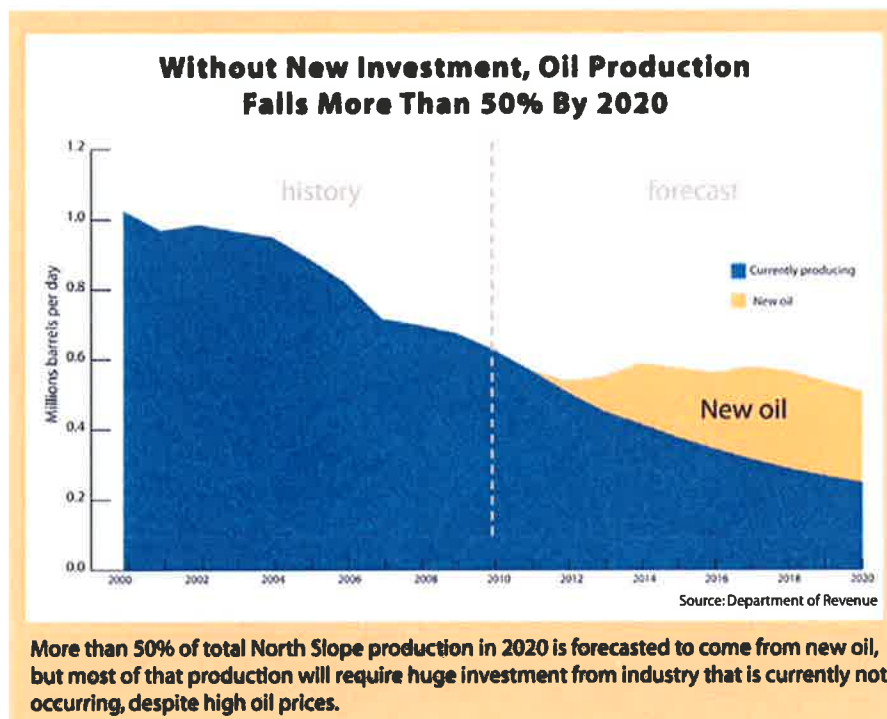
With the highest energy taxes in the U.S. since the implementation of Alaska's Clear and Equitable Share (ACES) in November 2007, Alaska trails most of North America as an attractive place to invest capital, according to the Fraser Institute's annual study of 133 oil and gas jurisdictions worldwide. For North America, Alaska ranked 31 of 38 in overall attractiveness. Globally, Alaska ranked 68 of 133 overall. In the area of fiscal terms, a key element the state can control, Alaska ranked 34 of 38 in North America, and in a Wood MacKenzie study, Alaska's fiscal terms ranked 117 of 129 globally.

The current tax is onerous and a disincentive to invest here, investors warn, especially when oil prices are high, given the progressive surcharge which captures nearly all the upside. For example, at \$100 a barrel, the government takes 71 percent of every dollar earned after operating costs. In Alberta, it's 55 percent, in the Gulf of Mexico, it's 43 percent. As a result, Alaska becomes less competitive at high oil prices, and investors turn indifferent to investing here at \$70 or \$120 oil.

Parnell's bill sets a lower base tax rate for areas outside of current fields to encourage new development. It also caps production taxes at 50 percent and proposes tax credits for drilling wells.

The governor said there is no denying that lower tax rates could reduce revenue flowing into state coffers in the short term, but he said it is clear Alaska is competing in a global market and in the long term this reduction will make the state a more desirable place to invest. Parnell said his objective is to grow the economy and not necessarily the state's savings accounts. "With the energy industry providing over 85 percent of our annual budget, cutting taxes will not just create jobs but, by increasing exploration and investment, will lead to greater revenue. That means money for schools, troopers, roads, and ferries," Parnell said.

Industry executives say Parnell's bill is a positive step toward encouraging the investment needed to boost oil production.



They warned that increased investment is flowing into other states and countries with more favorable tax regimes.

As the debate on the issue heats up in Juneau, the industry is citing new data on declining production, exploration, and well activity on the North Slope. In a presentation to RDC February 3 in Anchorage, Marilyn Crockett, Executive Director of the Alaska Oil and Gas Association, pointed out that only 119 development wells were drilled on the North Slope in 2010, compared to 142 in 2005. Development drilling is critical to sustaining production from existing fields.

Crockett also noted exploration activity has fallen sharply. According to the Alaska Department of Revenue, only three exploration wells were drilled on the North Slope in 2010, compared to 18 in 2007. Crockett noted of the three wells drilled in 2010, two were delineation wells within existing discoveries. As a result, there was only one true exploration well drilled in 2010 aimed at finding new oil, she said. Despite high oil prices, only one exploration well is anticipated for 2011 on the North Slope while nearly 170 drill rigs are active in North Dakota. ConocoPhillips, Alaska's most prolific explorer, did not drill an exploration

well last year for the first time in 45 years and does not plan to drill this year.

Crockett warned the production decline on the North Slope is accelerating and reached seven percent over the last year. In Fiscal Year 2008, production fell 18,000 bpd over 2007; in 2009 the decline increased to 24,000 bpd, and in 2010 the decline accelerated to 48,000 bpd.

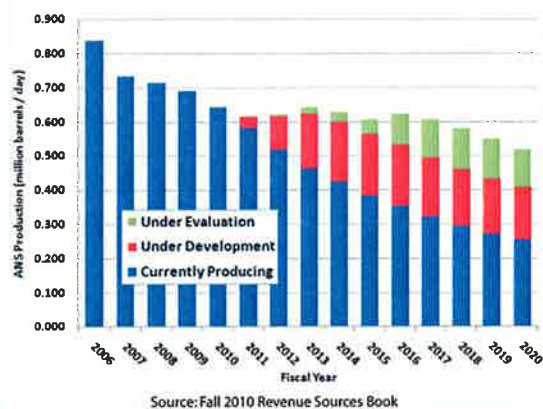
Crockett pointed out that it takes five to seven years to bring even a modest-size North Slope field on line, and with no fields in the lineup after Nikaitchuq, Liberty and the ConocoPhillips CD-5 project, which has been delayed by federal permitting issues, the state will ultimately face formidable challenges later in this decade in sustaining TAPS, Alaska's economic lifeline.

The state is projecting that more than 50 percent of total production in 2020 will come from new oil, but most of that production will require significant investment from industry that is currently not occurring.

Depending on the level of industry investment going forward, the state is forecasting oil production will fall to a range of 386,000 to 680,000 bpd in 2015 and 255,000 to 520,000 bpd in 2020.

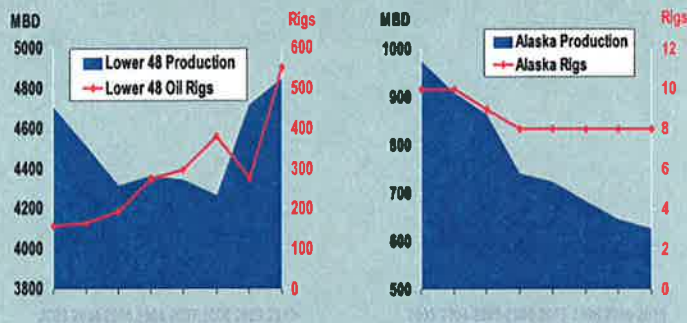
"It is imperative the Legislature pass

Investment Needed In New & Old Fields Alike



The state is forecasting oil production could fall to 386,000 barrels per day in 2015 and 255,000 bpd in 2020 without new investment. Significant investment is needed to stem the current and forecasted decline.

Lower 48 Oil Production Up, Alaska Down



Increased production follows increased drilling

Despite high oil prices, Alaska oil production has declined 36 percent since 2003 while Lower 48 production has increased. The rig count in the Lower 48 has risen sharply in recent years of high oil prices, but in Alaska the count has stagnated. Lower 48 production is up 3 percent since 2003 and 12 percent from 2005.

See more charts on page 6

meaningful changes this year to the petroleum tax structure," Crockett said. "The sooner the legislature acts, the earlier a recovery will take place in exploration and development activity."

RDC President Tom Maloney warned Alaska simply can't afford for the Legislature to do nothing in this session on oil production taxes. "Alaska is no longer competitive and it cannot prosper with a tax regime that hinders growth," Maloney said. "Alaskans are very concerned about the decline in production and they see taxes as too high to encourage new exploration or development in existing core fields. We must take a leap of faith now to make Alaska a compelling place for industry to invest."

Maloney emphasized there is an urgent need to slow the decline in TAPS, citing the 2010 decline of 48,000 barrels per day, which was much steeper than the state had anticipated in earlier forecasts. "The accelerated decline in throughput will turn into a terminal illness for Alaska's economy without the right medicine," Maloney said. He noted the pipeline is now running at two-thirds empty and could become uneconomic to operate within ten years.

Maloney warned that a premature shut

down of TAPS would not only devastate Alaska's economy, it would also strand billions of dollars in state royalty payments, which exceeded \$2 billion in 2010 alone and \$46 billion over the past 50 years. "If we leave two billion barrels of oil on state land stranded, Alaska loses \$22.5 billion in royalties at \$90 oil. When other revenue flows are considered, Alaska could lose \$90 billion in lost royalties and taxes. Without production, the state gets no royalties."

Critics of the governor's bill claim investment in the form of capital expenditures has increased since the implementation of ACES in November 2007. However, industry executives note that most of those capital expenditures went for maintenance and repairs, not projects that put new oil into the pipeline.

"There is no denying Alaskan exploration and development activity is down while other mature energy basins in the U.S. have mitigated their decline," said RDC Executive Director Jason Brune. He noted investment, exploration and development activity in North Dakota is booming and the state is on track to surpass Alaska production in several years. He also pointed out that the Lower 48 led the world in production growth in 2009,

while Alaska production continued to slide.

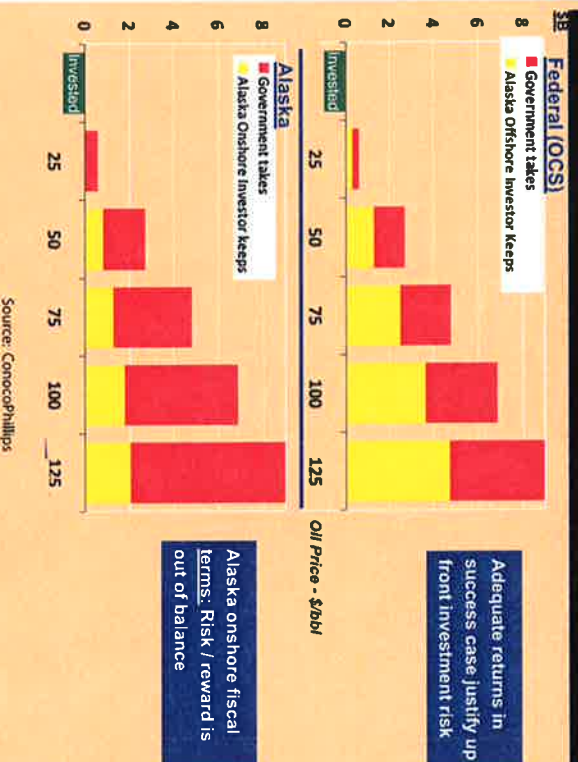
"There are still billions of barrels of oil waiting to be developed on the North Slope and offshore," Brune said. "Eni brought Nikaitchuq online in February and expects the field to produce for 30 years, peaking at 28,000 barrels per day. Alaska needs two to three fields like Nikaitchuq to come online each year just to stem the ongoing annual production decline of six to eight percent. Governor Parnell's HB110 will help encourage more exploration so more fields like Nikaitchuq are in Alaska's future."

Marc Langland, Chairman and CEO of Northrim Bank and a founding member of the Make Alaska Competitive Coalition, noted, "Alaska used to be the top oil producer in the nation and now we're number two, and soon will drop to fourth as investment dollars are bypassing Alaska for North Dakota, Alberta, Australia, and Russia." Langland added, "We don't have a lack of oil in Alaska, we have a lack of investment. We must reverse the trend and get more oil in the pipeline. Alaska is simply not competitive under ACES."

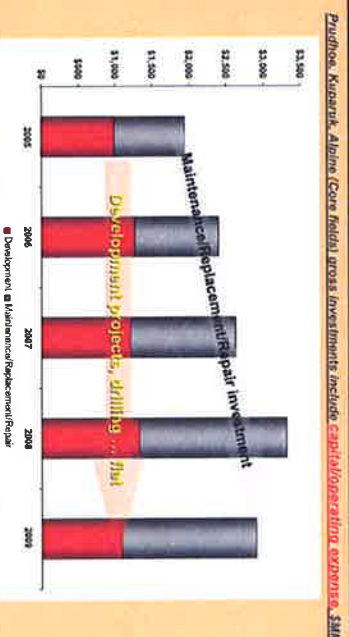
It is vital that RDC members contact their legislators in support of HB 110. See akrdc.org for a contact list of legislators, as well as member comments on HB 110.

ACES is driving away investment in new oil production

\$1 Billion Investment Success Case



Spending on Maintenance Dominates



At left, ACES has left the risk/reward profile for new industry investment in Alaska out of balance. Alaska's fiscal terms capture nearly all the upside at high oil prices. As a result, Alaska becomes less competitive at high oil prices, and investors turn indifferent to investing here at \$70 or \$120 oil. Above, most of industry's spending in recent years has been for maintenance and ongoing operations, while development projects and drilling have been flat.



From the President - Tom Maloney

Production and drilling drops significantly since ACES

Alaska enacted a huge tax increase on the oil industry in November 2007 called Alaska's Clear and Equitable Share (ACES). Although my professional background and certifications are in accounting and finance, there are tax provisions in ACES – including retroactivity and accelerating progressivity – that I have never heard of before.

The multi-billion dollar tax hike increased production taxes by 50 percent from 2007 and 350 percent from 2006, based on an oil price of \$80 a barrel, and even more at \$90 oil. How is North Slope production responding to Alaska's current fiscal regime?

Year	Production Decline, barrels per day (bpd)	Average Daily Production	Annual Decline
2008	-18,000	716,000 bpd	-2.5%
2009	-24,000	692,000	-3.4%
2010	-48,000	644,000	-6.9%

Could you even begin to imagine this significant decline of your personal finances?

The next question: Why is production declining? The answer is simple. Drilling is down, and one cannot get to new oil, gas or water without drilling.

Year	North Slope Exploration Wells	North Slope Development Wells	Total North Slope Wells Drilled
2007	18	139	157
2008	17	127	144
2009	9	120	129
2010	3*	119	122

**Includes two wells drilled at Point Thomson gas field. These were only considered exploration wells since the gas field is not yet in production.*

How does one stop the decline in drilling? There is only one answer and that is to DRILL! However, in my view, it is difficult to see how the punitive tax structure of ACES will encourage the oil industry to ramp up drilling in Alaska – when the government takes almost 80 cents of each additional dollar of profit earned at \$90 oil.

Wall Street and other analysts have raised red flags about steadily declining oil production and its impact on the Trans-Alaska Pipeline System (TAPS), the lifeblood of Alaska's economy. The recent temporary shut down of TAPS in January sent shock waves across the nation and gave Alaskans a preview of what the future may hold. A CNBC story used the shut down to highlight the impact of declining throughput on TAPS, Alaska, and the nation.

The challenges of restarting the pipeline in extreme cold at reduced flow clearly foreshadow the line's future. Studies show that ice can form in the pipeline at a flow of 500,000 barrels a day or less, a threshold that may be breached within five years. While new investment in TAPS could help mitigate low-flow challenges, less oil in the line will hasten the day when the pipeline may be forced to shut down.

Analysts warn an accelerating TAPS throughput decline could lead to the premature shut-down of the pipeline, stranding billions of dollars in state royalty payments, which exceeded \$2 billion in 2010 alone.

With a production decline of seven percent annually, TAPS could be non-functional before this decade ends. With no pipeline, Alaska would lose 90 percent of its revenue base and one-third of its private sector jobs. Considering a large portion of government jobs are supported by oil revenues, actual job losses statewide could be much higher. The

ramifications to our economy would be absolutely devastating. How would the state pay for essential public services and honor long-term pension, medical, and other obligations?

The only way to keep the pipeline operating far enough into the future until potential offshore production kicks in sometime in the next decade is to encourage more development onshore. The only way to do that is to make Alaska a compelling place for industry to invest, and that is done by cutting taxes to sharply improve Alaska's competitive position, which now ranks near the bottom of the pack on a national and global basis when it comes to fiscal terms.

Governor Parnell and some members of the legislature have proposed changing ACES to boost industry investment and create jobs. The governor clearly recognizes the current tax is onerous and a disincentive to invest here, especially when oil prices are high, given the high progressive surcharge.

Some legislators want to grow the state's savings accounts as quickly as possible, convinced the production decline is irreversible. I respectfully disagree, believing the decline can be reversed. There is still a lot of oil to be produced from existing core fields on state lands on the North Slope. However, much of the remaining oil will be challenging and expensive to develop. Over the long-term, new offshore and ANWR production each have the potential to reverse the decline – if TAPS is still operating. Since 2003, the decline in production in Texas has been virtually arrested, demonstrating that mature energy regions can mitigate decline.

We need to do more than just grow the state's savings accounts because it's not about growing government, it's about growing the private sector economy. A strong private sector will do more over the long term to sustain Alaska than a fat savings account, which will never replace the oil industry. The best way to grow the economy and create new jobs is to grow the pie, rather than government cutting a bigger piece for itself of a shrinking pie. More drilling will equal more jobs and production, which in turn will extend the life of TAPS and yield additional tax and royalty revenues to the state.

Critics of the governor's plan claim capital expenditures, employment, and exploration are up since 2007. But investments primarily went up because of needed maintenance and repairs, as well as TAPS reconfiguration, Shell's offshore activities, Point Thomson, and pre-ACES sanctioned exploration and development.

With regard to employment, the January 2011 issue of Alaska Economic Trends reported average monthly employment in the oil and gas industry fell to 11,800 jobs in 2010, a loss of 1,000 over the 2009 monthly average. This represented a 7.8 percent decline, the largest drop in employment of any sector. To compound the problem, these jobs were some of the highest paying in the state. Alaska Economic Trends pointed out that industry employment leveled off in 2009 and has been drifting downward, and this decline will likely continue in 2011. It said "the outlook for the oil patch in 2011 is unclear, though it appears maintenance such as replacing pipe and old infrastructure will dominate."

Clearly, there are red flags everywhere. Consider these troubling indicators:

- Lower 48 oil production and drilling rigs have increased during recent years of high oil prices, but the number of Alaska rigs stayed about the same while production declined 36% since 2003.
- As shown in the table above, the number of exploration and development wells drilled on the North Slope have fallen since ACES.

(Continued to page 11)

Governor's bill will move needle and draw major investment back to Alaska...

(Continued from page 10)

- Beyond Nikaitchuk and the federal Liberty project, there are no new fields coming online in the foreseeable future to offset declining production.
- Alaska forecasts production will fall to a range of 386,000 to 680,000 bpd in 2015 and 255,000 to 520,000 bpd in 2020, depending on industry investment.
- By 2020, more than 50% of total production forecasted by the State of Alaska will come from new oil, which will require significant new investment that has not yet been committed.
- Using the historical decline trend of 7% for North Slope production, TAPS will reach a critically-low flow range by 2015, triggering operational issues.
- Acreage under lease on the North Slope has been in steady decline in recent years with the industry surrendering 1.8 million acres in 2008, 2 million acres in 2009, and 1.5 million acres in 2010.
- In North Dakota exploration is booming and oil production is up 138% since 2008. The state is expected to surpass Alaska in production

later this decade.

Investors are warning us Alaska is no longer competitive. Alaska has to compete with Lower 48 opportunities, yet we have the highest energy taxes in the nation, as well as the highest capital costs.

If declining production in Alaska continues to accelerate and the state loses most, if not all, of its revenue flow from oil before this decade is out, it would have no choice but to turn to Alaska's other industries to help pay the bills. Alaskans would likely face a new state income and sales tax and much higher user fees. The state would also be forced to raid the Permanent Fund, and spend its savings accounts to meet its obligations.

We simply cannot afford to do nothing. Alaska cannot prosper with a tax regime that strangles growth. We must take a leap of faith to make Alaska a compelling place for industry to invest. It is imperative our lawmakers act now. If they do, the governor's bill, which if enacted, will move the needle and draw major investment back to our state.

Tom Maloney is a Certified Public Accountant, a Certified Management Accountant, and a Certified Financial Planner.

2011
Fairbanks North Star Borough
DRAFT
Comprehensive Economic Development
Strategy

The preparation of this strategy was financed in part by funds received from the State Department of Commerce, Community and Economic Development, Division of Community and Business Development and the Alaska Industrial Development and Export Authority and Department of Commerce, Economic Development Administration.

Come to **FAIRBANKS** 

a great place in a big space

www.ComeToFairbanks.com

CHAPTER ONE: INTRODUCTION	5
The Fairbanks North Star Borough Economic Development Commission.....	5
Integrating the CEDS into the Alaska State and other Economic Development programs.	7
CHAPTER TWO – VISION, PRIORITIES, OBJECTIVES AND STRATEGIES	8
VISION	8
TOP THREE PRIORITIES, OBJECTIVES AND STRATEGIES	8
COMMUNITY PRIORITY #1: Lower and stabilize FNSB energy costs by expanding the energy portfolio with a focus on local resources.	8
COMMUNITY PRIORITY #2: Anchor the missions of Fort Wainwright, Eielson Air Force Base, Fort Greeley, and Clear Air Force Stations and encourage increased utilization of the existing facilities.....	9
COMMUNITY PRIORITY #3: Develop regional cooperative marketing program to create a larger market for goods and services produced in the Borough.	9
INDUSTRY CLUSTER DEVELOPMENT PRIORITIES	10
AGRICULTURE & FORESTY INDUSTRY CLUSTER	10
INDUSTRY PRIORITY #1: Affordable available capital for start-ups.....	10
INDUSTRY PRIORITY #2: Support land use policies that encourage agricultural forestry production.	10
INDUSTRY PRIORITY #3/COMMUNITY PRIORITY #3: Develop regional cooperative marketing program to create a larger market for goods and services produced in the Borough.....	10
COLD CLIMATE / ARCTIC RESEARCH INDUSTRY CLUSTER	11
INDUSTRY PRIORITY #1: Recognize and build capacity through human and physical partnerships (private, university, state, and international).....	11
INDUSTRY PRIORITY #2: Promote research capacity nationally and internationally.	11
INDUSTRY PRIORITY #3: Deliver tangible, focused results - create businesses, jobs – lower cost of living, improved quality of life.....	11
ENERGY INDUSTRY CLUSTER	12
INDUSTRY PRIORITY #1/COMMUNITY PRIORITY #1: Lower and stabilize FNSB energy costs by expanding the energy portfolio with a focus on local resources.	12

**Fairbanks North Star Borough
Comprehensive Economic Development Strategy**

INDUSTRY PRIORITY #2: Develop industries around existing local resources, value added processing of woody bio-mass, gas-to-liquids, and natural gas.	13
INDUSTRY PRIORITY #3: Position Interior as an energy research and development hub for Arctic research.	13
MILITARY INDUSTRY CLUSTER.....	13
INDUSTRY PRIORITY #1/COMMUNITY PRIORITY #2: Anchor the missions of the Fort Wainwright, Eielson Air Force Base, Fort Greeley, and Clear Air Force Station and encourage increased utilization of existing facilities.	13
INDUSTRY PRIORITY #2: Pursue continued development of the nation’s largest geographically diverse joint military training area, the Joint Pacific Alaska Range Complex (JPARC).	14
INDUSTRY PRIORITY #3: Support the transition to an active association air tanker mission for 168 th Air National Guard Wing.	14
MINING INDUSTRY CLUSTER.....	14
INDUSTRY PRIORITY #1: Bring affordable energy to the FNSB and surrounding areas.	14
INDUSTRY PRIORITY #2: Support current and new mining activity.	14
INDUSTRY PRIORITY #3: Center of Excellence for mining training and research.	15
OIL & GAS INDUSTRY CLUSTER.....	15
INDUSTRY PRIORITY #1: FNSB is liquid fuels distribution center for interior, northern, and coastal communities.	15
INDUSTRY PRIORITY #2: Become Center of Excellence for Arctic Oil and Gas research and development.....	16
INDUSTRY PRIORITY #3: Ensure continued healthy oil and gas production in Alaska.	16
REGIONAL HUB INDUSTRY CLUSTER.....	16
INDUSTRY PRIORITY #1: Support the development of rural economies by strengthening the “spokes.”	16
INDUSTRY PRIORITY #2: Make Borough an attractive hub to rural communities.	17
INDUSTRY PRIORITY #3: Make the connection – transportation, information, communication, information & training.	17
VISITOR INDUSTRY CLUSTER.....	17

**Fairbanks North Star Borough
Comprehensive Economic Development Strategy**

INDUSTRY PRIORITY #1: Support destination marketing positioning Fairbanks NSB as hub of Interior and Arctic travel.	17
INDUSTRY PRIORITY #2: Support improved access through passenger air service.	17
INDUSTRY PRIORITY #3: Support infrastructure development of year-round travel.	18
ECONOMIC FOUNDATIONS.....	18
ACCESS TO CAPITAL	18
BUSINESS CLIMATE.....	18
HUMAN RESOURCES	18
PHYSICAL INFRASTRUCTURE.....	19
OBJECTIVE: Expand current railroad and market Fairbanks as natural hub.	19
OBJECTIVE: Sustainability of current infrastructure, capital dollars vs. maintenance.	19
OBJECTIVE: Prioritize development of transportation to continuously build on prior activities (projects) that complement each other rather than compete.	19
QUALITY OF LIFE	20
OBJECTIVE: Support quality in health care, education, public safety, beautification, government and culture that would improve the individual and community quality of life in the FNSB.....	20
TECHNOLOGY	20

CHAPTER ONE: INTRODUCTION

This Comprehensive Economic Development Strategy (CEDS) represents the community's economic development vision, and is adopted into the FNSB's long term Comprehensive Land Use Plan. The Goals, Objectives, Strategies, and Actions contained in the CEDS are the means to realizing this vision. From agriculture and mining to technology and cold climate research, these strategies reflect the diversity of the Borough's economy.

The Fairbanks North Star Borough Economic Development Commission

The FNSB Economic Development Commission is tasked with developing and maintaining the community's CEDS. The FNSB Mayor serves as the commission's chair and appoints six voting commission members, the FNSB Assembly Presiding Officer appoints the remaining two voting members.

Members of the 2010 FNSB Economic Development Commission:

<u>Chair:</u>	<u>Ethnicity</u>	<u>Sex</u>	<u>Representing</u>	<u>Term</u>
Mayor Luke Hopkins	White	M	FNSB Local Government	(11/12)

Appointed by the Mayor:

<u>Name:</u>	<u>Ethnicity</u>	<u>Sex</u>	<u>Representing</u>	<u>Term</u>
Mayor Terry Strle	White	F	City of Fairbanks Local Government Non-profit	(12/11)
Jeff Bizarro	White	M	Labor Education	(12/10)
Karen Clark	Alaska Native	F	Doyon Ltd. Finance Alaska Native for Profit	(12/10)
Buzz Otis	White	M	North Pole Economic Dev. Small Business	(12/12)
Paul Robinson	White	M	Robinson and Associates Small business, finance	(12/11)
Fred Schlutt	White	M	University of Alaska Economic Development	(12/12)

Appointed by the Presiding Officer:

<u>Name:</u>	<u>Ethnicity</u>	<u>Sex</u>	<u>Representing</u>	<u>Term</u>
Matt Want	White	M	FNSB Assembly/Business	(11/10)
Tim Beck	White	M	FNSB Assembly/Transportation	(11/10)

CEDS Development Process

In June of 1999, over 300 Fairbanks North Star Borough (Borough) residents attended an Economic Summit focused on developing an economic development vision for the FNSB; a vision that would serve as the foundation for the CEDS. Special care was taken to include all segments of the Borough community.

The summit participants developed most of the Goals, OBJECTIVES, and Strategies contained in the current CEDS. The seventeen members of the FNSB Economic Development Commission (EDC) refined and expanded these Goals, Objectives, and Strategies, incorporating them into the current CEDS document. This document was considered and recommended by the FNSB Planning Commission and, in 2001, approved by the Fairbanks North Star Borough Assembly.

To ensure the CEDS' Goals, Objectives, and Strategies remained relevant, and to identify new opportunities for economic development, in 2004 the FNSB's Alaska Regional Development Organization (ARDOR) updated the 2001 CEDS. This process involved surveying local community and business leaders, community groups and economic development oriented organizations. Additional input was gathered from the Fairbanks' Interior Issues Council committees on Future Economy, Cost of Energy, Land Use Planning, Workforce Development and Health Care. This survey sought to capture the community's vision for its economic development future, and the inputs have been incorporated into the 2008 CEDS.

In February 2005, the FNSB EDC reviewed and approved the proposed CEDS. This was followed by a public comment period. During this time, the FNSB ARDOR made a series of public presentations to Borough community, economic development and business groups. In total, over 100 members of the Borough community commented on the proposed CEDS.

Upon completion of the public comment process, the FNSB ARDOR incorporated the comments into the final draft of the CEDS, which was then presented to the FNSB Planning Commission at a public hearing. On May 3, 2005 the FNSB Planning Commission recommended that the FNSB Assembly adopt the proposed CEDS, as amended.

On June 16, 2005 the FNSB Assembly adopted the CEDS into Chapter Two of the FNSB Comprehensive Land Use Plan. Following adoption of the CEDS, the FNSB ARDOR provided the 2005 CEDS to the Federal Economic Development Administration (EDA) for their review. The EDA approved the CEDS November 29, 2005.

In 2006, 2007, and 2008 the FNSB ARDOR conducted its annual review of the CEDS with the FNSB Economic Development Commission, Planning Commission, and Assembly. The FNSB Economic Development Commission recommended major additions and re-organizations. Minor changes were recommended by the Planning Commission and Assembly. In 2009 the Economic Development Commission reviewed the document and recommended no changes.

In 2010, the Economic Development Commission received a planning grant from the Economic Development Administration, contracted with a local consulting group, developed and followed a rigorous plan to update the CEDS. This included conducting

and analyzing 22 interviews with key local stakeholders, using that information to develop an online survey that 185 people completed. The CEDS steering committee also contacted many local community and industry organizations to gather their input. A local community open house was held where the input from all of these sources was available for review by the public. Finally, all of this input was consolidated and presented to 55 community leaders and industry stakeholders at an economic summit where the attendees identified the top priorities in the local industry clusters and then selected the top three priorities from among them all.

The priorities identified at the economic summit became the foundation for the CEDS. Strategies to implement these priorities were drawn from the 2009 CEDS, along with recommendations from the industry cluster teams at the summit, and feedback from a final on-line survey of economic summit participants and the Economic Development Commission. The results from this were then taken to the Planning Commission and Assembly for review and approval.

Integrating the CEDS into the Alaska State and other Economic Development programs.

The CEDS is regularly referred to by the Fairbanks Economic Development Corporation (FEDC), the Fairbanks North Star Borough Economic Development Commission, and other local community and economic development organizations as they develop their work plans and consider development projects. The CEDS is incorporated into the Fairbanks North Star Borough Regional Comprehensive Plan as its economic development implementation strategy. The Planning Commission and Fairbanks North Star Borough Assembly refer to the CEDS for guidance in their respective community and economic development decision making processes. The state of Alaska considers the CEDS to be a statement of support for community and economic development projects being considered by community and economic development organizations within the Fairbanks North Star Borough.

CHAPTER TWO – VISION, PRIORITIES, OBJECTIVES AND STRATEGIES

VISION

To improve the Fairbanks North Star Borough residents' quality of life and standard of living by developing goals, establishing Objectives and implementing strategies that sustain, enhance or increase economic and social opportunities for local residents.

TOP THREE PRIORITIES, OBJECTIVES AND STRATEGIES

COMMUNITY PRIORITY #1: Lower and stabilize FNSB energy costs by expanding the energy portfolio with a focus on local resources.

OBJECTIVE: Bring affordable, sustainable natural gas to the Fairbanks North Star Borough.

- *Actively support construction of a natural gas pipeline through the Interior, with particular emphasis on assuring maximum benefit to Alaska's communities and location of construction, operation, and regulatory headquarters in Fairbanks.*
 - Advocate for consideration of take-off ports at the Yukon River, Fairbanks, Delta and other Interior and Northern locations that support economic development in the Interior and Northern regions.
 - Advocate for responsible development of petrochemical industry in the Borough.
 - Support the development of a natural gas pipeline that would reduce the cost of energy for transportation, space heating and electric power in Interior Alaska.

OBJECTIVE: develop local woody bio-mass industry to provide energy in the Borough.

- *Develop infrastructure to support local woody bio-mass industry.*
 - Develop process to gather and use woody bio-mass from clearing fire breaks, section lines, power lines, etc. in locally manufactured products.
 - Work with local, state and federal regulators to obtain 10 year leases to harvest timber.
- *Develop cooperative marketing program to market woody bio-mass products locally and regionally.*
- *Educate people about how to use woody bio-mass for fuels, dry wood, etc.*
- *Research feasibility of developing woody bio-mass to liquids plant.*

OBJECTIVE: use locally produced coal derived energy in the Fairbanks North Star Borough.

- *Support construction of a coal to gas liquids plant.*

OBJECTIVE: Support geothermal energy production in and around the Interior region.

OBJECTIVE: Find ways to recover and use waste heat to heat buildings and greenhouses in the Fairbanks North Star Borough.

OBJECTIVE: Support University of Alaska Fairbanks research to find new ways to provide affordable clean energy in the Fairbanks North Star Borough and surrounding regions.

- *Support gas, coal and woody bio-mass to liquids research at University of Alaska, Fairbanks.*
- *Support research and development into renewable and new alternative energy technology.*

COMMUNITY PRIORITY #2: Anchor the missions of Fort Wainwright, Eielson Air Force Base, Fort Greeley, and Clear Air Force Stations and encourage increased utilization of the existing facilities.

OBJECTIVE: Actively support the missions of Fort Wainwright, Eielson Air Force Base, Fort Greeley and Clear Air Force Station and retention of these military activities.

- *Support deployment of the National Missile Defense System at Fort Greeley with support facilities at Eielson Air Force Base, and Fort Wainwright.*
- *Work with military leadership in preparing civilian and military communities for and during deployment.*
- *Support study of land trades for possible expansion of Fort Wainwright.*

OBJECTIVE: Support and promote the growth of military installations in Interior Alaska.

- *Actively support needed infrastructure development for Ft. Wainwright and Eielson to meet training and personnel mission needs.*
- *Actively support military and civilian activities that would increase training exercises in the Interior.*
- *Actively support increased military cold weather, personnel, equipment, and weapons research in the Interior.*
- *Pursue continued development of the nation's largest geographically diverse joint military training area, the Joint Pacific Alaska Range Complex (JPARC).*
- *Work with community to solve PM2.5 issues to ensure operational utility of each base.*

COMMUNITY PRIORITY #3: Develop regional cooperative marketing program to create a larger market for goods and services produced in the Borough.

OBJECTIVE: Create and market Borough products, service, expertise and industries as a regional brand for broad community use.

- *Educate buyers about locally produced products and services.*
- *Educate interested parties about areas of expertise: arctic engineering and research, mining, tourism, regional hub, arctic produce, etc.*

OBJECTIVE: Research market for locally produced products and services.

- *Research quality, quantity, and product characteristics of locally available products or services.*

OBJECTIVE: Partner with local business support organizations to develop sustainable funding and staff support for development and maintenance of a cooperative marketing program.

- *Support development of a clearing house where local producers can easily sell their product.*

INDUSTRY CLUSTER DEVELOPMENT PRIORITIES

AGRICULTURE & FORESTRY INDUSTRY CLUSTER

INDUSTRY PRIORITY #1: Affordable available capital for start-ups.

OBJECTIVE: Identify and develop sources of public and private capital for the development and expansion of agricultural and forestry businesses in the Borough.

- *Work to modify laws and regulations to allow ag land to be acquired as fee simple title for the purposes of financing*

INDUSTRY PRIORITY #2: Support land use policies that encourage agricultural forestry production.

OBJECTIVE: Research appropriate federal, state and local planning approaches to encourage development of agriculture and forestry markets in the Borough.

- *Research impact of existing federal, state and local regulations.*
- *Develop and implement strategies to change these regulations that act as barriers to development.*
- *Encourage the involvement of the commercial farming and forestry community in all major infrastructure projects within the borough, to ensure that consideration is given to the needs of commercial agriculture infrastructure.*

INDUSTRY PRIORITY #3/COMMUNITY PRIORITY #3: Develop regional cooperative marketing program to create a larger market for goods and services produced in the Borough.

OBJECTIVE: Create and market Borough products, services, expertise and industries as a regional brand for broad community use.

- *Educate buyers about locally produced products and services.*
- *Educate interested parties about areas of expertise: arctic engineering and research, mining, tourism, regional hub, arctic produce, etc.*

OBJECTIVE: Research market for locally produced products and services.

- *Research quality, quantity, and product characteristics of locally available products or services.*

OBJECTIVE: Partner with local business support organizations to develop sustainable funding and staff support for development and maintenance of a cooperative marketing program.

- *Support development of a clearing house where local producers can easily sell their product.*

COLD CLIMATE / ARCTIC RESEARCH INDUSTRY CLUSTER

INDUSTRY PRIORITY #1: Recognize and build capacity through human and physical partnerships (private, university, state, and international).

OBJECTIVE: Support public and private research organizations that utilize the Interior Alaskan environment for research and product development.

- Support development of cold climate research & test facilities.
- Support public and private research organizations that utilize the Interior Alaska environment for research and product development.
- Promote establishment of a technology accelerator to aid and assist technology transfer.
- Develop a research park and other commercialization infrastructure to attract private industry investors to the region.

INDUSTRY PRIORITY #2: Promote research capacity nationally and internationally.

OBJECTIVE: Ensure cold climate and arctic research expertise is included in cooperative marketing efforts.

- *Identify and promote logistical, environmental and other advantages of the FNSB to attract technology-related industries.*

OBJECTIVE: Promote and expand Arctic Regional Super Computer as part of technology cluster development.

INDUSTRY PRIORITY #3: Deliver tangible, focused results - create businesses, jobs – lower cost of living, improved quality of life.

OBJECTIVE: Support organizations, businesses, individuals and governing bodies that promote the growth of technology and research in Interior Alaska.

- Improve both air and water quality in the borough by advancing and supporting development and implementation of all technologies that are beneficial for our climate and locale.
- Support development of highly effective technology transfer at UAF.
- Promote commercialization of research and intellectual property from UAF or other Alaskan research institutions.

ENERGY INDUSTRY CLUSTER

INDUSTRY PRIORITY #1/COMMUNITY PRIORITY #1: Lower and stabilize FNSB energy costs by expanding the energy portfolio with a focus on local resources.

OBJECTIVE: Bring affordable, sustainable natural gas to the Fairbanks North Star Borough.

- *Actively support construction of a natural gas pipeline through the Interior, with particular emphasis on assuring maximum benefit to Alaska's communities and location of construction, operation, and regulatory headquarters in Fairbanks.*
- Advocate for consideration of take-off ports at the Yukon River, Fairbanks, Delta and other Interior and Northern locations that support economic development in the Interior and Northern regions.
- Advocate for responsible development of petrochemical industry in the Borough.
- Support the development of a natural gas pipeline that would reduce the cost of energy for transportation, space heating and electric power in Interior Alaska.

OBJECTIVE: develop local woody bio-mass industry to provide energy in the Borough.

- *Develop infrastructure to support local woody-woody bio-mass industry.*
- Develop process to gather and use woody bio-mass from clearing fire breaks, section lines, power lines, etc. in locally manufactured products.
- Work with local, state and federal regulators to obtain 10 year leases to harvest timber.
- *Develop cooperative marketing program to market woody bio-mass products locally and regionally.*
- *Educate people about how to use woody bio-mass for fuels, dry wood, etc.*
- *Research feasibility of developing woody bio-mass to liquids plant.*

OBJECTIVE: use locally produced coal derived energy in the Fairbanks North Star Borough.

- *Support construction of a coal to gas liquids plant.*

OBJECTIVE: Support geothermal energy production in and around the Interior region.

OBJECTIVE: Find ways to recover and use waste heat to heat buildings and greenhouses in the Fairbanks North Star Borough.

OBJECTIVE: Support University of Alaska Fairbanks research to find new ways to provide affordable clean energy in the Fairbanks North Star Borough and surrounding regions.

- *Support gas, coal and woody bio-mass to liquids research at UAF.*

- *Support research and development into renewable and new alternative energy technology.*

INDUSTRY PRIORITY #2: Develop industries around existing local resources, value added processing of woody bio-mass, gas-to-liquids, and natural gas.

OBJECTIVE: Develop local woody bio-mass industry.

- *Market locally produced wood products.*
- *Educate people about how to use woody bio-mass for fuels, dry wood, etc..*
- *Make productive use of the woody bio-mass from fire breaks. Section lines, power lines (waste wood use fire and disease killed).*

OBJECTIVE: Develop industry providing natural gas as vehicular energy source in the Fairbanks North Star Borough.

OBJECTIVE: Develop coal and natural gas byproducts.

- *Support gas, coal and woody bio-mass to liquids plant.*

INDUSTRY PRIORITY #3: Position Interior as an energy research and development hub for Arctic research.

OBJECTIVE: Become Center of Excellence for arctic energy research and development

- *Turn alternative energy research being performed by UAF, CCHRC, ACEP, INE, etc. into reality.*
 - *Support Cold Climate Housing Research in developing affordable construction and retrofit solutions to interior and northern building and heating challenges.*
 - *Support UAF technology transfer efforts.*
 - *Support Alaska Center for Energy and Power.*
 - *Support development of small scale energy systems.*
- *Continue to research use of coal and woody bio-mass to liquids technology as long term supply for liquid fuels.*

MILITARY INDUSTRY CLUSTER

INDUSTRY PRIORITY #1 / COMMUNITY PRIORITY #2: Anchor the missions of the Fort Wainwright, Eielson Air Force Base, Fort Greeley, and Clear Air Force Station and encourage increased utilization of existing facilities.

OBJECTIVE: Actively support the missions of Fort Wainwright, Eielson Air Force Base, Fort Greeley and Clear Air Force Station and retention of these military activities.

- *Support deployment of the National Missile Defense System at Fort Greeley with support facilities at Eielson Air Force Base, and Fort Wainwright.*
- *Work with military leadership in preparing civilian and military communities in preparation for, and during, deployment.*
- *Support study of land trades for possible expansion of Fort Wainwright.*

- *Support implementation of Alaska Military Force Advocacy and Structure Team (AMFAST).*
- *Work with community to solve PM2.5 issues to ensure operational utility of each base.*

OBJECTIVE: Military Development – Support and promote the growth of military installations in Interior Alaska.

- *Actively support needed infrastructure development for Ft. Wainwright and Eielson to meet training and personnel mission needs.*
- *Actively support military and civilian activities that would increase training exercises in the Interior.*
- *Actively support increased military cold weather, personnel, equipment, and weapons research in the Interior.*
- *Pursue continued development of the nation's largest geographically diverse joint military training area, the Joint Pacific Alaska Range Complex (JPARC).*

INDUSTRY PRIORITY #2: Pursue continued development of the nation's largest geographically diverse joint military training area, the Joint Pacific Alaska Range Complex (JPARC).

OBJECTIVE: Support Road/Rail access south from the programmed bridge project alongside the JPARC range complex on the west side of the Tanana river, eventually to link up on the east side again with the active range areas currently in use just outside of Delta Junction.

INDUSTRY PRIORITY #3: Support the transition to an active association air tanker mission for 168th Air National Guard Wing.

OBJECTIVE: Lobby to get early beddown of the next new Air Force tanker at Eielson and do the 168th wing conversion to an associate unit as part of the beddown much like it was done for the C-5 at Elmendorf.

MINING INDUSTRY CLUSTER

INDUSTRY PRIORITY #1: Bring affordable energy to the FNSB and surrounding areas.

OBJECTIVE: Develop and market solutions to bring affordable energy to rural Alaska.

- *Pursue coal/gas to liquids plant in FNSB.*
- *Continue to research use of coal and woody bio-mass to liquids technology as long term supply for liquid fuels.*

INDUSTRY PRIORITY #2: Support current and new mining activity.

OBJECTIVE: Support further expansion and development of Alaska's mineral industries.

- *Include FNSB as Alaska's mining center in cooperative regional marketing efforts.*

- *Actively support mineral mapping and development in Interior and Northern Alaska.*
- *Actively support continued development of the Pogo, Ft. Knox, Livengood, and Usibelli mines.*
- *Support further expansion and development of Alaska's mineral industries.*
- *Demand continuing airborne and field geological and geophysical surveys of Livengood, Circle, Richardson, and Fairbanks.*
- *Support interpretation and consolidation of Interior and Northern mining data.*

INDUSTRY PRIORITY #3: Center of Excellence for mining training and research.

OBJECTIVE: Fairbanks is the research hub for arctic mining.

- *Support research that extends the life of existing mines.*
- *Support research that allows affordable development of Interior mines.*
- *Support continuing research to determine if development of each mine is environmentally responsible.*

OIL & GAS INDUSTRY CLUSTER

INDUSTRY PRIORITY #1: FNSB is liquid fuels distribution center for interior, northern, and coastal communities.

OBJECTIVE: Encourage retention, expansion and development of local processing capabilities for value-added products.

- *Support the continued operation of local refineries.*
- *Support Flint Hills in discussions with State to reduce tariff.*
- *Encourage research and implementation of lower cost conversion and fuel alternatives for communities and villages throughout the interior.*

OBJECTIVE: Use natural gas to develop value-added products.

- *Pursue gas to liquids plant in FNSB.*
- *Develop arctic LNG hub systems to deliver LNG to outlying areas.*
- *Sell and service portable gas to liquids plants in remote communities.*
- *Host inventors' workshop that educates residents on how create value added products using natural gas.*
- *Focus on specialty manufacturing like: cut flowers, veggies.*
- *Develop, implement and encourage rapid deployment of natural gas and propane distribution system.*
 - *Develop service district like funding mechanisms for conversion of neighborhoods to natural gas.*

INDUSTRY PRIORITY #2: Become Center of Excellence for Arctic Oil and Gas research and development.

OBJECTIVE: Strengthen and expand Petroleum Development Lab at University of Alaska, Fairbanks.

- *Develop Center for Excellence for Methane Hydrate heavy oil extraction expertise.*
- *Host international conferences that bring international industry and academia together.*
- *Develop coal bed methane technology for rural Alaska.*
- *Encourage entrepreneurship and inventions using natural gas, propane, and renewable energy.*
- *Develop light oil enhanced oil recovery technology.*

INDUSTRY PRIORITY #3: Ensure continued healthy oil and gas production in Alaska.

OBJECTIVE: Actively support oil and gas development in Interior and Northern Alaska.

- *Encourage increased production from the Alaska North Slope.*
- *Support opening the 1002 area of Alaska National Wildlife Reserve.*
- *Support development of Northern Petroleum Reserve Alaska.*
- *Support development of all interior Alaska oil and gas basins.*
- *Advocate for economic climate that encourages use of enhanced oil recovery and methane hydrate on the North Slope.*
- *Support Outer Continental Shelf oil and gas development.*
- *Encourage recovery of 35 billion barrels of delineated heavy oil from West Sac and other heavy oil basins.*
- *Encourage cooperation between state and major stakeholders in developing commercially viable extraction of heavy oil.*
- *Advocate for extension of rail to Livengood and Canada.*

REGIONAL HUB INDUSTRY CLUSTER

INDUSTRY PRIORITY #1: Support the development of rural economies by strengthening the “spokes.”

OBJECTIVE: Help interior and northern neighbors develop strong economies.

- *Help interior and northern communities fund and implement affordable sources of energy in their communities.*
- *Work with community-based urban/rural coalitions to foster Fairbanks and rural synergies to develop tourism product and promotion.*

- *Support FNSB as vocational and career center for Interior and Northern Communities.*

INDUSTRY PRIORITY #2: Make Borough an attractive hub to rural communities.

OBJECTIVE: Borough as the Northern and Interior marketplace.

- *Develop social and business relationships with Interior and Northern region communities.*
 - Include Regional Hub/Certified Bush Friendly in cooperative marketing strategies.
 - Educate local businesses about marketing and shipping to Interior and Northern region communities.

INDUSTRY PRIORITY #3: Make the connection – transportation, information, communication, information & training.

OBJECTIVE: Borough as a regional social, economic, health, and education center.

- *Promote and improve Borough as the regional strategic, social, educational, economic, and health care hub*
 - Encourage Fairbanks businesses to consider rural customers as an important economic opportunity and to participate in rural marketing and trade missions to targeted locations.
 - Encourage air carriers to use the Fairbanks International Airport as hub for cargo and passenger service to Interior, Northern and Western Alaska.
 - Develop social and business relationships with Interior and Northern region communities.
 - Develop Fairbanks as the Interior's health care hub.
 - Support meetings and conventions that position Fairbanks as a hub for the region and a leader in the state.

VISITOR INDUSTRY CLUSTER

INDUSTRY PRIORITY #1: Support destination marketing positioning Fairbanks NSB as hub of Interior and Arctic travel.

OBJECTIVE: Support the integration of a community brandprint strategy that conveys the key characteristics of light, energy and warmth.

- *Support a coordinated community brand strategy.*
- *Ensure light, energy, warmth included in cooperative marketing efforts.*
- *Ensure Fairbanks as a destination and gateway to the North are included in cooperative marketing efforts.*

INDUSTRY PRIORITY #2: Support improved access through passenger air service.

OBJECTIVE: Develop improved air access to the FNSB.

- *Support improved and alternative domestic air passenger service through Frontier and other airlines that bring competitive air service into the Fairbanks market.*

- *Sustain and grow current international air service via Condor and Japan Airlines.*
- *Explore additional domestic and international air service to Fairbanks*

INDUSTRY PRIORITY #3: Support infrastructure development of year-round travel.

OBJECTIVE: Support efforts to fully investigate the feasibility of a convention center and/or performing arts center in *Fairbanks*.

- *Provide infrastructure and in-kind support that encourages economic development through meetings and conventions.*

OBJECTIVE: Support sustainable winter tourism.

OBJECTIVE: Improve accessibility to national parks connected to Fairbanks by air or highway

OBJECTIVE: Develop scenic byway programs for North Richardson, North Parks/Parks, and Dalton Highways

ECONOMIC FOUNDATIONS

ACCESS TO CAPITAL

OBJECTIVE: Promote community access to venture capital.

- *Identify and develop sources of public and private capital for the development and expansion of businesses in the FNSB.*
- *Market information about available sources of capital to local businesses.*

BUSINESS CLIMATE

OBJECTIVE: Develop community of entrepreneurs.

- *Educate local businesses about business opportunities and how to develop them.*
- *Encourage and support research to improve business opportunities in the FNSB.*

OBJECTIVE: Strengthen and develop friendly business environment.

- *Develop and utilize economic incentive tools.*

HUMAN RESOURCES

OBJECTIVE: Develop and retain educated local workforce.

- *Support programs that will train educators, teachers and instructors to ensure the quality of the educational system and preserve all cultural heritages.*
- *Encourage excellence in K-12 and post-secondary educational systems producing results that exceed state and national averages.*
- *Support the expansion and enhancement of the University of Alaska Fairbanks (UAF) and Community and Technical College (CTC), encouraging funding at levels that allow growth, promote excellence, increasing maintenance funding, the*

addition of new programs, and both programmatic and institutional accreditation.

- Support funding for adequate building construction and deferred maintenance at all University of Alaska Fairbanks campuses in the Borough.
- Support funding for Life Science Innovation and Learning Facility and UAF Energy and Engineering Facility.
- *Retain those we educate.*
 - Develop incentive program to keep our kids in Alaska.
 - Develop incentive program to get our kids to come back after they leave.

OBJECTIVE: Provide job skills development opportunities.

- *Promote vocational, technical, and career training opportunities within the FNSB that prepare residents to compete in the global marketplace.*
- Support construction and operation of a Pipeline Training Facility in Fairbanks.
 - Develop vocational, technical etc. training for military contractor.
- *Promote School-to-Work and School-to-Apprenticeship programs, and support steps that strengthen apprenticeship programs that prepare our workforce for jobs of the future.*

PHYSICAL INFRASTRUCTURE

OBJECTIVE: Expand current railroad and market Fairbanks as natural hub.

- *Support the design, funding and construction of projects that improve functionality and enhance the role of FNSB as a hub for the Alaska Railroad. Encourage routes between Fairbanks, Ft. Greely, and other economic locations.*

OBJECTIVE: Sustainability of current infrastructure, capital dollars vs. maintenance.

- *Support the design, construction and maintenance of trail, road, rail and air transportation systems that improves access to the region.*
- Support the funding and completion of the Statewide Transportation Improvement Program (STIP) projects that improve transportation in and around the Borough.
- Support the Fairbanks Metropolitan Area Transportation System (FMATS) / Metropolitan Planning Organization (MPO) and the Transportation Improvement Program (TIP).
- Support development and maintenance of interconnected, mass transit, para-transit, and coordinated transportation systems.

OBJECTIVE: Prioritize development of transportation to continuously build on prior activities (projects) that complement each other rather than compete.

- *Encourage further development of transportation routes and energy and communication systems that improve the ability of FNSB businesses to market and distribute goods, services and passengers to markets in Canada and the continental US.*

- *Support the continued development of transportation, communication and energy infrastructure that strengthen FNSB as Alaska's economic hub.*
- *Support the development, maintenance and improvement of core public and private transportation infrastructure.*
- *Support the design, construction and maintenance of core road, rail and air transportation systems that improves access to the region.*
 - *Support the design, funding and construction of projects that improve functionality and enhance the role of Borough as a hub for the Alaska Railroad. Specifically encourage routes between Fairbanks, Ft. Greely, and other economic locations.*

QUALITY OF LIFE

OBJECTIVE: Support quality in health care, education, public safety, beautification, government and culture that would improve the individual and community quality of life in the FNSB.

Become recognized as the arts and culture center of Alaska by developing a healthy, diverse, multicultural, and economically successful arts community.

- *Promote the development and maintenance of community and cultural centers and themes that enhance the Borough's sense of place.*
- *Support development and ongoing maintenance of beautification efforts in the FNSB.*
- *Support the development and construction of year-round recreational facilities and opportunities consistent with and to capitalize upon local climatic conditions.*
- *Develop the FNSB as a year round sport and recreation destination center, including sled dog sports, alpine and cross country skiing, snow machining, ice carving, mountain biking, hiking, rock climbing and other recreational opportunities.*

TECHNOLOGY

OBJECTIVE: Promote FNSB as a desirable location for high technology operations that utilize Borough's intellectual resources, skills and workforce.

- *Identify and promote logistical, environmental and other advantages of the FNSB to attract technology-related industries.*