

**NOTICE OF MEETING
REGULAR AGENDA**

1. **CALL TO ORDER/ROLL CALL**
(followed by introduction of new EDC members)
2. **APPROVAL OF THE AGENDA**
3. **PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA**
4. **RECONSIDERATION**
5. **APPROVAL OF MINUTES** of January 11, 2011 p. -1-
6. **VISITORS**
7. **STAFF AND COUNCIL REPORT**
8. **PUBLIC HEARING**
9. **PENDING BUSINESS**
10. **NEW BUSINESS**
 - A. 2012-2017 Capital Improvement Plan p. -5-
 - B. Lease Committee evaluation criteria for non-profit organizations p. ----
 - C. Discussion: Perceptions about Homer's economy, strengths and weaknesses, thoughts on where the EDC/City Council should focus, etc.
11. **INFORMATIONAL MATERIALS** (for discussion only)
 - A. Items of possible interest from recent City Council meeting packets p. -97-
 - B. Homer News article: "Homer: Open for business?" p. -109-
 - C. Alaska Economic Reports p. -111-
 - D. Mayor's comments at January 14 KPEDD meeting p. -151-
 - E. State Capital Budget House District Detail Kenai Areawide p. -157-
12. **COMMENTS OF THE AUDIENCE**
13. **COMMENTS OF THE CITY STAFF**
14. **COMMENTS OF THE COUNCIL MEMBER**
15. **COMMENTS OF THE CHAIR**
16. **COMMENTS OF THE COMMISSION MEMBERS**
17. **ADJOURNMENT/NEXT MEETING DAY AND TIME**
Next regular meeting is scheduled for August 9, 2011 at 6 p.m. in the Homer City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

Session 11-01, a Regular Meeting of the Economic Development Advisory Commission was called to order at 6:00 p.m. by Chair Erickson on January 11, 2011 at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: COMMISSIONER DAUPHINAIS, ERICKSON, RAVIN, FAULKNER, NEECE

ABSENT: COMMISSIONER SIMPSON

COUNCILMEMBER: WYTHE

STAFF: SPECIAL PROJECTS COORDINATOR HOLEN
DEPUTY CITY CLERK JACOBSEN

APPROVAL OF THE AGENDA

The agenda was approved by consensus of the Commission.

PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

There were no public comments.

RECONSIDERATION

There were no items for reconsideration.

APPROVAL OF MINUTES

A. Meeting Minutes of November 9, 2010

The minutes were approved by consensus of the Commission.

VISITORS

There were no visitors scheduled.

STAFF AND COUNCIL REPORT

Special Projects Coordinator Holen reported that the CEDS has gone to Council and they postponed it to a worksession for further review. Councilmember Wythe suggested that an EDC member be present to answer questions that may arise in discussion.

PUBLIC HEARING

There were no items for public hearing.

PENDING BUSINESS

A. New Uses for Old Homer Intermediated School

ECONOMIC DEVELOPMENT ADVISORY COMMISSION
REGULAR MEETING
JANUARY 11, 2011

The Commission discussed the use of the Old Homer Intermediated School as a school. Question was raised if the City's Community Recreation Program brings in enough to cover the costs of the building and Councilmember Wythe commented that currently they do not. In response to further questioning about the use for Fireweed Academy, Commissioner Faulkner commented with specific statistics for the Fireweed Academy's needs and how they could be accommodated by the building. A point of order was raised that there could be a perception of preference by the Commission if they continued to have focused discussion about Fireweed Academy.

There was brief discussion about the Commission's charge in deciding the use of the building. Councilmember Wythe believes their task is to go through the RFP process to find out what options are out there and bring forward a recommendation. She noted City Attorney Klinkner's information that indicates the restriction that caused it to be a school did not pass on when the property transferred to the City of Homer. She cautioned that they keep in mind there could be an entity that is willing to take on the responsibility and cost of doing remodeling for their use. The objective is to find the highest and best use.

DAUPHINAIS/RAVIN MOVED TO CONSIDER THE DRAFT RFP SCHEDULE.

There was no objection expressed and discussion ensued.

The Commission reviewed the RFP and suggested the following schedule:

- Begin advertising the first week in February.
- RFP due March 15th.
- Pre-application meeting February 15th in the later afternoon. Leave the option to schedule a walk through as someone may want to get in more than one time.
- EDC Special Meeting to review the proposals March 22nd.
- RFP to City Council at the first meeting in April.

Point was raised that time is of the essence to get the building rented as it is in dire need of maintenance.

As their interest is Economic Development they would like to add under item VII. "Evaluation of Proposals," new jobs created.

NEW BUSINESS

A. Scoring Mechanism for Evaluating Applications for Lease Renewals

Chair Erickson explained that in reviewing lease renewals, it is challenging to try to score what is in the City's best interest and keep it consistent for all renewals. She is working with Councilmember Roberts to come up with some suggestions. She mentioned things that are not on the current checklist, like if the business current on all taxes to the Borough and consistent with their payments, and how many other businesses or jobs will be affected if the lease is not renewed.

Commissioner Faulkner advised that he is in negotiation of a lease renewal with the City and left the table. There was no objection expressed to excusing him from discussion.

ECONOMIC DEVELOPMENT ADVISORY COMMISSION
REGULAR MEETING
JANUARY 11, 2011

Discussion ensued and the following points were expressed:

- A simple check list with key items that could be checked off would give a quick and clear idea of what is happening. Then there could be some questions that follow that are more specific.
- If the business can be deemed in the City's best interest, then it wouldn't have to go to RFP for lease renewal.
- For future leases, include a list of goals or benchmarks the lessee intends to accomplish during their lease. When it is time to renew, those benchmarks could be assessed to see if they met their goals in the term of their lease. It would allow the review to be unique to each contract. Then if a certain percentage of goals are met then a renewal request could be negotiated without an RFP.
- Existing leases may not be able to be reviewed in the same manner.
- It will be difficult to come up with an evaluation system that is going to fit everything.
- Work language into the policy that states if the lessee's performance is in accord with term of original lease, renewal of lease will be facilitated without hindrance or delay.
- Trying to establish the "City's best interest" is really subject to personality and you lose objectivity trying to establish that. It boils down to the performance of the lessee in relation to the terms of their lease.
- There is no mechanism for resolving issues that today because of things that didn't happen previously.
- Establishing this check list is not in the purview of the Commission's duties.

Commissioner Faulkner returned to the table at the end of the discussion.

INFORMATIONAL MATERIALS

- A. Homer and the Film Industry: A Feasibility Overview
- B. Items of Possible Interest from recent City Council Meeting Packets
- C. Alaska Economic Reports
- D. Comments on Alaska and Energy by Richard Heinberg

There was discussion of the incentive program issued by the State for films done in the State.

Commissioner Faulkner commented regarding the lobbyist to lobby for an increased share of the fish tax. He explained now the City gets 25% of the 3% that is levied, but we haven't been getting that much because if the fish isn't processed in the City but is processed in state the funds go to where the fish is processed. If it is processed out of state, it gets divided by total quantities of landings, in other words, Dutch Harbor gets most of the tax. There is probably \$500,000 of taxes that go down the road and get redistributed to all landing ports. He thinks Councilmember Hogan wanted to change it so the tax went to wherever the fish are landed. Commissioner Faulkner thinks that politically it will never happen because it is taking money from too many people. He suggested a simple change in the statute is for fisheries products landed in the State of Alaska but processed outside the State of Alaska, then fisheries taxes shall accrue to the City and Borough where they are landed. This would result in more allies in Juneau. It would help Kenai and Seward and there wouldn't be a lot of opposition, other than what may be caused by the diversion of the revenue stream from Dutch Harbor. Currently we go through all the harbor costs and other expense of a thousand halibut landings and the money goes down the road and drains into Dutch Harbor. It's

**ECONOMIC DEVELOPMENT ADVISORY COMMISSION
REGULAR MEETING
JANUARY 11, 2011**

probably \$500,000 in general fund revenues. He is glad the City is hiring a lobbyist, but hopes they don't get diverted on changing the tax structure of fisheries and focus on fish landed in the State of Alaska, but processed outside of the State of Alaska. It would be brand new money into the City.

COMMENTS OF THE AUDIENCE

There were no audience comments.

COMMENTS OF CITY STAFF

There were no staff comments.

COMMENTS OF THE COUNCIL MEMBER

Councilmember Wythe had no comment.

COMMENTS OF THE CHAIR

Chair Erickson had no comment.

COMMENTS OF THE COMMISSION MEMBERS

There were no Commission comments.

ADJOURN

There being no more business to come before the Commission the meeting was adjourned at 7:13 p.m. The next regular meeting is scheduled for September 14, 2010 at 6:00 p.m. in the City Hall Cowles Council Chambers.

MELISSA JACOBSEN, CMC, DEPUTY CITY CLERK

Approved: _____



City of Homer

Memorandum

TO: City of Homer Boards and Commissions
FROM: Anne Marie Holen, Special Projects Coordinator *amb*
DATE: May 31, 2011
SUBJECT: City of Homer Capital Improvement Project list

Each year, the City of Homer updates its Capital Improvement Plan. This is a 6-year document describing capital projects which have been determined to be community priorities. (See separate handout explaining the CIP process in more detail.)

Part of the CIP development process is to solicit input and recommendations from most of the City's advisory bodies. That input is then forwarded to the City Council. The type of input you provide is up to you. For example, the body might wish to:

- Decide what you see as the "top 5" projects.
- Make a recommendation for one or more new projects to be added to the CIP.
- Make a recommendation for one or more projects to be dropped from the CIP.
- Suggest that a project scope of work be expanded, reduced, or otherwise changed.

I have provided a draft to serve as a starting point for discussion, consisting of the most recent CIP updated only minimally. Please note that not all department heads have submitted their recommendations. Also, as this memo is being prepared, we don't yet know whether funding for the Homer Area Natural Gas Pipeline and Cruise Ship Dock/Uplands Improvements will be approved for funding by Governor Parnell. If the funding is approved, those projects will be removed from the CIP.

FYI, the projects listed as priorities by boards and commissions last year are listed below.

- The Planning Commission recommended the following CIP projects in priority order:
 1. Alternative Water Source
 2. Sewer Treatment Plant Bio-solids Treatment Improvements
 3. Port & Harbor Building
 4. Deep Water Dock Expansion
 5. Skyline Fire Station
- The Parks and Recreation Commission and Library Advisory Board did not discuss the CIP due to lack of quorum for a meeting during the comment period.
- The Port and Harbor Commission ranked CIP projects as follows:
 1. Upgrade System 5 - Vessel Shore Power & Water
 2. Harbor Entrance Erosion Control
 3. Port & Harbor Building
 4. Harbor Float Replacement/Ramp 3 Gangway & Approach Replacement
 5. Deep Water Dock Expansion - Phase I
- The Economic Development Commission ranked CIP projects as follows:
 1. Alternative Water Source
 2. Sewer Treatment Bio-solids Treatment Improvements

3. Engine 4 Refurbishment and Deep Water Dock Upland Improvements (tie)
 4. Sterling Highway Realignment, MP 150-157
 5. Skyline Fire Station and Main Street Intersection/Reconstruction (tie)
- o The Transportation Advisory Committee ranked CIP projects as follows:
1. Fairview Avenue - extend to West Hill Road (NOTE: This project used to be in the CIP but was moved from the active CIP to the "long-range" list in 2008.)
 2. Intersection Improvements
 3. Land Acquisition for New Roads
 4. Karen Hornaday Park Improvements
 5. Town Center Infrastructure

**EVERYTHING YOU ALWAYS WANTED TO KNOW ABOUT THE CITY OF HOMER
CAPITAL IMPROVEMENT PLAN**

by Anne Marie Holen, City of Homer Special Projects Coordinator

Q: What is a CIP?

A: CIP stands for Capital Improvement Plan. It is a multi-year document that lays out community priorities for capital projects, including (for each one) a project description, rationale for why it's needed (benefits to the community), description of progress to date (money raised, plans drawn up, etc.), and estimated total cost. For City of Homer projects, additional information is provided on the timeline for completion.

NOTE: A Capital Improvement Plan is not a funding request. From the City's standpoint, it is a plan. From the standpoint of a non-profit organization, it is a mechanism to raise awareness of a needed project and increase chances of funding from various sources. Nominating a project for inclusion in the CIP should not be thought of as a request for City funding.

Q: What is a capital project?

A: A capital project is a major, non-recurring budget item that results in a fixed asset (like a building, road, parcel of land, or major piece of equipment) with a useful life of at least two years. Designing and building a new library is a capital project. Planning and implementing an after-school reading program is not a capital project. Most of the projects in the City of Homer CIP are City projects, but some are community projects spearheaded by a non-profit organization (e.g., Pratt Museum) or state or federal agency (e.g., Alaska DOT or Kachemak Bay Research Reserve). City of Homer CIP projects must have an estimated cost of at least \$50,000. Those from non-profit organizations must have an estimated cost of at least \$25,000.

Q: Newspaper articles often refer to the CIP as a "wish list." Is that accurate? If so, what's the point of writing up a "wish list"?

A: That's not entirely accurate. In 2007, the Homer City Council undertook an overhaul of the CIP to eliminate projects that were unlikely to be undertaken in the next six years. This makes the CIP less of a "wish list" and more of an actual plan, at least for City projects.

There are several reasons to maintain a CIP, even when it seems like little progress is being made in accomplishing projects: 1) It helps focus attention on community needs. 2) It helps groups raise money for projects if the sponsor can say that the project has been identified as a community priority in the CIP. 3) Typically a project must be included in the CIP to be eligible for a state legislative appropriation.

Q: What is the process for developing the Capital Improvement Plan?

A: CIP development is a multi-step process that starts around June 1 of each year and ends in November.

Step 1 is to develop the schedule. The schedule must be approved by the City Council.

Step 2 is to publicize the CIP process and invite project nominations from community organizations.

Step 3 is to send a copy of the current CIP to all the City department heads and the City Manager and ask for recommendations for new projects, projects that should be deleted, or changes to existing projects.

Step 4 is to make sure that all the City advisory bodies have a chance to weigh in. They are encouraged to name their “top 5” projects, and that information is passed on to the City Council. They can also suggest new projects, changes to existing projects, or any other recommendations related to the CIP.

During this time, I will start working on a new draft CIP, to be constantly updated throughout the process. NOTE: The document is a DRAFT until it is approved by the City Council. Proposed new projects are kept separate until they are approved by Council.

The City Council typically holds a work session to discuss the CIP and also a public hearing at a regular City Council meeting. Members of the public are encouraged to attend and testify. The City Council will view the CIP as a whole and will also work to identify legislative priorities (a subset of the CIP) for special attention during the coming year.

Step 5 is to finalize the CIP as per City Council approval, and make 30 bound copies. These should be ready to distribute before the end of November. The CIP is also put on the City website.

Q: Are the “legislative priorities” the same as the CIP?

A: No, they are a subset of the CIP. The full CIP might contain 50 projects. All of them have been approved by the City Council and can be considered community priorities. However, the City Council also develops a “short list” of projects on which the City will focus particular attention during the upcoming legislative session. (The goal is to get at least partial funding for a project included in the state capital budget.) The “short list” and the “legislative priorities list” are the same thing.

The state budget process begins with a proposed budget submitted by the Governor in December. The legislature takes the Governor’s budget and works it over starting in mid-January. The House and Senate must both agree on a budget before it is finally passed in mid-April. (NOTE: The “operating budget” is different than the “capital budget.”)

The City’s “short list” may have 10-15 projects on it. An attempt is made to include some less expensive projects along with big expensive ones. Most if not all of the projects on the short list will be City of Homer projects (e.g., for roads, harbor improvements, water and sewer upgrades, etc.) Project descriptions are put in special “packets” tailored specifically to legislators and state commissioners. Typically, the Mayor and one or two City Council members will make one or more trips to Juneau to advocate for funding for these projects. Other groups (e.g., hospital, college, non-profit representatives) also lobby for their favorite CIP projects.

Q: Does the City seek federal funding for CIP projects also?

A: Yes. All three members of the Alaska congressional delegation require local governments and other groups to submit funding requests in February of each year. Typically the City of Homer will select 3-6 projects for which we seek federal funding. In recent years, the City has received partial funding for Deep

Water Dock expansion and for the proposed East Boat Harbor. With the moratorium on federal “earmarks” announced in early 2011, chances of receiving federal funding for a project have diminished substantially.

Q: What advice do you have for a community member who wants to see a particular project included in the CIP?

A: • Keep in mind that if a proposal comes from one of the following, it is automatically forwarded to the City Council for consideration: 1) A City department head, 2) a City advisory body, 3) the Mayor or individual City Council member, 4) a non-profit organization or state/federal government agency. If you can sell your idea to one or more of those, and that person or group gives it to me, I will draft a project description to take to the City Council. NOTE: Ask for a Project Nomination Form to use for this purpose.

- Take advantage of opportunities to express support for one or more projects anytime the CIP is on a Council meeting agenda. If you testify earlier in the process, Council members will have more time to consider what you say before making their final decisions. The CIP will be on the Council agenda at least three times: For introduction, public hearing, and final vote. Check with the Clerk’s Office regarding the dates. You can also communicate with City Council members individually.

Further advice: If you are seeking funding for your project through the state legislature, talk to our local state representative (currently Paul Seaton) about that process.

Q: Once a project is approved for inclusion in the CIP, what can I do to make sure it doesn’t just languish there?

A: • Keep your eyes on the prize. If you are with a community group or advisory body, develop a long-range plan and base your CIP request on that plan. Limit your request to one or two items and then keep your attention and energies focused on that goal.

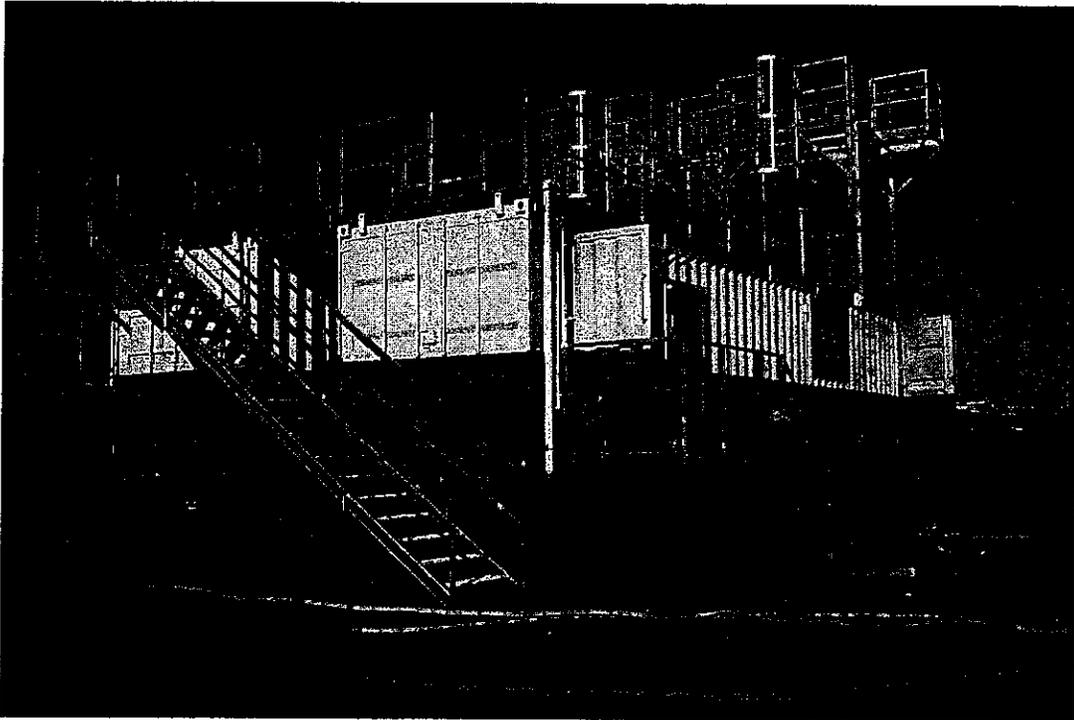
Be realistic in your expectations. Many projects require multiple sources of funding over a period of years. Project success starts with a vision, then a well-developed funding plan, then focused implementation of that plan.

- Finally, I have to say this: If you think the City should be providing more programs, services, facilities, etc. for the people of Homer and providing more support to non-profit organizations, remember that almost all the money at the City’s disposal comes from sales and property tax revenues. Taxes are nothing more than a tool for pooling our resources to buy the things the community wants and needs. Shopping locally helps maintain a healthy revenue stream from sales taxes.

The City can (and does) apply for grants to fund capital projects, but those funders almost always require the City to cover some of the costs with local funds. There is no free lunch.

GOOD LUCK!

City of Homer Capital Improvement Plan 2012-2017



The Homer Volunteer Fire Department prepares to try out a new Fire Training Facility that provides live-fire practice in a controlled setting. The Fire Training Facility, delivered in 2011, had been identified as a need in the Capital Improvement Plan since 2001.

DRAFT

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City of Homer

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November 1, 2010

To The Honorable Mayor and Homer City Council:

This document presents the City of Homer 2011 through 2016 Capital Improvement Plan adopted by the Homer City Council on October 11, 2010. The CIP provides information on capital projects identified as priorities for the Homer community. Descriptions of City projects include cost and schedule information and a designation of Priority Level 1 (highest), 2, or 3. State transportation projects and non-profit projects supported by the City of Homer are included in the CIP in separate sections. An overview of the financial assumptions can be found in the Appendix, along with a table listing all projects for easy reference.

"Long-range projects" are those which are not expected to be undertaken in the next six years but which the Council and community do not want to lose sight of. Those projects are listed in the Appendix but should not be considered as true CIP projects.

The projects included in our 2011-2016 CIP were compiled with input from the public, area-wide agencies, and City staff as well as various advisory commissions serving the City of Homer.

It is our intent to update the CIP annually to ensure our long-range capital improvement planning stays current as well as to determine annual legislative priorities and assist with budget development. Your assistance in this effort is much appreciated.

Sincerely,

Walt Wrede
City Manager

To be updated...

CITY OF HOMER
HOMER, ALASKA

Mayor/City Council

RESOLUTION 10-78(A)

A RESOLUTION OF THE HOMER CITY COUNCIL ADOPTING THE 2011-2016 CAPITAL IMPROVEMENT PLAN AND ESTABLISHING CAPITAL PROJECT LEGISLATIVE PRIORITIES FOR FISCAL YEAR 2012.

WHEREAS, A duly published hearing was held on September 27, 2010 in order to obtain public comments on capital improvement projects and legislative priorities; and

WHEREAS, It is the intent of the City Council to provide the Governor, the State Legislature, State agencies, the Alaska Congressional Delegation, and other potential funding sources with adequate information regarding the City's capital project funding needs.

NOW, THEREFORE BE IT RESOLVED by the City Council of Homer, Alaska, that the "City of Homer Capital Improvement Plan 2011-2016" is hereby adopted as the official 6-year capital improvement plan for the City of Homer.

BE IT FURTHER RESOLVED that the following capital improvement projects are identified as priorities for the FY 2012 State Legislative Request.

1. Sewer Treatment Plant Bio-solids Treatment Improvements
2. Skyline Fire Station
3. Harbor Float Replacement/Ramp 3 Gangway & Approach Replacement
4. Port & Harbor Building
5. Fire Engine 4 Refurbishment
6. Natural Gas Pipeline Anchor Point to Homer
7. Alternative Water Source
8. Deep Water Dock Expansion, Phase 1
9. Karen Hornaday Park Improvements, Phase 1
10. Homer Intersection Improvements
11. Deep Water Dock Upland Improvements
12. Mariner Park Improvements, Phase 1
13. Fishing Lagoon Improvements
14. Upgrade System 5: Vessel Shore Power and Water
15. Kachemak Bay Tidal Power Feasibility and Conceptual Design

**To be replaced
with new reso...**

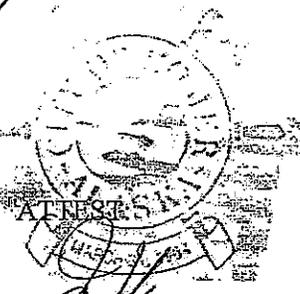
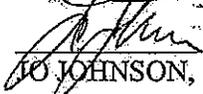
BE IT FURTHER RESOLVED that projects for the FY 2012 Federal Legislative Request will be selected from this list.

BE IT FINALLY RESOLVED that the City Manager is hereby instructed to advise appropriate state and federal representatives and personnel of the City's FY 2012 capital project priorities and take appropriate steps to provide necessary background information.

PASSED AND ADOPTED by a duly constituted quorum of the City Council for the City of Homer on this 11th day of October, 2010.

CITY OF HOMER


MARY E. WYTHE, MAYOR PRO TEMPORE



JO JOHNSON, CMC, CITY CLERK

Accomplished (funded) Projects from 2011-2016 CIP List

**We are pleased to note that funding to complete the
following projects has been identified or procured:**

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Introduction: The Capital Improvement Program

A capital improvement plan (CIP) is a long-term guide for capital project expenditures. The CIP includes a list of capital projects a community envisions for the future, and a plan that integrates timing of expenditures with the City's annual budget. The program identifies ways projects will benefit the community. The CIP also indicates the priorities assigned to different projects and presents a target construction schedule.

A carefully prepared capital improvement plan has many uses. It can assist a community to:

- Anticipate community needs in advance, before needs become critical;
- Rank capital improvements needs so the most important projects are given consideration for funding before projects not as urgently needed;
- Plan for maintenance and operations costs so expenses are budgeted in advance and projects communities cannot afford to operate are avoided;
- Provide a written description and justification for projects submitted for state funding so the legislature, governor, and appropriate agencies have the information necessary to make decisions about funding capital projects; and
- Provide the basis for capital projects as part of the annual budget.

A capital improvement project is one that warrants special attention in the municipal budget. Normally, public funds are not expended if the project is not listed in the CIP. A capital expenditure should be a major, nonrecurring budget item that results in a fixed asset with an anticipated life of at least two years. Projects eligible for inclusion in the City of Homer CIP have a lower cost limit of \$50,000 for City projects and \$25,000 for those proposed by non-profit organizations. Projects proposed by non-profit organizations and other non-City groups may be included in the CIP with City Council approval but such inclusion does not indicate that the City intends to provide funding for the project.

The municipality's capital improvement plan is prepared in accordance with a planning schedule, usually adopted by City Council at the onset of the CIP process. A copy of the City of Homer CIP schedule appears in the appendix of this document.

The number of years over which capital projects are scheduled is called the capital programming period. The City of Homer's capital programming period coincides with the State's, which is a six year period. The CIP is updated annually, since only some of the projects are funded and completed each year.

A capital improvement plan is not complete without public input. The public should be involved throughout the CIP process, including nomination and adoption states of the process. The City of Homer solicits input from City advisory bodies, advertises for public input during the CIP public hearing, and invites the public to participate throughout the entire process.

The City's capital improvement program integrates the City's annual budget with planning for larger projects that meet community goals. The CIP program involves a process where the City Council, with technical support from the administration and ideas and suggestions from the public, compiles a viable way to implement goals for the community.

Determining project priorities. City of Homer CIP projects are assigned a priority level of 1, 2, or 3, with 1 being the highest priority. To determine priority, the Council considers such questions as:

- Will the project correct a problem that poses a clear danger to human health and safety?
- Will the project significantly enhance City revenues or prevent significant financial loss?
- Is the project widely supported within the community?
- Has the project already been partially funded?
- Is it likely that the project will be funded only if it is identified as being of highest priority?
- Has the project been in the CIP for a long time?
- Is the project specifically recommended in other City of Homer long-range plans?
- Is the project strongly supported by one or more City advisory bodies?

Once the overall CIP list is finalized, the City Council names a subset of projects that will be the focus of efforts to obtain state and/or federal funding in the coming year. The overall CIP and the legislative priority list are approved by resolution.

Integration of the CIP with Comprehensive Plan Goals

Each project listed in the CIP document has been evaluated for consistency with the City's goals as outlined in the Comprehensive Plan. The following goals were taken into account in project evaluation:

Land Use: Guide the amount and location of Homer's growth to increase the supply and diversity of housing, protect important environmental resources and community character, reduce sprawl by encouraging infill, make efficient use of infrastructure, support a healthy local economy, and help reduce global impacts including limiting greenhouse gas emissions.

Transportation: Address future transportation needs while considering land use, economics, and aesthetics, and increasing community connectivity for vehicles, pedestrians, and cyclists.

Public Service & Facilities: Provide public services and facilities that meet current needs while planning for the future. Develop strategies to work with community partners that provide beneficial community services outside of the scope of City government.

Parks, Recreation & Culture: Encourage a wide range of health-promoting recreation services and facilities, provide ready access to open space, parks, and recreation, and take pride in supporting the arts.

Economic Vitality: Promote strength and continued growth of Homer's economic industries including marine trades, commercial fishing, tourism, education, arts, and culture. Preserve quality of life while supporting the creation of more year-round living wage jobs.

Energy: Promote energy conservation, wise use of environmental resources, and development of renewable energy through the actions of local government as well as the private sector.

Homer Spit: Manage the land and other resources of the Spit to accommodate its natural processes, while allowing fishing, tourism, other marine-related development, and open space/recreational uses.

Town Center: Create a community focal point to provide for business development, instill a greater sense of pride in the downtown area, enhance mobility for all forms of transportation, and contribute to a higher quality of life.

CIP Categories 2012-2017
Summary of Projects by Year and Cost

CATEGORY	2011	2012	2013	2014	2015	2016	TOTAL \$
LOCAL ROADS & TRAILS	500,000	650,000	5,350,000	-	-	-	6,500,000
STRUCTURES	9,410,000	9,225,000	106,675,000	20,925,000	-	175,000	146,410,000
UTILITIES	11,280,000	6,310,000	18,710,000	200,000	200,000	-	36,700,000
EQUIPMENT	950,000	270,000	210,000	-	-	-	1,430,000
TOTAL \$	22,140,000	16,455,000	130,945,000	21,125,000	200,000	175,000	191,040,000

**Tables will be updated at the end
of the CIP development process**

Local Roads and Trails Summary of Projects by Year and Cost

PROJECT	2011	2012	2013	2014	2015	2016	TOTAL \$
Heath Street, Pioneer to Anderson		400,000	3,600,000				4,000,000
Horizon Loop Trail Feasibility and Conceptual Design							0-
Land Acquisition for New Roads	500,000						500,000
Town Center Infrastructure		250,000	1,750,000				2,000,000
TOTAL \$	500,000	650,000	5,350,000				6,500,000

**Tables will be updated at the end
of the CIP development process**



Heath Street - Pioneer to Anderson

PROJECT DESCRIPTION & BENEFIT: This project provides for the design and construction of a connection from East End Road to Anderson Street. The project will address concerns raised by Alaska DOT/PF regarding the Heath Street/Pioneer and Lake Street/Pioneer intersections and will provide access from East End Road past Homer High School to a developing residential area north of the high school. The City of Homer will work with ADOT engineers to determine the best route (extension of Heath Street vs. extension of Lake Street) to provide safer and more effective circulation, improve emergency access to and from the high school, and reduce congestion at existing intersections.

PLANS & PROGRESS: The improvement is recommended in the 2005 Homer Area Transportation Plan and would implement recommendations of the 2005 Homer Intersections Planning Study (ADOT). The City of Homer has agreed to fund 50% of the project.

Schedule and Cost: 2012-2013 (design)—\$400,000

2013-2014 (construction)—\$3.6 M

Priority Level 1



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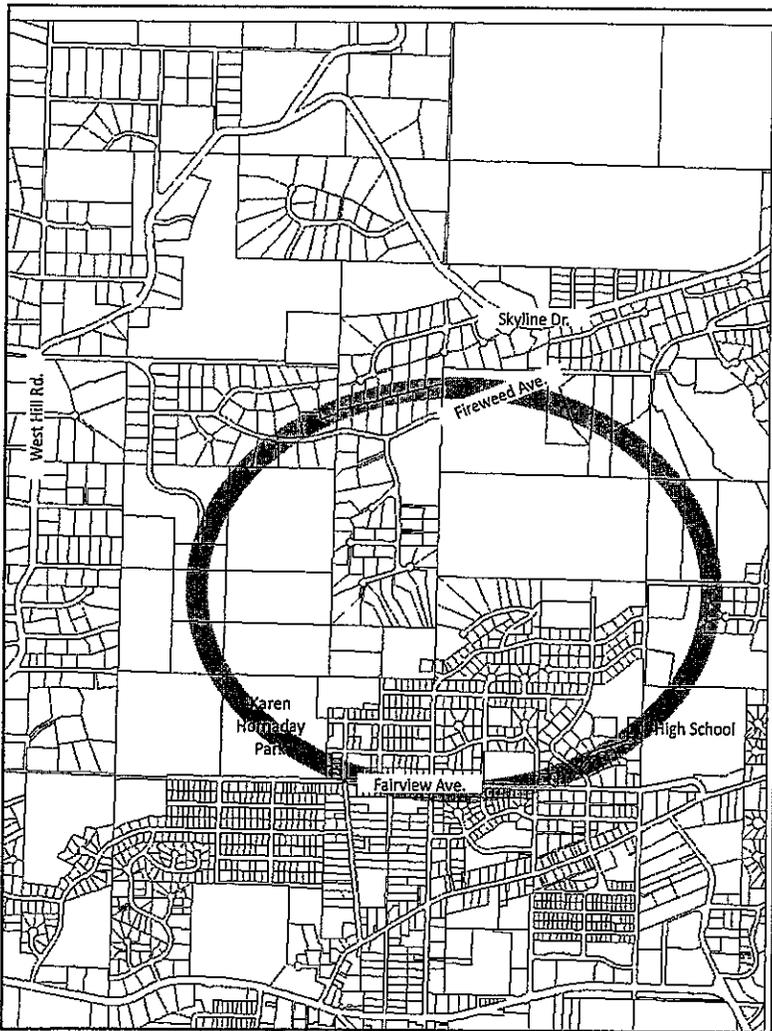
Contact Mayor Jim Hornaday or City Manager Walt Wrede at 235-8121



Horizon Loop Trail Phase I: Feasibility and Conceptual Design

PROJECT DESCRIPTION & BENEFIT: The Homer Horizon Loop Trail is proposed as a 4 to 5 mile route that would run clockwise from Karen Hornaday Park up around the top of Woodard Creek Canyon, traverse the bluff eastward along Fireweed Avenue, and then drop down to Homer High School. The parking lots of Karen Hornaday Park and Homer High School would provide trailhead parking. Those wishing to complete the loop will easily be able to walk from the high school to Karen Hornaday Park or vice versa via Fairview Avenue. A later stage of trail development will connect the Horizon Loop Trail with the Homestead Trail at Bridge Creek Reservoir.

The trail will fill a need identified by trails advocates for more hiking opportunity on this side of the bay. Many Homer residents will be able to access the trail without having to drive at all, since it will begin and end in the most densely populated area of town, with additional access points on the upper part of the loop. The Homer Non-Motorized Transportation and Trail Plan notes the need for such a trail, which would provide both transportation and recreation benefits.



The oval above indicates the general area of the Horizon Loop Trail. It is not intended to indicate a proposed trail route.

The trail will also provide fitness benefits in that it will be long enough and steep enough to provide a good workout suitable for a wide range of children and adults. While beach walking in Homer is popular, it does not provide the same fitness benefits as a trail with a 600 foot elevation gain. In a 2-3 hour hike, trail users will improve cardiovascular health, build muscles, burn calories, and reap the mental health benefits of fresh air, spectacular views, and a sense of accomplishment. In a year-long assessment effort, the Southern Kenai Peninsula Communities Project, spearheaded by South Peninsula Hospital, identified "Healthy Lifestyle Choices" as its number 1 goal. The proposed Horizon Loop Trail will help meet that goal in the Homer community.

Phase 1 of the project will identify the routing options, begin discussions to establish necessary easements, and develop a preliminary design and cost estimate.

Cost (Phase 1): Staff time

Schedule: 2011

Priority Level 2



Land Acquisition for New Roads

PROJECT DESCRIPTION & BENEFIT: This project will help meet current and future transportation needs by acquiring specific land parcels and rights-of-way to extend five local roads:

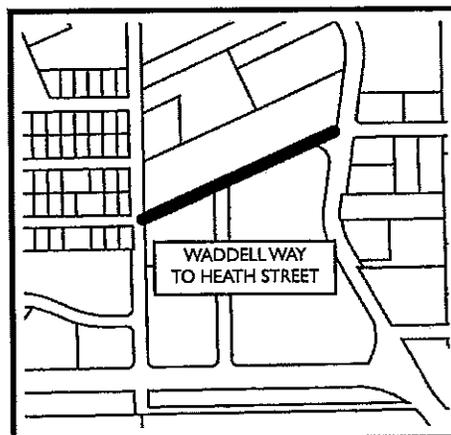
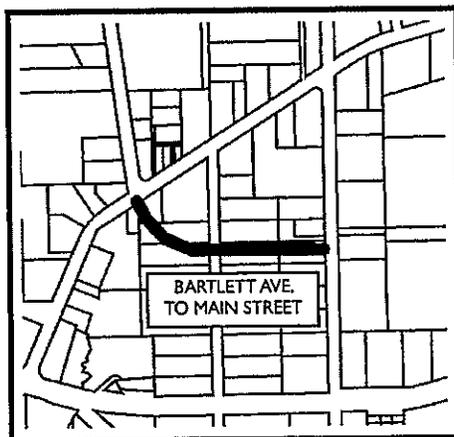
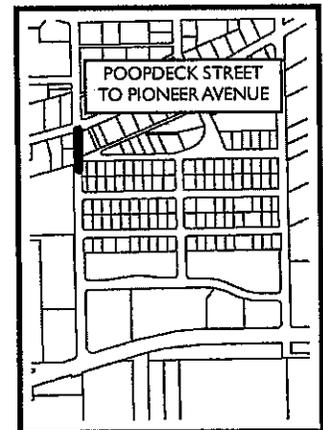
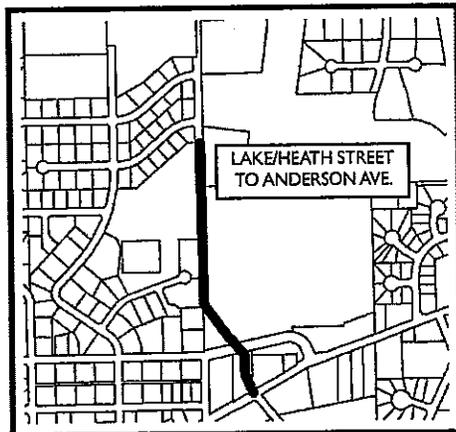
Lake/Heath Street to Anderson Avenue

- Bartlett Street extension south and east to Main Street
- Poopdeck Street extension north to Pioneer Avenue
- Early Spring Street extension north to East End Road
- Waddell Way extension west to Heath Street

PLANS & PROGRESS: All four road projects are recommended in the 2005 Homer Area Transportation Plan.

Cost: \$500,000

Schedule: 2011-13 Priority Level 2



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Contact Mayor Jim Hornaday or City Manager Walt Wrede at 235-8121



Town Center Infrastructure

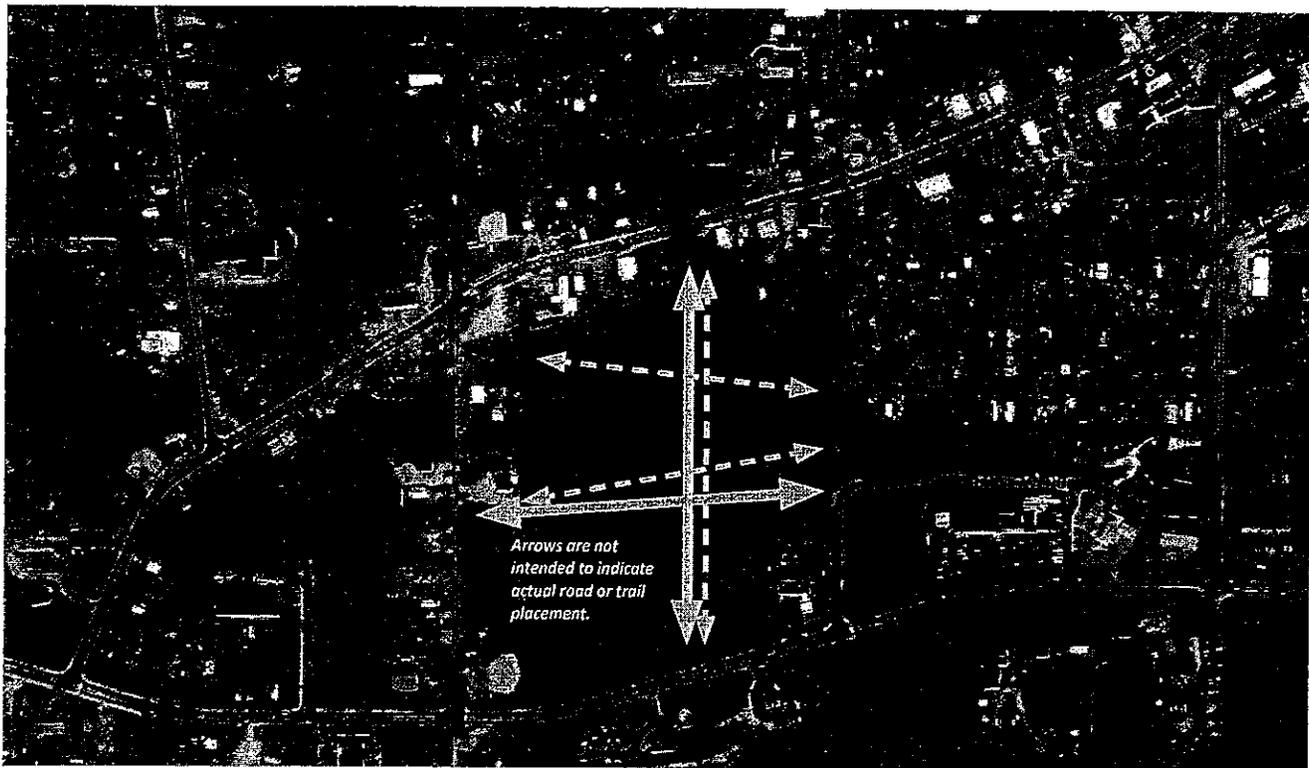
PROJECT DESCRIPTION & BENEFIT: In the Central Business District between Pioneer Avenue and the Sterling Highway and between Main Street and Poopdeck lie approximately 30 acres of undeveloped land, providing a unique opportunity to develop an attractive and lively downtown district in the heart of Homer. Establishing infrastructure is an important step in attracting further investment that will make Town Center a success.

The Town Center Infrastructure Project will begin Phase 1 development of Town Center, as described in the April 2006 Town Center Development Plan. Specifically, it will establish routes and acquire rights-of-way for roads, trails, and sidewalks; identify and carry out needed land exchanges between property owners; and develop the first trails through Town Center along with primary roadways with sidewalks, crosswalks, and utilities.

PLANS & PROGRESS: The Homer Town Center Project began in 1998 (as the Town Square Project) with a goal "to envision and create, through inclusive community planning, an area within the Central Business District of Homer that will be a magnet for the community, provide for business development, instill a greater sense of pride in the downtown area, make Homer more pedestrian-friendly, and contribute to a higher quality of life."

In April 2006, the Homer Town Center Development Plan was adopted by the City Council as a component of the Comprehensive Plan.

Schedule and Cost: 2012-2013 (design)—\$250,000 2013-2014 (construction)—\$1.75 M Priority Level 1



East-west and north-south road connections combined with trails, sidewalks, and parking in Town Center will set the stage for development of an economically vibrant and attractive downtown district in the heart of Homer.

Structures Summary of Projects by Year and Cost

PROJECT	2011	2012	2013	2014	2015	2016	TOTAL \$
Ben Walters Park Improvements		200,000					200,000
Deep Water Dock Expansion	1,200,000	1,750,000	26,000,000				28,950,000
Deep Water Dock Upland Improvements		800,000					800,000
Downtown Restroom #1			400,000				400,000
East Boat Harbor	1,520,000		78,500,000	20,600,000			100,620,000
End of the Road Park, Phase 1			1,075,000				1,075,000
Fish Dock Restroom		400,000					400,000
Fishing Lagoon Improvements	255,000						255,000
Harbor Entrance Erosion Control			600,000				600,000
Harbor Float Replacement/Ramp 3 Gangway and Approach	5,200,000						5,200,000
Homer Spit Dredged Material Beneficial Use Project	10,000	970,000					980,000
Jack Gist Park Improvements, Phase 1			100,000				100,000
Karen Hornaday Park Improvements, Phase 1	700,000						700,000
Mariner Park Improvements, Phase 1		475,000		325,000		175,000	975,000
Port and Harbor Building	375,000	2,500,000					2,875,000
Public Restroom - Fish Dock		400,000					400,000
Skyline Fire Station	150,000	1,200,000					1,350,000
Upgrade System 5 - Vessel Shore Power and Water		530,000					530,000
TOTAL \$	9,410,000	9,225,000	106,675,000	20,925,000	-	175,000	146,410,000

*Tables will be updated at the end
of the CIP development process*



Ben Walters Park Improvements, Phase I

PROJECT DESCRIPTION & BENEFIT: Ben Walters Park comprises 2.5 acres on the shore of Beluga Lake, near the intersection of Lake Street and the Sterling Highway. With its central location, proximity to McDonalds restaurant, and access to the lake for winter and summer recreation, it is one of Homer's most frequently visited parks.

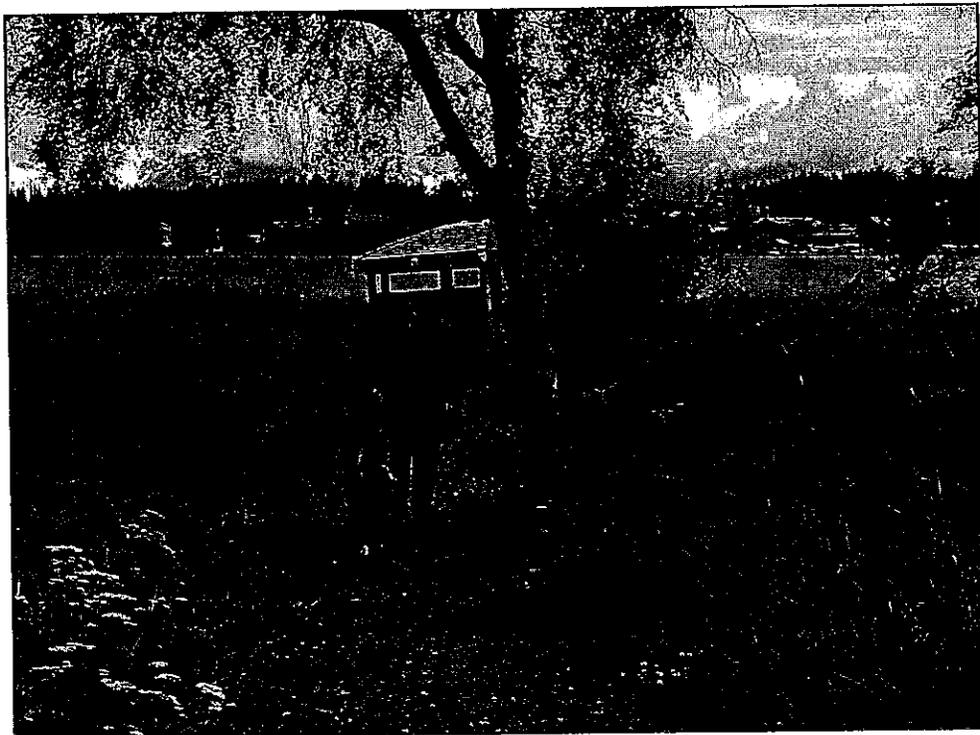
Phase 1 of the park improvement project, to replace the dock, was completed in 2009.

Phase 2 will enlarge the parking area and renovate the picnic shelter.

Cost: \$200,000

Schedule: 2012

Priority Level 2



Improvements are needed at Ben Walters Park, including enlarging the parking lot and renovating the shelter.

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Deep Water/Cruise Ship Dock: Docking and Upland Passenger Facility Improvements

PROJECT DESCRIPTION & BENEFIT: Classified as an Emerging Port for cruise-ship based tourism, the Port of Homer has seen a dramatic increase in cruise ship bookings in the last three years, from two ships in 2009 to nine in 2010 to fifteen scheduled for 2011. With the goal of encouraging this trend, the City of Homer has developed an Integrated Cruise Ship Enhancement Strategy aimed at utilizing state cruise ship head tax monies to maximize benefits of cruise ship tourism for both passengers and the Homer community. This project will implement key features of that strategy:

- Add docking fender, camel upgrade, and bollard upgrades to the Deep Water Dock (also known as the Cruise Ship Dock) (\$2.15 million). These upgrades will greatly facilitate docking maneuvers and help prevent damage to cruise ships.
- Modify the dock to eliminate bird nesting (\$600,000). The existing open I-beam construction of the Cruise Ship Dock creates ideal nesting sites for hundreds of seagulls, which in turn creates a huge problem with bird excrement and offensive odors. This problem will be largely eliminated by welding steel plates over the open I-beams, removing old fender brackets, and installing bird-deterrent spikes on dock support systems.
- Purchase a broom attachment for the Port forklift, to be used for cleaning the dock prior to cruise ship arrivals (\$10,000).
- Install a steel transition plate to bridge the gap between the dock and the dock trestle, for the full width of the trestle (\$20,000). Currently this gap creates a trip hazard for foot traffic, a particular problem for less agile passengers.
- Construct a guard house for security personnel that includes a public restroom (\$500,000).
- Construct a covered area for passengers waiting for ground transportation (\$50,000).
- Create a level, paved, and fenced staging area specifically for cruise ship passengers (separated from marine industrial uses) (\$100,000). The paved and marked surface will eliminate problems with dust and uneven/hazardous terrain that plague the area now and make it easier to direct passenger and vehicle/bus traffic. Signage will also help eliminate confusion in the staging area.
- Construct a paved ADA-compliant trail along the east side of the existing harbor and Outer Dock Road (4,000 feet). Include three pullout/view areas with benches and signage (\$425,000).
- Construct a paved parking area and covered shelter in the main commercial/retail area of the harbor for passengers embarking/diseMBarking from buses (\$100,000).
- Construct a paved trail from where the new Spit Trail ends (at End of the Road Park) to Coal Point, to include benches and signage at Coal Point and a restroom at End of the Road Park (\$950,000). The new trail will be utilized by passengers who disembark at either the Cruise Ship Dock or the Pioneer Dock (back-up cruise ship dock). Coal Point provides an outstanding overlook area for observing all the activities of the harbor, including those at the Fish Dock.
- Construct public restrooms with covered bus stops at two downtown locations (\$1 million).
- Include public art and landscaping features with some of the above projects to enhance the visitor experience (\$50,000).



A stinky dock, rough unmarked parking lot, lack of weather protection, and general disheveled appearance at the Cruise Ship Dock uplands do not provide the best first impression of Homer.

Total project cost: \$5,955,000

Schedule: 2011-2013

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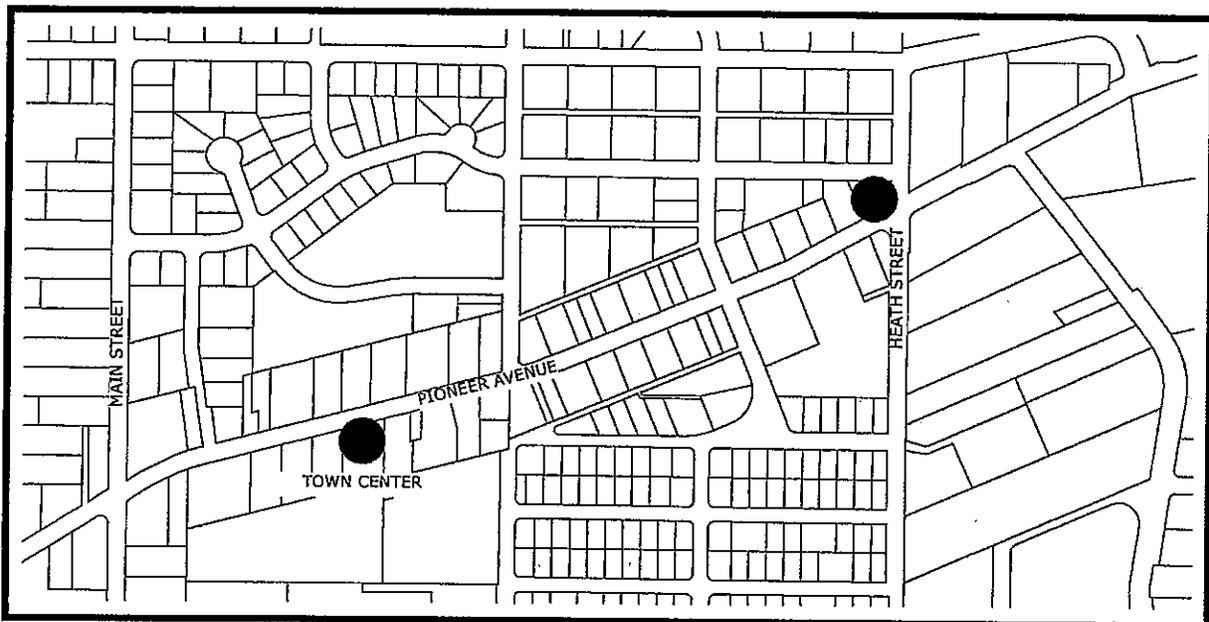
Downtown Restroom

PROJECT DESCRIPTION & BENEFIT: This project will provide the first of two public restrooms in downtown Homer, for the benefit of residents and visitors. Currently, the only public restroom facilities on Pioneer Avenue are in City Hall. With proposed Town Center development, the need for restroom facilities will increase as more people frequent the downtown area. Specific locations proposed for the new restrooms are at the pedestrian trail entrance to Town Center and at WKFL Park, as shown below.

Cost: \$400,000

Schedule: 2013

Priority Level 2





East Boat Harbor

PROJECT DESCRIPTION & BENEFIT: This project will construct a new harbor ranging in size from 11 to 15 acres. It would enhance harbor capabilities by:

- accommodating the large commercial vessels (fishing vessels, workboats, landing craft, tugs, barges, etc.) that are currently congesting the harbor at System 4 and System 5 transient floats, rafting two and three abreast due to shortage of moorage space at the floats, thus overstressing the floats;
- enabling Homer to accommodate and moor the additional 40 to 60 large commercial vessels that potentially would use Homer Harbor as a home port but which have in the past been turned away due to lack of space;
- providing a long-term solution to mooring problems the USCGC *Hickory* experiences on Pioneer Dock during the northeasterly storm surges and to the security problem faced by both the USCG cutters home-ported at Homer. These vessels are unable to maintain an adequate security zone around their current moorings in the existing small boat harbor (USCGC *Roanoke Island*) and on the Pioneer Dock west trestle (USCGC *Hickory*).

The Port of Homer and Homer Small Boat Harbor are regional facilities serving and supporting the northern Gulf of Alaska, Prince William Sound, Cook Inlet, and Kachemak Bay and are also a “place of refuge” for Gulf of Alaska, Cook Inlet, and Kennedy Entrance marine traffic in event of severe weather or machinery malfunctions.



Several conceptual designs have been proposed for a new Homer boat harbor. This one would add a new basin with its own entrance adjacent to the existing Small Boat Harbor.

The proposed new harbor basin will be dredged to minus 20 feet Mean Lower Low Water (MLLW) to accommodate large commercial vessels so they will not touch bottom on the lowest tides of the year (minus 5.6 feet). It will need to be dredged to minus 22 feet MLLW in the entrance channel, fairway, and one side of the basin to accommodate the USCGC *Hickory* at the proposed Coast Guard float. The new basin will provide the security zone and private moorings for the U.S. Coast Guard vessels at one side and will accommodate the large, deep draft commercial vessels at the other side.

PLANS & PROGRESS: The Army Corps of Engineers completed a reconnaissance study in 2004 that indicated a federal interest in having a new harbor in Homer; however, subsequent analysis found that the

cost/benefit ratio was too low for the Corps to recommend the project. The City of Homer has requested a technical report from the Corps and is seeking funding from other sources.

Schedule and Cost: 2011-12 (design and permitting)—\$1.52 million

2013 (breakwater construction and dredging)—\$78.5 million

2014-2015 (inner harbor improvements)—\$20.6 million

Priority Level 2

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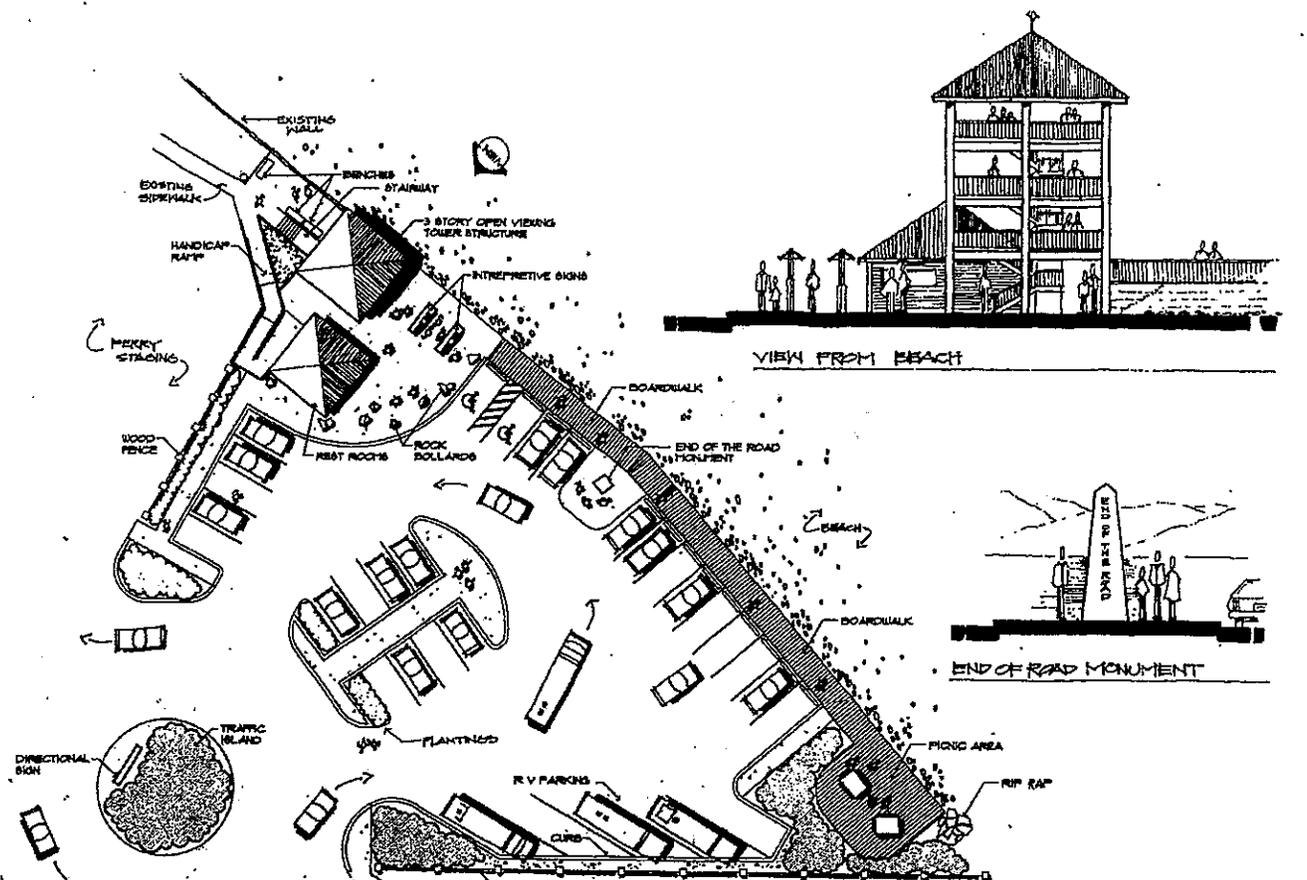
End of the Road Wayside, Phase 1

PROJECT DESCRIPTION & BENEFIT: An End of the Road wayside has been envisioned for the end of the Homer Spit (between the ferry terminal and Land's End) since the early 1990s. The City of Homer originally sought Federal Transportation Enhancement funding for the park, which was to be built in conjunction with a marine highway ticket office. But in 1995, the two projects were separated and the park was never built. Since that time, activity on the Homer Spit has increased dramatically, especially in the summer. It is time to replace the existing dusty parking lot with an attractive multi-purpose park that will include landscaping, provide comfortable seating, make the most of the view, and include pavement markings to facilitate traffic movement (e.g., turnarounds). Phase 2 of this project will construct a restroom facility.

PLANS & PROGRESS: The Alaska Departments of Transportation and Natural Resources have provided planning and design assistance in the past for this project, which was expected to serve as the terminus for the Homer Spit Trail. The City of Homer received FY 2010 funding to complete the Spit Trail from the fishing lagoon to the ferry terminal. It is possible that some of that funding can be used for improvements at End of the Road Wayside.

Total cost: \$1,075,000

Schedule: 2013 Priority Level 2



This design for End of the Road Park prepared by ADOT in 1994 features a boardwalk, landscaping, picnic area, restrooms, interpretive signs, and viewing tower along with paved parking.



Fish Dock Restroom

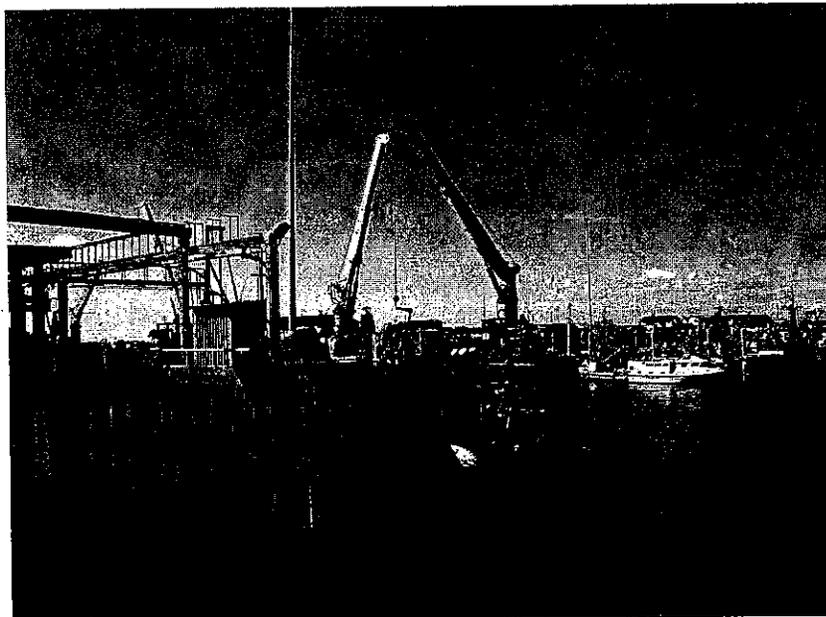
PROJECT DESCRIPTION & BENEFIT: With increased activity on the Homer Spit the need for restroom facilities has also increased. The most urgently needed restrooms are in the vicinity of the Fish Dock and at Mariner Park. (The Mariner Park restroom is addressed in this plan under "Mariner Park Improvements.")

A new restroom in the vicinity of the Fish Dock will provide a public facility for commercial fishermen, cash buyers, dock workers, truck drivers, and others who catch, unload, process, and transport millions of pounds of seafood across the dock annually.

PLANS & PROGRESS: \$120,000 has been set aside to help pay for the restroom at the Fish Dock. Funding secured for completion of the Homer Spit Trail (FY 2010 state appropriation) is another possible source of funding for the restroom.

Cost: \$400,000

Schedule: 2012 Priority Level 2



The Homer Fish Dock is one of the busiest places in the Homer harbor, but currently has no restroom facility.

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Fishing Lagoon Improvements

PROJECT DESCRIPTION & BENEFIT: The Nick Dudiak Fishing Lagoon (also known as the "Fishing Hole") is a man-made marine embayment approximately 5 acres in size, stocked to provide sport fishing harvest opportunity. It is extremely popular with locals and visitors alike. During the summer when salmon are returning, approximately 100 bank anglers may be present at any one time between 7 a.m. and 10 p.m. The parking area, shoreline, and tide line 17 feet above mean high water are owned by the City of Homer. Below mean high water, the tidelands and water are owned by the State of Alaska. The City of Homer, Homer Chamber of Commerce, Alaska Fish and Game, and many other supporters work to ensure robust salmon runs in the lagoon.

Buying salmon smolt is only one of the challenges faced by Fishing Lagoon supporters. The lagoon embayment itself is in need of maintenance work. While significant work was accomplished in 2010, the following improvements are still needed:

- Dredge the lagoon approximately 3 feet to remove deposits from tidal action, from settling of the inside banks, and from dead organic matter. Estimated cost: \$250,000.
- Plant wild rye grass sprigs to stabilize the inner basin slope. Estimated cost: \$5,000.

Total cost: \$255,000

Schedule: 2011

Priority Level 1



Significant improvements were accomplished at the Fishing Lagoon in 2010, including removing a gravel bar that had formed at the north side of the entrance and rebuilding the north berm with armor rock. Additional dredging work is needed now.



Harbor Entrance Erosion Control

PROJECT DESCRIPTION & BENEFIT: The entrance to Homer's small boat harbor is under steady assault from wave action, putting infrastructure at risk from erosion. In 1995, Icicle Seafood and the City of Homer worked together to build a log cribbing revetment structure on the City property where Icicle Seafood was located. Although this project stopped the immediate erosion threat, it was built as a temporary measure until such time as funding could be obtained to build a rock revetment. Since it was built, the log cribbing itself has been hammered by waves and is steadily disintegrating.

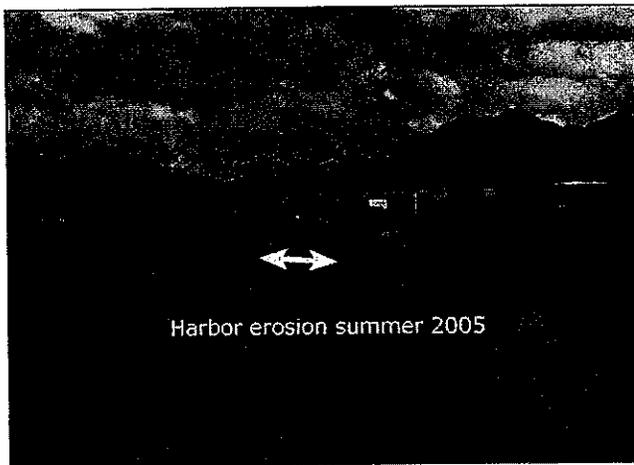
Other leased City property in jeopardy includes petroleum pipelines at the Petro Marine site. Pipelines to Petro Marine's tank farm are located in the bluff-line area just outside the entrance to Homer Harbor. A continued lack of shore protection in this area will lead to the facilities having to be abandoned or pipelines rerouted at considerable expense. A rip-rap revetment is being proposed that will extend 935 feet from the jetty entrance of the harbor to the existing revetment near the Ferry Terminal. (Note: This project could be completed in conjunction with the proposed East Boat Harbor or Harbor Pathways construction.)

Homer Harbor is the home port to commercial and recreational fishing fleets of more than 1,500 vessels and is an integral part of the local economy. The fuel storage facility is a vital part of refueling operations within the harbor and is located for maximum efficiency. Erosion control is needed to protect the harbor for fishermen, tourists, and other users.

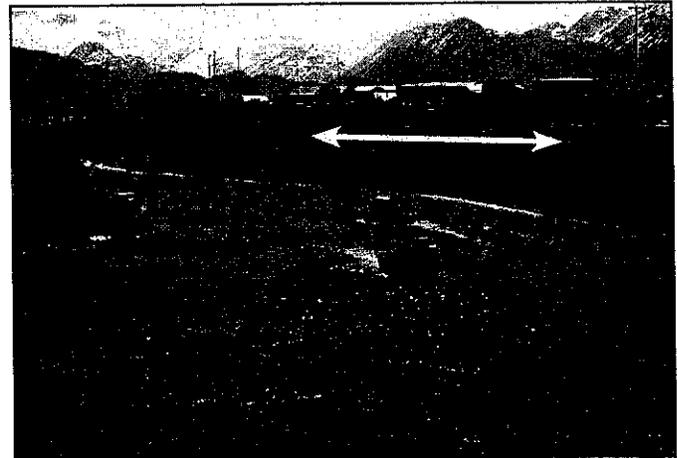
Cost: \$600,000

Schedule: 2013

Priority Level 2



Harbor erosion summer 2005



A large section of the temporary wooden cribbing built to protect the shore from erosion has been destroyed by wave action. Each year the extent of damage increases.

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Harbor Float Replacement/ Ramp 3 Gangway and Approach

PROJECT DESCRIPTION & BENEFIT: This project will replace the most badly damaged floats in the Homer Harbor along with Ramp 3 and the Ramp 3 approach.

The floats to be replaced were originally installed in the 1970s. Age and heavy use have led to areas of marginal freeboard, worn and irregular walking surfaces, bull rails in need of replacement, ice damage to pilings, and broken sidewalls with exposed flotation. While on-going maintenance and emergency repairs have kept the floats in service, their condition is such that replacement is the only reasonable long-term solution. The following floats will be replaced as Phase 1 of the project: A Float, connecting E-J; J Float, R Float, and S Float. A combined total of 1,706 linear feet are involved.

Ramp 3 is the last remaining original ramp in the Homer Harbor, dating back to the mid-1960s. It is the steepest ramp and is the most difficult to use during low tides. Ramp 3 is also the most centrally located ramp in the harbor with access to the widest range of stall size classes. This makes Ramp 3 the best candidate for any ADA improvements that would make it easier for individuals with disabilities to access the harbor basin. A new aluminum ramp that is covered would help in keeping the ramp snow and ice-free for year-round access. (Many other harbors in Alaska now include covered ramps.) A 100-foot long ramp would reduce the angle at low tide and ensure that the ramp is adequate to meet future needs. ADA regulations require that ramp gangways be a minimum of 80 feet long.

The Ramp 3 approach, a long narrow wooden structure, is the oldest approach in the harbor and is in the poorest condition. The proposed Spit Trail completion/Harbor Pathways project would tie in perfectly with a newly upgraded Ramp 3 approach.

PLANS & PROGRESS: The project has been discussed with Alaska DOT harbor division engineers to identify areas of greatest need, develop scope of work, and arrive at a preliminary cost estimate.

Cost: \$5.2 million (\$3.5 million for float replacement; \$1.7 million for Ramp 3 gangway and approach)

Schedule: 2011-2012

Priority Level 1



Ramp 3 is the most centrally located ramp in the Homer Harbor, but it is also the oldest and the most challenging to use at low tide. The old wooden approach to the ramp is also in need of replacement.



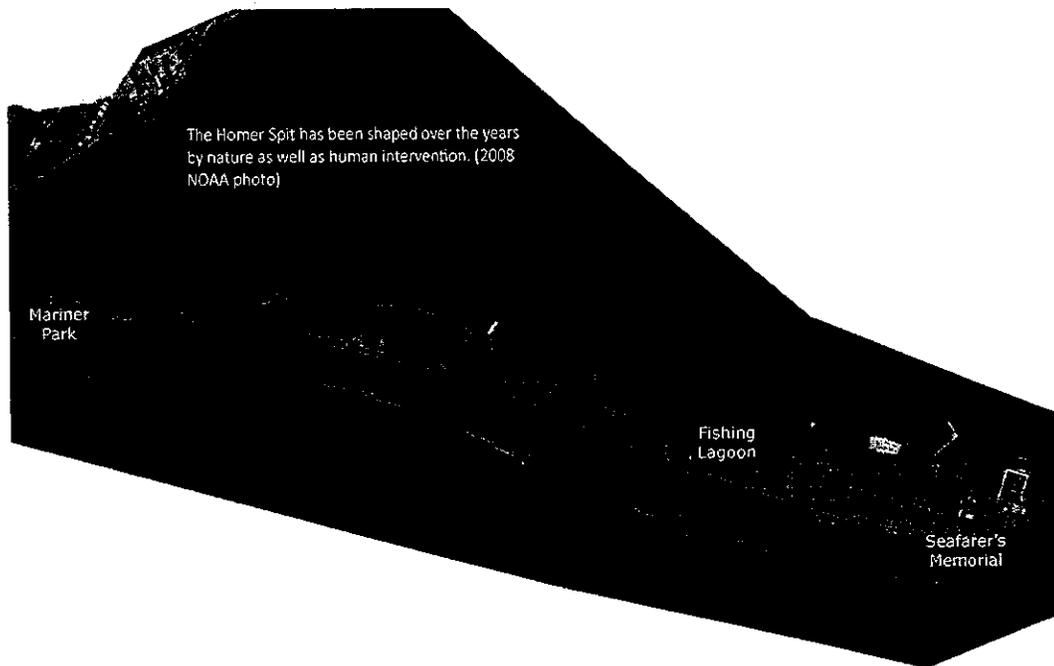
Homer Spit Dredged Material Beneficial Use Project

PROJECT DESCRIPTION & BENEFIT: The purpose of this project is to dispose of dredged material from the entrance of the Small Boat Harbor and the Pioneer Dock berth in a beneficial manner. The material will be used to replenish eroded material along the beaches of the Spit and create additional parking pads on the Spit. The beach replenishment points would be at Mariner Park (replenishing beaches on the west side of the Spit) and just north of the Fishing Lagoon (replenishing beaches on the east side of the Spit). The new parking pads would be created at two locations: one between the Seafarer's Memorial and the east end of the nearby boardwalk complex, and the other between the west end of the same boardwalk and the next boardwalk to the west. The material will be placed on the beaches as part of the Army Corps of Engineers' dredging/disposal operations. (Hauling costs would be supplemented by Harbor Funds when hauling to Mariner Park). Material incorporated into the parking pads will be placed as part of the Corps' dredging/disposal operations; additional City funds will be required to spread, cap and place riprap along the beach where fill is placed near or in the tidal zone. A Corps permit will be needed to accomplish this work.

Schedule: The beach replenishment work would be completed over a ten year period; the parking pads would be constructed over a three year period. Beneficial use of dredged material would begin in 2011 and be completed by 2020.

Cost:	2011	\$ 10,000 – Spread available material in upland parking pad areas
	2012-13	\$ 20,000 – Place and compact all needed material to create parking pads
		\$675,000 – Install 3000 CY of riprap on slopes
		<u>\$ 95,000</u> – Install gravel cap on parking pad area
Total Construction =		\$800,000
Design/Inspection =		\$ 90,000
Contingency =		<u>\$ 90,000</u>
Total Project Cost =		\$980,000

Priority Level: 2



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Jack Gist Park Improvements, Phase I

PROJECT DESCRIPTION & BENEFIT: Jack Gist Park has been in development since 1998 on 12.4 acres of land donated to the City of Homer by a private landowner. As originally envisioned by the Jack Gist Recreational Park Association, this parcel was to be developed primarily for softball fields. The long-term goal is to acquire adjacent properties that will provide space for soccer fields and an equestrian park.

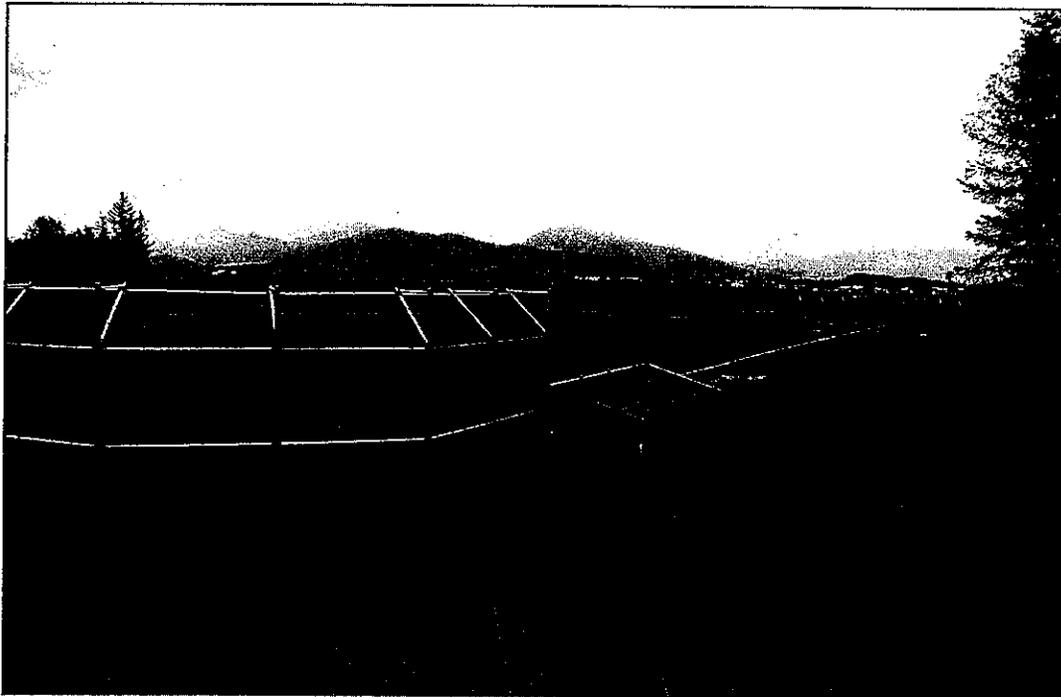
The proposed project will complete Phase 1 of Jack Gist Park by constructing a concession stand and maintenance equipment storage building adjacent to the softball fields. Phase 2 of the project will provide a plumbed restroom facility.

PLANS & PROGRESS: In 2005-2006, a road was constructed to Jack Gist Park from East End Road, a 70-space gravel parking area was constructed, and three softball fields were constructed including fencing, dugouts, and backstops. In 2008, bleachers were installed at all three softball fields. In 2009, two out of three infields were resurfaced. In 2010, the City Council allocated almost \$52,000 in federal "stimulus" funds for park improvements. With volunteer help, topsoil was spread and seeded on two fields and the parking area was improved and expanded.

Cost: \$100,000

Schedule: 2012

Priority Level 2



One of the new softball fields at Jack Gist Park



Karen Hornaday Park Improvements, Phase I

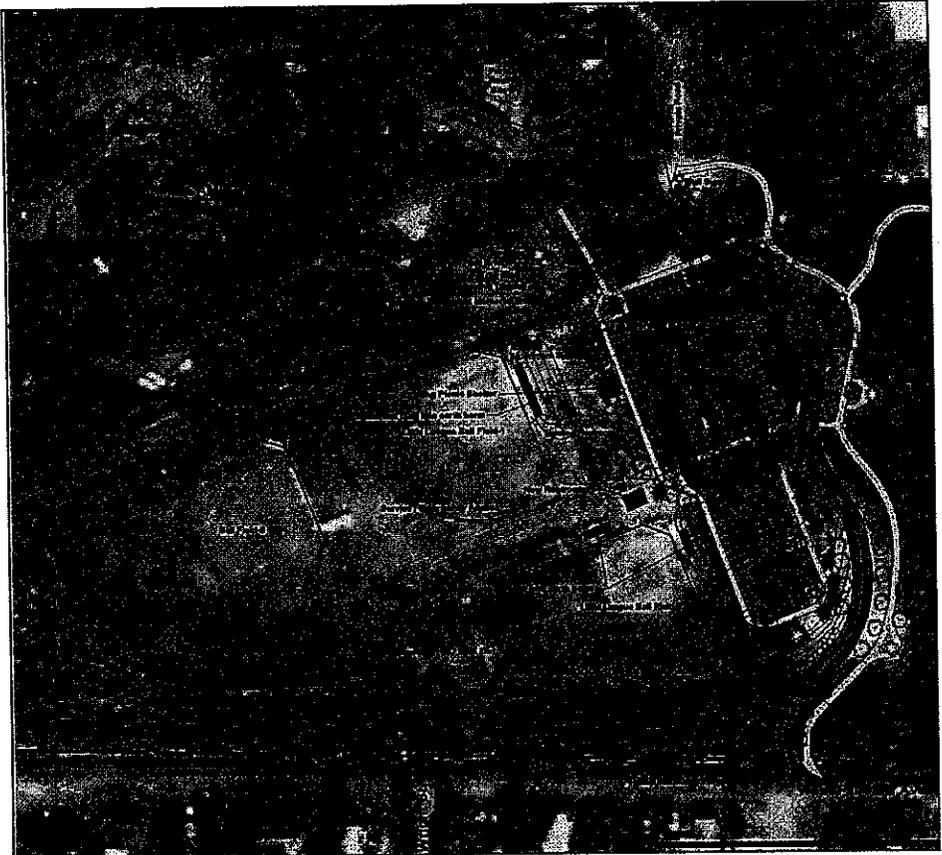
PROJECT DESCRIPTION & BENEFIT:

Homer's popular Karen Hornaday Park encompasses baseball fields, a playground, a campground, and a creek on almost 40 acres. The Karen Hornaday Park Master Plan, updated and approved in 2009, sets forth goals and objectives to be accomplished over a 10-year period. Phase 1 projects include parking and drainage improvements, upgrades to the playground, expansion and upgrade of the day use area, improvements to the ballfields, and initial work on the proposed Woodard Creek Trail.

PLANS & PROGRESS: The Alaska Legislature appropriated \$250,000 for the park improvement project for FY 2011. The Homer City Council committed an additional \$55,000 via Ordinance 10-23(A).

Total Cost: \$700,000
Schedule: 2011 - 2013

Priority Level 1



The Karen A. Hornaday Hillside Park Master Plan, approved by the City Council in 2009, includes this concept design.

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Contact Mayor Jim Hornaday or City Manager Walt Wrede at 235-8121



Mariner Park Improvements, Phase 1

PROJECT DESCRIPTION & BENEFIT: This project will provide significant improvements to Mariner Park, at the base of the Homer Spit. As one of Homer's most popular recreation areas, Mariner Park attracts campers, beach walkers, kite-flyers, Spit Trail users, birders, people with dogs, and others who come to enjoy the views and open-air recreation opportunities.

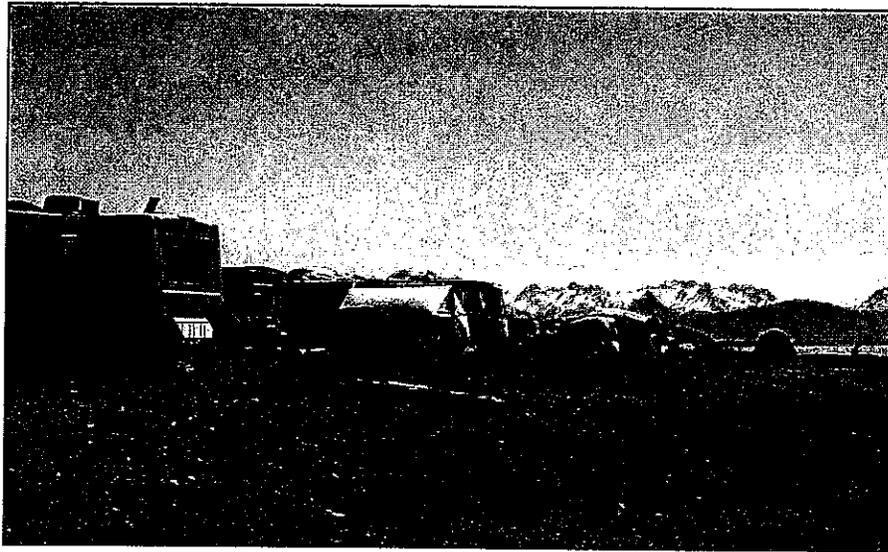
Homer's growing population and tourist visitation are placing greater demand on Mariner Park, increasing the need for recreation and safety enhancements. The following have been identified as specific areas for improvement in the next six years:

- Construct a plumbed restroom facility (\$475,000)
- Develop a bike trail from "Lighthouse Village" to Mariner Park (\$325,000)
- Expand the park and move the vehicle entrance to the north, away from the curve in the Spit Road where the existing entrance is (\$175,000)

Phase 2 improvements, to be undertaken in later years, will include fee camping sites and a picnic/barbeque area.

Schedule and Cost: 2011-2015—\$975,000

Priority Level 1



At the base of the Homer Spit, Mariner Park provides access to the beach, to the Homer Spit Trail, and to spectacular views.



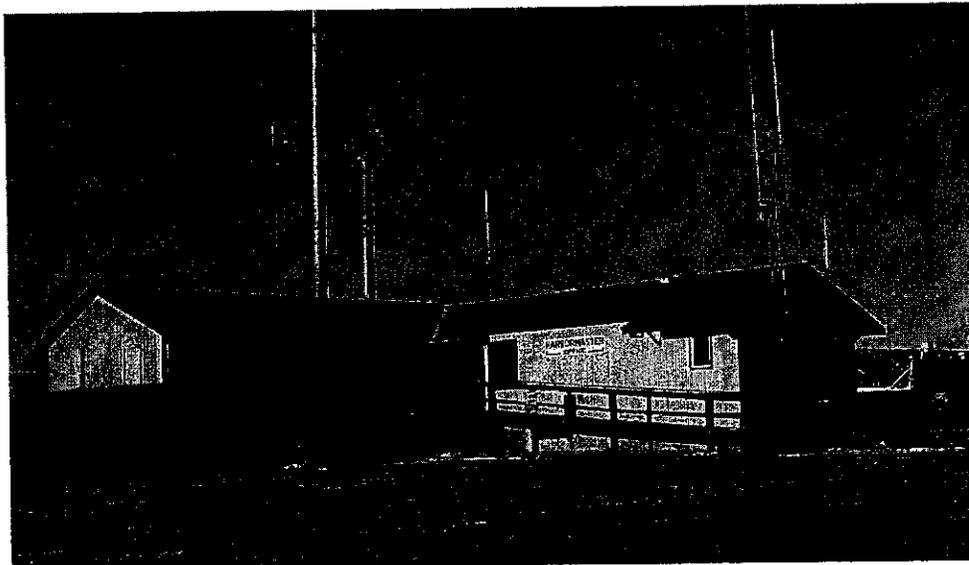
Port and Harbor Building

PROJECT DESCRIPTION & BENEFIT: The Port and Harbor Office was constructed in 1983 by relocating two old buildings and adding another section. The present building is substandard with electrical, lighting, and heating deficiencies, and does not meet current codes and standards for occupancy as an office building. The building had a new roof installed in 2004 to extend its life a few more years; however, the need for a new building remains critical.

Construction of a new port and harbor office will eliminate the safety concerns of the existing building and will also allow better observation of the entire harbor. If constructed as overslope development, a new Port and Harbor building will set the standard for such development, encouraging future construction to the benefit of the harbor area and the Homer economy, addressing the need for additional space for commerce and parking on the Homer Spit.

Schedule and Cost: 2011 (design)—\$375,000 2012-2013 (construction)—\$2,500,000

Priority Level 1



The current Port & Harbor building has never met codes for occupancy as an office building.

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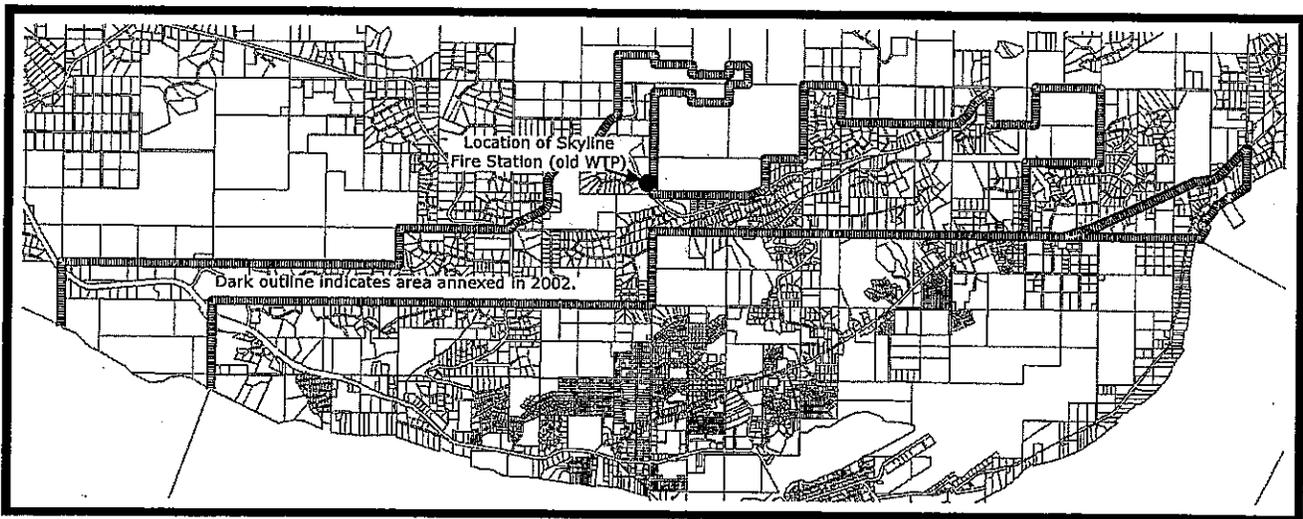
Contact Mayor Jim Hornaday or City Manager Walt Wrede at 235-8121



Skyline Fire Station

PROJECT DESCRIPTION & BENEFIT: This project, which is included in the Transition Plan for annexation, will provide a new substation on Skyline Drive to provide fire protection to the area of Homer annexed in 2002. It will house an engine/tanker, ambulance, and brush truck and provide for more efficient response to fires on Skyline Drive, Diamond Ridge, and other areas accessible from those roads. An additional benefit of the station will be to assist the Kachemak Emergency Service Area in responding to emergencies.

Schedule and Cost: 2011 (engineering and design)—\$150,000 2012 (construction)—\$1.2 million Priority Level 1





Upgrade System 5: Vessel Shore Power and Water

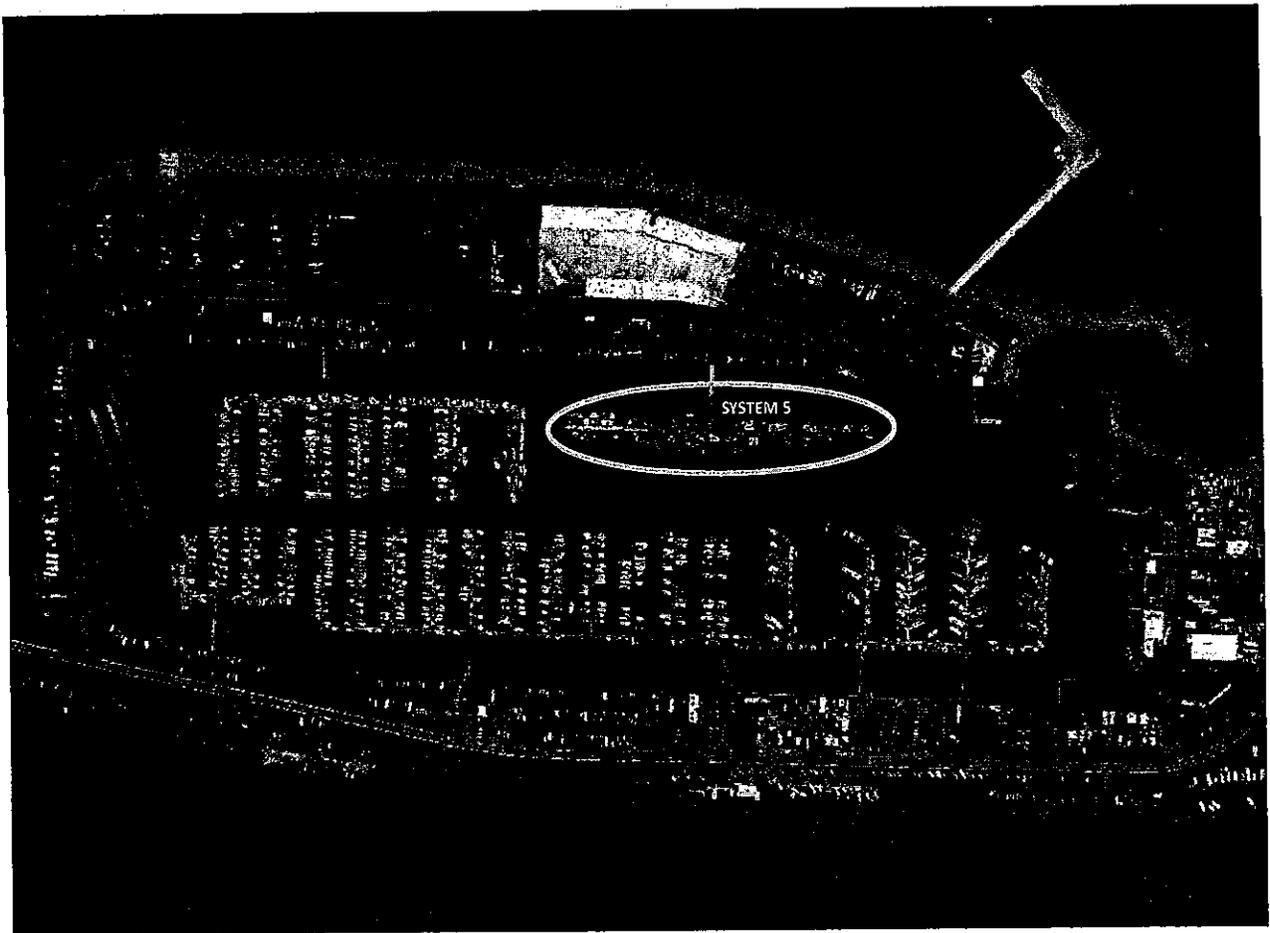
PROJECT DESCRIPTION & BENEFIT: System 5 is the large vessel float system in the Homer harbor. The Port and Harbor Commission has recognized the need to improve and add additional power pedestals to the system to provide adequate power for our large vessel fleet. In addition, this project will install a year-round fresh water supply to the system in the form of a single standpipe on the main float close to the ramp. Upgrading the shore power system and providing year-round water will increase the number of vessels home-ported in Homer and thus enhance commerce in the community by way of jobs and services.

PLANS & PROGRESS: The Port and Harbor Director has met with a local contractor to discuss the project and get a preliminary cost estimate.

Cost: \$530,000

Schedule: 2012

Priority Level: 1



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Utilities

Summary of Projects by Year and Cost

CATEGORY/PROJECT	2011	2012	2013	2014	2015	2016	TOTAL \$
Alternative Water Source	750,000	1,000,000	15,000,000				16,750,000
Bridge Creek Watershed Land Acquisition	200,000	200,000	200,000	200,000	200,000		1,000,000
Kachemak Bay Tidal Power Feasibility/Conceptual Design	1,280,000						1,280,000
Natural Gas Pipeline - Anchor Point to Homer	8,525,000						8,525,000
Sewer Treatment Plant Bio-solids Treatment Improvements	525,000	4,720,000					5,245,000
Water Storage/Distribution Improvements		390,000	3,510,000				3,900,000
TOTAL \$	11,280,000	6,310,000	18,710,000	200,000	200,000		36,700,000

Tables will be updated at the end of the CIP development process



Alternative Water Source

NEW WATER SOURCE: Currently Homer's sole water source is the Bridge Creek Reservoir. Population growth within the city, increased demands for City water from residents outside city limits, increasing numbers of tourists and summer residents, and climate change that has reduced surface water availability are all factors in the need for a new water source to augment the existing reservoir.



Clean drinking water is essential for public health and providing clean water is one of the core functions of government.

The City has been proactive in addressing the looming water problem by commissioning a new Water and Sewer Master Plan. Based on projected population growth, the plan recommends that Homer develop a new water source; utilizing, for example, an existing stream such as Twitter Creek, Diamond Creek, or Fritz Creek. Planning and design for this project needs to begin as soon as possible.

Schedule and Cost: 2011 (feasibility study)—\$750,000

2012 (design and permitting)—\$1,000,000

2014 (construction)—\$15 million

Priority Level 1

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Bridge Creek Watershed Land Acquisition

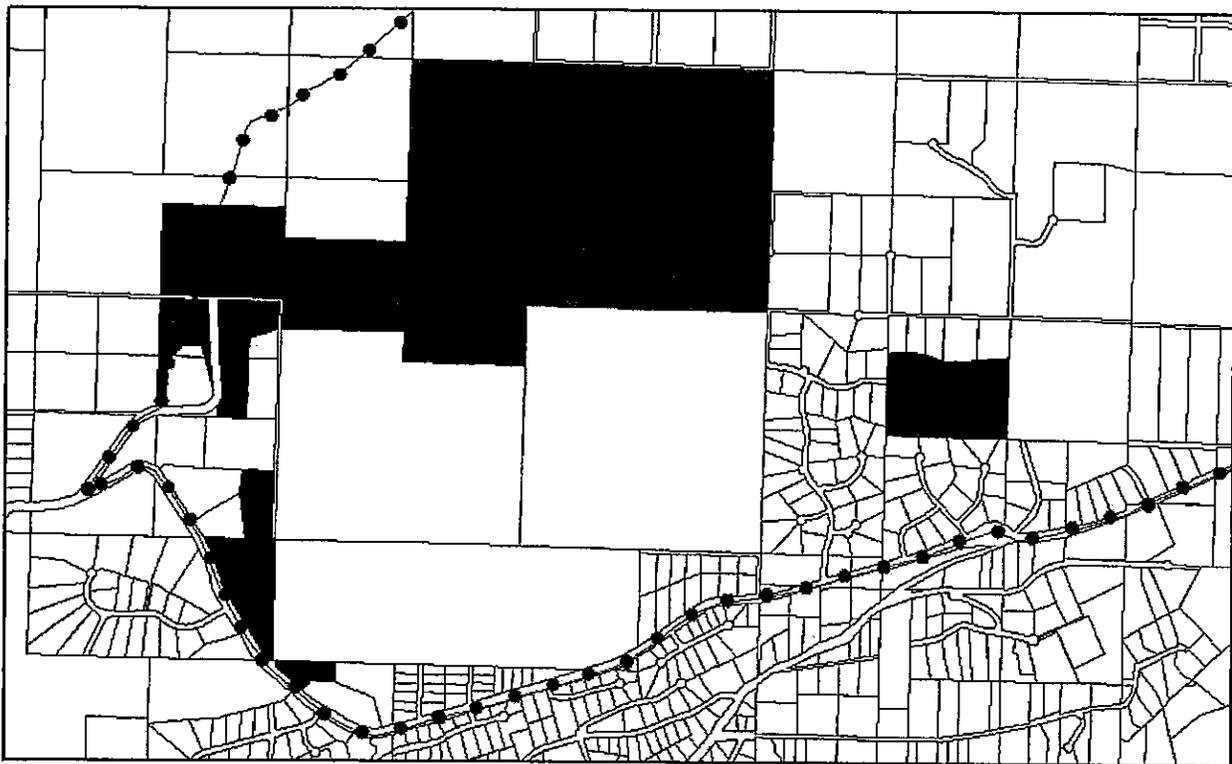
PROJECT DESCRIPTION & BENEFIT: Currently, the Bridge Creek watershed is the sole source of water for Homer. To protect the Bridge Creek watershed from development that could threaten the water supply and to ensure the availability of land for possible future expansion of water treatment operations within the watershed, the City seeks to acquire additional acreage and/or utilize conservation easements to restrict development that is incompatible with clean water.

PLANS & PROGRESS: Since 2003, the City of Homer has acquired approximately 270 acres in the Bridge Creek watershed, including approximately 9 acres in 2010.

Cost: \$1 million

Schedule: 2011 - 2015

Priority Level 1



Shading indicates the property already owned by the City of Homer within the Bridge Creek watershed, as of August 2009.



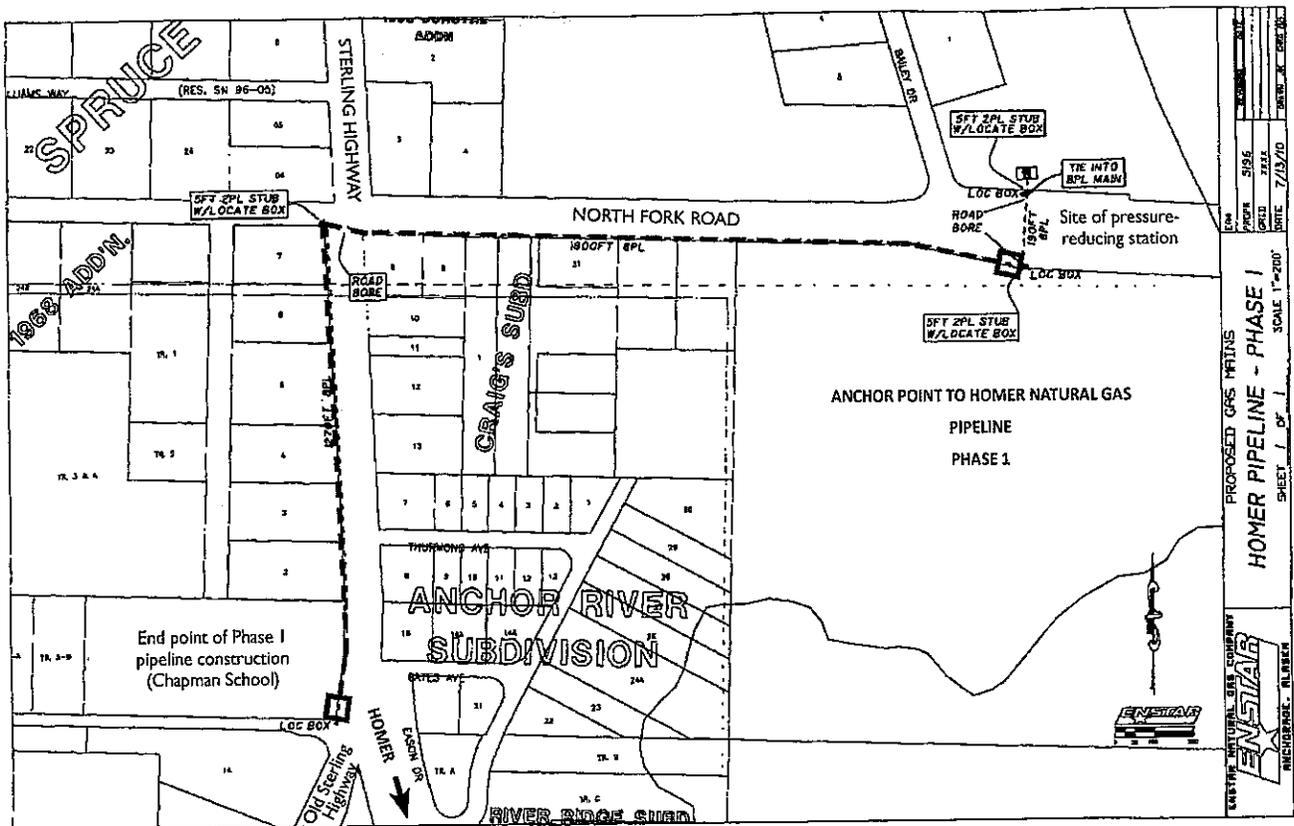
Natural Gas Pipeline Anchor Point to Homer - Phase 2

PROJECT DESCRIPTION & BENEFIT: This project will provide natural gas to Homer from the North Fork field east of Anchor Point. The project will include a pressure reducing station to feed both Anchor Point and Homer and approximately 14 miles of 8-inch plastic pipe. The distribution-rated line would serve home and business needs enroute and be able to supply 5 million cubic feet per day to Homer, which is adequate for a 30-year customer base buildout. Natural gas is expected to provide significant cost savings to homeowners and businesses as compared to fuel oil, electricity, or propane. Natural gas has the added benefit of having a relatively low carbon footprint as compared to fuel oil.

PLANS AND PROGRESS: The Alaska Legislature approved \$4.8 million for this project in April 2010; however, Governor Parnell reduced the amount to \$525,000 before signing the FY 2011 capital budget into law. The initial funding will enable completion of the pressure reducing station and 3200 feet of pipe heading south toward Homer (terminating at Chapman Elementary School).

Enstar Natural Gas Co. is preparing cost estimates for the next phase of the project (extending the pipe to Homer High School via the Old Sterling Highway). The Homer City Council has appointed a task force to evaluate the range of options for financing the cost of extending service lines to public buildings and neighborhoods within Homer city limits.

Schedule and Cost: 2011—\$8.53 million Priority Level 1



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Sewer Treatment Plant Bio-solids Treatment Improvements

PROJECT DESCRIPTION & BENEFIT: Currently the Homer sewer treatment plant produces more sludge than the facility can treat or dispose. During wet weather, the collection system delivers more wastewater than the plant is designed to treat. This project is designed to solve both problems, with the following strategies:

- Install mechanical sludge de-watering equipment to provide adequate capacity to treat and dispose of sludge.
- Install a digester, allowing Public Works to abandon the existing sludge lagoon. Abandoning the lagoon will provide for the creation of a wastewater equalization basin, freeing up space for other sewer treatment support and operation activities. In addition, use of a digester opens up new possibilities for energy recovery.
- Slip-line the aging asbestos cement sewer collection mains to reduce infiltration and peak flows to the sewer treatment plant. This will prevent violations of the City's NPDES permit related to unacceptable flow and fecal coliform levels.

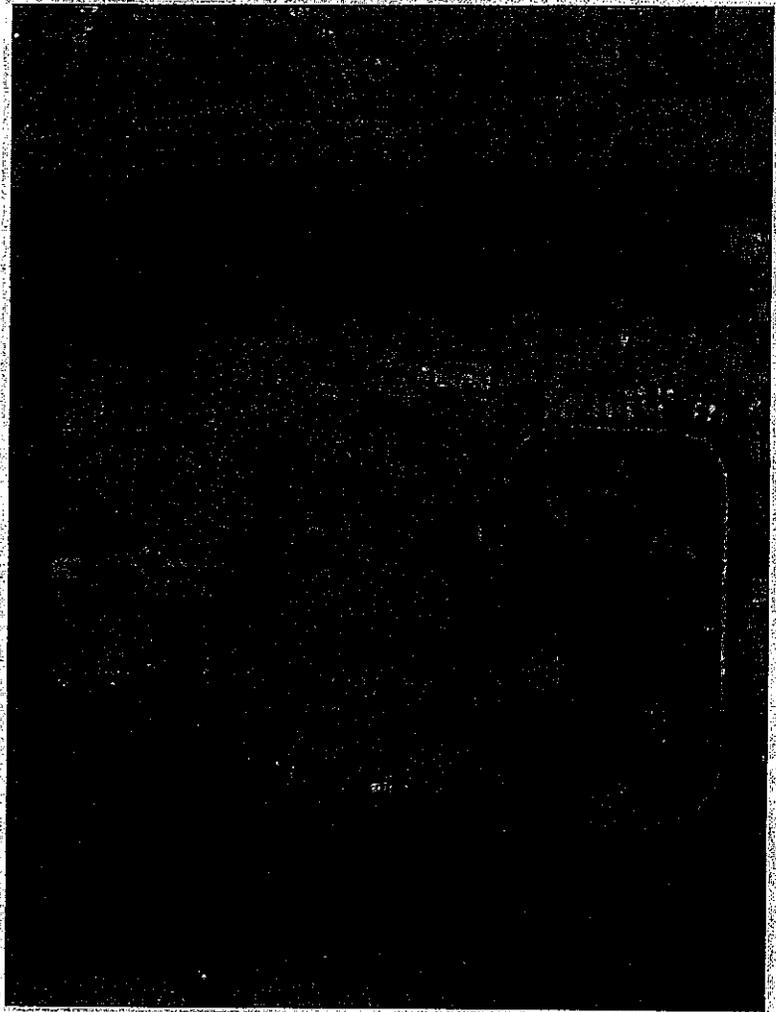
PLANS & PROGRESS: The need for this project has been documented in the Homer Water & Sewer Master Plan (2006). Likewise the City of Homer Inflow and Infiltration Study recommends repairing leaking collection and trunk sewer mains.

Schedule and Cost:

2011-2012 (Design)—\$525,000

2012-2013 (Construction)—\$4.72 million

Priority Level 1





Water Storage/Distribution Improvements

PROJECT DESCRIPTION & BENEFIT: This project will design improvements that will increase water storage; improve water system distribution, improve drinking water quality/public health, and improve treatment plant and water transmission effectiveness.

The project consists of the installation of an underground 1.0 MG water storage tank; 2,000 linear feet of 12-inch distribution main (connecting two isolated parts of town); the installation of 2,000 linear feet of water main between the new tank and the water system; and the abandonment of an existing, functionally obsolete (+50 years old), steel water tank.

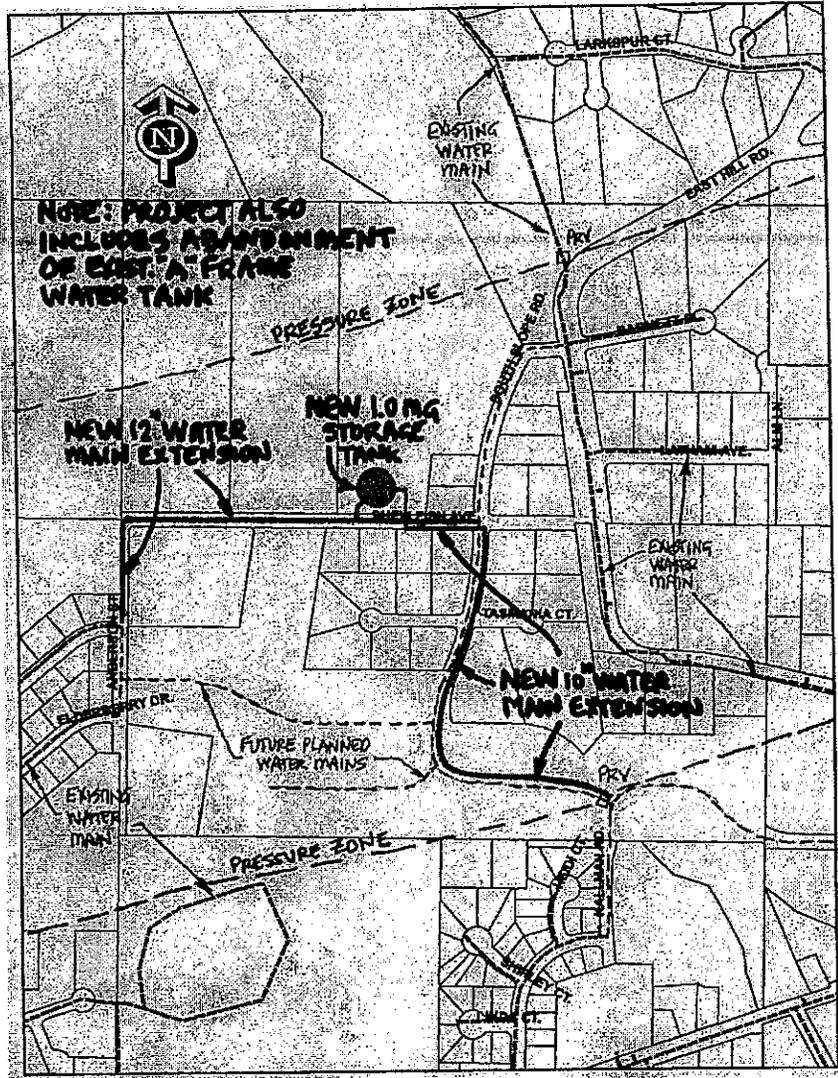
PLANS & PROGRESS: The need for this project has been documented in the Homer Water & Sewer Master Plan (2006).

Schedule and Cost:

2012 (Design)—\$390,000

2013-2014 (Construction)—\$3.51 million

Priority Level 2



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Equipment Summary of Projects by Year and Cost

PROJECT	2011	2012	2013	2014	2015	2016	TOTAL \$
Brush/Wildland Firefighting Truck		120,000					120,000
Fire Engine 4 Refurbishment	150,000						150,000
Firefighting Enhancement/ Aerial Truck	800,000						800,000
Fire Pump Testing Trailer		70,000					70,000
Outside Dock Fenders		80,000					80,000
Tide Gauge/Meteorological Station			210,000				210,000
TOTAL \$	950,000	270,000	210,000				1,430,000

**Tables will be updated at the end
of the CIP development process**



Brush/Wildland Firefighting Truck

PROJECT DESCRIPTION & BENEFIT: The Homer Volunteer Fire Department (HVFD) is in need of a new brush truck to replace the Ford F-350 which has been in use since 1990. A new Ford F-450/550 4x4 with wildland pump unit, tank, and tool compartments will provide critical and reliable service in a variety of fire situations.

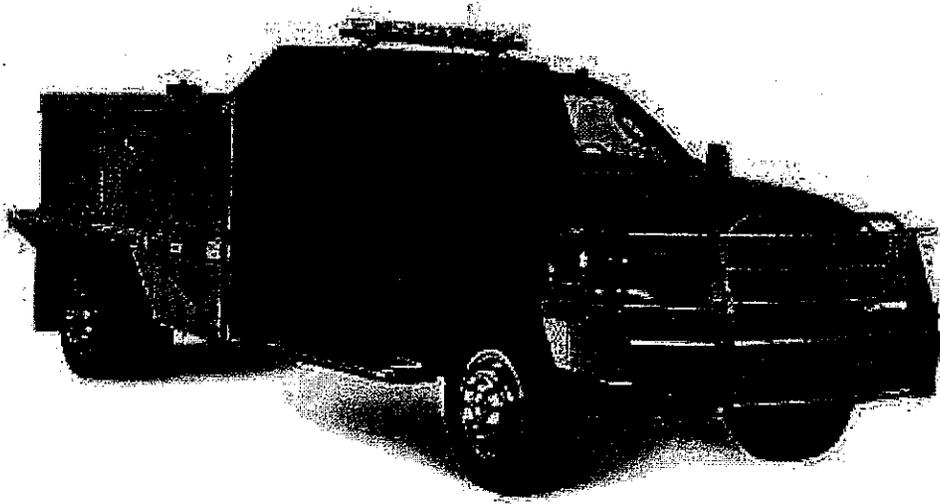
Although HVFD uses the term "brush truck," in reality the truck is kept in service year-round to provide some level of fire protection to areas that crews are unable to access with traditional large fire apparatus due to poor road conditions during winter and break-up. The smaller truck can often access the scene and provide initial attack of a structure fire before firefighters can set up long hose lays or otherwise access the site by traditional means, if at all.

The Department's existing brush truck is a former utility vehicle that was converted to a brush unit in-house by adding a manufactured tank and portable pump as well as a home-built tool storage compartment. This truck is wearing out due to the weight of all the equipment and the age of the vehicle.

Cost: \$120,000

Schedule: 2012

Priority Level 2





Fire Engine 4 Refurbishment

PROJECT DESCRIPTION & BENEFIT: With the addition of a new fire engine to the Homer Volunteer Fire Department fleet in fall 2008, Fire Engine 4 can now serve as a reserve engine if it is refurbished with a rebuilt pump, engine and drive line overhaul, and body and paint work. The refurbished truck could be housed in the proposed Skyline Fire Station or the old (refurbished) water treatment plant. A reserve fire engine would help Homer qualify for an improved ISO rating, benefiting all households through reduced homeowner insurance costs.

Cost: \$150,000

Schedule: 2011

Priority Level 1



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Firefighting Enhancement - Aerial Truck

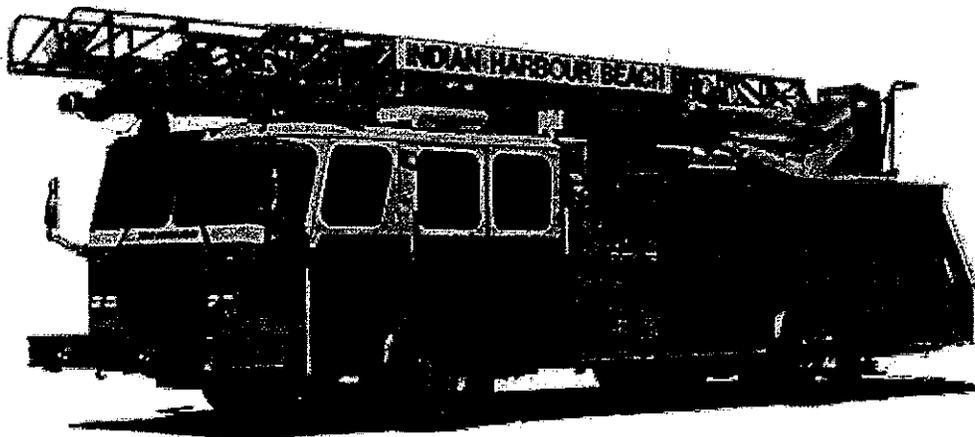
PROJECT DESCRIPTION & BENEFIT: This project will greatly enhance the City of Homer's firefighting capability with a modern aerial truck. As Homer continues to grow and the size and complexity of buildings increases it is no longer safe or practical to fight fire from the ground or off of ground ladders. (The Homer Volunteer Fire Department's tallest ground ladder is only 35 feet.) Large footprint and tall buildings (two stories or more) often require the use of elevated hose streams to fight fire effectively. HVFD has no ability to provide for elevated hose streams except off of ground ladders, which severely limits the application of water and endangers the lives of firefighters. Aerial apparatus allow for the application of water to the interior of a building without placing firefighters in immediate danger. They also allow for the rescue of persons that become trapped in upper stories or on rooftops by fire or other incidents that impede the use of interior stairways.

An added benefit of the new truck will be more favorable insurance rates for the City of Homer, as determined by community fire protection classification surveys. Since the 1995 ISO survey, several large buildings were constructed in Homer, including West Homer Elementary School, the Islands and Ocean Visitor Center, the Homer Ice Rink, and the South Peninsula Hospital Expansion. New development in Town Center will add to the list of structures that would benefit from enhanced firefighting capability. An ISO review conducted in September 2007 resulted in an increase in the Property Protection Classification (PPC) rating from a 3 to a 5, meaning that Homer homeowners now face increased fire insurance premiums. The ISO review clearly indicates the need for an aerial truck, which can more adequately respond to fires in buildings of three stories or greater, buildings over 35 feet tall at the eaves, and those that may require 3,500 gallons per minute to effectively fight the fire.

Cost: \$800,000

Schedule: 2012

Priority Level 1





Fire Pump Testing Trailer

PROJECT DESCRIPTION & BENEFIT: This project will provide the Homer Volunteer Fire Department with a mobile fire pump testing trailer to meet National Fire Protection Association requirements for annual pump testing and ensure that firefighting water pumps used throughout the southern Kenai Peninsula are in good working order when they are needed.

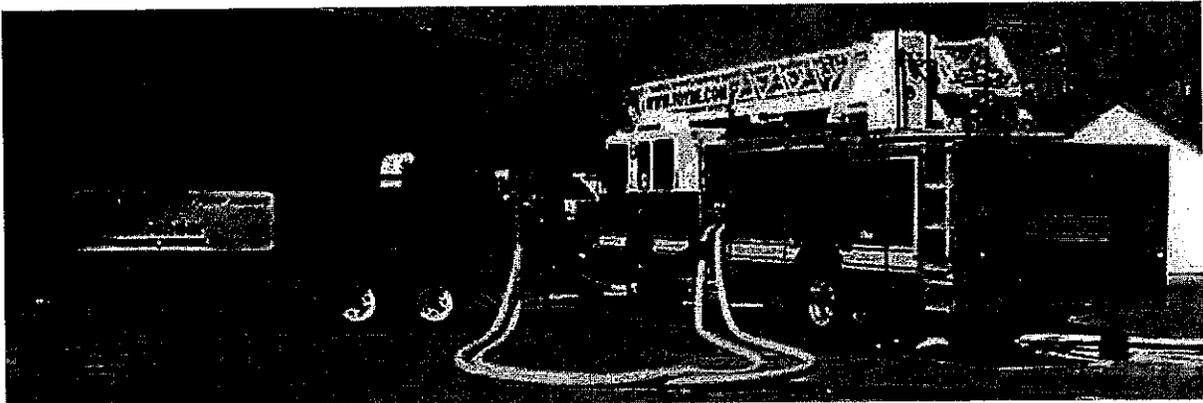
Acquisition of a pump testing trailer, manufactured and sold under the name Draft Commander, would eliminate problems associated with other testing methods. For example, using the City's hydrant system for testing can damage the system or cause erosion at the site. Using surface water from Beluga Lake necessitates getting the heavy fire apparatus close enough to reach the water. In some cases personnel must gain permission to use private land, which may require constructing improvements. There is also the risk of drafting contaminants into the pump, causing damage to the pump and/or engine.

The Draft Commander is a completely self-contained system that can be taken "on the road" to where the apparatus are, such as to the McNeil Fire Station, Anchor Point, or even Ninilchik or Seldovia. This is truly a multi-jurisdictional project with the potential to assist several area fire agencies with mandated testing that they are either not currently doing or have difficulty performing.

Cost: \$70,000

Schedule: 2012

Priority Level 2



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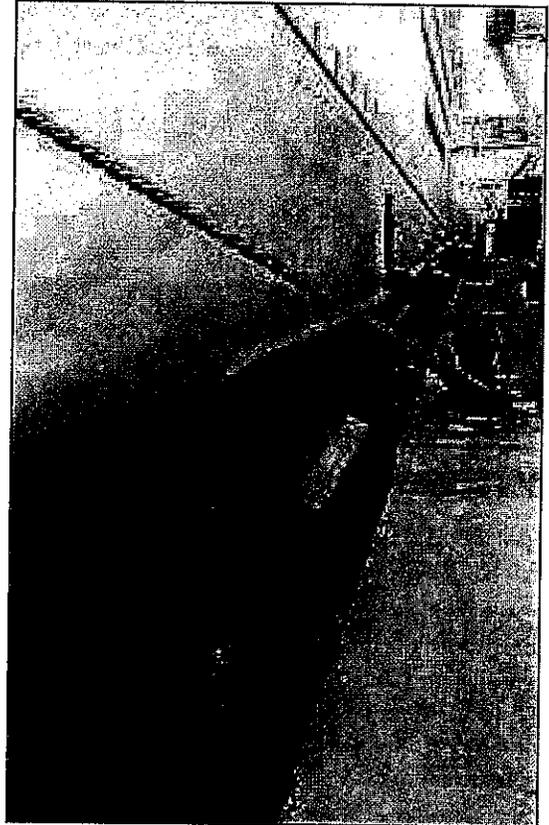
Outside Dock Fenders

PROJECT DESCRIPTION & BENEFIT: This project will provide the Port of Homer with three new non-streak vinyl fenders ("Yokohama" type) that could be placed as needed on existing fenders to provide sufficient "set off" for large flare-sided cruise ships docking at the Pioneer Dock or Deep Water Dock. The new fenders will protect the dock and encourage cruise ships to visit Homer.

Cost: \$80,000

Schedule: 2012

Priority Level 2





Tide Gauge/Meteorological Station

PROJECT DESCRIPTION & BENEFIT: This project will install a Water Level Station (tide gauge) with meteorological sensing equipment at Pioneer Dock and current sensing equipment at the Deepwater Dock. The project will provide important benefits to the Port of Homer, including:

- Enabling the Port of Homer to better fulfill its role as a contingency “back-up” port for handling Port of Anchorage cargo in case of a catastrophic event;
- Enabling deep-draft ships to dock at Homer docks or anchor in the inner bay (the only “place of refuge” anchorage for Cook Inlet and Kennedy Entrance traffic) with more assurance of the actual water depth during minus tides;
- Enhancing navigational safety in the vicinity of the Homer docks and harbor;
- Providing a toll-free phone number plus Internet access for up-to-date tide, wind, atmospheric pressure, and temperature information;
- Providing a display box with electronic/digital readout visible to vessels passing Pioneer Dock;
- Assisting pilots in docking vessels at Homer docks, thus minimizing the damage potential of “hard landings.”

Installation of this equipment will result in the Port of Homer being listed along with the Port of Anchorage as participating in NOAA's PORTS (Physical Oceanographic Real-Time System) program. Homer can then be listed as a reference station in published tide tables and tide books. With these improvements, Homer will be positioned for further growth as an operational port and better able to fulfill roles as a contingency port and a “place of refuge” for vessels needing assistance with safe navigation during the approach. This project has high potential for federal funding and has the support of the Southwest Pilots Association, Homer Port and Harbor Commission, many representatives of the local maritime community, and other regional stakeholders.

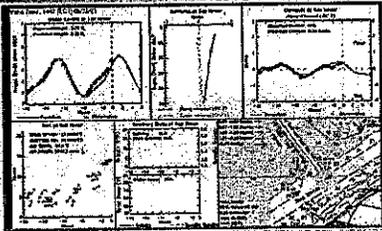
PLANS & PROGRESS: The National Oceanic and Atmospheric Administration's National Ocean Service PORTS team visited Homer in June 2003 to develop cost estimates and study locations for optimal installation. Funding is now being sought to complete the project.

Cost: \$210,000

Schedule: 2013

Priority Level 3

TYPICAL PORTS SITE PROVIDES:



- ♦ Predicted and observed water levels.
- ♦ Meteorological information including wind speed and direction, barometric pressure, air temperature
- ♦ Currents
- ♦ Access to the data in graphic and text format via internet and voice
- ♦ All data updated at 6-minute intervals

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State Projects

The City of Homer supports the following state projects which, if completed, will bring significant benefits to Homer residents:

Transportation projects within city limits:

Homer Intersection Improvements
Kachemak Drive Rehabilitation/Pathway
Main Street Reconstruction/Intersection
Pioneer Avenue Upgrade

Transportation projects outside city limits:

East End Road Rehabilitation, Kachemak Drive to Waterman Road
Sterling Highway Reconstruction, Anchor Point to Baycrest Hill
Sterling Highway Realignment, MP 150-157

Non-transportation projects:

Alaska Maritime Academy
Kachemak Bay Tidal Power

See following pages for project descriptions.



Homer Intersection Improvements

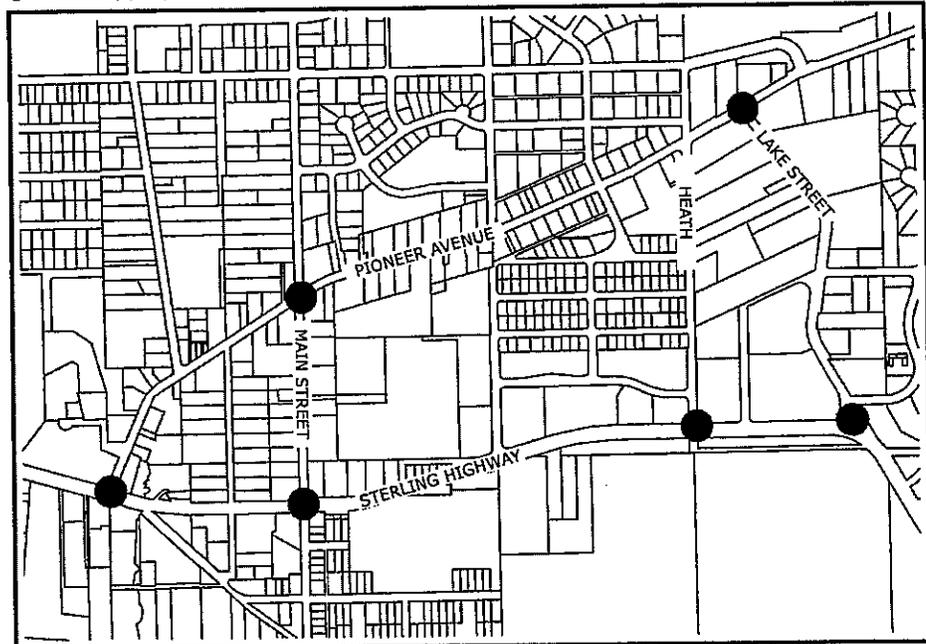
PROJECT DESCRIPTION & BENEFIT: This project will implement recommendations of the 2005 Homer Intersections Planning Study commissioned by the Alaska Department of Transportation and Public Facilities. The study, which focuses on 12 intersections, involved traffic forecasts and analysis of intersection safety, intersection options, and pedestrian needs. The benefit of the project will be to enhance traffic safety and quality of driving and pedestrian experiences for residents and visitors, particularly as the community continues to grow.

The study notes that for the intersections that need roundabouts or traffic signals, either option will function well; however, "the Alaska Department of Transportation and Public Facilities supports the development of modern roundabouts at these locations because of the good operational performance of roundabouts, superior safety performance, and reduced maintenance."

Problem intersections and recommended improvements noted in the study are as follows:

Sterling Highway and Lake Street	Roundabout or traffic signal now (Traffic signal was installed Dec. 2005)
Sterling Highway and Main Street	Roundabout or traffic signal now (Funding secured for traffic signal)
Sterling Highway and West Hill Road	Add left turn lanes now
Sterling Highway and Heath Street	Roundabout or traffic signal now
Pioneer Ave. and Heath Street	Roundabout or traffic signal now
Pioneer Ave. and Lake Street/East End Road	Roundabout or traffic signal now
Sterling Highway and Pioneer Ave.	Roundabout or traffic signal now
Sterling Highway and Kachemak Drive	Reevaluate in 2010 for roundabout or traffic signal
Pioneer Avenue and Main Street	All way stop before 2011; roundabout or traffic signal in 2011
East End Road and Fairview Avenue	Turn lane improvements in 2011
East End Road and East Hill Road	Reevaluate in 2010 for roundabout or traffic signal

PLANS & PROGRESS: The Alaska Legislature appropriated \$2 million for FY 2009 to the City of Homer for Main Street reconstruction/intersection.



ADOT has recommended roundabouts or traffic signals at six central Homer intersections, to be accomplished as soon as possible. A traffic signal was installed at the Lake Street/Sterling intersection in 2005.

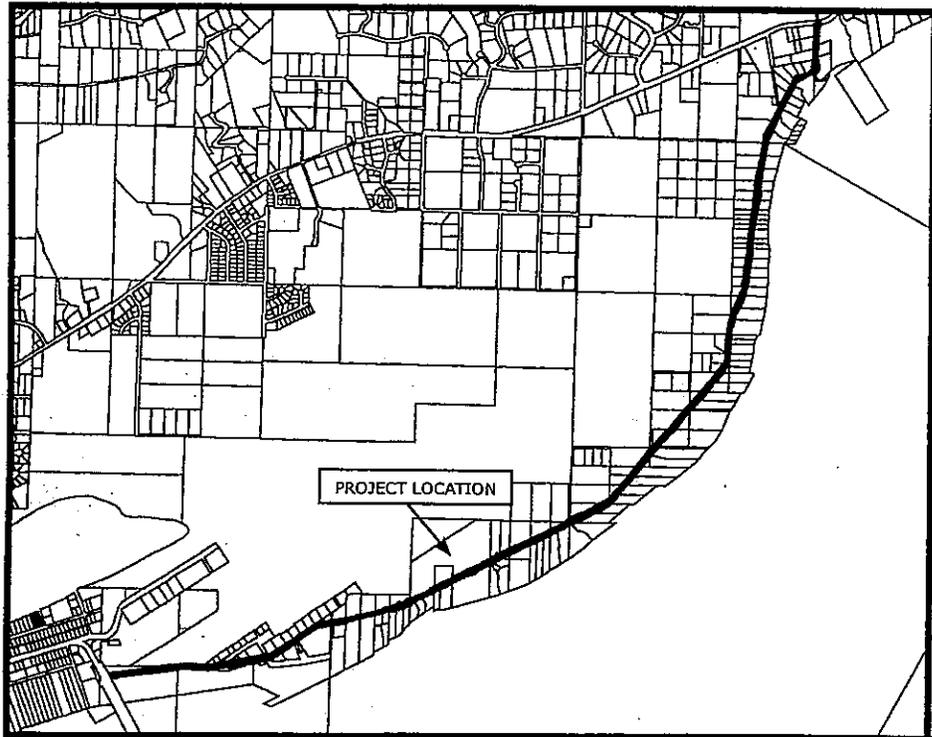
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Kachemak Drive Rehabilitation/Pathway

PROJECT DESCRIPTION & BENEFIT: Kachemak Drive provides an alternate route for east-of-Homer traffic to the airport, Spit and harbor, and Ocean Drive commercial district (approximate daily traffic 1,500 vehicles). The road accesses the largest industrial marine storage repair and boat launch complex on the southern peninsula, passes residences, light commercial/industrial businesses, and moose wetlands. Rehabilitation needs have been identified for raising the embankment, surfacing, widening, and drainage improvements.

Automobile and large truck traffic on Kachemak Drive has increased in recent years, with drivers showing a greater tendency to speed. These conditions make the road treacherous, at best, for bicycle and pedestrian traffic. Construction of a separated pathway along East End Road, as proposed, will increase recreational and commuter bicycle and pedestrian traffic on Kachemak Drive and will improve driver, bicycle, and pedestrian safety. Because of the significant right-of-way acquisition involved, the project to build a separated pathway along Kachemak Drive will take several years to complete.





Main Street Reconstruction/ Intersection

PROJECT DESCRIPTION & BENEFIT: This project will provide curb and gutter, sidewalks, storm drainage, and paving for Main Street from Pioneer Avenue to Bunnell Street.

Homer's Main Street is a primary north-south corridor running from Bayview Avenue (near the hospital) to Ohlson Lane (near Bishop's Beach). In the process, it connects Homer's primary downtown street, Pioneer Avenue, with the Sterling Highway and provides the most direct access to the Old Town district. It also provides the western border to Homer's new Town Center district.

Despite its proximity to the hospital, businesses, and residential neighborhoods, Main Street has no sidewalks, making pedestrian travel unpleasant and hazardous. Sidewalks on this busy street will enhance the quality of life for residents and visitors alike and provide economic benefits to local businesses and the community as a whole.

PLANS & PROGRESS: Main Street is a City street from Pioneer Avenue northward, and a State street from Pioneer Avenue south. The Homer Non-Motorized Transportation and Trail Plan, adopted by the City Council in 2004, calls for construction of sidewalks on both sides of Main Street to provide a safe means for pedestrians to travel between Old Town and Pioneer Avenue, and stresses that this should be regarded as a "near term improvement" to be accomplished in the next two years. The Homer City Council passed Resolution 06-70 in June 2006 requesting that ADOT "rebuild and upgrade Main Street from Pioneer Avenue to Bunnell Avenue as soon as possible in exchange for the City assuming ultimate ownership, maintenance, and operations responsibility."

The Alaska Legislature appropriated \$2 million to the City of Homer for FY 2009 for this project. However, Alaska Dept. of Transportation estimates indicate that this is not enough to cover both the intersection improvement and reconstruction of the entire section from Pioneer Avenue to Bunnell Street.



A mother pushes a stroller along Main Street between the Sterling Highway and Bunnell Street, while another pedestrian walks on the other side of the road.

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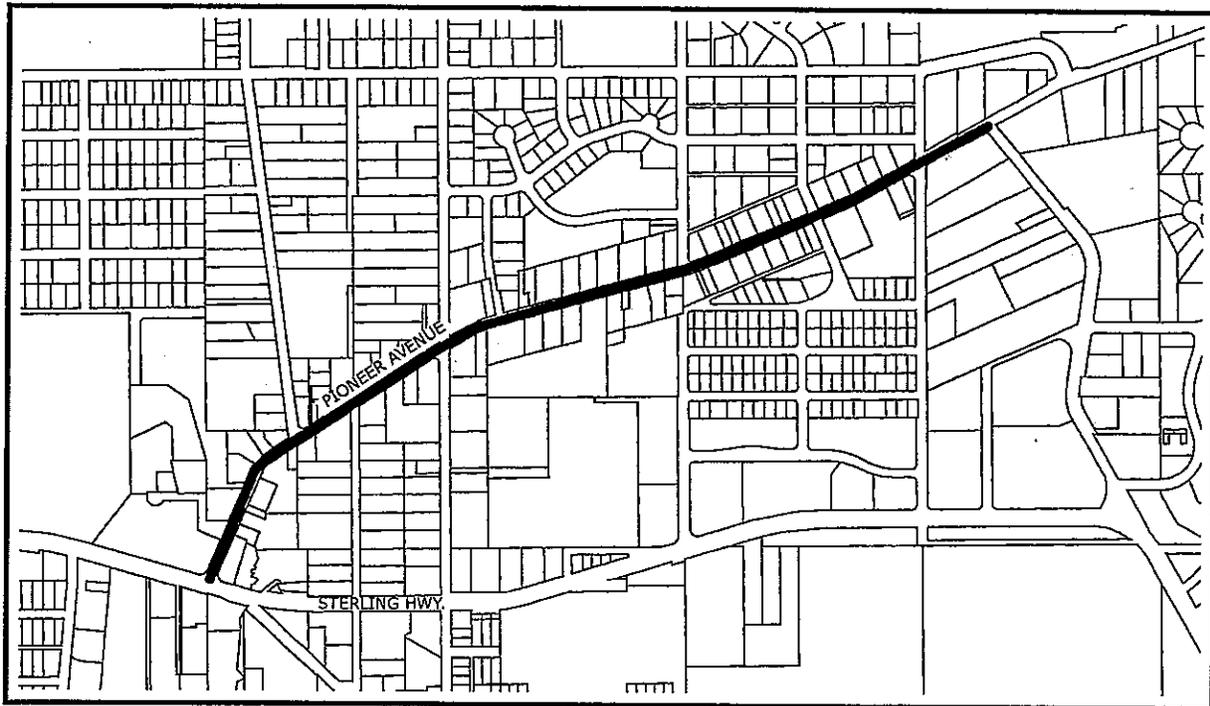


Pioneer Avenue Upgrade

PROJECT DESCRIPTION & BENEFIT: "Complete streets" are defined as streets which are designed and operated to enable safe access for all users: pedestrians, bicyclists, and motorists. Pioneer Avenue is a mile-long arterial road in the part of Homer typically thought of as "downtown." However, in its current form, Pioneer Avenue does not function well as a downtown street. While the posted speed limit is 25 mph, wide lanes and lack of traffic calming features encourage drivers to go much faster. Using a bicycle on a sidewalk in a business district is against state law, but the practice is tolerated on Pioneer Avenue because it is generally acknowledged that the street is unsafe for cyclists. Crosswalks are few and far-between (five total) and many drivers fail to notice pedestrians in time to stop when pedestrians are waiting to cross. Some east-west crossings are particularly long and intimidating (e.g., at Main Street and Heath Street). For all these reasons, walking is not very popular along Pioneer Avenue, to the detriment of downtown businesses.

The Pioneer Avenue Complete Street Project will encourage non-motorized transportation by narrowing the driving lanes, adding distinct bicycle lanes and additional well-marked crosswalks, and incorporating other traffic calming features to further slow traffic and improve pedestrian and bicycle safety. Landscaping and appropriate "downtown" lighting will also be included in the project. It will be most cost effective to complete this work in conjunction with Pioneer Avenue Intersection safety improvements recommended in the 2005 Homer Intersections Planning Study (ADOT).

PLANS & PROGRESS: The project Pioneer Avenue Rehabilitation is included in the 2010-2013 Alaska Statewide Transportation Improvement Program.





East End Road Rehabilitation - Kachemak Drive to Waterman Road

PROJECT DESCRIPTION & BENEFIT: This project will rehabilitate East End Road from Kachemak Drive to just past Waterman Road. The project will include widening the road to 32 feet, including 4-foot wide shoulders, and constructing a separated shared-use pathway, along with drainage improvements.

Completion of this project will improve the road surface and help protect the road against erosion. It will also provide opportunities for walking and biking for recreation and as an alternative to driving.

PLANS & PROGRESS: The project as originally described in the 2006-2009 State Transportation Improvement Plan was to rehabilitate East End Road all the way out to McNeil Canyon School. Due to cost increases, reduced federal funding, and opposition from some Fritz Creek residents, the plans were scaled back.

Right-of-way acquisition began in late 2009. Construction is anticipated to begin in 2011.



East End Road is an important transportation corridor for several thousand Homer area residents.

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City of Homer Capital Improvement Plan • 2011 - 2016

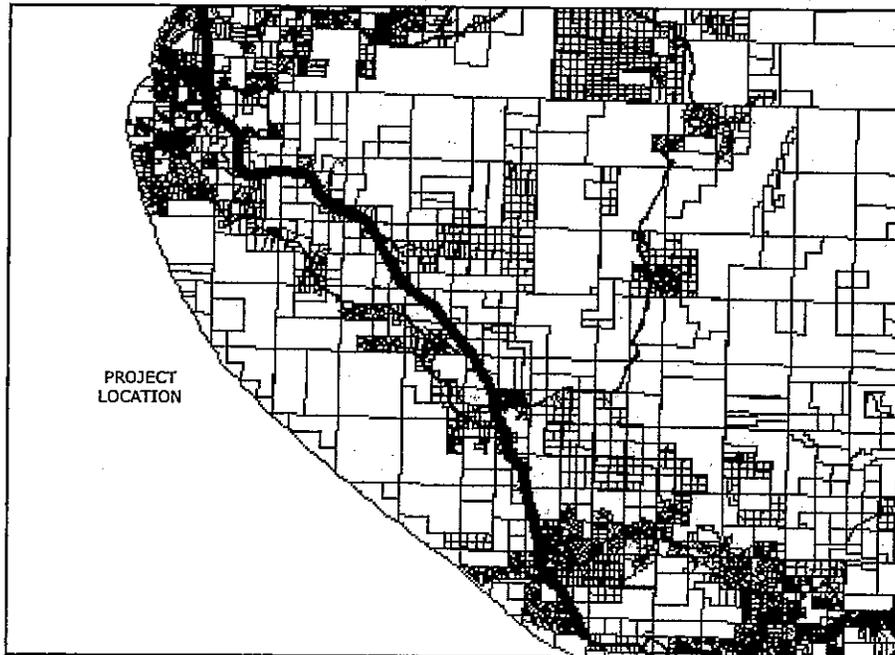
Sterling Highway Reconstruction - Anchor Point to Baycrest Hill

PROJECT DESCRIPTION & BENEFIT: This project will reconstruct 12 miles of the Sterling Highway between Anchor Point (MP 157) and the top of Baycrest Hill in Homer (MP 169) to address severe safety issues resulting from curves, hills, and blind spots on the existing road. The project has been identified as a high priority of the Kenai Peninsula Borough.

Many major side road intersections, gravel hauling operations, and school bus stops contribute to dangerous conditions on the 12-mile section of highway, which has been the scene of several serious accidents, many with fatalities, over the past several years. Continued population growth has led to more subdivisions with intersecting roads and more traffic on the highway, exacerbating the problem. School buses must stop in some locations with blind corners and hills.

The project calls for construction of an improved 2-lane highway paralleling the alignment of the existing highway. The reconstructed highway will be designed to allow two additional lanes to be added at a future date.

PLANS & PROGRESS: This project ("Sterling Highway: MP 157-169 Rehabilitation - Anchor Point to Baycrest Hill") is included in the Draft 2010-2013 Alaska Statewide Transportation Improvement Program (STIP). In September 2009, the Kenai Peninsula Borough reported sufficient funding has been identified for preliminary design and environmental documents, but additional funding will be necessary to proceed. Total costs are expected to exceed \$36 million; consequently, the project may be constructed in phases.



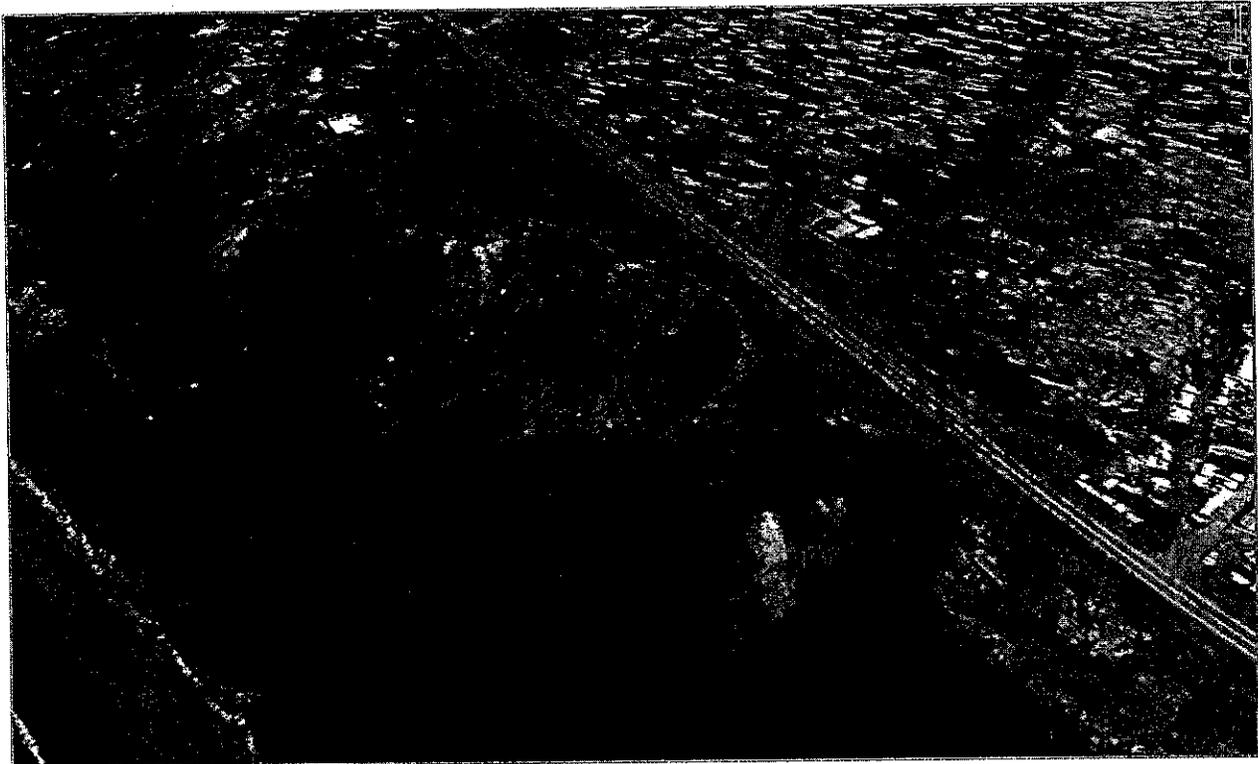


Sterling Highway Realignment, MP 150-157

PROJECT DESCRIPTION & BENEFIT: The Sterling Highway is a vital transportation corridor serving most of the communities on the Kenai Peninsula, including Homer at the southern terminus, and is the only road connecting these communities to the larger North American road system. The vast majority of people and goods routed in and out of Homer utilize the Sterling Highway as compared to air or water transportation.

This project will protect the Sterling Highway from erosion that is threatening the highway north of Anchor Point. Completion of the project will involve re-routing the highway away from areas that are eroding, utilizing existing road right-of-way as much as possible. The Alaska Department of Transportation has noted that the first effort needed is for reconnaissance study to evaluate alternatives and quantify costs.

PLANS & PROGRESS: The project "Sterling Highway Erosion Response MP 150-157" is included in the 2010-2013 Statewide Transportation Improvement Program (STIP).



As seen in this aerial image, the eroding edge of the bluff is now only 30 feet away from the Sterling Highway at a section just north of Anchor Point.

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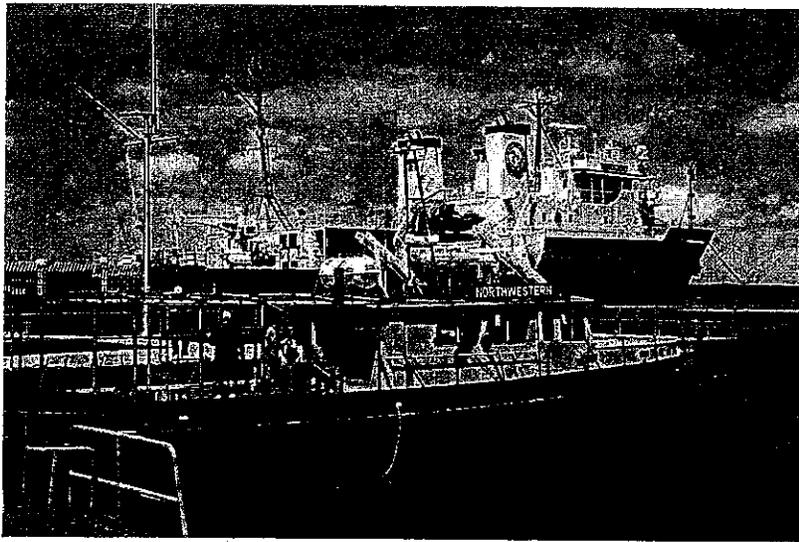


Alaska Maritime Academy

PROJECT DESCRIPTION & BENEFIT: This project will establish an accredited maritime academy providing quality post-secondary education primarily focused on marine related programs for developing career-oriented skills relating to engineering, ship operations, marine science, maritime management, and small vessel design and operation. The academy would provide both classroom and hands-on training, taking advantage of Homer's existing marine trades industry cluster and opportunities for time onboard vessels in port and at sea.

The federal Maritime Administration provides training vessels and other support to state maritime academies. Currently there are six academies in the U.S.; none in Alaska. Alaska Statute Sec. 44.99.006 specifies that the governor may enter into an agreement with the Federal Maritime Administration to provide for an Alaska Maritime Academy.

PLANS AND PROGRESS: The Homer City Council approved Resolution 10-22(A) requesting that Alaska's governor select Homer as the site of an Alaska Maritime Academy and specifying that a citizens task force be established to facilitate the effort to develop a maritime academy here. A possible location for the academy would be the former public school building ("Old Intermediate School") now owned by the City of Homer.



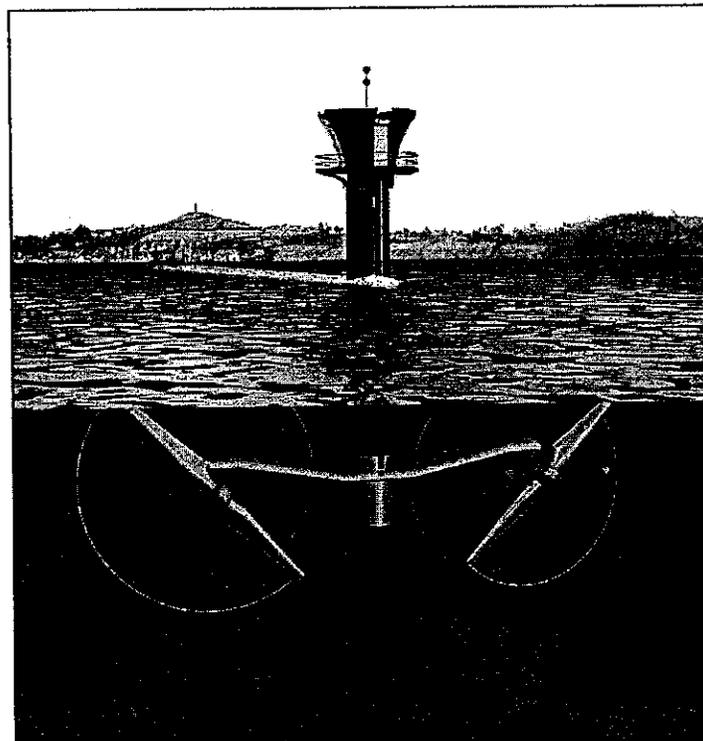
Maritime academies utilize both classroom and hands-on training. The training ship for the Great Lakes Maritime Academy in Traverse City, Michigan is shown in the background of this photo.



Kachemak Bay/Cook Inlet Tidal Power

PROJECT DESCRIPTION & BENEFIT: It is widely recognized that Alaska has some of the best potential in the world for generating tidal energy, a far more constant and predictable source of energy than either wind or solar. The proposed project will tap the hydrokinetic energy resources of Kachemak Bay/Cook Inlet to establish Alaska as a leader in tidal energy while reducing dependence on fossil fuels for those on the Railbelt grid.

PLANS & PROGRESS: In 2008 the City of Homer submitted an application to the Alaska Energy Authority for funding to be appropriated by the Alaska Legislature for FY 2010. The application documented a cost share of more than 50%, mostly in research assistance from NOAA. The project was slated to be funded before the budget for renewable energy projects was reduced by half from the amount originally proposed. The City updated and resubmitted the application in November 2009. The project was approved for funding by AEA and the Legislature appropriated sufficient funds; however, the governor reduced funding by half, which did not leave enough for the Kachemak Bay project. A new application was submitted to AEA in September 2010. The outcome of this proposal was that AEA decided to fund NOAA directly, from a separate funding source, to study tidal power potential in Kachemak Bay and Cook Inlet. The total approved was approximately \$300,000. The City of Homer supports the partnership between AEA and NOAA and urges the State of Alaska to provide funding for engineering and design of a tidal power project once feasibility is established.



This illustration depicts a typical horizontal axis turbine, similar to conventional two-blade wind turbines. Though this is an artist's rendering, an actual 1.2 MW turbine of this type (SeaGen) was installed in 2008 in Ireland.

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Projects Submitted by Other Organizations

*The City of Homer supports the following projects
for which local non-profit organizations are seeking funding
and recognizes them as being of significant value to the Homer community:*

Cottonwood Horse Park
Haven House Sustainability/Energy Efficiency Projects
Kevin Bell Arena Floor Upgrade
Pratt Museum Renovation
Roger's Loop Trailhead Land Acquisition
South Peninsula Hospital: Bariatric Equipment
South Peninsula Hospital: Enhanced Communication System
South Peninsula Hospital: Fire Suppression System Booster Pump
South Peninsula Hospital: New Surgery Doors
South Peninsula Hospital: RFID Asset Tracking and Security
Visitor Information Center Parking Lot

See following pages for project descriptions.



Cottonwood Horse Park

PROJECT DESCRIPTION AND BENEFIT: Kachemak Bay Equestrian Association (KBEA) is seeking capital acquisition funds to complete the purchase of Cottonwood Horse Park located near Jack Gist Park in Homer.

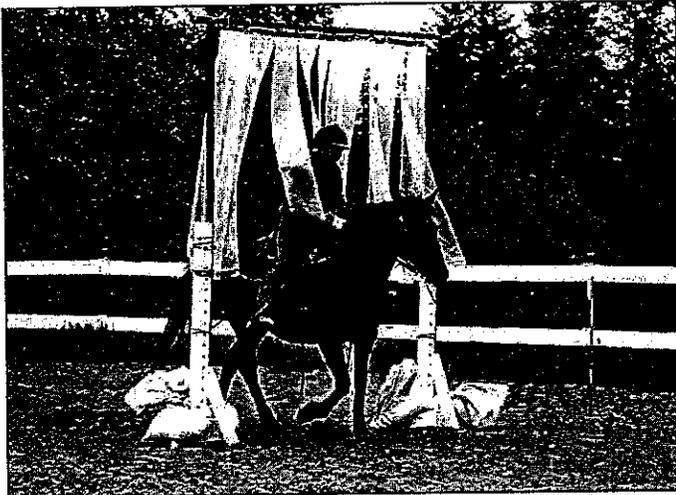
Development of Cottonwood Horse Park began in 2007, when KBEA secured 501(c)3 status and constructed an arena on 3.29 acres of land acquired through a purchase agreement. During the first three summer seasons events at the horse park drew more than 1,065 participants and 1,535 spectators.

The Horse Park fulfills a goal identified in past Homer recreation plans. During the 2010 season use of the park expanded from horse shows, clinics, and riding lessons to a place for picnics, dog walking, a preschool outdoor adventure club and horse camps. KBEA partnered with the local chapter of Connecting Children with Nature to develop a mud wallow. Also, the community celebrated Estuary Day with a BioBlitz on the property to identify all the organisms in the local park environment.

In 2006 the City of Homer acquired, through donation, .89 acres of land adjacent to the proposed horse park and has stipulated that the property be used for parks/recreation or green space. City of Homer Resolution 06-116 expresses the intent of the City to donate the property to KBEA. KBEA is now seeking to raise the remaining funds needed to acquire full title to the existing property.

PLANS AND PROGRESS: As of September 2010, KBEA has raised \$120,000 towards land purchase and approximately \$74,457 in donations of cash, goods, and services towards the development of the park's infrastructure and facilities. Initial development of the property has included a 130 x 200 foot arena, a round pen, horse pens, handicapped accessible restrooms, installation of water, a mud wallow, and a natural playground. KBEA has been awarded grants from Rasmuson Foundation, Homer Electric Association, American Seafoods Company, and Homer Foundation that have allowed completion of the parking lot, an upgrade to the restrooms, construction of benches and tables, and installation of electricity. Grants were received from Jansen Foundation towards purchase of the land.

KBEA has sponsored numerous revenue-generating events including cowboy cabarets, chili cook-offs, garage sales, horse shows, pony club camps, lessons, clinics, and cowboy races.



A rider negotiates an obstacle in the Cowboy Race 2010.

The organization has a business plan and continues to fundraise.

Total project cost: \$317,000
Amount needed to complete land purchase: \$99,720

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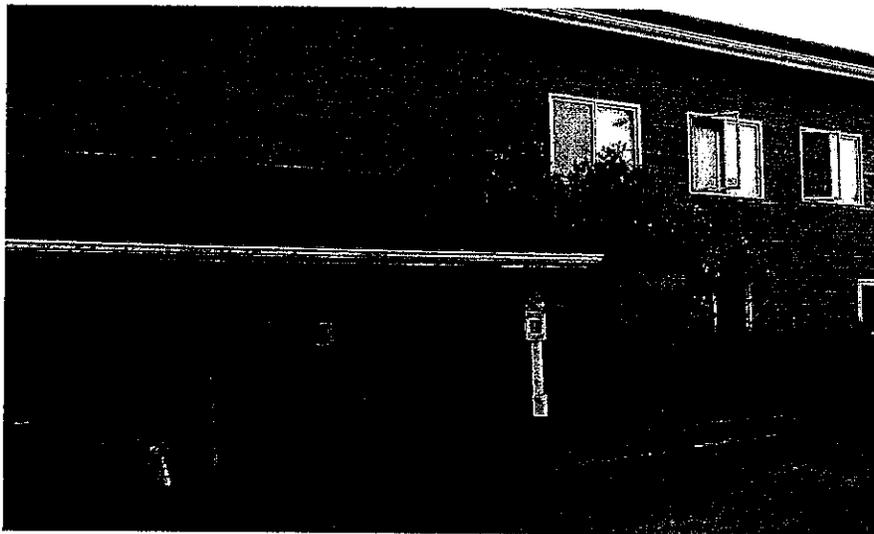
Haven House Sustainability/ Energy Efficiency Projects

PROJECT DESCRIPTION & BENEFIT: South Peninsula Haven House is a 24-hour staffed shelter with a mission to support and empower people impacted by domestic violence and sexual assault. As part of the area's comprehensive public safety network, Haven House operates a 10-bed shelter and child advocacy center and has responded to community crisis needs by expanding services. This increased service demand has occurred while the shelter faces dramatic increases in the cost of fuel and utilities.

The proposed project seeks to enhance sustainability and reduce costs at Haven House by 1) establishing a greenhouse to produce fresh vegetables (and provide a soothing, nurturing activity for shelter residents); 2) replacing 27 drafty windows with more secure, insulated windows; and 3) modifying the current entry way and replacing entry way doors with more heat-efficient models. This modification will also increase the security of the property and safety of the residents.

These projects will build on sustainability programs that have already been undertaken at Haven House. These include an internal recycling program, replacement of old inefficient plumbing fixtures, and education about recycling, composting, and basic gardening.

Cost: \$5,000 for greenhouse kit, \$8,000 for entry way modifications, \$20,000 for 27 replacement windows, and \$3,000 for ten window quilts. Total: \$36,000.





Kevin Bell Arena Floor Upgrade

PROJECT DESCRIPTION & BENEFIT: The Homer Hockey Association, Inc. (HHA), as owners of an ice rink facility known as the Kevin Bell Arena, is requesting capital improvement funds for the purpose of converting the rink area floor from sand to concrete, thus allowing multiple uses in a year-round facility.

The Kevin Bell Arena was built in 2005 by Homer Spit Properties, LLC (HSP) and leased to HHA under a long-term lease agreement. HHA has recently purchased the facility from HSP through an owner-finance transaction based on a 30-year note. During the design and construction phase, HHA secured grant funds to purchase and install all of the mechanical components of the refrigeration system, boards, glass, and all of the finish work on the interior of the building at a cost of \$1.2 million. In order to stay within budget, the decision was made at the time to install a less expensive sand based floor for the ice area rather than concrete.

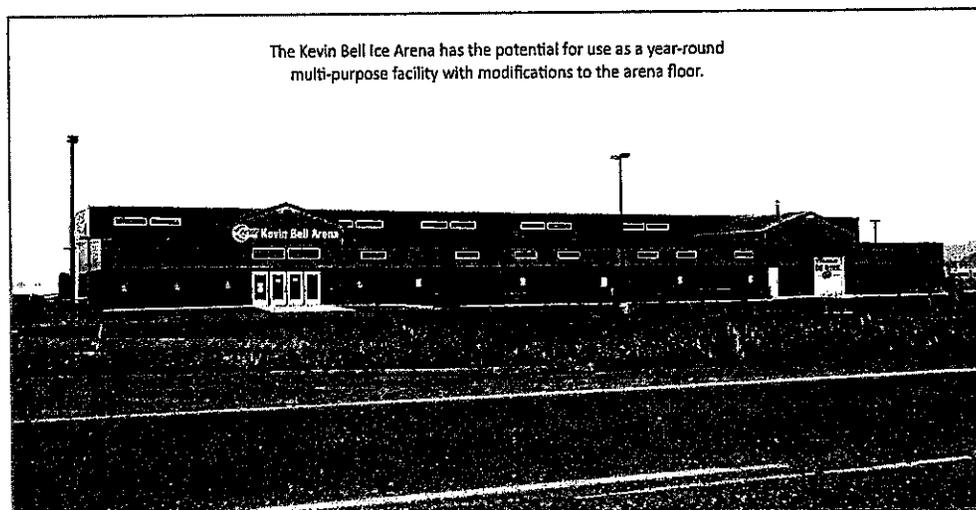
The conversion process from sand to concrete requires a demolition phase to remove the existing rink tubing, sand and insulation as well as the excavation of an additional 3.5 inches of sand. The installation phase includes compacting the sand under the rink floor, re-installing the insulation and vapor barrier, installation of reinforcing steel bars, mesh and expansion joint around the rink, re-installation of distribution manifolds across the rink center, and installation of new rink tubing and concrete pour. Once the concrete is cured, reinstallation of the boards, glass and ice can commence.

The Kevin Bell Arena provides residents of the southern Kenai Peninsula with an indoor ice facility as well as programs and activities including Learn to Skate through Hockey, youth and adult hockey programs, as well as figure skating, broomball, public skating, teen skating events and much more. The arena currently allows Homer to host hockey games, tournaments, and other events, providing an economic boost to the community.

The installation of a concrete floor will provide opportunities for year-round use for a variety of groups and events, especially during the off-season, April through August. Possibilities include home, car, and boat shows; concerts, and conventions. The space would attract statewide interest in Homer as a viable venue for such events and enhance Homer's attraction as a destination for tourism and commerce. In addition, it would provide HHA with summer revenue estimated at \$30,000 over a 4-month period.

PLANS & PROGRESS: Detailed discussions with an experienced private contractor have provided a clear understanding of the scope of work and costs involved. While the bulk of the demolition can be accomplished with volunteer labor, the installation of the concrete would be done by a contractor.

Cost: \$350,000



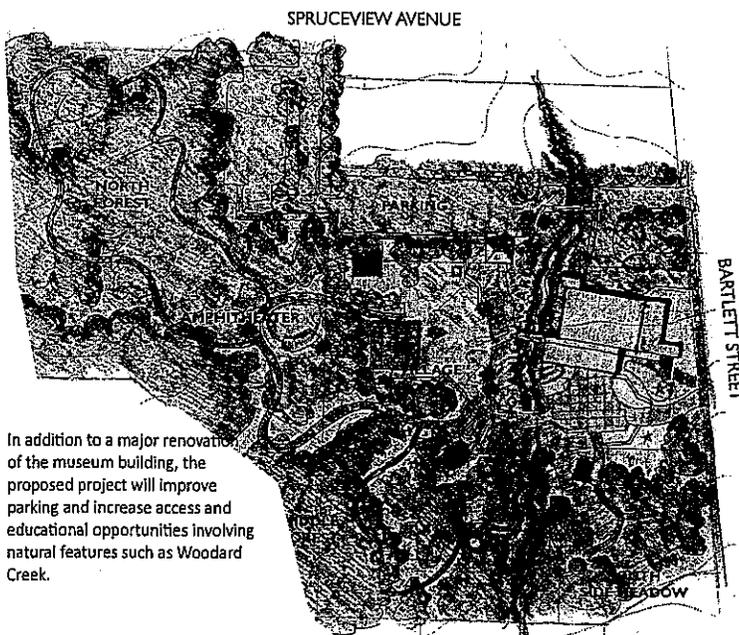
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Pratt Museum New Facility and Site Redesign

PROJECT DESCRIPTION & BENEFIT: The national award-winning Pratt Museum is dedicated to helping people explore the Kachemak Bay region through the sciences, arts, and humanities. The Pratt’s exhibits, education programs, and collections seek to foster self-reflection and dialogue among the Museum’s community and visitors. Each year, the Pratt serves more than 35,000 visitors and engages more than 4,000 young and adult learners in its programs. One of only five accredited museums in Alaska, the Pratt is consistently viewed as one of Alaska’s most important cultural institutions and as a leader among small museums across the country.

Today the Pratt Museum finds itself in a structure that doesn’t meet the Museum and community’s needs. The existing 10,500 square foot building is more than 42 years old. The building’s galleries, collections storage, public meeting, and education spaces do not support the Pratt’s goals or embrace current opportunities. The Pratt is now working with its community on a project to enable the Pratt to better serve the community and visitors long into the future through the construction of a new facility and redesign of the Pratt’s 9.3 acres. Benefits of this project will include: 1) improved education programs and exhibits; 2) creation of a community learning space to promote education and community dialogue; 3) an expanded trail system, outdoor exhibits, and stewardship of Woodard Creek; 4) the ability to serve larger visitor and school groups; 5) greater representation at the Museum of the region’s diverse cultural groups; 6) the ability to care for growing collections including community archives and stories; and 7) full disability accessibility.



In addition to a major renovation of the museum building, the proposed project will improve parking and increase access and educational opportunities involving natural features such as Woodard Creek.

PLANS & PROGRESS: Nearly a decade of thorough organizational evaluation, professional assessment, and community dialogue has led the Pratt Museum Board of Directors and staff to the decision to embark on this ambitious capital project. A fundraising feasibility study was conducted in 2009 in tandem with the development of draft architectural and site concepts. Additionally, the McDowell Group conducted an analysis of the economic impact of the Pratt’s operations and construction project on the local community, finding that the Museum generates substantial economic activity in the region. In the Planning Phase, the Pratt has secured cash and pledges that represent 20% of the project budget and has laid the groundwork for the successful completion of this project through the following critical steps:

1) The Pratt has gathered diverse community and stakeholder input through public meetings, surveys, and other means to guide the Planning Phase and will continue to gather input through the Design

Phase. 2) With leadership from the Patrons of the Pratt Society, 9.3 acres of urban green space have been acquired in the heart of Homer, which the Museum now owns debt-free. 3) The Museum has secured \$1.7 million (20% of project total) in cash and pledges including a prestigious \$750,000 National Endowment of the Humanities Challenge Grant, \$100,000 for planning support from the Alaska State capital budget, and a leadership gift from an individual donor of \$105,000. 3) The Pratt is participating in the Rasmuson Foundation’s prestigious “Pre-Development Program,” which has provided more than \$70,000 in in-kind planning services, resulting in substantial Planning Phase cost savings. 4) The Museum has recruited community leaders for the capital campaign who represent the Pratt’s multiple disciplines in the arts, sciences, and humanities. 5) The Pratt has kicked off Phase II community input planning and research for the Master Exhibit Plan permanent exhibit renovations to be installed in the new building.

Cost: Preconstruction—\$1 million Construction—\$7.5 million



Rogers Loop Trailhead Land Acquisition

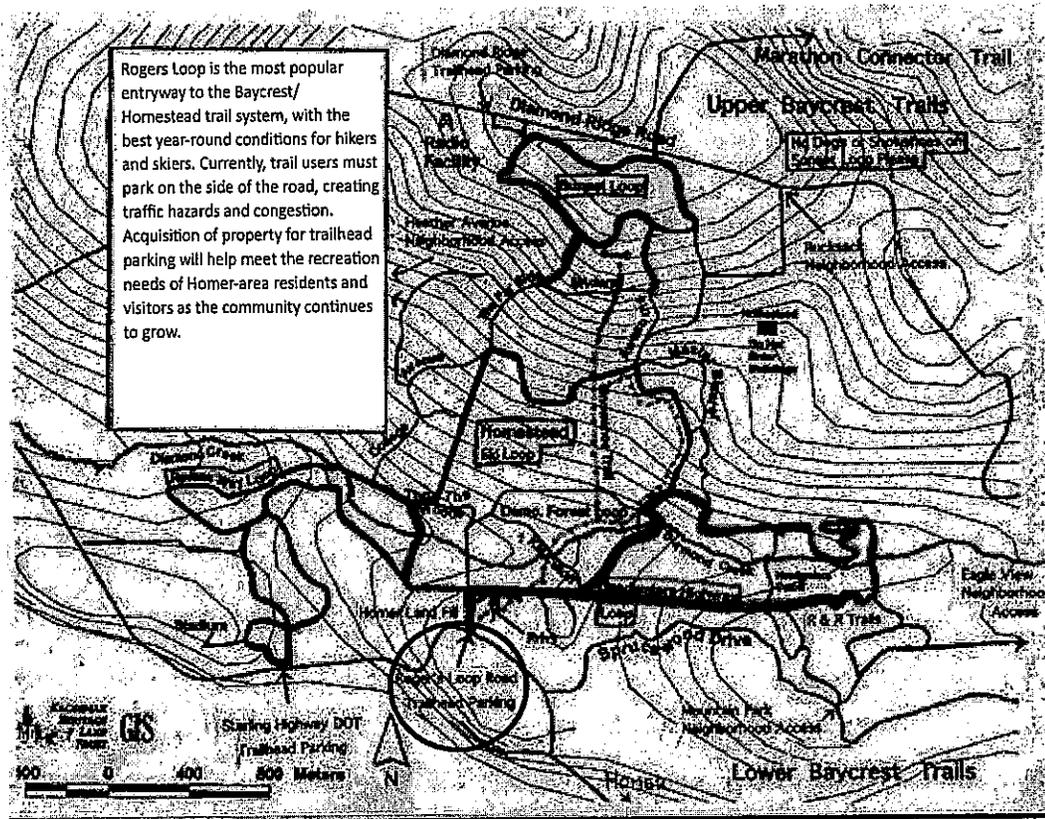
PROJECT DESCRIPTION AND BENEFIT: This project will provide a parking/staging area at the Rogers Loop trailhead, greatly improving access to the skiing and hiking trails maintained by the Kachemak Nordic Ski Club (KNSC), the Homer Soil and Water Conservation District, and Kachemak Heritage Land Trust.

Currently the only parking at the popular Rogers Loop trailhead is on the shoulder of Rogers Loop Road, creating problems even for typical everyday use by skiers and hikers. The proposed parking area is critical to the continued use of the lower Baycrest Ski Trails, the Homestead Hiking Trail, and the Demonstration Forest. Parking at the Rogers Loop trailhead will provide the best and (during the summer season) only access to the City of Homer's Diamond Creek Park, adjacent to the existing trail system. There is potential to develop new year-round trails on the City property; however, parking will be needed for this to become a reality. It is the KNSC's intent to transfer ownership of the Rogers Loop property to the City of Homer once it is acquired.

Current access to the existing trail system via the Sterling Highway (near the landfill) is dependent on the Borough renewing its Memorandum of Agreement with the KNSC. Access from Rogers Loop is all the more critical given the tenuous nature of the Borough commitment and other problems with the Sterling Highway access, including frequent marginal/icy snow conditions in the winter and no access to hiking in the summer. Currently 635 acres of public recreation land has inadequate parking for summer use (275 acres owned by the City of Homer and 360 that comprise the Demonstration Forest).

PLANS AND PROGRESS: The KNSC board has approved the concept of purchasing land for parking and trail access on Rogers Loop, has designated \$1,500 for the project, and is actively working to raise additional funds. Discussions with landowners at the trailhead site are in progress.

Cost: \$50,000



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Contact Mayor Jim Hornaday or City Manager Walt Wrede at 235-8121



South Peninsula Hospital Bariatric Equipment

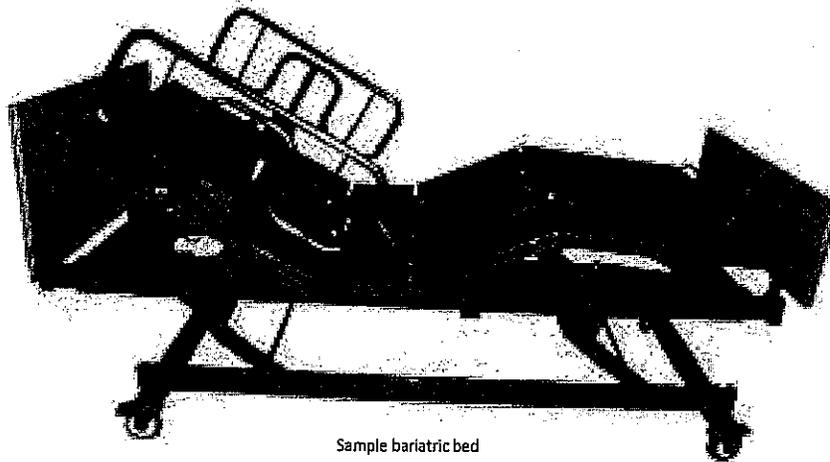
PROJECT DESCRIPTION & BENEFIT: South Peninsula Hospital (SPH) is in need of appropriate equipment to better serve the growing population of obese patients in the SPH service area. Specifically needed are a ceiling lift, bed, and commode to best accommodate these patients.

The hospital has seen a marked increase in the number of obese patients served over the last two years, and the expectations are that this number will continue to grow as the population served ages. Recent projections show an 80% growth in the senior population over the next ten years, and a growing incident of chronic illness, often which leads to frequent hospitalizations. South Peninsula Hospital is the only hospital in a 75 mile radius and wants to meet the needs of the residents in the service area.

Management of an obese patient without the proper equipment involves significant challenges and risks to both the patient and staff. A bariatric patient's visit to the hospital without appropriate equipment creates the need for four additional staff on duty during the entire patient's stay. Staff risk injury when moving and comforting the patient and the patient risks injury by using equipment that isn't appropriate for his/her size. The hospital currently rents such equipment when accommodating patients over 600 pounds, but this unfortunately takes time to put into place (and there is rarely advance notice) and generates additional charges for the patient.

PLANS & PROGRESS: New patient rooms in the recently constructed patient wing have been designed to accommodate bariatric equipment. Equipment to accommodate heavier patients not greater than 600 pounds has been purchased and installed. Price quotes have been received for the equipment yet to be purchased.

Cost: \$55,000 (includes one bed, one commode, and ceiling lift)



Sample bariatric bed



South Peninsula Hospital Enhanced Communication System

PROJECT DESCRIPTION & BENEFIT: An Enhanced Hospital Communication System is needed to provide immediate and continuous communication for clinical healthcare workers at South Peninsula Hospital. The hospital encourages physicians and nursing staff to be at patient bedside; however, that time is limited due to the need for staff to confer with each other and document the needs of the patient. A new system will allow physicians and staff to talk with each other without being in the same room; hence, more time can be spent with patients.

An Enhanced Hospital Communication System will allow clinical staff to better respond to the needs of patients and fellow staff. It is facilitated by a small device which can be clipped to a uniform or identification badge. It enables instant 2-way voice communication, the transmission of data, the ability to send alerts or text messages, and the ability to make phone calls. On command, the information is integrated directly into the patient's electronic health record, resulting in fewer errors and better quality of care.

Such a system increases efficiency since work can be performed from all locations in the hospital without waiting to get to a designated work station. Not only is this system critical for the quality of patient care, improved customer service, and improved staff efficiencies on a daily basis, it will be invaluable as an emergency response communication system.

PLANS & PROGRESS: Systems have been researched and price quotes obtained. Pricing here is based on the Vocera brand. The existing hospital information system is being altered to integrate with this system.

Cost: \$31,000 (includes system software and hardware purchase and installation)



An Enhanced Hospital Communication System allows staff to communicate with each other at the touch of a button on a device clipped to a pocket or ID badge or worn on a lanyard around the neck. Shown here are staff at Memorial Healthcare in Owosso, Michigan, which touts its use of Vocera devices.

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City of Homer Capital Improvement Plan • 2012 - 2017

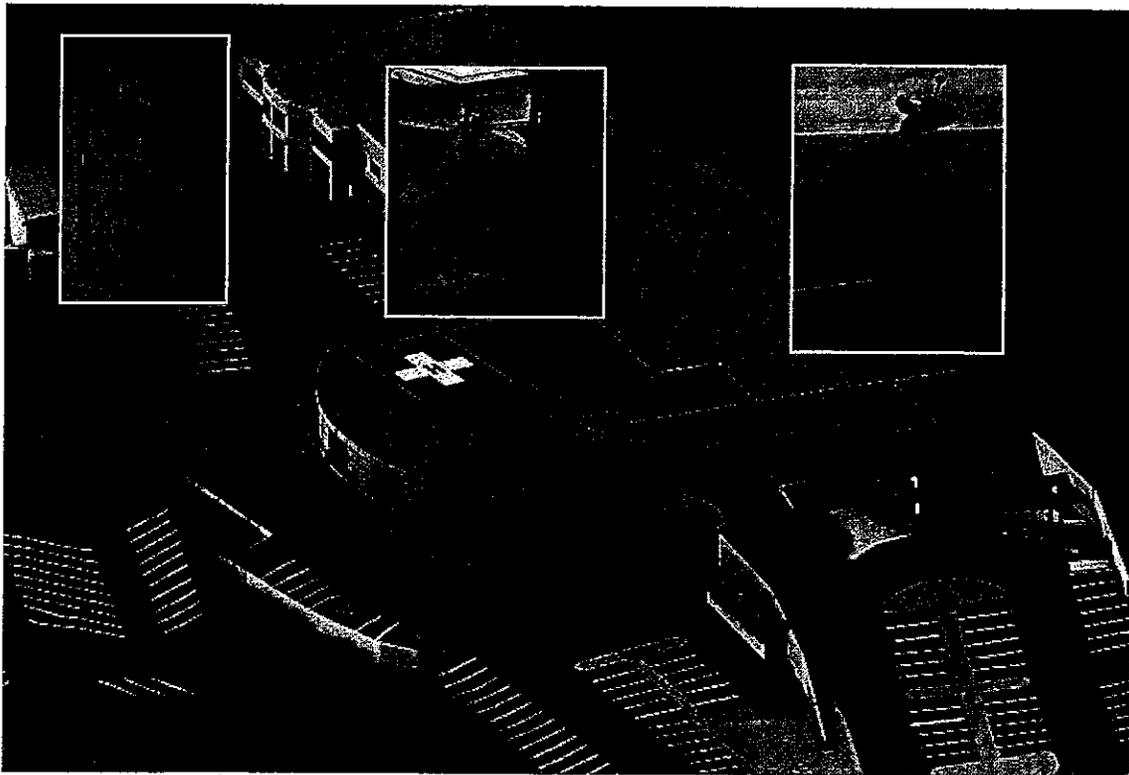
South Peninsula Hospital Fire Suppression System Booster Pump

PROJECT DESCRIPTION & BENEFIT: South Peninsula Hospital is completing the second phase of construction of a new patient wing which includes a rooftop helipad for medical emergency transport. Although the type of craft landing there is permitted to use a cart-mounted fire suppression system, all entities involved agree an automated AFFF Foam Fire Suppression System is the preferred system for safety to hospital personnel, patients, and local firefighters. City water pressure at this location is insufficient to run this type of system. Therefore, a booster pump is needed to generate the level of pressure required.

Without this system in place the hospital must utilize hand-carts (mobile suppressant units) which are difficult and expensive to acquire and do not meet the preferred level of response.

PLANS & PROGRESS: The helipad opened for use in November 2009. The AFFF system has been designed and all components have been pre-built and/or installed, with the exception of the booster pump and valve work. No remodel work will be required to accommodate this. Space for the pump is reserved.

Cost: \$96,000 (includes valving, cost of pump, and installation)



Architectural drawing of completed project with insets of work completed to date to accommodate the AFFF Foam Suppression System.



South Peninsula Hospital New Surgery Doors

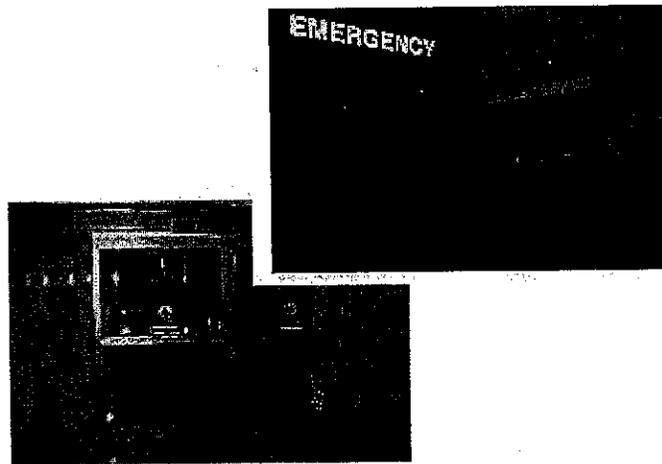
PROJECT DESCRIPTION & BENEFIT: South Peninsula Hospital's Surgery Department has a need for ergonomic, hospital-grade automatic operating room doors for to reduce the risk of injury to patients, staff, and surgeons and to comply with fire safety codes. The project consists of replacing the door in each of two operating rooms at the hospital with automatic doors constructed of metal and glass that meet new safety standards.

The existing doors are of a swinging style which creates a risk for staff due to the way they are opened. Staff routinely open the doors with a foot or arm in the interest of maintaining a sterile environment. However, this awkward maneuver puts staff at risk of injury.

Automatic doors will also help prevent the staff injuries incurred while moving patient stretchers in and out of the room through the manually operated doors currently in place. New, automatically opening doors will provide a significant improvement for a vital 30-year old section of the hospital to comply with current industry standards.

PLANS & PROGRESS: Door types have been researched and a preferred model has been selected.

Cost: \$32,000 for two doors, including installation. South Peninsula Hospital staff will provide site prep to make the project construction-ready.



Proposed automatic opening surgery doors at South Peninsula Hospital would be similar to the models shown here.

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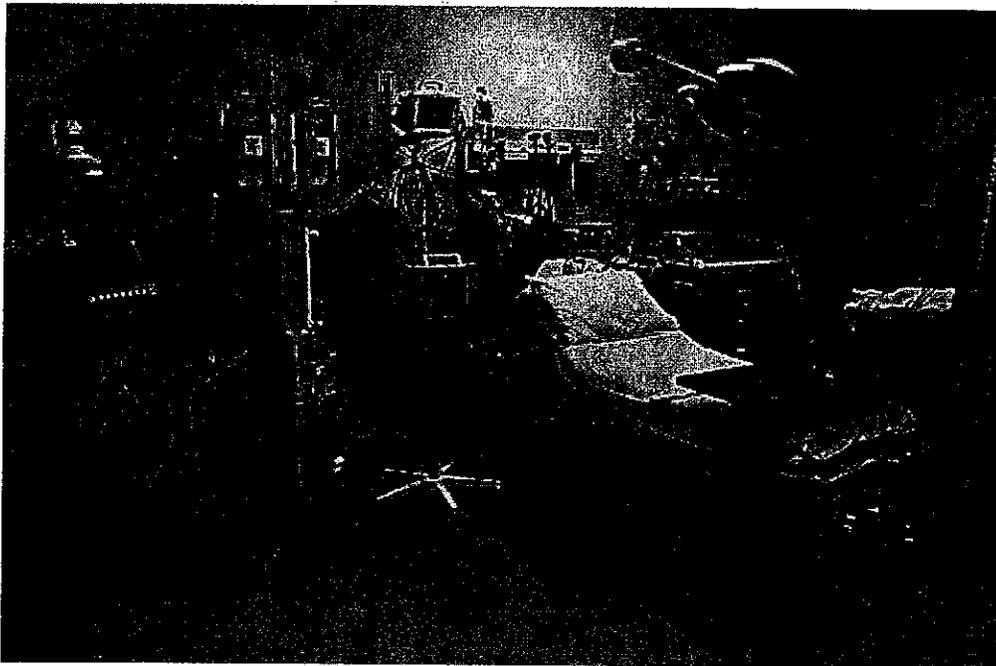
South Peninsula Hospital RFID Asset Tracking and Security

PROJECT DESCRIPTION & BENEFIT: This project will improve efficiency, save money, and help ensure the best possible patient outcomes by employing radio frequency identification (RFID) to track the location of hospital equipment and devices.

RFID is a technology that involves electromagnetic "tags" that emit radio signals which are picked up, read, and stored in a database. Active RFID can significantly decrease waste and reduce costs by providing an ongoing, accurate inventory. With room-level asset tracking capability, life-saving equipment can be found quickly. High cost equipment and mission-critical devices can be more effectively shared. Frequently-used gear including gurneys, wheelchairs, infusion pumps, and cardiac monitors can be located promptly.

Implementation of a real-time asset location solution will enable South Peninsula Hospital to significantly improve staff efficiency and reduce over-provisioning by providing real time, accurate inventory and immediate location of expensive equipment. Loss of high dollar items will be significantly reduced by alarm capabilities inherent in RFID tracking systems. Personnel and asset locations and interactions can also be monitored.

Cost: \$200,000 including installation



A modern hospital contains hundreds of pieces of equipment that can be efficiently tracked and located using RFID technology.



City of Homer Capital Improvement Plan • 2012 - 2017

Visitor Information Center Beautification

Phase I: Parking Lot

PROJECT DESCRIPTION & BENEFIT: The Homer Chamber of Commerce (HCOC) is seeking funds to pave the HCOC Visitor Information Center parking lot as part of a phased Beautification Project. This project will enhance development of the City's new Scenic Gateway Overlay District and has further potential to tie in with proposed Town Center development. The funds requested will be used to pave the parking lot, add ditches and culverts for drainage, stripe the lot for parking spaces, and add signage to deter pass-through traffic from the Sterling Highway to Bunnell Street.

Paving the Visitor Information Center parking lot will improve the appearance of the area, allow better access for the influx of visitors during the summer season and at year-round Chamber events, ensure handicap accessibility, and provide improved overflow parking for neighboring businesses. In addition, it will help address health and safety issues related to poor air quality, speeding vehicles, and pebbles kicked up by cars cutting through the parking lot between the Sterling Highway and Bunnell Street.

First impressions are what visitors to a community use to judge that area. One of the first places visitors come to when they drive into Homer is the Homer Chamber of Commerce Visitor Information Center. Approximately 150,000 people visit Homer every year. Attracting new businesses and families to our community—while also maintaining community pride for existing residents—is one of the key missions of the Homer Chamber of Commerce. An attractive Visitor Information Center, parking area, and surrounding grounds should be regarded as an important asset benefiting the entire community.



Other phases of the Visitor Information Center Beautification Project include adding a deck and rest area, gardens, artwork, and other landscaping. A final phase will develop the parcel located between the Chamber building and Bunnell Street.

PLANS & PROGRESS: The HCOC has completed excavation, grading, and backfill at a cost of \$40,000 raised specifically for this project.

Cost: \$200,000

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Appendices

Explanation of Project Table

Project Table

City of Homer Long-Range Capital Projects

City of Homer Financing Assumptions

CIP Development Schedule

Public Hearing Notice

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PROJECT TABLE – EXPLANATION

NOTE:	Project table contains City of Homer projects only.
Category:	Type of project: Road/Trail, Structure, Utility, Equipment
Project:	Title of project
Cost:	Total project cost
Priority Level:	<p>The numbers in this column refer to Priority Level 1 (highest), Priority Level 2, or Priority Level 3. In setting a priority level, the Homer City Council considers such questions as:</p> <ul style="list-style-type: none">• Will the project correct a problem that poses a clear danger to human health and safety?• Will the project significantly enhance City revenues or prevent significant financial loss?• Is the project widely supported within the community?• Has the project already been partially funded?• Is it likely that the project will be funded only if it is identified as being of highest priority?• Has the project been in the CIP for a long time?• Is the project specifically recommended in other City of Homer long-range plans?• Will the project provide significant economic benefits to the community?• Is the project strongly supported by one or more City advisory bodies? <p>These factors are weighed in combination to arrive at a priority determination.</p>
Year:	An X in one or more years indicates when the project is scheduled for implementation.
Year to CIP:	Year when project was first included in the City of Homer Capital Improvement Plan

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CITY OF HOMER CAPITAL IMPROVEMENT PROJECTS 2010-2015		Priority Level	\$ Cost	YEAR							Year To CIP
				2011	2012	2013	2014	2015	2016		
LOCAL ROADS and TRAILS											
Heath Street, Pioneer to Anderson		1	4 M		X	X	X				2001
Horizon Loop Trail, Feasibility & Conceptual Design		2	staff time	X							2010
Land Acquisition for New Roads		2	500,000	X	X	X					2007
Town Center Infrastructure		1	2 M		X	X	X				2005
STRUCTURES											
Ben Walters Park Improvements, Phase 2		2	200,000		X						2006
Deep Water Dock Expansion		1	29 M	X	X	X	X				1989
Deep Water Dock Upland Improvements		1	800,000		X						2010
Downtown Restroom		2	400,000			X					1996
Fast Boat Harbor		2	100.6 M	X	X	X	X	X			2004
End of the Road Wayside, Phase 1		3	1 M				X				2008
Fish Dock Restroom		2	400,000		X						2001
Fishing Lagoon Improvements		2	255,000	X							2009
Harbor Entrance Erosion Control		2	600,000			X					1998
Harbor Float Replacement/Ramp 3 Gangway & Approach		1	5.2 M	X	X						2003
Homer Spit Dredged Material Beneficial Use Project		2	980,000	X	X	X					2010
Jack Gist Park Improvements, Phase 1		2	100,000		X						2006
Karen Hornaday Park Improvements, Phase 1		1	700,000	X	X	X					1984
Mariner Park Improvements, Phase 1		1	975,000	X	X	X	X				2004
Port & Harbor Building		1	2,875 M	X	X	X					1985
Skyline Fire Station		1	1.35 M	X	X						2003
Upgrade System 5: Vessel Shore Power and Water		1	530,000		X				X		2010

Note: Only projects to be undertaken by the City of Homer are listed here. List does not include State transportation projects or those sponsored by non-profits or other organizations.

CITY OF HOMER LONG-RANGE CAPITAL PROJECTS

The following projects have been identified as long-range capital needs but have not been included in the 2011-2016 Capital Improvement Plan because it is not anticipated that they will be undertaken within the 6-year period covered by the CIP. As existing CIP projects are funded or as other circumstances change, projects in the long-range list may be moved to the 6-year CIP.

Within each category below (Roads and Trails, Structures, Utilities), projects are listed in alphabetical order.

ROADS AND TRAILS

Fairview Avenue – Main Street to East End Road. This project provides for the design and construction of Fairview Avenue from Main Street to East End Road. The road is approximately 3,000 lineal feet and the project will include paving, water and sewer mains, stub-outs, storm drains, and a sidewalk or trail. The project extends from the intersection of Main Street to the high school and finally to East End Road and will provide an alternative to Pioneer Avenue for collector street access east/west across town. This roadway would benefit the entire community by reducing congestion on Pioneer Avenue, the major through-town road, and would provide a second means of access to the High School. It would also allow for development of areas not currently serviced by municipal water and sewer.

This improvement is recommended by the 2005 Homer Area Transportation Plan. Necessary right-of-way has already been dedicated by the Kenai Peninsula Borough across the high school property.

Cost: \$1.75 million Priority Level 3

Fairview Avenue – Main Street to West Hill Road. This project provides for the design and construction of Fairview Avenue from Main Street to West Hill Road. The road is approximately 4,200 lineal feet and the project will include paving, water and sewer mains, stub-outs, storm drains, and a sidewalk or trail. Along with the Fairview to East End Road project, this project will benefit the entire community by providing an alternative to Pioneer Avenue for collector street access east/west across town, thereby reducing congestion on Pioneer Avenue and developing alternative access for emergency vehicle response. The need for the road extension has increased markedly with the development of three major residential subdivisions in the area.

This improvement is recommended in the 2005 Homer Area Transportation Plan.

Cost: \$3 million Priority Level 3

Beach Access from Crittenden and Main. This project will provide residents and visitors with coastal view stations and access to the beach at the southern ends of Crittenden Street and Main Street, utilizing City-owned land. The project will enhance connectivity in Homer's developing trails and park system, providing additional points of access so that beachgoers can walk onto the beach at one point and off at another, on a loop through Old Town, Town Center, etc. For those not physically able to walk all the way to the beach, platforms near the roads will provide nice views and benches on which to relax. Interpretive information could provide information on Homer history, beach formation, and other topics.

Improvements at Crittenden Street will consist of stairs with landings (designed to protect against erosion) constructed from the top of the bluff to approximately halfway down the slope. From there, a narrow, meandering pathway will continue to the beach.

The Main Street beach access point is envisioned to have a small parking area, a viewing platform with bench, and stairs with landings.

Cost: \$250,000 Priority Level 3

East Trunk/Beluga Lake Trail System. This project will create two connecting trails:

- The Beluga Lake Trail will partially encircle Beluga Lake with a raised platform trail that includes a wildlife observation site. The trail will connect neighborhoods and business districts on the north and south sides of the lake.
- The East Trunk Trail will provide a wide gravel pathway from Ben Walters Park east along the City sewer easement, along the north side of Beluga Lake (connecting with the Beluga Lake Trail), and eventually reaching East End Road near Kachemak City.

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The completed trail system will connect Paul Banks Elementary School, the Meadowood Subdivision, and other subdivisions and residential areas to Ben Walters Park and also provide hiking, biking, and wildlife viewing opportunities around Beluga Lake. In addition, it will provide an important non-motorized transportation route.

The Beluga Lake Trail and a trail connection to Paul Banks Elementary School and East End Road are included in the 2004 City of Homer Non-Motorized Transportation and Trail Plan.

Cost: Beluga Lake Trail—\$1.5 M East Trunk Trail—\$2 M Priority Level 3

Homer Coastal Trail. Homer's coastal environment provides enormous scenic and recreational opportunities for area residents and visitors and has helped attract world-class educational and research facilities such as those incorporated in the new Islands and Ocean Visitor Center. With trail development in the area from Mariner Park to Bishop's Beach, the potential exists for even greater access to and appreciation of this unique resource, by individuals of all ages and physical abilities.

The 1.3 mile Homer Coastal Trail would be completed in three phases. Phase 1 will be to install rip-rap revetment and construct a paved asphalt pedestrian trail along the top of the new Ocean Bluff seawall, providing a route along this previously difficult-to-access section of the coast. Phase 2 will involve construction of a bridge over Beluga Slough and a boardwalk trail through the intertidal zone west to Bishop's Beach. Phase 3 will provide a boardwalk trail from the seawall to Mariner Park. The new trail will connect with the existing Beluga Slough trail and Homer Spit Trail. It will be enjoyed by hundreds of visitors and residents each year, contributing to quality of life and economic development.

Cost: Phase 1—\$2.5 million Phase 2—\$1.2 million Phase 3—\$1.5 million Priority Level 3

STRUCTURES

Downtown Restroom. It is expected that one public restroom facility will be built in a downtown location before 2014. This project will provide an additional downtown restroom for the benefit of residents and visitors. Currently, the only public restroom facilities along Pioneer Avenue are in City Hall. With proposed "Town Center" development, the need for restroom facilities will increase as more people frequent the downtown area. The specific location will depend on Town Center development and on where the first downtown restroom is located.

Cost: \$400,000 Priority Level 3

End of the Road Wayside, Phase 2. Phase 2 of this project will construct a plumbed bathroom.

Cost: \$400,000 Priority Level 3

Homer Conference Center. Homer is a popular visitor destination and the visitor industry is a critical component of the local economy. However, millions more dollars might be spent in Homer if a meeting facility large enough to attract conferences with several hundred participants was available. Currently, Homer has no facility capable of providing meeting space for groups of more than 180 people.

Homer's reputation as an arts community will help attract meetings and audiences if a facility exists to accommodate and showcase these events. The conference center, featuring banquet/ballroom space and flexible meeting space, will fill this need. If the facility is located in Homer's developing Town Center, other area businesses would also benefit from the increased number of visitors attending meetings at the conference center.

A conference center will increase Homer's ability to compete with other communities in that important niche of the visitor industry, and will also provide a venue for meetings and cultural events hosted by local organizations, such as the Kachemak Bay Writers Conference and Shorebird Festival events.

In partnership with the Homer Chamber of Commerce, the City of Homer commissioned a conference center feasibility study completed in summer 2005. The study predicts moderate demand from outside groups for a conference center in Homer. The Conference Center Feasibility Study Steering Committee made a formal recommendation that the City support efforts to encourage the construction of a conference center in Homer's Town Center. In August 2005, the Homer City Council passed Resolution 05-

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86(A) which recommends further consideration and authorizes the City Manager to pursue ideas and discussions that will increase the likelihood of a conference center being built in Homer.

Cost: \$5 million Priority Level 3

Homer Fire Station. The Homer Fire Station is now more than 28 years old and badly in need of replacement. Fire Department staff and volunteers are completely out of space. However, it has become clear that expanding the current facility is neither desirable or practical.

Examples of deficiencies in the current facility include:

- Emergency vehicles are parked outside, resulting in response delays in winter, accelerated deterioration, and security issues.
- Inadequate training space resulting in conflicts, cancellations, and delays.
- Acute shortage of storage space.
- Current facility does not meet fire station design criteria with separated biohazard decontamination/cleaning areas or separated storage areas for clean medical supplies.
- Current facility does not provide adequate protection from diesel exhaust emissions.
- Current facility lacks space to accommodate more than four overnight crew members. Space is needed for eight people to sleep in the station without disrupting normal operations.
- The building lacks room for health and fitness equipment.
- Current space is often inadequate for conferences and meetings.

A new fire station in Homer will provide area-wide public safety benefit. Agencies such as the Police, Coast Guard, and State Parks personnel use the Homer Fire Station training room for classes and would benefit from a new, larger facility.

Cost: Site acquisition/concept design—\$800,000 Final design/site prep—\$800,000
Construction—\$5.5 M Priority Level 2

Note: A new fire station and fire training facility could be built in conjunction with a new police station and firearms training facility. A combined public safety facility, where certain areas are shared between the Police and Fire departments, would be less expensive to build and operate than if each facility is constructed separately. Some preliminary planning for such a facility has already been completed, through a space needs study conducted in 2006.

Homer Greenhouse. Homer's growth in population and area, the importance of tourism to the local economy, and increased community requests for beautification illustrate the need for a new greenhouse capable of producing 100,000 plants annually. In addition to spring planting, the greenhouse can be used to grow hanging baskets for the Central Business District; poinsettias, etc. for the winter holiday season; and shrubs and trees for revegetation and park improvements. The new library grounds and Town Center development will further increase the need for summer annuals planting. The greenhouse could also serve as a community resource for meetings, weddings, winter visits, etc.

The greenhouse is envisioned to be 100 x 40 feet in size and will include radiant floor heat, automated lighting, ventilation, and watering equipment. It will be constructed utilizing double-walled poly sheet product to maximize energy efficiency and operational costs. The facility will be operated by the Parks Division of Public Works for the benefit of the community. The greenhouse could possibly be constructed in conjunction with a new City Hall in Town Center.

Cost: \$400,000 Priority Level 3

Homer Police Station. The Homer Police Station was built in stages from 1975 to 1983. The building is aging and it is time to plan for its replacement. The lot that the police station is on is not large enough to allow for continued expansion.

The existing facility is inadequate in space and design to meet the Police Department's current and future needs in several capacities. Particularly serious problems exist in the current jail spaces. Examples of problems throughout the facility include:

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- Inadequate training and exercise spaces
- Shortage of storage space
- Health and safety deficiencies primarily involving an inadequate ventilation system
- No area for evidence processing of large items
- No crisis cell for special needs prisoners
- Poorly designed jail entry area, booking room, and jail office spaces
- Inadequate space for communications equipment required for dispatch operations
- Existing dispatch spaces are too small for current and projected operational needs
- Unsafe and improper juvenile holding area
- Lack of adequate outside parking, both open and garaged

A new police station in Homer will benefit public safety area-wide. The Homer Police Department provides 9-1-1 services for many of the communities on the southern Kenai Peninsula and area-wide radio dispatching and support services to a host of agencies. The new facility will incorporate safety enhancements for all police personnel, reducing potential liability to the City.

Cost: Site acquisition/conceptual design—\$550,000 Design/site preparation—\$550,000

Construction—\$4.5 million Priority Level 2

Note: A new Police Station could be built in conjunction with a new fire station. A combined facility would be less expensive to build and operate than if each facility is constructed separately. Certain areas could be shared between the two departments. A space needs study conducted in 2006 determined that a combined facility which includes indoor shooting lanes would require approximately 38,650 square feet.

Jack Gist Park Restroom. Jack Gist Park has been in development since 1998 on 12.4 acres of land donated to the City of Homer by a private landowner. As originally envisioned by the Jack Gist Recreational Park Association, this parcel was to be developed primarily for softball fields. The long-term goal is to acquire adjacent properties that will provide space for soccer fields and an equestrian park. The proposed project will construct a restroom facility at Jack Gist Park, completing Phase 1 development. (Other aspects of Phase 1 are to be completed before 2014.)

Cost: \$400,000 Priority Level 3

Karen Hornaday Park Improvements, Phase 2. Phase 2 park improvements will include Woodard Creek restoration, park entrance road realignment, west side parking, east side parking, Woodard Creek Trail construction (including a bridge to South Peninsula Hospital), and further landscaping improvements.

Cost: \$570,000 Priority Level 2

Mariner Park Improvements, Phase 2. This project will provide significant improvements to Mariner Park, at the base of the Homer Spit. As one of Homer’s most popular recreation areas, Mariner Park attracts campers, beach walkers, kite-flyers, Spit Trail users, birders, people with dogs, and others who come to enjoy the views and open-air recreation opportunities. Homer’s growing population and tourist visitation are placing greater demand on Mariner Park, increasing the need for recreation and safety enhancements.

Phase 1 improvements are scheduled for completion in 2010-2014. Phase 2 improvements will construct a tunnel under the Spit Road to provide safe pedestrian access to the Homer Spit Trail, develop a central pavilion to serve as a picnic/barbecue area, on the inside of the storm berm, develop fee camping sites on the side of the park closest to the road, with day-use parking on the ocean side, construct a kiosk with information about the Mariner Park area, and improve the appearance of Mariner Park through landscape architecture consistent with the natural environment.

Cost: \$450,000 for tunnel; \$150,000 for pavilion, camp sites, and kiosk; \$75,000 for landscaping.

Total: \$675,000 Priority Level 3

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Public Restrooms – Homer Spit. With increased activity on the Homer Spit, including the popular Homer Spit Trail, the need for restroom facilities has also increased. Restrooms are needed in the following locations, in priority order. (Note: It is anticipated that a new restroom in the vicinity of the Fish Dock will be constructed in 2010. Restrooms for Mariner Park and End of the Road Park are addressed elsewhere.)

- The restroom at Ramp 2 is in poor condition and needs to be replaced. If a new Port & Harbor building is constructed, it could include a restroom (possibly with showers) to replace the Ramp 2 restroom.
- The restroom at Ramp 5 is in poor condition and needs to be replaced. It is used by campers as well as by harbor users.
- A restroom is needed at the trailhead parking area on Kachemak Drive. The parking area is at the intersection of the Ocean Drive bike route and the Homer Spit trail; thus the restroom will benefit users of both trails. The City of Homer is planning to expand the trailhead parking lot for the Spit Trail to increase parking capacity and create room for the proposed restroom facility.

Cost: \$400,000 each; \$1.2 M total

Priority Level 2 for Ramp 2; Level 3 for Ramp 5 and Spit trailhead

Public Works Complex. The City of Homer Public Works complex on the Sterling Highway was constructed in phases from 1974-1986 (except for the recently completed large equipment storage shed). In 1980, Homer's population was 2,209. Since that time, the population has grown more than 150%, with a corresponding increase in roads, water/sewer lines, and other construction activity that requires employee and equipment time. The existing facility is no longer adequate to meet these needs and the problem will become more acute with continued growth.

A new Public Works complex will include the following:

- Increased office space to provide adequate room for employee work areas, files, supplies, and equipment storage
- Adequate space for Parks Division and Engineering staff and equipment
- A waiting area for the public, contractors, etc.
- A conference room that doesn't double as the employee break room
- A break room with adequate seating, storage, and locker space
- A laundry room
- A garage for the motor pool large enough to accommodate more than one or two projects at a time
- Improvements in ventilation throughout the facility and wiring for computer technology

Cost: Design—\$500,000

Construction—\$4.5 M

Priority Level 2

South Peninsula Firearms Training Facility. This project will provide a multi-agency training facility for law enforcement on the lower Kenai Peninsula. Beneficiaries will include the Homer Police Department, local units of the Alaska State Troopers, Alaska State Parks, and various federal law enforcement agencies. Properly managed, the facility could also be used by local gun clubs and sporting groups. The facility, which will include a modern indoor shooting range, will provide a proper and safe environment for firearms training. It will enable local law enforcement personnel to conduct training at any time of day, year-round, regardless of weather.

A conceptual design for a 6-lane indoor shooting range was prepared for the City of Homer in 1996. Note: This project could be completed in conjunction with a new Police/Fire Hall complex.

Cost: \$1,000,000

Priority Level 3

UTILITIES

Spit Water Line Replacement – Phase 4. The existing Homer Spit water line is 30 years old and is constructed of 10-inch cast iron. In recent years it has experienced an increasing number of leaks due to corrosion. The condition has been aggravated by development on the Spit resulting in increased load from fill material on an already strained system. Phase 4 of this project consists of construction of approximately 1,500 lineal feet of water main to the end of the Spit. Replacement of the Homer Spit waterline will ensure an uninterrupted water supply for public health, fire/life safety needs, and expanding economic activities on the Spit.

Cost: \$400,000

Priority Level 3

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West Hill Water Transmission Main and Water Storage Tank. Currently, water from the Skyline treatment plant is delivered to Homer via two transmission mains. One main (12-inch) is located along East Hill Road and delivers water to the east side of town. The other (8-inch) runs directly down to the center of town. A third transmission main is needed to deliver water to the west side of town, provide water to the upper West Hill area, and provide backup support to the two existing transmission mains. A new water storage facility is also needed to meet the demands of a rapidly growing community.

The addition of a third water transmission main has been identified in comprehensive water planning documents for over twenty years.

Cost: Design—\$500,000 Construction—\$4.5 M Priority Level 2

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CITY OF HOMER FINANCING ASSUMPTIONS CAPITAL IMPROVEMENT PROGRAM

Implementation of the City of Homer Capital Improvement Plan requires utilization of various financing mechanisms. Financing mechanisms available to the City of Homer include:

- Federal grants or loans
- State grants or loans
- General obligation bonds
- Limited obligation bonds
- Revenue bonds
- Special assessment bonds
- Bank loans
- Pay-as-you-go
- Private sector development agreements
- Property owner contributions
- Lease or lease-purchase agreements

The use of any of the financing mechanisms listed above must be based upon the financial capability of the City as well as the specific capital improvement project. In this regard, financing the CIP should take into consideration the following assumptions:

1. The six-mill property tax limitation precludes utilizing General Fund operating revenue to fund major capital improvements. Available revenue should be utilized to fund operation and maintenance activities.
2. The operating revenue of enterprise funds (Port & Harbor, Water & Sewer) will be limited and as such, currently only fund operation and maintenance activities.
3. The utilization of Federal and State grants will continue to be significant funding mechanisms. Grants will be pursued whenever possible.
4. The 1½ percent sales tax approved by voters of Homer for debt service and CIP projects is dedicated at ¾ percent to sewer treatment plant debt retirement with the remaining balance to be used in water and sewer system improvement projects, and ¾ percent to the Homer Accelerated Roads and Trails (HART) Program.
5. The HART Program will require property owner contribution of \$30 per front foot for road reconstruction, with an additional \$17 per front foot for paving.
6. The Accelerated Water and Sewer Program will require substantial property owner contributions through improvement districts/assessment funding, set currently at 75 percent.
7. The private sector will be encouraged to finance, construct, and operate certain non-essential capital improvements (e.g., overslope development).
8. The utilization of bonds will be determined on a project-by-project basis.
9. The lease and/or lease-purchase of capital improvements will be determined on a project-by-project basis.

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CITY OF HOMER
2011-2016 CAPITAL IMPROVEMENT PLANNING PROCESS
FY 2012 LEGISLATIVE REQUEST DEVELOPMENT SCHEDULE

ACTION	TIMEFRAME
City Council approval of schedule	May 24, 2010
Solicit new/revised project information from City departments, local agencies and non-profits	May 25
Input for new draft requested by	June 18
Prepare and distribute draft CIP to City advisory groups for review and input	(Meeting dates): Planning Commission July 7, July 21, August 1, August 18
	Parks and Recreation Commission July 15 or August 19
	Port and Harbor Commission July 28 or August 25
	Library Advisory Board July 6 or August 3
	Economic Development Commission July 13 or August 10
	Transportation Advisory Committee August 17
Administrative review and compilation	August 26-31
City Council worksession to review proposed projects	September 13
Public Hearing on CIP/Legislative request	September 27
Local Election	October 5 (first regular meeting for new Council members: 10/25)
Adoption of resolutions by City Council	October 11
Administration forwards requests for Governor's Budget	by end of October
Administrative compilation of CIP	through end of October
Distribution of CIP and State Legislative Request	beginning November 2010
Compilation/distribution of Federal Request	February 2011

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CITY OF HOMER
PUBLIC HEARING NOTICE
CITY COUNCIL MEETING

**2011-2016 Capital Improvement Plan & FY 2012 Legislative Request
Ordinances 10-44, 10-45, 10-46, 10-47, 10-48(S), and 10-49(S)**

A public hearing is scheduled for **Monday, September 27, 2010** during a Regular City Council Meeting. The meeting begins at 6:00 p.m. in the Homer City Hall Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

2011-2016 Capital Improvement Plan & FY 2012 Legislative Request

Ordinance 10-44 Internet address:

<http://clerk.ci.homer.ak.us/ordinance/ord1044.htm>

Ordinance 10-44, An Ordinance of the City Council of Homer, Alaska, Accepting a 2010 Interoperable Emergency Communications Grant to the City of Homer Port and Harbor from the Alaska Division of Homeland Security and Emergency Management (DHS&EM) in the Amount of \$17,400 and Authorizing the City Manager to Execute the Appropriate Documents. City Manager/Port and Harbor Director.

Ordinance 10-45 Internet address:

<http://clerk.ci.homer.ak.us/ordinance/ord1045.htm>

Ordinance 10-45, An Ordinance of the City Council of Homer, Alaska, Amending HCC 1.24.040, By-Laws for Council Procedure, to Incorporate Subsequent Amendments to the Council Agenda Format. Hogan.

Ordinance 10-46 Internet address:

<http://clerk.ci.homer.ak.us/ordinance/ord1046.htm>

Ordinance 10-46, An Ordinance Reinstating on a Year-Round Basis the City of Homer Sales Tax Imposed on Sales of Nonprepared Foods. Lewis.

Ordinance 10-47 Internet address:

<http://clerk.ci.homer.ak.us/ordinance/ord1047.htm>

Ordinance 10-47, An Ordinance Amending Homer City Code 8.12.110 "Definitions" to Subject Public Transportation Vehicles Offering Free Transportation Services in Support of an Operator's Primary Business to the Licensing and Permitting Requirements in the Homer City Code. Lewis.

Ordinance 10-48(S) Internet address:

<http://clerk.ci.homer.ak.us/ordinance/ord1048.htm>

Ordinance 10-48(S), An Ordinance of the City Council of Homer, Alaska, Accepting and Appropriating a State of Alaska Legislative Grant for Use Towards Construction of Phase I of the Anchor Point to Homer Natural Gas Pipeline in the Amount of \$525,000 and Authorizing the City Manager to Execute the Appropriate Documents. City Manager.

Ordinance 10-49(S) Internet address:

<http://clerk.ci.homer.ak.us/ordinance/ord1049.htm>

Ordinance 10-49(S), An Ordinance of the City Council of Homer, Alaska, Accepting and Appropriating a U.S. Fish and Wildlife Service Grant for the Beluga Slough Trail Replacement Project in the Amount of \$25,000 with a Local Match of \$30,000 and Authorizing the City Manager to Execute the Appropriate Documents. City Manager/Public Works Director.

All interested persons are welcomed to attend and give testimony. Written testimony received by the Clerk's Office prior to the meeting will be provided to Council.

* * * Copies of proposed Ordinances, in entirety, are available for review at Homer City Clerk's Office. Copies of the proposed Ordinances are available for review at City Hall, the Homer Public Library, the City of Homer Kiosks at City Clerk's Office, Captain's Coffee, Harbormaster's Office, and Redden Marine Supply of Homer and the City's homepage - <http://clerk.ci.homer.ak.us>. Contact the Clerk's Office at City Hall if you have any questions. 235-3130. Email: clerk@ci.homer.ak.us or fax 235-3143.

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MANAGERS REPORT

May 9, 2011

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE

UPDATES / FOLLOW-UP

1. Dredge Materials: We got off to a rocky start with the dredging projects this year. We were scheduled to have the harbor entrance and parts of the main fairway dredged this spring. The contractor arrived late which placed us under a time constraint since all work had to be completed by April 30. Last Wednesday, the contractor overfilled the dewatering pond on Lot 49 and flooded the end of the Spit with silt and seawater. The businesses out there were not impressed and it was a pretty bad week overall in terms of PR. The contractor paid to clean-up the mess on private property and the Corps of Engineers closed the project down. So, the end result is that the rest of the dredging will have to take place in the fall. Also, we agreed to allow the remaining materials on Lot49 to stay there until the fall dredging and then all of the materials can be transported at once to the storage site. This will save the Corps a great deal of money but it will also mean that the materials is there all summer; pretty unsightly from a tourism perspective. The pipeline and the big mound on the road will be removed. There is another special project in July that will remove about 10,000 yards of material from under the Pioneer Dock. This is an experiment to see if creating a sink to capture materials before they are transported to the Hickory berth will lower the cost of operations for maintaining that berth. This dredging can be done from the beach at a much lower cost. An excavator will load this material directly on to trucks for transport away from the sight. But again, while necessary, the timing is not the best from a tourism perspective. All of this reminds us again about the need for a long term dredging plan.
2. Old Water Treatment Plant: This demolition project is basically complete. The next step for us is to bring the Council a proposal for establishing a satellite fire station there.
3. Parks News: The City staff is working with volunteer groups to find ways to get them involved and take advantage of their energy and desire to improve the parks. As you know, at the last meeting the Council accepted a donation for playground equipment at Bayview Park. This week, the staff had a meeting on-site at the Karen Hornaday playground with parents who wish to help design the playground and raise money for improvements. We are presently working on an MOU with Jack Gist Park advocates and have had discussions with others about volunteer opportunities in all of the parks. This week the staff drafted a resolution and some policies and procedures to implement an Adopt-A-Park Program. This will be reviewed by the Parks and Recreation Commission at its next meeting and presented to the Council for approval on May 23. The main driver behind this effort is the Rotary Club's desire to adopt Ben Walters Park and invest in

improvements there. I believe all of these efforts should be encouraged and could not come at a better time.

4. New Personnel: I would like to formally introduce the newest members of the management team. At the last meeting, many of you met Andrea Petersen for the first time. Andrea is the new Personnel Director and will be assuming the duties formerly handled by Sheri Hobbs. Andrea spent the past three years working in the HR Department for South Peninsula Hospital. Her experience, training, and certifications make her uniquely qualified for the job. Andrea began work on April 4th and benefitted from almost an entire month of orientation while Sheri was still here. Sheri also served as the Airport Terminal Manager and supervised the Community Recreation Program. I have moved those duties elsewhere so that Andrea can focus her full attention on HR duties. The Library Director position has been accepted by Ann Dixon. Anne spent three days orienting with Helen Hill before she left and will officially start work at the end of May. Ann has a wide variety of library experience and the desired education and certifications. She comes to us from Willow Alaska where she has lived for many years. She has been director of the Willow Public Library and is presently the librarian for the Willow Public School. Anne is also a well known author of children's books. Please welcome these new employees when you get the chance.
5. Redistricting: The Mayor and I attended the public hearing held by the Redistricting Board in Homer on May 3. Copies of the proposed House and Senate districts will be available at the meeting. Written testimony and comments will be accepted until early June, at which time the Board must adopt its final plan. There are two options put forward by the Board and several by other organizations. Both Board options have Homer in an identical House District. Basically the House District no longer includes Seward and it goes up along Cook Inlet toward Kenai. At least one of the proposals put forward by other entities has Homer and Seward in the same House District. There are two options regarding the Senate district put forward by the Board. One has Homer grouped with Kodiak and Seward, much as we are now. The other has Homer in a Senate district with the Kenai area.
6. Bridge Creek Fire Mitigation Project: The Fire Mitigation Project has basically wrapped up for the season because of the rapidly diminishing snow and warm temperatures. I think the contractor did a very job with the mechanical work. He may have to come back next winter to finish his work and clean-up a few things. There will likely be some hand crews at work this summer cutting dead trees in sensitive and buffer areas. A tree stock assessment will also be conducted to see if replanting would be beneficial. The head of the Borough Spruce Bark Beetle Program, Duane Bannock, will be here to give you a report at the next meeting.
7. Request for Proposals / Leased Land on Spit: An RFP has been prepared and is about to be publicized. The RFP invites proposals to lease City land on all lots approved for lease by the Council in the Land Allocation Plan. The Lease Committee will be reviewing the proposals and making recommendations to Council in early June.
8. Proposal Deadline / Old Middle School: The deadline for proposals is Friday, May 6. By meeting time, I should be able to tell you if we received any. At the

time this report was written, there were only two parties on the plan holders list. The Lease Committee has scheduled a special meeting for May 17 to review the proposals. The Lease Committee will be supplemented by available members of the Economic Development Commission since it is likely that body will not have a quorum.

9. Land Sales: Appraisals have been commissioned for the lots designated for sale in the Land Allocation Plan. As soon as we have the appraisals, we will take the steps necessary to put those parcels up for sale.
10. TORA Agreement: We are back on track with the proposed Transfer of Responsibility Agreement (TORA) with ADOT/PF. You will recall that this is the agreement that transfers responsibility for parking, pedestrian amenities, and seasonal speed limits to the City. We have one or two additional things to work out and we expect to bring you a resolution at the next meeting.

ATTACHMENTS

1. May Employee Anniversaries
2. March Department Statistical Reports
3. Memorandum from Port and Harbor Director, Re: Change Order to the Fish Dock Crane Card Access System Upgrade Project

MANAGERS REPORT

May 24, 2011

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE



UPDATES / FOLLOW-UP

1. Attorney Contract: Jo recently reminded me that the one year attorney services contract with Birch, Horton, Bittner et al expires at the end of July. So, it would be timely for Council to have a discussion about how it would like to proceed. It seems like the choices are to a) enter into another contract with Birch Horton b) put out an RFP for attorney services, or c) renew discussion about an in-house attorney. Options b and c require some lead time so if Council wishes to go in either of those directions, we should have the discussion sooner rather than later. I believe that this discussion could take place in executive session if Council wishes because the legal status and strategy of certain cases and performance issues could be discussed.
2. Health Insurance: We are currently looking into hiring a broker to assist us with managing the City's Health Insurance Program. Most cities have brokers and it appears that hiring one would not cost any additional money since the broker would be paid by the plan administrator (Meritain Health). The broker would do some of the tasks Meritain is doing now for us. A broker would have a number of advantages including helping to shop for competitive rates and acting as a consultant on all things related to health insurance. This is very important in this time of rapidly changing rules and regulations. If the City moves ahead on this, we would issue an RFP for broker services. A sample RFP is attached so that you can see the scope of what a broker might be asked to do. We are currently evaluating a number of cost saving measures for the health care plan and will be talking with the employees about the options soon. Council will be pleased to know that at this point we project that we will likely be in a position to reduce the contribution to the health insurance fund, or at least keep it static, again this year. This is great considering that most other municipalities are experiencing huge cost increases. The primary reasons for this are the fact that Homer has a well managed self insured plan, the staff has been relatively healthy overall, and the reserve account is very healthy.
3. Lynn Whitmore Presentation: Lynn Whitmore is associated with the Kenai Moose Habitat group which owns land and advocates for conservation of moose habitat in the area bounded by Kachemak Drive and the airport complex. The Borough owns a large tract of land near the end of the airstrip on the north side which is classified as undesignated. This land has wetland and moose habitat values and it serves as a discharge area for the Bear Creek drainage. Lynn has been talking to the Borough about changing the land designation for this parcel to "habitat." A longer term goal might be critical habitat; a state designation. This proposal would assist greatly with conservation of important habitat within the

City limits. It would also make more land around the airport off-limits to development. Lynn is scheduled to make a brief presentation on his idea at the Committee of the Whole. He would like to see if he can obtain City support before he goes any further. If the Council wants to take a position on this, a member could sponsor a resolution for the next meeting.

4. City Hall Construction: The City Hall Renovation and Expansion Task Force is moving ahead right on schedule. You may have noticed that some work has already begun (storage connex buildings removed and power lines placed underground.) Construction is scheduled to begin in mid-June. We will be ready to provide a full report on progress with this project if asked. It can also be discussed when the project funding ordinance is on the table (using depreciation money on the existing building). We are currently having an internal discussion about how we can most efficiently continue operations while construction is going on. The pros and cons of moving some of the staff (administration and planning) over to the old intermediate school for six months are being evaluated.
5. State Capital Projects /: The Capital Budget approved by the Legislature contains approximately \$32,000,000 for the Homer area. Of that amount, \$16,032,000 is designated for City of Homer projects. This includes \$10,032,000 for the gas pipeline and \$6,000,000 in cruise ship tax money for improvements at the dock, around the harbor, and on Pioneer Avenue. The ball now rests in the Governor's court. No one knows what he will veto but it is pretty certain that he will eliminate some projects. Right now we are planning to get as much information as we can to the Governor to demonstrate the value of the City's projects. The City pipeline website has been updated. This week I will be drafting a letter to the Governor for the Mayor's signature touting the benefits of the project and inviting him to Homer to see the City's projects for himself.
6. Lease Committee / Old Intermediate School: The joint Lease Committee and Economic Development Committee met in executive session on May 17 to evaluate proposals received to lease the old intermediate school. No decisions were made and at present, there is no recommendation. Important information was missing from the proposals and the City Manager was asked to meet with the parties involved and report back if additional relevant information can be obtained.
7. Soccer Fields: Soccer is a rapidly growing sport in Homer and the demand for additional soccer fields is great. The Parks and Recreation Commission has been talking about this alot. I was recently contacted by the Homer Soccer Association about this. This week, Mike Illg and I met with the School District to discuss and coordinate Community Recreation programs this summer and fall. One topic that came up was soccer fields. The School District would like to build at least one soccer field, preferably with artificial turf. There are several potential alternatives but the District definitely has the land available to do this. We talked about several scenarios under which the City and the District could "partner" to achieve a community wide goal. You will likely be hearing more about this in the future and I will be happy to discuss it in more detail tonight if the Council wishes.
8. Lobbyist Visit: The City lobbyist would like to make another trip to Homer to speak with the Council and strategize about tasks and agenda items for the

interim. One thing they will definitely be working on during the interim is the fish tax issue. We originally talked about bringing them down in May or June. We are now thinking that the fall might be a better time since we will be working on the CIP and getting ready for the session. Also, everyone is more likely to be around during that period. Comments from Council would be great.

ATTACHMENTS

1. Sample RFP for health insurance broker
2. Sandwich board notice to property owners
3. City Hall project Talking Points / Project Schedule

MANAGERS REPORT
June 27, 2011

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE

W. Wrede

UPDATES / FOLLOW-UP

1. Attorney Contract: The City attorney recently returned from vacation but he is aware that Council would like to know if he proposes any amendments to his contract. He has assured me that he will address this issue prior to the meeting. At the time this was written, that had not yet occurred but I and sure I will be able to report on that by meeting time.
2. Health Insurance: We are currently looking into hiring a broker to assist us with managing the City's Health Insurance Program. Most cities have brokers and it appears that hiring one would not cost any additional money since the broker would be paid by the plan administrator (Meritain Health). The broker would do some of the tasks Meritain is doing now for us. A broker would have a number of advantages including helping to shop for competitive rates and acting as a consultant on all things related to health insurance. This is very important in this time of rapidly changing rules and regulations. If the City moves ahead on this, we would issue an RFP for broker services. A sample RFP is attached so that you can see the scope of what a broker might be asked to do. We are currently evaluating a number of cost saving measures for the health care plan and will be talking with the employees about the options soon. Council will be pleased to know that at this point we project that we will likely be in a position to reduce the contribution to the health insurance fund, or at least keep it static, again this year. This is great considering that most other municipalities are experiencing huge cost increases. The primary reasons for this are the fact that Homer has a well managed self insured plan, the staff has been relatively healthy overall, and the reserve account is very healthy. **(NEW INFORMATION)**. I included the above report again since this might be a topic we want to address during the workshop on the parity study. Andrea and I are both planning to attend the first Borough meeting on health care plans scheduled for June 29 at noon in Soldotna. We are beginning the process of re-establishing the employee committee so that it is organized and in good position to provide input on any proposed modifications to the insurance plan.
3. KBBI / Emergency/Disaster Equipment Contribution: After the recent tsunami in Japan, we discovered some flaws in our overall emergency communication system and SOPs. One of them was that the radio stations did not get quick and accurate information for emergency broadcast messages. In a recent meeting with KBBI, Chief Robl suggested that one good way to provide staff with alerts, even late at night when no one is in the office, is for key personnel to have a NOAA Marine / Emergency Alert Radio in their homes. Funding was an issue. We offered to contribute \$135.00 from the Police communications budget to purchase

three of these radios for KBBI. We reasoned that this expenditure was justified in the interest of public safety.

4. City Hall Construction: You have probably noticed that construction is well under way. The foundation for the addition has been poured and much of the drainage work, including the storm water retention area is pretty far along. Preliminary renovation work in the old planning, IT, and administration areas has begun. The planning, administration, and IT staff are all now located at the Old Intermediate School. This move was a major undertaking and we could not have done it without tremendous assistance from the Homer High Football team. We anticipate being at this location until Thanksgiving or Christmas. We are tracking the costs associated with this move. So far the costs are minimal and include a contribution to the football team and re-keying the building. We expect costs will stay low through the summer and early fall months. We are using very little electric and heat at this point and will do what we can to minimize energy usage. The Boys and Girls Club is closed for the summer and depending upon decisions made later on, they may not be there in the fall either. That will also reduce energy costs.
5. State Capital Projects /: At the time this report was written, we were still waiting, like everyone else around the state, to see what the Governor might decide regarding the Capital Budget. We sent him correspondence regarding the gas line and the Mayor invited him to visit Homer and view the project himself. During the past two weeks, Bryan, Anne Marie, and your lobbyist Linda Anderson, have been providing information to the Director of the Office of Management and Budget regarding the cruise ship passenger enhancement project. Karen has been communicating with us directly and has been asking good questions, which we hope is a positive sign.
6. Old Intermediate School: Last week I met with the two groups that submitted proposals to lease the old intermediate school as requested by the combined Lease and EDC Committees. The purpose of the meetings was to obtain more information that would be needed before the committee would be prepared to make a recommendation to the Council. There are several immediate issues for us to consider. First, the applicant who submitted a proposal to lease the entire building does not want to occupy it until the fall of 2012. If this proposal is ultimately accepted by the Council, it would mean keeping the building in "warm status" for almost a year. Second, and more immediate, is the Boys and Girls Club. The Club has not secured a new location. Since we are occupying the building, and will be until the end of the year, the Council could consider allowing the Club to continue to occupy the lower floor until then. The Club's Board has stated that it would be able to make payments of \$700 per month to help offset the cost of utilities.
7. Transportation Committee Recommendation: At the last meeting, the Council received a recommendation from the Transportation Committee that all intersections on the Sterling Highway between Pioneer Avenue and Lake Street be designated as right hand turn only. I assume Lake Street would be exempt because of the traffic signal and that this scheme would be summer only. Council asked for a map showing the intersections involved with turning arrows. It also

- asked for a draft resolution. A large map will be provided at the meeting for discussion purposes. The draft resolution is attached.
8. Fishing Hole Concerns: As you know, the Fishing Hole has been filling in and it needs to be dredged. We have discussed this as a capital project in need of funding on several occasions in the past few years. You may also know that ADF&G is experiencing a survival problem with stocked smolt; especially with the early kings. This occurred again this year when over 50% of the smolt died in the pens on June 6. A decision was made to release the fish early the next day which may further reduce survivability. There are many theories about what is going on. Some think that the depth of the lagoon may a problem. ADF&G has also discovered a Chaetoceros Bloom (Diatoms) which is known to affect the gills of young fish. ADF&G is currently doing research on this bloom and other possible explanations with assistance from KBRR and others. They are also doing depth studies at the lagoon. As the results of these studies come in and the scientists get a better idea of what they think the problem is, we will provide updates and perhaps invite ADG&G to make a presentation. In the meantime, the City should probably focus on how to get the dredging done.
 9. Training Dates: At the last meeting, during the discussion about the records retention ordinance, it was suggested that a training session for Council (and maybe for Commissions too) about public records and especially the use of e-mail would be a good idea. I discussed this topic with Holly and she could put something together quickly if the Council is ready to proceed. A target date for this training would be very helpful. Feedback from the Council would be very helpful.
 10. Playground Improvements / Karen Hornaday Park: This agenda contains an ordinance that is up for second reading and public hearing which would make a \$5,000 contribution to the Homer Foundation to be used as seed money to launch a much bigger effort by HoPP to make major improvements at the playground. Some concerns have been expressed by individual Council members about this money being used for administration fees or for activities that do not include the direct purchase of playground equipment. Please let me know if any of these issues are of concern to the full Council. We have been looking further into these questions and are prepared to discuss them. I would also remind the Council that as the grantor, it can place conditions or stipulations upon grants or contributions that it makes. The agenda also contains a resolution approving an MOU between the City, the Homer Foundation, and HoPP. I have attached information located by the Clerk's office for the Mayor which shows that a similar approach (to the one proposed in the MOU) was used in 1997; the last time the playground was improved significantly.
 11. STIP Amendment #22: DOT/PF recently issued Amendment # 22 to the State Transportation Improvement Program Plan. The Mayor asked that I provide an update for the Council regarding Homer Projects. At the time this report was drafted, we were still reviewing the amendment. I will be prepared to provide a verbal report at the meeting.
 12. Kachemak Drive Water and Sewer / Phase II: The objection period is over and it looks like the property owners have given a pretty definitive "thumbs up" for

moving ahead. As a result, the Tentative Agenda for this meeting contains several resolutions regarding this project. One awards the construction contract to the low bidder. The other authorizes us to borrow the additional money needed for financing the construction phase. At the time this was written, we were reviewing all of the information to make sure we are ready to go on both fronts.

ATTACHMENTS

1. Letter from Homer Children's Services
2. Information from Prior Playground Project
3. Draft Resolution



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Alaska • Vol. 38, No. 10

Thursday, March 10, 2011

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Homer: Open for business?

Economic development strategy available as planning tool

BY MCKIBBEN JACKINSKY
STAFF WRITER

After years of research, gathering public comments and weekly meetings, the Economic Development Commission unveiled the completed "Homer Comprehensive Economic Development Strategy" last week.

"This is a very positive document and I commend you for that," Homer Mayor James C. Hornaday told commission chair Shelly Erickson, commission member Michael Neece and

Special Project Coordinator Anne Marie Hohen, who presented the plan to the council Feb. 28.

City council member Bryan Zak, who also is the regional director of the South West Alaska Small Business Development Center on the Kenai Peninsula, described the implementation portion of the plan as "a good synopsis."

"The other thing that strikes me that makes this document so powerful, so good, is that after each section there was a list of items that affect those areas that you could move on and take ac-

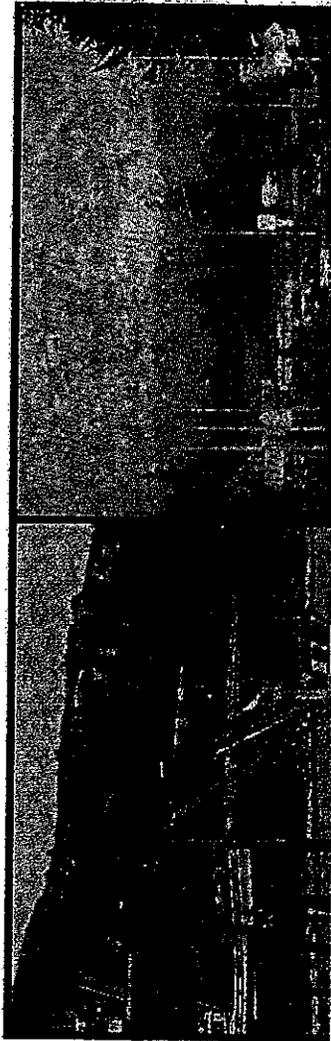
tion on," said Zak. "This is a document I could actually use."

Although different cities give them different names, Homer's Comprehensive Economic Development Strategy stands as the city's guideline for economic development, according to City Manager Walt Wrede. Documents such as this also are frequently used in grant applications.

"People have this image that Homer is against everything when it comes to economic

See PERMANENT, Page 7

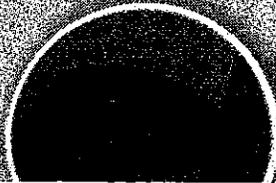
Has spring sprung ... or not?



Planners seek sign from city

What should be done about Spitz?

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ESTATE

... Permanent home for Farmer's Market is among recommendations

FROM PAGE 1

development," said Wrede. "We know that's not true and it's incumbent upon us to get out there and tell people what we're for, what kinds of economic development and job creation would this community support."

Wrede said the report will be helpful when talking to legislators about projects for the area or when providing information to business owners considering Homer as a base of operations.

"If they want to know what the community's vision is for jobs and economy, here it is," said Wrede.

The document opens with two definitions:

- Economic development: a process to improve community well being through job creation, business growth and income growth, as well as improvements to a wider social and natural environment that strengthens the economy.
- Economy: a social system including production, exchange, distribution and consumption of goods and services of a given area.

Borrowing from the Homer Comprehensive Plan adopted by the city council in April 2010, the economic development strategy offers a future vision of continued growth for marine trades, commercial fishing, tourism, education, arts and culture, with the quality of life preserved as the city benefits from more year-round, living-wage jobs. It also includes a picture of economic development that encompasses local government's policies and services, factors impacting the quality of life, affordable housing, creation of a skilled and educated workforce, assistance for business owners and impacts of the world beyond the southern peninsula.

The document divides Homer and the surrounding area into 11 economic sectors: commercial fishing and mariculture; other marine trades and development of the port and harbor; the tourism and visitor industry; arts, health, wellness and recreation; education; construction, manufacturing, retail and services; high tech and Internet; transportation and warehousing; agriculture; retirees and second-home residents; and government. Each of those 11 areas is complete

with multiple recommendations.

A suggestion in the commercial fishing and mariculture area is that the city recognize and support the value of both commercial and sport fishing interests. "... (T)he emphasis should be on supporting state-federal regulatory measures that help ensure sustainable fisheries to protect this resource for current and future generations," according to the strategy.

Statistics in the tourism-visitor industry show that the Homer Visitor Center welcomed 8,550 guests in 2009, the Pratt Museum receives approximately 35,000 visitors from 47 different countries annually, and, according to the Alaska Department of Commerce, about one-fifth of the half million people visiting the Kenai Peninsula each year come to Homer. They are drawn here by the scenery, sportfishing and other outdoor recreation, and a combination of arts, culture, shopping and dining.

A permanent home for the Homer Farmer's Market is the No. 1 recommendation under agriculture. Other recommendations include establishment of a local food commission.

The role government plays in Homer is measured in several ways by the strategy. In terms of employment offered, according to the 2000 Census, 16.9 percent of those working in Homer were classified as "government workers." The presence of government in Homer also draws visitors. For instance, the Alaska Islands and Ocean Visitor Center attracts 70,000 visitors a year.

Homer's need for a "strong centralized downtown" was noted in the city's first comprehensive development plan, written in 1969. The CEDS points out the need still exists. To strengthen that argument, the report refers to a 2003 study by Steve Colt of the Institute of Social and Economic Research stating a town center would result in 35 percent more revenue from property taxes in a five-year period and a 33 percent increase in direct employment.

An implementation plan at the end of the CEDS lists specific activities to be considered and the entities responsible for them.

The 50-page document is drawn from public input, research, the assistance of Carol Bevis

of Volunteers In Service to America and weekly meetings of the commission. Final compilation of the data and format of the document were done by Anne Marie Holen, special projects coordinator for the city.

"We basically looked at what the old plan had and then looked at what it was missing," said Erickson, comparing the CEDS to an earlier, similar document.

Changing economics made the commission's work challenging.

"When we started, prices were going way up on land and at that point we were losing people because they couldn't afford to live in Homer," said Erickson. "Then oil prices went nuts and it wasn't affordable to live here. We needed to look at all those different scenarios and ask where do we need to be self-sufficient as a community? If we ever had to go off the grid, we had to make sure we had more in place than just tourism. Have we provided places for entrepreneurs and inventors and all those people to be able to foster a place where we could take care of ourselves?..."

The CEDS has been accepted by the city council as a separate document, rather than being included in the city's comprehensive plan. That will allow a simpler process to amend the CEDS as needed in the future, according to Beth Wythe, council member.

"If amendments are required in order to keep the plan aligned with the growth and changes of the community, they can easily be made by the council, whereas the Comprehensive Plan is a document which becomes part of the larger (Kenai Peninsula Borough) plan and making modifications to that document becomes more difficult," said Wythe.

Holen supports the CEDS as a planning tool for the public.

"I would hope people would take a look at it. ... Folks from the community might see things in there they think should be pushed and, if they take initiative, it will increase the likelihood that we'll see something happen," said Holen.

The Homer Comprehensive Economic Development Strategy can be found on the Web at www.cityofhomer-ak.gov/economicdevelopment.

What's being said about CEDS

"I was pleased to see the plan demonstrate the interconnectiveness with quality of life."

—Megan Murphy, testifying before the city council

"I loved the economic development strategy. How often do you have someone say that?"

"I really appreciate the fact that this actually talks about housing and food and not just about tourism and commercial fishing. That's in here, but you can't have a community if you don't have housing and food."

—Kyra Wagoner of Sustainable Homer, testifying before the city council

"I loved this plan and the fact that it took action. Here's what we need to do, how to do it, here's who's in charge of making it happen."

"It's an excellent piece of work. It will be part of the chamber's plan for the future and we'll use it as a tool for that."

—Jina Day, acting director, Homer Chamber of Commerce

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Another new company has a presence on North Slope

March 11, 2010
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Repsol takes large position on slope; unconventional oil a target?

Repsol's purchase of a 70 percent interest in a large number of onshore state leases on the North Slope, covering about 1,300 square miles, is extremely significant. Independents Armstrong Oil and Gas and GMT Exploration brought the Spanish company into the deal and retain 30 percent ownership. Repsol is a major company with resources and wants an onshore position to balance its offshore lease holdings in the Chukchi and Beaufort seas. The company plans to spend about \$768 million in exploration over the next few years, it said in an announcement.

This is important because it brings another major company to the slope. Eni, the Italian company, just started production at its new Nikaitchuq field. Repsol's goal may be to pursue unconventional oil prospects. Eni's Nikaitchuq target is viscous (some call it heavy) oil and Repsol is

likely looking at similar prospects, we hear. The company may also be considering drilling into shale rocks similar to the strategy pursued by Texas independent Great Bear.

Unconventional oil could be a game-changer for the slope but there are some issues. One is whether the needed wells, pads and infrastructure can be built at a low enough cost. Another is whether there will be permitting and environmental issues because of the substantial surface impact. (More on this in our next issue).

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- Biomass energy in bush Pg. 2
- ConocoPhillips, BP spending Pg. 3
- Made-in-Alaska movies Pg. 4
- Kenai gas exploration drilling Pg. 6

Our Resources Supplement coming later this week

Health cost data to be available this spring, more later this year

Surprisingly, there's little firm data that's comprehensive on Alaska medical cost inflation or price differentials for procedures or facility costs, but the new state Health Care Commission has three initiatives underway that will help. Having good baseline data is essentially in mapping out some kind of strategy to contain cost increases. Two reports by economist Mark Foster will be presented at the commission's March 30 and

April 1 meeting. One is the final report on the cost impacts of the new federal health care reform law (the impact is not as bad as the critics contend). The second is a report Foster is working on with University of Alaska economist Scott Goldsmith to document changes in Alaska health care spending, an update of a report by the two in 2005. This report will be in draft when pre-

- Continued on page 2

Energy:

Boom in small biomass projects

There are 20 to 25 biomass energy projects in various stages of planning and development around the state mostly due to the state's Renewable Energy fund. Eleven more projects are on the list to be approved by the Legislature this spring. One project now in operation is at Tok where a 75,000-square-foot building is being heated with wood. The savings in diesel are estimated at 60,000 gallons per year. A smaller project is in operation at Gulkana. Some innovative projects are underway including one at Stebbins, in Northwest Alaska, where new technology stoves will be tested with salt-encrusted driftwood found on beaches. Tanana, in Interior Alaska, is heating with driftwood salvaged from the Yukon River. In Juneau Alaska Sealaska is heating its corporate office building with wood pellets. The U.S. Coast Guard is eyeing similar projects for its stations in the region.

Oil to electric switching in Wrangell

The trend to switch from fuel oil heating to electric heating is continuing in Southeast Alaska, where there is inexpensive hydro power. Wrangell is converting a public safety building from fuel oil to electric and is working on a similar switch for its library, a school and a medical center. The city is paying \$2.93/gallon for diesel but can buy hydro power for 8 cents/kilowatt hour. In Wrangell 74 of 1,065 residential units and 28 commercial buildings are now using electric for heating.

False Pass looks at tidal power

The city of False Pass is working with OceanEnergy Power Co. to secure federal grants to explore a tidal power generation project at the Aleutians community. An underwater turbine developed by the company would generate power from ocean currents near the community.

Minerals:

Another anti-Pebble initiative drive

There's another initiative effort underway opposing the Pebble mine project, this one in the Lake and Peninsula Borough. The petition needs 90 signatures to put an anti-mining proposition on the fall borough election ballot.

Health cost data coming soon (Cont.)

- *Continued from page 1*

sented to the Commission but will be published in final form later this summer. It will include data from 2010. Thirdly, the Commission is now reviewing responses to a Request for Proposals from consulting firms with actuarial experience in health care for a detailed cost comparison of Alaska prices for medical procedures and facilities, as well as reimbursement rates of insurance companies.

The comparison will be with selected other states including Wyoming and North Dakota because of certain similarities to Alaska. In comparing costs the state Division of Insurance did its own comparisons of costs for certain procedures, to provide a yardstick. Another yardstick to be considered is the average cost per workers' compensation claim of \$37,000 in Alaska last year, which was 37 percent above the national average of \$27,000.

It's thought that Alaska medical spending is rising at about 8 percent yearly but Foster's work is considering how much of this is increased use of health care, how much is rising population and how much is the increase in prices. In a presentation on estimates of public employee pension and medical benefit costs, the Dept. of Administration told legislators that medical costs have increased 7 percent annually over 30 years.

ConocoPhillips 2011 spending hike? BP stays the same

ConocoPhillips' 2011 capital budget for Alaska is \$900 million, up \$170 million from 2010, but some of this spending is contingent on problems being resolved with the CD-5 bridge crossing on the Colville River, where the company is in a permit dispute with the U.S. Army Corps of Engineers, and on the Legislature's action on a bill improving state tax terms. BP expects to spend about \$800 million in capital spending, about the same as in 2010.

Busy construction season at University of Alaska Fairbanks

It's going to be a busy construction season at the University of Alaska Fairbanks this summer with a groundbreaking March 30 for the new \$108 million Life Sciences Building authorized in the state general obligation bond last November. This will be followed by the groundbreaking for the UAF Center for Energy and Power building May 12. Meanwhile, the keel is being laid for a \$200 million new oceanic research vessel April 11. UAF will own and operate the vessel for the National Oceanic and Atmospheric Administration. Steel has been ordered for the Life Sciences Building and it will be up and closed in by the end of 2011. Davis Constructors of Anchorage is the contractor.

Fairbanks indicators are mixed: Deposits, visitors up in 2010

Fairbanks' economic indicators for 2010 were mixed, the winter quarterly economic survey by the Fairbanks North Star Borough indicates. Hotel/motel bed tax receipts totalled \$54.4 million for the year, up 9.4 percent from 2009. However, 2009 had dropped 13 percent from 2008, an effect of the recession. Total revenue landings at Fairbanks International Airport were up 1 percent from 2009; incoming passengers were down 1 percent and outgoing passengers were up 2 percent for the year; foreclosures totalled 165, down from 181 in 2009 but still above 102 in 2008 and 69 in 2007. Notices of default were up 10 percent in 2010 to 224 compared with 204 in 2009, 196 in 2008 and 124 in 2007. Bank deposits as of Dec. 31 in banks in the area were \$949.2 million, up from \$887 million at the end of 2009 and \$782.3 million at the end of 2008. Loans outstanding by banks in the region totalled \$676 million on Dec. 31, 2010 compared with \$667.6 million at the end of 2009 and \$673 million at the end of 2008.

Alaska Aerospace seeks new business for Kodiak Launch Facility

The Kodiak Launch Complex is seeking a \$10 million legislative appropriation to help pay for operations for the coming year. Alaska Aerospace Corp., which operates the complex, lost its Missile Defense Agency contract last year after conducting eight launches for the MDA to help test the accuracy of the missile interceptors. The MDA has moved its testing to a South Pacific atoll, taking with it much of the Kodiak facility's business. Officials with Alaska Aerospace say Gov. Sean Parnell's budget contains \$4 million for facility operations, but that would lead to cutbacks which could prove costly in the long run. Meanwhile, the launch facility is working to find other contracts, such as a collaboration with the Missile Defense Agency at Fort Greely, or even expanding the facility to launch unmanned missions to the International Space Station.

Business Intelligence

“Everybody Loves Whales” brought in those dollars everyone loves!

“Everybody Loves Whales” set cash registers ringing during its filming in Alaska, an economic analysis by McDowell Group showed. The report was prepared for Alaskan-owned Evergreen Films and NANA Development Corp. (which is in the film business) and was released March 8 by Anchorage Economic Development Corp. McDowell Group said the film producers spent \$16.5 million in Alaska and employed 1,300 full and part-time people, although 1,100 were part-time hired as “extras” to play bit roles. Of the \$16.5 million paid out, \$11.7 million was in wages and purchases of goods and services from local firms. The production company spent an additional \$4.8 million. In addition to the 1,100 extras there were 175 film crew members and 48 cast members with speaking parts. Scenes were filmed in Barrow, Anchorage and Seward. The film spending amounted to \$285,000 in daily economic activity during the 58-day schedule for the filming. More than 80 businesses provided equipment and services.

Producers are now scouting locations in Alaska for another film, an action thriller to be titled “The Peak.” Sites on the Matanuska Glacier, Lake George and other locations are being surveyed. This film budget would exceed \$30 million, the producer group said.

CALISTA CORP. SEES SHARP REVENUE GROWTH IN 2010: Calista Corp. saw revenue growth in 2010, to \$234 million compared with \$231 million in 2009. Profits were about \$18 million in 2009 and are expected to be about the same for 2010 (audits will be completed later this spring). A strategic goal for Calista is to become less dependent on 8-a contracting, which has provided about 80 percent of revenues. The acquisition of two construction-related firms in 2010, Brice Construction and Yukon Equipment, will reduce that to about 60 percent, Calista told us. The purchase of the two veteran companies (Brice specializes in remote, rural projects) is intended to prepare Calista to play a role in development of the big Donlin Creek gold mine.

Barrick Gold and NovaGold Resources, the developers at Donlin Creek, are expected to file for permits later this year. Calista owns the subsurface with surface lands owned by TKC Corp. TKC must complete an agreement with the partners for use of additional surface lands at the mine. Also, energy costs are still a concern. The companies are looking at a 12-inch gas pipeline to Southcentral Alaska but they will have to nail down a supplier of the gas. Permit applications for the gas pipeline would be part of the overall package of applications for the mine.

ACS REPORTS NET INCOME GAIN FOR 2010; SLIGHT DIP IN REVENUES: Alaska Communications Systems, the Anchorage-based telecommunications company reported net income after expenses of \$47.8 million for 2010, up about 50 percent from \$32.6 million in net income in 2009. Revenues dropped, however, from \$346 million in 2009 to \$341.5 million in 2010. Fourth quarter 2010 revenue was \$84.8 million, up from \$82.9 million in fourth quarter 2009. The fourth quarter net profit was \$9.5 million compared with a \$1.9 million loss in fourth quarter 2009.

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STATE DEVELOPMENT AUTHORITY, AIDEA, APPROVES NEW FINANCING: Alaska Industrial Development and Export Authority, the state development finance corporation, approved \$3.6 million in long-term financing for a 42,800-square-foot new retail store in Wasilla, the Three Bears Store. The total loan is for \$4 million and is being done in partnership with First National Bank of Alaska. A second AIDEA loan also with First National is for \$5.8 million of an \$8.3 million loan, is to the Bailey Family Partnership for a two-story retail building in Anchorage. AIDEA works in partnership with commercial banks to do long-term lending for business development.

LEGISLATORS HAVE STICKER SHOCK ON NEW PRISON COSTS: Costs are increasing at the 1,500-bed new state prison at Point MacKenzie in the Matanuska-Susitna Borough. The state Dept. of Corrections told legislators that operations costs are now expected to be \$50 million a year on top of \$17.8 million in yearly lease payments to pay for bond debt service. The Mat-Su is building the facility and will lease it to the state. The prison is about 80 percent complete and is to begin operations in March 2012. State officials may consider privatizing the prison operation. One study, done two years ago, estimated \$6.5 million in annual savings mostly because of lower benefits paid to private prison staff compared with those paid to state corrections workers. Prison construction costs are estimated at \$240 million.

A ballot proposition has been approved for the next statewide primary election that will allow municipalities to increase local residential property tax exemptions. Fairbanks borough assemblywoman Nadine Winters has been working on the initiative.

MEA RATEPAYERS TO SEE INCREASE: Matanuska Electric Association customers will see their base rates rise 1.89 percent in the second quarter of this year, if regulators approve the Palmer-based co-op's

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Drilling data: Mixed bag for legislators

Legislators in Juneau are poring over Alaska Oil and Gas Conservation Commission drilling data to discern patterns of North Slope industry activity in relation to the high state production tax imposed in 2007 (a revision to the tax is now being considered). BP's drilling of new wells related to field development dropped from 2005 to 2006 from 98 to 72 (related no doubt, to the company's focus on the field pipeline spills that year.) BP's new well count increased then from 72 in 2006 to 81 in 2007 and 86 in 2008, dropped to 82 in 2009, and bumped back up to 83 in 2010. ConocoPhillips, the other major North Slope operator, saw drilling increase from 65 wells in 2006 to 72 in 2007, a drop to 51 in 2008 and 43 in 2009, and then an increase to 66 in 2010.

Legislators looking at the numbers say there doesn't seem to be any correlation between the tax in 2007 and drilling activity.

Another curve ball thrown at Shell

The Bureau of Ocean Energy Management has thrown another curve ball at Shell. Apparently on its own initiative the agency will do a revised draft Supplemental Environmental Impact Statement for the Chukchi Sea Lease Sale 193 in which Shell, ConocoPhillips and few other companies bid big dollars for leases. The sale was contested by environmental groups and a Washington, D.C. federal court ordered the government to revise the EIS for the same on what are considered largely procedural issues. A new supplemental EIS was issued in October and hearings were held in Alaska. Now the agency has decided that a "very large oil spill" scenario should be included, so a new SEIS is being prepared. That is due out in late May and there will be a new round of public meetings. All this means that the soonest the final SEIS can be

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Curve ball for Shell from feds (Cont.)

approved is probably October, and that assumes no further delays or protests. The bottom line is that this is pushing the edge for any hope of Chukchi Sea drilling in 2012. Another question is just what the government will come back with as a "very large spill" scenario. If a huge Gulf of Mexico-type spill scenario is used, it could put Shell and the other companies in a tough spot. The Chukchi situation is different than the gulf (shallow water, lower reservoir pressures) but if the government uses something more realistic it will be attacked. If the matter isn't resolved it jeopardizes legality of the lease sale and leases.

Good news in Cook Inlet test drilling

There's good news in Cook Inlet from independent companies. Cook Inlet Energy has plans to restart the Osprey oil platform on the Inlet's west side and will be drilling onshore gas exploration wells with a small rig recently brought north.

On the Kenai Peninsula, Buccaneer Energy has started site work (pad and roads) on its Kenai Loop No. 1 gas exploration well. Nordaq Energy should have its exploration well on Cook Inlet Region, Inc. lands underway.

Offshore, Escopeta Oil and Gas should have its jack-up rig loaded onto a heavy lift vessel and headed to Alaska now. The departure date from Louisiana was to be March 10.

Now it's Denali pipeline's turn to acknowledge missing an internal goal for having signed contracts from gas shippers. The BP and ConocoPhillips-led consortium said negotiations are taking longer than expected and that it will miss its goal of having contracts by the end of March. In December, TransCanada Corp. Denali's competitor, said it would not make its goal of having contracts by the end of 2010.

Fisheries:

Another big salmon catch forecasted

The 2011 salmon harvest could be the state's fifth largest, up 25 percent from 2010. All salmon species except king salmon (those numbers will be released in March) are expected to be up, particularly pink salmon. The estimated harvest is 203 million fish. In 2010, harvesters caught 171 million salmon. Salmon prices were strong in 2010, too, the perfect world for fishermen.

Here's the breakdown for 2011:

- Sockeye salmon, up 11 percent at 45.1 million harvested.
- Pink salmon, up 24 percent to 133.7 million fish caught.
- Chum salmon, up 4 percent to 19.2 million caught.
- Silver salmon, up 18 percent to 4.7 million harvested.

On king salmon, the Pacific Salmon Commission is yet to release numbers. Those will be affected by the U.S.-Canada salmon treaty restrictions in Southeast Alaska.

Black cod harvest to be up 25 percent

Fishing for black cod, or sablefish, along with halibut opens March 12, and the black cod harvest in the Gulf of Alaska and Bering Sea will be up 25 percent in 2010 to more than 14,000 tons. Last year harvesters were paid nearly \$7 per pound for large-sized black cod.

Cod, pollock now found in Arctic

Scientific data being collected in the push to develop the Arctic's natural resources has yielded some interesting information, such as the existence of commercial fish such as Pacific cod and walleye pollock in places where they haven't been documented before. A 2008 survey by the National Marine Fisheries Service that documented the fish was one reason why federal

- Continued top right

Cod, pollock in the Arctic (Cont.)

regulators, in 2009, banned commercial fishing in U.S. Arctic waters. There is increasing concern about environmental impact of commercial activity and the resulting increase in shipping traffic to support it.

Ocean Beauty phases out of Kenai

Ocean Beauty Seafood is phasing out its Kenai Peninsula operations, turning its Homer and Nikiski facilities over to Pacific Star, another seafood company. The company will continue operations in Cordova and Kodiak and other communities including Naknek and Excursion Inlet in Southeast. Although salmon harvests have been good in Cook Inlet the economics of processing have not been good, the company said. Traditional canneries are becoming unprofitable with more salmon being sold in filleted forms.

Minerals:

2010 payroll, job data for mines

Mining continues as one of the bright spots for the state's economy. Here's some data points for operating mines from the Alaska Miners Assoc.'s recent briefing to legislators in Juneau:

- About 200 small family placer mines operated in 2010, producing 57,000 ounces of gold.
- The Red Dog Mine north of Kotzebue employed 550 and paid \$50 million in wages and benefits;
- Fort Knox Mine near Fairbanks employed 500-plus, paying \$61 million in wages and benefits, and an additional 350 contractor workers.
- Hecla Greens Creek Mine near Juneau employed 340 and paid \$42 million in wages and benefits.
- Pogo Mine near Delta employed 300 as well as 100 contractor employees.
- Kensington Mine near Juneau employed 200 and is paying about \$25 million/year in annual payroll.
- Usibelli Coal Mine at Healy employed about 130 in 2010.

Business Intelligence - continued

- Continued from page 5

request for the increase. A typical customer, using just under 800 kilowatt of electricity a month, will see a \$1.54 increase per month. MEA provides electricity to customers from Eagle River through the Matanuska-Susitna Borough.

STATE JOINS INDUSTRY IN SUING OVER POLAR BEAR HABITAT DESIGNATION: The state of Alaska has joined the Alaska and Oil Gas Association in filing a lawsuit against the federal government over its designation of polar bear habitat on the North Slope. The state and the industry group are critical that the designation covers a vast area of 187,157 square miles, which is 25,000 square miles larger than California. In addition, a coalition of Alaska Native groups have also given the federal government notice of intent to file suit over the polar bear recovery plan.

Joe McGinniss's book on Sarah Palin, "The Rogue, Searching for the Real Sarah Palin," will be published in September. McGinniss has been in the news lately for leaking the manuscript by Palin aide Frank Bailey to news outlets.

RAPID CHANGES IN BOREAL FOREST BEING SEEN: A new scientific study says that Alaska's boreal forests are experiencing rapid changes due to climate warming. Using satellite data and tree-ring information, the study showed that growth in spruce trees has been stunted in much of the state's boreal forests, and at the same time trees on some of the coldest fringes of the forest are growing faster than previously.

YOUNG BUYS TIME ON ESSENTIAL AIR SERVICE FUNDING: Rep. Don Young was able to get at least a temporary protection for federal Essential Air Service support for rural Alaska air service in pending legislation making cuts in the program. The reductions are being made in a bill reauthorizing the Federal Aviation Administration. Similar cuts are being pushed in the U.S. Senate's FAA reauthorization. Alaska's Sens. Lisa Murkowski and Mark Begich are working on that.

SITKA MAKING PROGRESS ON BLUE LAKE HYDRO EXPANSION: Sitka cleared a hurdle with its plan for a \$100 expansion of the Blue Lake hydro project with approval by the Federal Energy Regulatory Commission of the final design for the project. The city wants to raise the dam 83 feet to generate more power. Sitka's ability to generate affordable hydro power now has limits and if the community wants to attract more industry, such as fish processing, it can't become more dependent on diesel-fired power.

Federal fisheries regulators will implement size and catch restrictions on halibut charter operators in Southeast to one fish per client per day and a maximum size of 37 inches. The measures, being taken as a conservation step, will harm operators' ability to attract sports fish clients, they argue.

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No customers for Fire Island wind, Mt. Spurr geothermal?

March 31, 2010
No. 5/2011

Renewable energy projects hit roadblocks in Southcentral

The two high-profile renewable energy projects in Southcentral Alaska are having problems: Cook Inlet Region, Inc. appears to be getting nowhere in power purchase negotiations with regional electric utilities for its \$160 million, 35-megawatt (first phase) Fire Island wind project. We are also told that Ormat Nevada Inc., the company hoping to develop the Mt. Spurr geothermal project, is also meeting resistance from utilities on a power sales agreement. Ormat says it can deliver steady geothermal power for about 12 cents/kilowatt hour but the company says utilities are hoping for cheap Susitna hydro power. Susitna, however, will require a massive state subsidy. Ormat said that if the state picked up half of its development cost, as is being discussed for Susitna, it could deliver geothermal power for 6 cents/kilowatt hour. Fire Island's problem is that wind power is variable and there

is a cost to utilities for maintaining standby capacity. Those costs are being overstated, CIRI claims. Meanwhile, natural gas supplies continue to be depleted in Southcentral gas fields. The region could run short of gas on an annual supply basis by 2014, and imports of LNG may be more expensive than the renewable energy. Wind could preserve some of the remaining gas, CIRI says. *CIRI's project is ready for construction now and could put 200 people to work for two years if agreements to sell power come together.*

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- In-state gas pipeline Pg. 3
- Tourism outlook Pg. 4
- Kenai gas exploration drilling Pg. 6

Our Resources Supplement distributed separately

CDQ fisheries groups a real bright spot in state's economy

The six Community Development Quota fisheries groups in western Alaska are becoming major economic forces. They provided about 2,000 jobs in 2009 with payrolls exceeding \$25.7 million. In addition, payments of another \$17.4 million were made to more than 1,300 fishery permit holders, who in turn supported another 1,500 crewmember jobs. The groups also invested \$118 million in regional development projects

related to fisheries in the western Alaska region, as is required by the Magnuson-Stevens Act that created the CDQ groups. The data was released by the Western Alaska Community Development Assoc., a trade group for the CDQ groups. The CDQ groups receive quota shares of offshore fisheries. Many have invested in fisheries companies and vessels, and substantially in on-shore infrastructure. *(See related item on page 7).*

Energy:

Worries over Southeast water levels

Southeast utilities are concerned about low water levels in regional hydroelectric facilities. Swan Lake hydro dam, near Ketchikan, was at a 287-foot water level on March 14, down from 380 feet last October. If the level reaches 281 feet Ketchikan utilities have to switch on backup diesel. It's not just a low water year. Electricity use in Ketchikan is up 9.4 percent over last year, utility managers report. Low water levels at Green Lake and Blue Lake, which provide hydro power for Sitka, are also a concern. Utility managers are readying the diesel-backup contingency plan. Recent cold weather added to power demand, with many Sitka residences having switched to electric heat.

Census:

Population winners and losers

Here's the big population winners and losers in 2010 census data released recently:

Anchorage, up 12 percent 2000 to 2010 (and up 14 percent 1990-2000); Mat-Su Borough up 50 percent 2000 to 2010 (up 49 percent 1990-2000); Fairbanks borough up 18 percent 2000-2010 (up 7 percent 1990-2000); North Slope Borough, up 28 percent 2000-2010 (up 24 percent 1990-2000); and the Kenai Borough, up 11 percent 2000-2010 (22 percent 1990-2000).

Modest growth areas include Bethel, up 6 percent since 2000 (18 percent 1990-2000); Juneau up 2 percent since 2000 (15 percent 1990-2000); Southwest Alaska's Wade Hampton census area was up 6 percent 2000-2010 (up 21 percent 1990-2000); and Sitka, up 1 percent since 2000 (3 percent 1990-2000). Population losses since 2000 were in Yukon-Koyukuk, down 14 percent; Yakutat, down 18 percent; Bristol Bay, down 21 percent. Modest losses were in Ketchikan, down 4 percent; Kodiak, down 2 percent; and Valdez-Cordova, down 5 percent.

**

General Business:

Ketchikan wants state ferry contract

Alaska Ship and Drydock in Ketchikan is pushing hard to land the contract to build a new state ferry. The state is reported to be behind schedule and AS&D is arguing that a negotiated contract with it can put the ferry construction back on its timetable. We hear Gov. Sean Parnell and Dept. of Transportation officials are being noncommittal, saying they want competition and a good price. Ketchikan argues the benefits of building the ferry, which will bolster the shipyard's infrastructure, will yield huge long-term economic benefits. AS&D will get an in-state vendor preference in a competitive bid but the company worries that out-of-state shipyards, hungry for business, will low-ball bids and then go in for change orders. The shipyard now does major maintenance on the state ferries and has also built four vessels, the latest being the *MV Ken Eichner*, a local ferry for Ketchikan that is due to launch April 2.

Exports hit record \$4.2 billion in 2010

It's a bit symbolic because the growth is driven mainly by commodity prices, not volume, but export values from Alaska broke records in 2010, the Alaska World Trade Center said. The total for the first 10 months of the year (the period for which federal export data is available) are indicative of that level. This is sharply up from 2009, which totalled about \$3.3 billion for the same 10-month period. Last year was heavily affected by the recession, although Alaska's exports weren't hurt as badly as those of other states. The measure is in value rather than volume, so what's driving the total is higher prices for minerals like zinc and gold. However, it's not all the prices: Usibelli Coal Mine at Healy is also exporting a lot more coal, and there is a new gold production in the data, from the Kensington Mine.

State's in-state gas pipeline team asks for more money

The state's Alaska Gasline Development Corp. is asking legislators for more money to keep its permitting and environmental work on track for a 24-inch "bullet" gas line from the North Slope to Southcentral Alaska. Gov. Sean Parnell originally put \$5.5 million for AGDC work in his proposed FY 2012 budget but the corporation is asking for \$15.2 million in addition. There is another \$5.5 million for AGDC in the supplemental FY 2011 budget.

The corporation's report on updated cost estimates and feasibility is due July 1 but AGDC is already warning legislators that if the project proceeds some big bucks will be needed, perhaps in the range of \$100 million. That's needed to get the preliminary engineering and costs estimates to a point sufficient for a serious conversation with a potential private sector developer, Dan Fauske, CEO of AGDC, told Mayor Sullivan's Energy Task Force. The high price tag for further work won't be a surprise to anyone familiar with industrial projects. The rule of thumb is that 5 percent of the project budget should be spent in up-front engineering and cost estimates. For a \$4 billion project, which is in the ballpark for what a bullet line might cost, that's \$400 million.

AGDC commissioned feasibility assessments of three types of potential industrial customers for a bullet line: a liquefied natural gas project; a gas-to-liquids project, and a natural gas liquids export project. Those will be ready when the July 1 report is made.

Gas-to-liquids now talked of as option for slope gas

The idea of gas-to-liquids as a possible alternative to a gas pipeline is being talked of in Juneau and within some industry circles. State Sens. Lesil McGuire, R-Anchorage, and Tom Wagoner, R-Kenai, have introduced a bill offering a large tax credit incentive for such a project. The bill is destined for work over the interim between sessions but the past track record of the sponsors, both heavy-weight veterans, has caused the notion to be taken seriously by industry. McGuire engineered the comprehensive and complex energy omnibus bill passed by the Legislature last year, while Wagoner masterminded the innovative Cook Inlet jack-up "stampede" bill with lucrative incentives for the first company to get a jack-up rig to the Inlet. Two firms are now in a race to get rigs to Alaskan waters this summer (see page 6).

Companies with commercial experience developing and operating large gas-to-liquids plants include Shell and Sasol. ExxonMobil has done a lot of work on "GTL" but does not yet have a commercial plant. That company has been very interested, in the past, in bringing its proprietary GTL technology to Alaska and using it to convert North Slope gas into high-value liquids. Those could be moved through the Trans Alaska Pipeline System, which will benefit the pipeline. A large GTL plant would require several billion dollars of investment and would provide a significant economic stimulus.

Business Intelligence

Power plant construction underway in Anchorage, soon Kenai Peninsula

Construction has started on the Southcentral Power Project in Anchorage, a new \$369 million gas-fired power plant. The project is 70 percent Chugach Electric Assoc. and 30 percent Anchorage's city-owned Municipal Light & Power. It's a two-year construction project employing about 250. The plant is to be operational in 2013. Four turbine units are being installed, three gas-fired and one steam turbine, with steam made from exhaust of the gas units. New technology gas turbines will use about 75 percent of the gas to generate a given amount of power compared with older turbines at Chugach's Beluga power plant.

TWO OTHER, SMALL GAS TURBINE POWER PLANTS BEING BUILT ON KENAI: Homer Electric Assoc. will also begin construction this summer on two smaller power projects on the Kenai Peninsula. One is to install a waste heat recovery and generation unit at HEA's gas-fired turbine at Nikiski, which will increase that plant's capacity from 40 megawatts to 77 megawatts; the second is to install a 37 megawatt turbine in Soldotna. HEA wants additional generation capacity on the Kenai because it will end its large power-purchase agreement with Chugach Electric at the end of 2013.

Homer Electric Assoc. and Ocean Renewable Power Co. will sign a letter of intent agreeing to work together on a pilot tidal project in the East Foreland area of Cook Inlet. ORPC recently secured a preliminary permit from the Federal Energy Regulatory Commission on the East Foreland site, which allows the company to begin a series of studies and to submit an application to FERC to install an underwater turbine. The plan calls for a small unit to test the concept. HEA's average load is 60 megawatts.

TREND IN INDEPENDENT VISITORS SEEN IN 2010 BODE WELL FOR 2011 TOURIST SEASON:

Significant increases in independent travelers visiting Alaska in 2010 have now been confirmed by Juneau-based McDowell Group, a consulting firm, in a study contracted for by the state. McDowell found that non-cruise tourism increased 9 percent in 2010 over 2009. This was offset by a 15 percent decline in cruise visitors, so the overall visitor total was down in 2010. However, the drop in cruise tourists is mainly attributable to five cruise ships deployed to other locations in 2010 and one other ship making half as many voyages to Alaska. Cruise lines have committed additional ships to the 2011 and 2012 seasons, however, so the number of cruise tourists will increase. There are no indications of a change in the trend of more independent tourists. *Cruise tourists are estimated at 887,000, this summer, up slightly from 880,000 last year.*

Bed tax revenue is the best indicator of tourism levels. Denali Borough saw 12 percent increase in 2010 bed tax revenue; Sitka was up 10 percent; Anchorage and Fairbanks were up 9 percent and 8 percent respectively. Anchorage also saw an 11 percent increase in vehicle and RV rental taxes.

TESORO INVESTS \$140 MILLION IN KENAI REFINERY: Tesoro Alaska Petroleum will complete a series of upgrades to its Nikiski refinery in mid-2012 to reduce the benzene content in gasoline made at the plant. The company will invest \$140 million in the project, it said. The move is in response to U.S. Environmental Protection Agency rules requiring refiners to reduce benzene in products they produce.

FUEL DISTRIBUTORS EXPECT PRICES TO BE UP 25 PERCENT IN WESTERN ALASKA: Fuel distributors and wholesalers expect the price of fuel delivered in western Alaska this summer to be up \$1 to \$1.25 per gallon over last year's prices due to high crude oil costs. The expectation is basically for a 25 percent increase that may push delivered prices for fuel delivered to small villages over \$4 a gallon and more. Costs will be higher for retail customers who buy in smaller volumes. *The first barge loadings of fuel for the region will occur in a few weeks and that will largely set the price for the 2011 summer season.*

VERIZON TO ENTER ALASKA MARKET BUT TIMING IS UNCERTAIN: Verizon Wireless said it will enter the Alaska market but gave no time. Verizon is a big wireless operator and a major competitor to AT&T Wireless, which is active in Alaska. The company said it will bring its 4G LTE network to Alaska but was silent on which communities it will serve. In November the Federal Communications Commission approved Verizon's acquisition of an Alaska license held by Triad Communications. Verizon said it was important for the company to offer the 4G LTE network in all 50 states.

BRUCE WEYHRAUCH GETS SUSPENDED SENTENCE FOR ROLE IN VECO SCANDALS: Former legislator Bruce Weyhrauch received a three-month suspended sentence and a \$1,000 fine after pleading guilty to a violation of state lobbying laws. The deal ended a long legal wrangle over federal corruption charges brought in the Bill Allen scandal in 2006 that sent two other legislators to prison and brought about the election defeat of Sen. Ted Stevens. The judge scolded Weyhrauch for consorting with an unregistered lobbyist. Two legislators sent to prison, Pete Kott and Vic Kohring, will get new trials.

In the wake of the earthquake and tsunami disaster in Japan the Kenai Borough is collecting donations to aid its sister in Japan, Akita. The city is on the northern side of Honshu, Japan's main island.

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Buccaneer to start Kenai well soon

Buccaneer Energy Limited, an Australian-company, signed a contract to use Marathon Oil's Glacier Rig No. 1 to drill the company's exploration well in its Kenai Loop project. Drilling will begin in mid-April at the location, which is basically on a step-out location from the Cannery Loop field. Two other well locations are mapped out. Buccaneer hopes to produce 5 million to 10 million cubic feet of gas per well.

Restart work starts on Ospey platform

Cook Inlet Energy, subsidiary of Tennessee-based Miller Energy, will begin work at the shut-in Osprey platform in Cook Inlet in mid-April. The company is now staffing up. Equipment is being brought in to do remediation and a production restart on some of the wells, but a drill rig is needed to get the remainder of the wells on the platform up and running. Cook Inlet is now looking for a suitable rig.

Escopeta has its jack-up rig en route

Escopeta Oil and Gas finally has its jack-up rig en route to Cook Inlet aboard a heavy-lift vessel and has plans to arrive in early May. Once in the Inlet the rig, which is owned by Spartan Offshore Drilling, will undergo modifications before being given a final certification by the Alaska Oil and Gas Conservation Commission. Escopeta is installing a blowout preventer rated to withstand pressures of 15,000 pounds per inch as well as other equipment. This will require an additional \$1.5 million investment by Escopeta.

Escopeta hopes to have its rig operating this summer in time to claim incentive tax credits worth \$100 million for the first exploration well. Escopeta has leases with prospects the rig would explore.

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Two jack-up rigs in the Inlet? (Cont.)

The incentives available for the first jack-up rig to arrive in the Inlet and start drilling are very substantial and the winning company can get almost immediate cash from the state, but the wells must be for different companies. *There may be two jack-up rigs coming to the Inlet, too.* Buccaneer, which is also drilling onshore (see previous item) is in the final stages of planning to buy a bigger jack-up rig in Asia and bring it to Alaska. Buccaneer's jack-up rig will be large enough to use in places outside Cook Inlet, such as the Chukchi Sea.

The state's development corporation, the Alaska Industrial Development and Export Authority, is reported close to agreement on a plan to invest \$30 million in a partnership with Buccaneer.

State to start EIS on Foothills West

The state Dept. of Transportation has signed a contract for preparation of an Environmental Impact Statement for the "Foothills West" road on the North Slope, from the Dalton Highway to Umiat. The work is contingent on the Legislature's approval of an \$8 million capital appropriation in the FY 2012 budget, but that is expected. Renaissance Umiat LLC, an independent holding the federal leases at Umiat, believes it has identified about 580 million barrels of oil at Umiat and can produce 50,000 barrels/day of oil over 32 years. Anadarko Petroleum still has active leases on Native and state-owned land in the area including Gubik, a confirmed gas discovery.

DOT plans to use state funds to develop a very basic access road and to then fund improvements over several years to bring the road up to highway standards with revenues paid by industrial users of the road.

Minerals:

Niblack resources jump 54 percent

Heatherdale Resources Ltd. reported that its recent exploration drilling has increased resources at its Niblack project in Southeast Alaska by 54 percent. Niblack is a multi-metal prospect with copper, gold, silver and zinc. The project, now in an advanced exploration stage, is 27 miles southwest of Ketchikan.

Another Southeast Alaska project being watched closely is Ucore Rare Metals Inc.'s rare earth prospect at Bokan Mountain, about 37 miles southwest of Ketchikan.

NovaGold sells its Alaska Gold lands

NovaGold Resources Inc. sold 11,500 acres of its Alaska Gold Co. property in Nome to Nome Gold Corp., which paid \$21 million for the land and posted a \$4 million Letter of Credit for environmental remediation. NovaGold is also working to sell its Rock Creek and Big Hurrah mines near Nome, which are shut down. The company is selling assets to raise funds to finance its share of development costs of the large Donlin Creek gold mine near the Kuskokwim River. NovaGold and partner Barrick Resources are expected to begin permitting that project in November.

Timber:

Tongass roadless exemption is ended

U.S. District Court John Sedwick has thrown out an exemption for the Tongass National Forest from the U.S. Forest Service national "roadless" policy applied elsewhere. The exemption was granted in 2003, during the Bush administration, and was challenged in a 2009 suit brought by the Village of Kake, in Southeast. Sedwick did not invalidate USFS forest sales made on the basis of the rule, however.

Fisheries:

Sitka herring roe catch is big

The Sitka roe herring catch was estimated at 19,500 tons for 50 permit holders. Last year buyers paid \$690 per ton, with the fishery valued at more than \$12 million for harvesters at the docks. Last year's Bristol Bay roe fishery netted harvesters \$4 million, and the Kodiak roe harvest was worth about \$2 million.

Salmon quality in Bristol Bay is up

Northern Economics' annual survey of the Bristol Bay salmon fishery showed an increase in quality control and the number of salmon chilled before delivery to processors. Chilled salmon delivered jumped from 24 percent of the catch in 2008 to 47 percent in 2010. The survey also showed more Bristol Bay salmon going to frozen and fillets rather than in cans. In 2010 only a third of salmon caught in the bay were canned compared with 46 percent in 2008.

More salmon was also processed in Bristol Bay. 2.1 percent of the catch was shipped outside the bay for processing in 2010, down from 7.2 percent in 2009 and 16.8 percent in 2010.

CDQ group may base fleet in Seward

Coastal Villages Fund, one of the Community Development Quota fisheries groups, is studying home-porting of its fleet of large fishing vessels in Seward. They are now home-ported in Seattle. The move would reduce transportation expense for the Alaska crews, many from western Alaska villages. It would be a big boost for Seward. Facilities would be built in the Seward industrial area on the east side of Resurrection Bay where a ship repair facility is already located. Seward's ice-free port and established rail and road links, plus air service, are important factors for Coastal Villages.

Business Intelligence - continued

- Continued from page 5

WHO SAYS SOLAR WON'T WORK IN DIM FAIRBANKS WINTERS? Fairbanks contractor Thortsen Chlupp has designed two passive-solar homes in the Interior city, one his own, that are getting through the winter with only solar heat. One unit is 2,300 square feet (Chlupp's) and a second is 1,800 square feet. Both homes rely on rooftop solar thermal panels with a glycol fluid circulation system that heats a large water tank. The tank water temperature is gradually increased from 40 degrees F. to 130 degrees, and is then circulated through the heat system. The homes used no backup heating in January and February.

FAIRBANKS CITY COUNCIL VOTES TO ENDORSE LNG TRUCKING FROM SLOPE: Fairbanks' city council voted 4-1 to endorse a plan to truck liquefied natural gas from the North Slope to the Interior city. Fairbanks Natural Gas Co., which is promoting the idea, said the plan would reduce electricity costs by 10 percent and space heating costs by 50 percent. The Alaska Gasline Port Authority hopes to complete a deal to acquire privately-owned Fairbanks Natural Gas and to proceed with the LNG trucking plan (FNG now trucks LNG from a small LNG facility in the Mat-Su Borough). Big anchor customers like Golden Valley Electric Assoc. have yet to sign on to the deal, however.

GOLDEN VALLEY FAVORS ITS WIND PROJECT OVER OTHERS: Golden Valley Electric Assoc.'s board voted its choice for a wind project, its own Eva Creek project near Healy. Private firms including Delta Wind, which operates a small wind facility at Delta, and Cook Inlet Region Inc., which has its Fire Island wind project, had pitched GVEA on their projects. GVEA's Eva Creek project will have 24.6 megawatts of capacity and will cost \$90 million to build, the electric co-op says.

NEW NORTHERN FERRY AUTHORITY IN SOUTHEAST TO PURCHASE VESSEL: The city of Coffman Cove and the new Northern Port Authority have received approval on \$2.55 million in financing to purchase a 155-foot fast support vessel from the Gulf of Mexico for use as a passenger/vehicle ferry. The plan is to operate the vessel on a Coffman Cove-Wrangell-Mitkof Island-Ketchikan route in a new "Rainforest Islands Ferry" service. The idea was developed after the Inter-Island Ferry Authority dropped the route, which it called its "Northern Route" due to low ridership. The IFA operates mainly on the Hollis-Ketchikan route. The vessel being acquired will be renovated to carry 60 passengers and 12 vehicles.

MAT-SU TO MAP ITS COASTAL ZONE: The Matanuska Susitna Borough has efforts underway to do a \$1.4 million high-resolution aerial imaging project with elevation data on 2,400 square miles of its coastal zone. The borough recently received a \$976,000 federal grant to help fund the work. The imaging will help borough planners define watershed boundaries, determine effects of projects on wetlands and plan transportation routes. It will also help scientists study the effects of climate change on vegetation and topography, including glaciers.

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New power plants being built, but no assured gas supply

April 25, 2011

No. 6/2011

State regulators to utilities: Where's the gas?

The Regulatory Commission of Alaska will conduct a "public meeting" (an information session, not a regulatory proceeding) in a couple of weeks to query regional electric utilities on where they plan to get gas supplies for new power generation plants under construction or planned. The RCA is being asked to pre-approve the utilities' pass-through of the capital costs in their rates. Approval was given for the new Chugach Electric/Municipal Light & Power's Southcentral Power Project. Matanuska Electric Assoc. and Homer Electric Assoc. also have new power plants planned and may be asking the RCA for pre-approval. It's an unusual situation because with Cook Inlet gas fields being depleted it's not clear where the gas to fuel these plant additions will come from, except that imported liquefied natural gas is seen as an ultimate solution if there are insufficient new reserves found from explora-

tion (see page 6, on new drilling). Knowing that LNG imports are the fall-back, the regulatory commission wants to know the status of planning the utilities are doing on import plans, and what the costs are. Enstar Natural Gas Co. and ML&P) have acknowledged they are investigating imports but details are being kept tight. It's not known whether the two are working together or separately, and whether Chugach, Matanuska Electric or Homer Electric are involved.

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- Housing uptick in Anchorage Pg. 4
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Our Resources Supplement distributed separately

Oil revenue gushing into state treasury

High oil prices are sending a gusher of new revenues into the state treasury, building enthusiasm among legislators for a multi-billion state capital budget (see Pg. 2). The state Dept of Revenue now expects the state to collect \$7.3 billion in unrestricted revenue in the current fiscal year, which ends June 30. That's up from \$5.4 billion estimated in the most recent

previous forecast, made in early December. The higher estimate results from a higher assumed oil price average for the year, \$91.13 per barrel compared with \$77.96 per barrel average used in the December forecast. Actual revenues may wind up being higher for the year given that oil prices for the final quarter have been over \$100

- Continued on bottom, page 2

Energy:

Ormat plans its 2011 Mt. Spurr work

Ormat Nevada plans to be in the field again this summer with a more extended testing program at the Mt. Spurr geothermal prospect, west of Anchorage. Last year the company drilled test wells and confirmed a possible geothermal resource. A larger program is planned for 2012, depending on results of this year's testing. The state is assisting that with a \$20 million grant in the FY 2012 state capital budget. Full-blown development is expected to cost about \$300 million at the site, but another \$70 million is needed for a 40-mile transmission line connecting Mt. Spurr to existing transmission lines at Chugach Electric Assoc.'s Beluga power plant. Phase one at Mt. Spurr involves a 50-megawatt project that could be scaled up to 100 megawatts.

Ormat says it can sell power to Southcentral utilities for 12 cents/kilowatt hour, about twice the 6 cents per kilowatt hour Chugach Electric Assoc. now pays, on average, for all its fuel sources, which is mostly natural gas but includes some Bradley Lake hydro. Gas prices are headed up, based on recent contracts, and are expected to sell at higher prices in future years as old gas supply contracts are ended. If the state were to pay half the capital costs of Mt. Spurr, as is contemplated at the Watana (Susitna) hydro project, the project could supply power to utilities for about 6 cents/kilowatt hour, Ormat says. That's about the same estimated for the Watana project, assuming a 50 percent state capital subsidy.

Copper Valley Electric Assoc. revamped its planned Allison Creek hydro project from a dam to a run-of-river project due to cost concerns. The new concept is budgeted at \$39 million, which if unsubsidized would produce power for 21 cents/kilowatt hour. For every \$1 million in grant funds the cost per kWh drops 1 cent, CVEA says. The utility's current rate for customers is 22.88 cents/kwH. Allison Creek could displace about 1.1 million gallons of diesel now used for power generation.

RCA: Where's the gas? (Cont.)

- Continued from page 1

LNG imports will not be inexpensive because facilities have to be built for regasification and for unloading the liquefied gas. Also, most LNG sold in the Pacific contains gas liquids, which would have to be removed in any LNG brought to Alaska. In a related development, Cook Inlet Region Inc. has been unable to make progress in securing a power sales agreement for power from its Fire Island wind project. Utilities say it's too expensive, but what isn't clear is whether it's more expensive than LNG imports.

Oil money is gushing in (Cont.)

- Continued from page 1

per barrel. Lawmakers, still meeting in special session as this is published (the regular session adjourned April 17 over a budget deadlock) hope to stash \$2 billion in budget surpluses into savings accounts. As of April 6 the state's Constitutional Budget Reserve totalled \$10.18 billion and a second "statutory" budget reserve totalled \$1.197 billion. If \$2 billion is set aside, the state's total liquid assets will be about \$14.4 billion. This doesn't include the Permanent Fund, which now has a market value of over \$40 billion. The Permanent Fund can't be spent but its earnings can be.

Legislators in Juneau were working April 25 to reach agreement on the state capital budget, which could total \$2 billion in state fund and \$3 billion including federal money by the time final adjournment comes (Gov. Sean Parnell may veto some of that). It's tough to know now where the disagreements are between the House and Senate but one way or another they are over spending priorities.

Technology firm now looks at Mat-Su coal-to-liquids plant

Accelergy, a Texas-based technology company, is now looking at a plant site in the Matanuska-Susitna Borough for a possible first commercial coal-to-liquids plant using its process. Originally the plant was to be sited at Tyonek, which is near a proposed new coal mine on the west side of Cook Inlet. An initial project would produce 6,000 barrels per day of fuel products from coal, but it could be phased up in increments to 60,000 barrels/day. At that scale the plant would require 6 million tons of coal and 200 million cubic feet of natural gas yearly, and would also create 200 megawatts to 400 megawatts of additional electric power capacity through waste heat power generation. The plant could be a customer for either the producing Usibelli coal mine at Healy or the planned Chuitna coal mine.

Accelergy will receive a \$500,000 state grant, which it will match, to do testing of Alaska coals for use with its process. The company is pursuing a different technology it says is improved compared to the traditional Fischer Tropsch process used today in large coal-to-liquids plants in South Africa. Accelergy says it is now building a small plant with utilities in Pennsylvania to demonstrate and test the technology.

Legislators puzzled by conflicting oil employment data

Confused by conflicting data on North Slope oil employment, the Senate Finance Committee authorized \$200,000 for research on trends in industry hiring. It is not yet clear who will do the study. State Dept. of Labor data shows an uptick in industry employment in 2010 while contractors report the opposite - reductions in workforce due to slowing work. Separate labor department data shows an increase in unemployment claims filed by oil workers. One explanation for the conflicting data, state labor commissioner Click Bishop told legislators, is that industry maintenance work appears to be up while activities related to new oil development, like exploration drilling and new projects, are down. Some companies do both while others are specialized, thus one group of firms may be staffing up while another is laying off workers. Some legislators interpreted the data differently, that contractors with nonresident workers are getting hired while firms with Alaskan workers (like union contractors) are losing work. Lawmakers identified some specialty contractors from out of state with 100 percent nonresident workers, although these projects were small.

Some Alaska-based Army troops, aircraft shifted out of state

The Army is splitting up the 16th Combat Aviation Brigade at Fort Wainwright in Fairbanks and will move its headquarters and company of the 123rd Aviation Regiment to Joint Base Lewis-McChord, near Tacoma, Washington. While 16th CAB will be split with soldiers and equipment at both bases, most of the brigade's assets will stay in Fairbanks. The brigade's split will result in a net loss of about 155 soldiers and 10 UH-60 helicopters to Fort Wainwright. Alaska's two U.S. senators say they are relieved that the Army did not move the entire brigade to Lewis-McChord.

Business Intelligence

New residential home construction ticks up in Anchorage area

Residential housing permits issued in Anchorage ticked up in March to 37 new permits, up from 28 in February. For the first quarter the Municipality of Anchorage issued 57 permits for residential construction, up from 52 for the same period of 2010. Permits include single-family, duplex and multifamily units. The cautious upward trend continues from last year, when 272 permits were issued, up from 232 in 2009. Typically, there is more demand for medium and lower-priced homes, with an estimated two to three month supply of units at \$500,000 or less and a nine month supply of homes at \$750,000 or more.

ALLEN MARINE IN SITKA GEARS UP FOR FIRST SEASON WITH EXTENDED TOURS: Allen

Marine is meanwhile gearing up for its first season operating its "Alaska Dream Cruise" high-end, 7-to 8-day excursions to Southeast points from Sitka. The company now operates day-trip scenic and wilderness seaborne excursions. The new service will be on the company's 104-foot "Alaskan Dream" an 143-foot Admiralty Dream vessels, accommodating 42 and 78 passengers respectively. The new service essentially fills a void after Seattle-based Cruise West went out of business. Allen Marine bought two of the Cruise West vessels. The new cruises will create employment in Sitka and about \$117,000 per year in new city sales tax revenue from the business and passengers' onshore spending in Sitka. Passenger onshore spending is estimated at \$450,000 per year.

In a related development, the Alaska Industrial Development and Export Authority board approved a \$16 million participation for the state development corporation in a \$23 million loan originated by Wells Fargo Bank to Allen Marine Tours, Inc. of Sitka. The loan is to pay for the purchase and retrofit of a small cruise vessel, dock improvements in Sitka, refinancing of an existing loan and a buyout of a 33 percent owner in the company. The work on the vessel and dock will employ 12 in construction. Operation of the vessel will create two new year-around jobs and 70 seasonal jobs.

ALASKA PERMANENT FUND BACK TO \$40 BILLION IN VALUE: The Alaska Permanent Fund closed out its third quarter books March 31, reporting a year-to-date return of 18.8 percent. On April 6 the Fund's market value reached \$40 billion, a point reached prior to October 2007, before the national recession began. "Statutory" net income, actual cash earnings from sales of assets, reached \$1.6 billion for the fiscal year to date. Statutory net income is used to calculate the annual Permanent Fund dividend, although the dividend formula typically allows only a part of the statutory net income to be paid out. The Permanent Fund Corp. follows the state fiscal year of July 1 to June 30.

PALIN, JOE MILLER DROP IN FAVORABLE RATINGS: A new poll by Dittman Research & Communications shows the Alaska approval ratings of former Gov. Sarah Palin and U.S. Senate candidate Joe Miller continuing to sag. Joe Miller showed a 73 percent unfavorable rating, while Sarah Palin showed a 61 percent unfavorable rating. Republican U.S. Sen. Lisa Murkowski showed a 71 percent favorable rating (essentially the same as her senate campaign margin over opponent Joe Miller); Republican Congressman Don Young showed a 63 percent favorable rating, and U.S. Senator Mark Begich, a Democrat, showed a 57 percent favorable rating.

KEEL IS LAID ON NEW UNIVERSITY OCEANS RESEARCH SHIP: Shipbuilders in Marinette, Wisconsin have laid the keel for a new 261-foot oceanographic research vessel being built for the University of Alaska Fairbanks. The National Science Foundation will own the new Sikuliaq, with the UAF to operate the ship as a part of its oceans research programs. Launching of the ship is expected in mid-2012 and it is to be ready for operations in 2014. UAF works with the NOAA and other federal agencies on marine research.

DISNEY WILL CONTINUE ALASKA SUMMER CRUISES IN 2012: Disney Cruise Line said it will continue summer cruises to Alaska in 2012 after an initial year of operating in 2011. When the company first announced its 2011 plans it made only a one-year commitment but that has now been expanded. In its 2012 operations Disney will bring an additional 38,400 passengers and \$40 million in direct and indirect tourist spending that was unanticipated for the 2012 season.

STATE LEGISLATURE CONSIDERS NEW OFFICE BUILDING IN ANCHORAGE: The state Legislature is considering construction of a new office building in downtown Anchorage for lawmakers and staff. The Anchorage Community Development Authority would own the new building, to be at 7th Avenue and F Streets and lease it to the Legislature. The building would be near the state-owned Atwood Bldg. on 7th Avenue which now holds state agency offices. Legislators now lease space in an older building on 4th Avenue.

CENSUS DATA SHOWS EARNINGS GAP FOR WOMEN PERSISTS, THOUGH SHRINKING: The National Partnership for Women and Families reported that women in Alaska made 76 percent on average of what men earned in 2009. Nationally the average was 77 percent. Women earn about \$12,000 per year less than men on average, the nonprofit said. The report was based on Alaska U.S. Census data for 2009. Also, 64 percent of Alaska women bring in more than one fourth of family income.

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Petroleum:

Nordaq drills, now plans well access

Nordaq Energy announced completion of its gas exploration well in the Kenai National Wildlife Refuge. Whether gas was found was not said but the company said it is preparing permit applications for permanent facilities and an access road, an indication of positive results of the drilling. "You can draw your conclusions," company officials told us. Nordaq, which is locally-owned, drilled on subsurface estate owned by Cook Inlet Region, Inc., which has in-holdings in the refuge.

Meanwhile, Buccaneer Energy has drilling underway on a second gas exploration well near the Cannery Loop gas field and the city of Kenai. Thirdly, Linc Energy Alaska has testing now underway on an exploration well in the Matanuska Susitna Borough drilled last fall, where the company announced finding gas.

In other Cook Inlet drilling, Marathon Oil Co. plans to drill one to three new gas production wells per year in 2011 and 2012, the company said in recent U.S. Securities and Exchange Commission filings. The company drilled three wells in 2010, six wells in 2009 and nine wells in 2008.

ConocoPhillips to ship more LNG

ConocoPhillips said it will keep its Kenai liquefied natural gas plant open and operating until early August to allow three additional shipments of LNG to Japan to be made and one shipment to China. One of the four shipments was made in early April. The company had planned to mothball the plant in May. Exports of LNG are being suspended basically because of gas supply problems in Cook Inlet. ConocoPhillips wants to keep the plant maintained for possible use in future LNG shipments or as part of an import plan.

Inlet tracts with oil to be offered

The state Division of Oil and Gas will offer three tracts with known oil and gas resources from the recently relinquished Cosmopolitan Unit in Cook Inlet in its next Inlet lease sale, set for June. The tracts have known oil and gas resources that Pioneer Natural Resources has been attempting to develop (and ARCO Alaska prior to that). Pioneer is retaining two leases where it drilled wells. The state will set special terms for the leases including work commitments and a requirement that the three be acquired as a block.

The Dept. of Revenue set the Trans Alaska Pipeline System value for property tax purposes at \$7.83 billion. The 2010 value was \$9.7 billion. This will affect municipal budgets in Valdez and Fairbanks.

\$5 billion in slope projects?

ConocoPhillips CEO Jim Mulva and BP's Alaska president John Menge, speaking separately to community groups, said they are prepared to proceed with a \$2 billion development project in the west end of the Prudhoe Bay field if the Legislature were to modify the state's oil production tax along the lines of Gov. Sean Parnell's proposal. Parnell's proposal appears to be on the back-shelf, for this year at least. The bill is in the state Senate, which has balked at its passage.

The projects include a partial gas-processing plant and a new 50-well production pad. Menge said the new "I-pad," were it to be built, would add 80 million barrels of additional recoverable oil to the Prudhoe Bay field reserves. *In separate press comments, ConocoPhillips' Mulva said he foresees about \$5 billion in new near-term investments if the tax change were made.*

Fisheries:

Coastal Villages likes Seward port

Coastal Villages Region Fund is considering shifting the home port of its fleet of fishing vessels from Seattle to Seward, a move that would require construction of a \$33.7 million new small boat harbor and construction of onshore maintenance, warehouse and support facilities in Seward. The western Alaska Community Development Quota corporation, one of six CDQ groups, says it can achieve savings in fuel and employee transportation with the move, and eventually enjoy other savings. Seward's ice-free port, access to surface transportation and the presence of a major training center are key attractions. A \$400,000 state appropriation to pay for preliminary engineering and economic analysis is in the state capital budget. A larger appropriation will be requested next year. The small boat harbor could be completed by 2014.

Fisheries council on gulf bycatch cap

The North Pacific Fisheries Management Council is weighing king salmon bycatch limits for the Gulf of Alaska pollock trawl fleet after the bycatch reached 44,000 kings last year. It's an issue similar to that the council and industry are wrestled with in the Bering Sea. The council is mulling recommendations that the king bycatch be limited to 22,000 kings. Predictably, salmon fishermen are arguing for the lower limit while the gulf Pollock fleet argues the limits could cut into their ability to meet harvest quotas.

The gulf pollock fleet is much smaller than the Bering Sea fleet, with smaller vessels that typically take the catch to shore-based plants for processing. The amount of bycatch isn't known until fish are processed and bycatch kings counted. Overall, it's tougher for the smaller-boat gulf fleet to avoid salmon while fishing.

Some SE herring roe quota unfished

Sitka seiners slightly exceeded their 19,490-ton herring sac roe harvest quota through five openings that ended April 10. However, the West Behm Canal herring roe fishery near Ketchikan was a bit of a bust, with most of a 1,276-ton quota left unharvested. Four boats and only one buyer, E.C. Phillips and Son, were active. Unsettled market conditions in Japan due to quake-related problems were blamed.

Minerals:

Skagway expects increase in ore

Skagway expects a sharp increase in the number of ore ships calling at its port, based on increased mining activity in Yukon Territory. About 12 ships per year now load 65,000 tons of ore at the Skagway Ore Terminal, which is owned by the Alaska Industrial Development and Export Authority. This is expected to increase to 40 ships to 50 ships per year loading 750,000 tons per year in three to five years, officials of the state authority told legislators last week. The Legislature gave AIDEA authority to make \$65 million in improvements at the terminal based on the expected increase.

Mining briefs: Pebble, Fort Knox

Anglo American and Northern Dynasty are spending \$90 million this year in preliminary engineering and environmental work and some geo-technical drilling at the Pebble copper-gold project. That's up from \$70 million last year. The Fort Knox Mine poured its 5 millionth gold ounce April 6, a milestone. Kinross Gold said there is at least another 3 million ounces of resources at the mine. The mine employs 533 and pays \$62 million a year in wages. Kinross has a \$110 million 2011 capital budget, mainly with an expansion of its tailings impoundment dam.

Business Intelligence - continued

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The female wage gap is also documented in a State Dept. of Labor and Workforce Development's report that showed women earning 66.5 percent of men's earnings in 2006. A similar report by the department showed the ratio at 65.9 percent in 2000 and 62.2 percent in 1990. The gap was less among women in public sector employment, with women earning 79.8 percent of male earnings, the labor department report said. In the private sector women earned 62.4 percent of what men earned.

KETCHIKAN SELLS WARD COVE INDUSTRIAL SITE: Ketchikan's borough approved a sale of its Ward Cove industrial site to local businessmen David and Andrew Stokely, who own Power Systems and Supplies, a remote site fuel supply and service company. The price was \$2.1 million for 12 parcels on 347 acres of tidelands and uplands. The company plans to expand its business at the site and build and service 64-foot boats of the type it now uses as well as 44-foot emergency-response boats. A specialty welding and metal fabrication facility is also planned. All of this could fit well with the existing Ketchikan Shipyard, which is expanding. Ward Cove was formerly the site of the Ketchikan's pulp mill, which closed.

NANA MAKES DISTRIBUTION OF RESOURCE INCOME TO AT-LARGE SHAREHOLDERS: NANA Regional Corp. will distribute \$353,163 million in resource royalty income to 372 "at large" shareholders, NANA announced April 15. Under the Alaska Native Claims Settlement Act 70 percent of resource income a regional corporation receives from production of resources like oil and gas, minerals or timber are paid to all other regional and village corporations, and to a small number of at-large shareholders who chose not to enroll in a regional or village corporation. They are typically residents outside the region. The NANA distribution works out to an average payment of \$949.36 to the 372 at-large shareholders.

AS EXPECTED, NMFS DESIGNATES BELUGA COOK INLET HABITAT: The National Marine Fisheries Services has designated large swathes of the Cook Inlet as critical habitat for endangered beluga whales, leading Alaska business and political leaders to raise an outcry against the move. House Speaker Mike Chenault issued a statement saying the designation "means no construction, drilling or dredging" and that participation in oil drilling this summer is "out of the window." NMFS officials countered by noting that the action does not mean a complete halt to all activity, and some in industry agree. It only means that industrial operators must avoid any activities or actions that would hamper the whales' ability to recover, NMFS said. One oil explorer planning to operate a jack-up rig in offshore drilling, Buccaneer Energy, said it had incorporated as assumption of critical habitat designation in its plans, and that it will be able to operate within the framework of the federal program. The critical designation would cover 3,013 square miles of shoreline and marine areas, including all of Kachemak Bay, all of upper Cook Inlet north from about Clam Gulch and the west side shoreline of lower Cook Inlet.

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Analysis indicates estimate may be 40 percent low

May 10, 2011
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Tourism to be modestly up; next year better

That the 2011 tourism season will be modestly better than 2010 has been known for some time, but the trends in bookings are verifying this. Statewide, visitors are expected to be up 5 percent to 6 percent over 2010, which was down a bit from 2009 but not as much as expected given the recession. *One positive note is that hotel bookings in Anchorage were up 10 percent in the first quarter of 2011.* That is winter tourism (Fur Rendezvous, the Iditarod, etc.) and a lot of visitors were Alaskans from other communities. One concern for this year is one that affects all businesses: rising costs for fuel. That could cut into margins because operators will be hesitant to pass too much of the higher cost on. Another concern is the tightening of the reservations "window," in that more bookings are now being done much later. Surveys indicate as much as 70 percent of reservations may be made in April

and May, which is making it tough for operators to plan staffing and capacity. All of this year's growth is in independent travellers; cruise tourists will be flat. Next year will see a rebound in cruise visitors because more ships and voyages are being added. The 2012 independent travel could grow or remain stable but this group is highly sensitive to marketing. *However, funding for the state's generic tourism promotion is tied up in the current state budget impasse (see item below) so there are a lot of uncertainties.*

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- Chevron's Kenai gas wells Pg. 6

Our Resources Supplement distributed separately

Quagmire in Juneau: Can legislators dig their way out?

What in the world is going on in Juneau? The Legislature is in the third week of a special session called by Gov. Sean Parnell after the regular legislative session ended April 17 without agreement on key bills including a \$2.9 billion capital budget. The special session began April 18 and the stalemate continues. Legislators did pass the operating budget last Friday,

May 6, and some issues in the deadlock were resolved by shifting them from the capital to the operating budget (see item, page 3). But the big deadlock over the capital budget continues. There now seems a possibility the Legislature may just go home without passing it, coming back later. That has now caused state and

- Continued on bottom, page 8

Energy:

LNG imports may not be bad deal

Utilities researching liquefied natural gas imports to Southcentral Alaska say they are now more encouraged by possibilities of doing it. They are keeping details tight but say information might be made public this summer. Prices for LNG on Asian markets are higher with the Japan power supply troubles but one option being explored is domestic LNG from the Lower 48, where gas prices are very low. Vessel-based (ship or barge) regasification is being explored which could avoid the FERC licensing issues with shore-based facilities.

Matanuska Electric Assoc. has initiated an air permit application for its planned \$260 million new gas-fired power plant at Eklutna, north of Anchorage. MEA now gets all of its electricity from Chugach Electric Assoc. but now has plans to generate its own power. The start of air permitting is an important step for the project.

GVEA: \$90 million for Eva Creek

Golden Valley Electric Assoc. told state legislators it intends to start construction on its \$90 million 25-megawatt Eva Creek wind project at Healy in 2012 and have the facility in operation in late 2012. The project can produce wind-power at prices about equal to GVEA's other sources, which include oil and coal-fired generation and power purchased from Southcentral Alaska. If a requested \$10 million state capital appropriation comes through, the utility will have to finance less of the project costs, resulting in a lower cost of power compared with GVEA's average. Eva Creeks' expected cost of power is just under 10 cents/kilowatt hour, the utility said and expects additional costs of about 4 cents/kwH to integrate the variable wind power into its system.

Except for coal-fired power GVEA's current sources are more expensive. The newer oil-fired plant at North Pole generates power for about 16

GVEA's \$90 million wind project (Cont.)

- Continued from page 1

cents/kwH while the older plant provides power for about 20 cents/kwH. In contrast, GVEA purchases power from Aurora Energy's coal-fired plant in Fairbanks for 5 cents/kwH. GVEA's Battery Energy Storage System, dubbed "BESS," the Interior utility's short-term 5,000-volt power backup system, has reduced local power outages by 65 percent in the seven years it has been operational. BESS can supply 27 megawatts of power for 15 minutes, enough time to fire up backup generation. It has reduced GVEA customers' typical average of 3.5 hours without power in 2007 to 45 minutes per year in 2010. BESS kicked in 40 times last year to supply backup power.

Why not geothermal at same price?

GVEA came under questioning at a legislative hearing May 8. The utility was asked why it wouldn't sign up to buy power from Ormat's planned 50 megawatt geothermal project, which is a constant source vs. variable, at about the same price (12-13 cents/kwH) as Eva Creek wind. Ormat is having trouble getting power sales contracts with regional utilities. GVEA said the feasibility of Ormat's project, at Mt. Spurr, is not yet proven, and that a 7 percent "line loss" power through the transmission system from Southcentral to the Interior would have to be accounted for.

GVEA also said it also considered wind power from CIRI's planned Fire Island project and Delta Wind, a smaller project near Delta, but said those options came in at 11 cents/kwH and 14 cents/kwH without the integration costs. Eva Creek appears to be the best option, GVEA told legislators.

Homer Electric broke ground April 28 on its addition of a steam turbine to its Nikiski gas power plant, expanding capacity of the unit by 45 percent with the same amount of gas. Norcon Inc. was given the contract. The project will take about a year and a half.

Legislature: Some issues now off the table

The state House and Senate approved House Bill 108, the state operating budget, and House Bill 109, the mental health program operating budget which is handled separately. The House-Senate conference committee compromise took several hot-button issues off the table in the current legislative impasse with several items moved from the capital budget, SB 74, to the operating budget. This includes \$1 billion of the expected revenue surplus being added to the state's Statutory Budget Reserve; \$400 million added to the rural Power Cost Equalization fund; and \$40 million approved for additional state assistance to schools and municipalities (\$20 million to each) to offset energy costs. There is also \$60 million for the new state ferry. All of these are Senate priorities, so while other capital budget issues are still being negotiated at least these are resolved.

Assuming Gov. Sean Parnell doesn't veto the appropriation of the expected surplus, the Statutory Budget Reserve will hold \$2.1975 billion, including the \$1 billion addition. The state's Constitutional Budget Reserve held \$10.16 billion as of Feb. 28, according to the Legislative Finance Division. That number would be a bit higher now. The two reserve funds combined give the state liquid reserves approaching \$12.5 billion. When the capital budget is finally resolved there could be another deposit of surplus funds. There is also the Permanent Fund, now worth about \$41 billion in value, which has accumulated earnings in its Earnings Reserve which could be appropriated. All in all the state is in good shape financially, at least for now.

The Power Cost Equalization appropriation of \$400 million to the Power Cost Equalization fund adds to that fund's \$357.4 million balance as of January 31. Again assuming the governor's approval, this brings the PCE fund to about \$757 million. At that level it will generate enough annually, through earnings, to sustain the approximate \$34 million in PCE funds typically paid out each year to reduce residential electricity costs in rural communities. Typically the state has had to supplement earnings of the fund with general revenues, with about \$10.8 million needed in upcoming Fiscal Year 2012.

Anchorage now looks at scaled-back plan for port expansion

Port of Anchorage and Anchorage municipal officials are now looking at scaling back the major expansion plan for the port although this would leave the old dock, though rehabilitated, still exposed to seismic risks. There is also a danger that silting problems will continue or even get worse, which doesn't make shipping companies very happy. The main problem is the funding uncertainty for the project with the federal spigot tightening up and a lot of competition for state capital dollars. One pending change is the management of the project, which oddly is with MARAD, the federal lead agency, and its contractor, ICRC. The Port of Anchorage staff, including Gov. Bill Sheffield, were relegated to mainly a fund-raising role. That will change, with the port and city officials now to be directly engaged.

Business Intelligence

Most Red Dog Mine workers now live in Southcentral Alaska

Most workers at the Red Dog Mine in northwest Alaska live in Southcentral Alaska, the operator of the mine told the Anchorage Chamber of Commerce last week. This underscores the importance of large mines even in remote rural areas to the state's larger communities. Of Red Dog's approximate 450 full-time workers, 230 live in Anchorage and the Matanuska Susitna Borough. Most of the remaining 220 live in Northwest Alaska communities. Teck Alaska, the mine operator, also does business with 242 Alaskan vendors and suppliers, including 192 firms in Anchorage.

The figures above understate the employment effect of the mine in the Northwest region because subsidiaries of NANA Regional Corp. working in mine support operations (the NANA/Lynden ore trucking operation is an example) employ substantial numbers of local residents.

PARNELL SIGNS BILL GIVING AIDEA MORE AUTHORITY: Gov. Sean Parnell signed House Bill 199 May 6, giving the Alaska Industrial Development and Export Authority flexibility to invest in different types of business ventures with private partners including a one-third interest in a jack-up rig with Buccaneer Energy. That deal is not final yet because Buccaneer has yet to do all the things on AIDEA's contingency list, however. The rig, now in Asia, is expected to be in Cook Inlet in late summer. Meanwhile another jack-up rig is en route, being brought north by Escopeta Oil and Gas Co.

TRIBAL GROUPS OPPOSE FOOTHILLS ROAD ON SLOPE, FEARING HUNTERS: The state is picking up some flak from two North Slope tribal groups and the North Slope Borough's fish and game advisory committee over the proposed "Foothills West" road, from the Dalton Highway to Umiat. The state Dept. of Transportation and Public Facilities has signed a contract for an Environmental Impact Statement for the road, although it is contingent on funds from the state capital budget being available July 1. Anaktuvuk Pass residents, speaking through their Naqsrarnuit Tribal Council, have asked their legislators, Rep. Reggie Joule, D-Kotzebue, and Sen. Donny Olson, D-Nome, to seek removal of the \$8 million for the project from the state capital budget. The concern is over the increased access to traditional subsistence hunting areas the road would bring.

The road is a key part of the state's plan to encourage more exploration in the foothills region. Natural gas has been discovered at Gubik and oil at Umiat. Renaissance Umiat, an independent, is proposing to develop Umiat's oil, and the road is a key part of the plan.

FARMERS WANT STATE TO KEEP BISON OUT OF FIELDS: Farmers at Delta want the state to fence off agricultural areas to protect them from the bison herd which roams in the area. The farmers are pushing for an \$8 million, 160-mile fence in one area and a \$2.25 million, 45-mile fence in another area to keep bison out of barley and hay fields. The bison, which number about

325 animals, get about half of their nutrition from farmers' fields, state Fish and Game biologists say. State agriculture officials say the only way to effectively protect the crops is to fence off areas used for agriculture.

The Alaska Commission for Human Rights fined a Fairbanks-area store owner \$76,000 for pushing religious ideas on employees and creating a "hostile" workplace environment.

ICE CLASSIC PRIZE AT RECORD LEVEL: The famed Nenana Ice Classic paid out a record \$338,062 jackpot to 22 winners this year, when the ice broke May 4. The prize, which depends on sweepstakes ticket sales, is up \$59,000 from last year. It was grown annually over the last decade, and was \$304,000 in 2002. The Nenana classic is the most well-known on Alaska's legal gambling operations which are all linked to nonprofits raising money for charity. The ice classic involves people guessing the day and time of the breakup of Tanana River ice at Nenana, 60 miles southwest of Fairbanks on the river.

UNALASKA'S CITY PORT FEELS IMPACT OF COMPETITION: The city of Unalaska is feeling the competitive effects of a private dock on its city-owned port revenues, which will run a \$1.16 million deficit this year. One option is for the city to increase its 2 percent municipal raw fish tax (a tax on fish landed at this major fisheries port) but for this year the city may use other revenues to offset the deficit, officials said. The situation may improve next year as some vessel operators are shifting back from the private to the public dock, they said.

Unalaska is also watching the financial condition of Horizon Lines closely. Horizon is Unalaska's major customer. The company is working through its problems, however, having reached an

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Petroleum:

Chevron looks at Kenai gas wells

With the small Armstrong Oil and Gas pipeline now in operation carrying gas from Armstrong's North Fork field, Chevron Corp. is investigating the possibility of a small line from two nearby wells it drilled in 2004, Red No. 1 and Red No. 2 that are in Chevron's Nikolaevsk Unit. Chevron wouldn't say what potential the wells have for production, or that new drilling might be done, but did say it would have a decision by January, 2012. Armstrong now has four wells in production at North Fork to meet a contract commitment of supplying 10 billion cubic feet of gas to Enstar Natural Gas Co. over 10 years. The small Nikolaevsk community, near the North Fork wells, hope to secure state grants to build a pressure-reduction facility that would allow the community to get natural gas service. Ten million dollars is in the state capital budget to the City of Homer to build a gas pipeline to Homer.

BP started up the first of four experimental heavy oil production wells, with the first well producing about 350 barrels/day. A second well is to be on line later this month. There are very large in-place resources of heavy oil, but the oil is technically difficult. These four wells will test technology, with this phase to last four to five years. Then, economics will be considered.

Minerals:

Expansion at Greens Creek Mine?

Hecla Mining Co. is planning expansion of its tailings storage facility at the company's Greens Creek Mine near Juneau. The company is now engaged in an Environmental Impact Statement process on the expansion. If it is approved, and if sufficient ore reserves can be found, the facility will give the mine the infrastructure to continue mining for another 30 years to 50 years. Greens Creek is on Admiralty Island, 18 west of Juneau.

Alaska Economic Report No. 7/2011

Pebble environmental report out soon

The Pebble Partnership expects to release a long-awaited environmental baseline document this summer with data from extensive studies the company has conducted related to the planned Pebble copper-gold mine north of Iliamna, about 200 miles southwest of Anchorage. The baseline document will go to federal and state agencies to set the stage for the company's applications for permits. Pebble has spent \$120 million so far on environmental studies. Permit applications are now expected in 2012 after the company completes a pre-feasibility study, another milestone. Pebble is spending \$91 million this year on various project-related activities.

Pebble Partnership is a joint venture of Anglo American and Northern Dynasty Mines, but a new development is that Northern Dynasty is looking to sell its half of the project later this year. It's considered likely that a mining company perhaps in partnership with Japanese (or Chinese) metals and smelter groups may purchase the 50 percent. Rio Tinto now owns about 20 percent of Northern Dynasty and it could up its share. If developed Pebble would likely be a combination underground and surface operation employing about 1,000, and would be one the largest mines in the world. The Pebble deposit is on state-owned lands.

Donlin Creek mine feasibility study

Another large mining initiative approaching a critical juncture is the Donlin Creek gold project near the Kuskokwim River, about 325 miles west of Anchorage. The Donlin Creek JV expects to complete its latest feasibility study this fall which will include a 312-mile, 12-inch gas pipeline from Southcentral Alaska to the mine. *The company seems confident it will be able to get gas in Southcentral, where there are worries over supplies.*

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Fisheries:

Bristol Bay salmon quality, value

The quality of Bristol Bay salmon delivered to processors is showing substantial gains, an informal survey of a sample of harvesters showed. This is resulting in hikes in payments for harvesters. Fisherman Mark Buckley, who is also president of Digital Observer, Inc., did the survey. In 2009 only 43 percent of sockeye salmon were No. 1 quality when delivered and 51 percent No. 2 quality, the rest being No. 3. In 2010, 69 percent were No. 1 quality, 26 percent were No. 2 and the rest were lower grade.

Payments increase sharply when fish are delivered chilled and in better condition. The closing base price for sockeyes in Bristol Bay last year was 95 cents per pound but many fishermen who delivered chilled fish got \$1.35 per pound and there were some payments of \$1.50 per pound. It does cost to add chilling equipment or to buy ice but the higher prices more than compensate for that, many harvesters say. Most of the resistance to quality improvement is just that old habits die hard, they say.

Crab fleet works on plan for crews

Alaska crab vessel owners are working on a plan to increase the amount of revenue from crab fishing that goes to crew on crab boats which will have to be offset by an agreement on voluntary reductions of lease rates by owners of crab quota. The deal is being worked on at the request of the North Pacific Fisheries Management Council. Generally the "crab rationalization" experiment of privatizing crab quota has worked well - deaths among crab fishermen have been halved due to the slower, more gradual pace of fishing the program allows - but some adverse effects have also appeared. One is that even though crew wages are much higher than before the quota owners have seen even higher gains, and

Crab fleet addresses crew pay (Cont.)

the resulting criticism by a crewman's association has become politically embarrassing for the NPFMC. There has been a lot of criticism in the past of the experiment of privatization of the federally-managed fisheries, which include groundfish and halibut ("a giveaway of public resources") but the gains in fisheries conservation and safety have offset any negative effects. Still, the council would like the crab industry to figure out a way to deal with the crew and quota price issue itself. If it doesn't, there could be pressure for a council-imposed regime which would be less desirable for the vessel owners.

Winter king salmon season is strong

Spring fishing for king salmon is now underway in Southeast, and the troll fishing did extremely well in the winter king fishery which ended in April. Catches were up 50 percent from the five-year average, with more harvesters out fishing, too. Prices were healthy, over \$7 per pound for much of the winter season. King salmon harvests are a small part of the statewide salmon catch, but earnings are high.

Minerals:

100 at work on Livengood project

International Tower Hills has about 100 people at work this spring on its Livengood gold project 70 miles north of Fairbanks. The project is still in the exploration and development planning stage, but over 10 million ounces of gold resources have been identified at the project. Former state Resources Commissioner Tom Irwin is managing development planning. Prior to his stint at DNR Irwin managed the development of the Fort Knox Mine, also near Fairbanks, which started production in 1996.

Business Intelligence - continued

- Continued from page 5

agreement recently with former owner CSX Corp. on leasing rates for three ships Horizon operates in its Alaska service, the Horizon Kodiak, Horizon Anchorage and Horizon Tacoma. The company was hit with a \$45 million government fine earlier this year over an antitrust violation on pricing on its U.S.-Puerto Rico service. The government has agreed to reduce the fine to \$15 million and allow it to be paid over five years.

WORKPLACE FATALITIES DOWN 42 PERCENT IN LAST DECADE: Alaska workplace fatalities have dropped 42 percent over the last decade, the state Dept. of Labor and Workforce Development said in a report. Deaths in commercial fishing and aviation, two hazardous areas,

Quagmire in Juneau; is there a way out? - continued

- Continued from bottom, page 1

municipal managers, and a large number of developers, to scramble and develop contingency plans for projects that otherwise would have had money available in July. What's causing the standoff? Who knows? Legislative leaders and the governor talk about the Senate's "bundling" of about \$400 million in energy projects with conditional language that if one item is vetoed all the bundled appropriations fail. There are divided opinions as to whether this is legal, but we suspect there are a lot of other buried issues in the dispute probably dealing with allocations of the capital budget.

People may now be so deeply entrenched, with big egos at stake, that real statesmanship is needed to find a way out. There doesn't seem to be any statesmen (or women). Instead, the three factions, the Senate, House and administration, seem to be more interested in grinding down the others (it's mainly the administration and the House ganging up on the Senate.) It's claimed by the Senate that all this started when the governor made veiled veto threats on the capital budget over the Senate's failure to vote on the governor's oil tax bill, HB 110 (now tucked away in Senate Labor and Commerce Committee until next year).

That led to the all-or-nothing intent language being tacked onto the energy section of the capital budget bill, which is still in Senate Finance Committee. We suspect this veto threat by the governor may be a red herring - you have to read a lot into what the governor actually said - but it gave the Senate an excuse. It had also, unfortunately, made the oil tax bill more radioactive than ever. This could make it harder to work with the issue next year.

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May 24, 2011

No. 8/2011

Coal exports up; railroad expands its coal capacity

Things are going well for the state-owned Alaska Railroad Corp. The railroad's 2011 net income for 2011 is estimated at \$17.7 million, up from \$13.4 million in 2010 (the railroad uses a calendar fiscal year). In a significant development, the railroad will purchase 70 new bulk commodity "hopper" cars to carry increased volumes of coal being exported by Usibelli Mine Inc. from its coal mine near Healy, railroad president Chris Aadnesen told a group of business leaders in Anchorage last week. This is the first major new capital investment related to the rise in exports and it is a signal that the railroad, and Usibelli, believe the trend will hold. Export coal shipments have increased from 880,000 tons two years ago to 960,000 tons last year to 1.2 million tons this year, Aadnesen said. Usibelli supplies about 1 million tons a year to power plants in Interior Alaska in addition to exports. The company

is also planning to develop its Wishbone Hill coal project near Palmer, a smaller deposit than that at Healy but with higher quality coal. If the export trend continues and exports approach 2 million tons/year, use of Port MacKenzie on Upper Cook Inlet will have to be part of the plan, Aadnesen said. Export coal is now shipped from Seward. Port MacKenzie shipments can only be done in the summer, however. Winter shipments will still have to be done from Seward.

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Our Resources Supplement distributed separately

Tourism indicator: Passenger reservations up 10 percent on railroad

Passenger reservations on the Alaska Railroad are running about 10 percent ahead of last year, a solid indicator that 2011 will be a better year for tourism than 2010. The expectation is that passenger volumes will reach 2009 levels, which were comfortable, but will still not match 2008, a very strong year. This fits the general expectation in the industry but it is also an important confirmation. Overall, independent travel is expected

to be up this year thanks to a strong marketing effort last year that was aided by state funds. The Legislature again approved funding for stepped-up marketing and that will strengthen independent travel in the 2012 season. Cruise ship visitors this year are expected to be even with 2010 but are expected to increase next year with more ships returning to Alaska waters.

Energy:

Gas from coal: \$2/mcf less costly?

Cook Inlet Region Inc. has done a rough estimate that its Underground Coal Gasification project in a full development will be able to produce methane suitable for use in the Enstar Natural Gas pipeline system for \$2/thousand cubic feet below prevailing natural gas prices. The project might also be able to produce not only enough to supply Enstar but also the Kenai natural gas liquefaction plant set for closure this summer because of regional gas shortages, and a restarted fertilizer plant near Kenai. What the fertilizer plant needs, in fact, is the synthesis gas (a carbon monoxide and hydrogen mixture) that would be produced directly through coal gasification, not the upgraded version that is converted to an actual synthetic natural gas for Enstar.

More funds for geothermal drilling

Ormat Technologies will drill two 4,000-foot core tests at the Mt. Spurr geothermal project this summer to further test the prospect, a follow-up to last year's drilling of two 1,000-foot core holes, and with the Legislature's approval of \$20 million in state funding for more work the company will drill three more wells in 2012 to determine commercial viability (Ormat will match this with \$5 million of its own). The project could be generating 50 megawatts of power by 2016 and 100 megawatts by 2018. Full development will require a \$220 million to \$270 million investment which Ormat would make, although the state will be asked to fund a \$65 million transmission line and road to connect the project to Chugach Electric Assoc.'s existing infrastructure at its Beluga power station. If developed, Ormat's total contribution would be \$231 million to \$281 million with the state providing \$87 million.

The project is expected to be able to provide power to regional utilities at about 12 cents to 13 cents/kilowatt hour. This is about twice what

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GVEA's \$90 million wind project (Cont.)

Chugach Electric now pays, on average, from a mix of energy sources but those costs are expected to go up as natural gas prices rise. *Another promising geothermal project is at Akutan in the Aleutians. We'll report more in the next issue.*

Railroad's outlook is good (Cont.)

- Continued from page 1

Freight tonnage for the railroad in calendar year 2010, January through December, was 6.33 million tons, and passenger ridership was 405,135. Expectations are that freight tonnage will be a little up in 2011 over 2010. The railroad is planning \$55.9 million in capital spending in 2011, mostly in track and bridge improvements.

Flint Hills won't increase jet fuel

The Flint Hills refinery in North Pole, near Fairbanks, will not be restarting its third crude oil processing unit this summer. Last year the unit was started and operated in the summer to supply additional jet fuel to Anchorage's airport. The company will still supply some jet fuel as well as gasoline and diesel, but will not be a major supplier of jet fuel in Anchorage. Imports of jet fuel are expected to take up the slack.

EIS underway on Foothills West road

The U.S. Army Corps of Engineers said it will proceed with the Environmental Impact Statement for the state's Foothills West road, from the Dalton Highway to Umiat. The EIS will cover the road, approximately 90 miles, as well as a bridge at the Colville River. The EIS is expected to take about two years. The state Dept. of Transportation is the applicant on the EIS, with the Corps being lead agency. The entire project is expected to cost about \$365 million, with about half of that for bridges. There is an oilfield at Umiat that could be developed.

Alaska employment was stable in 2010 4th quarter

Alaska wage and salary employment was basically stable through the last quarter of 2010, wage and salary data compiled by the state Dept. of Labor and Workforce Development indicates. The data, which is based on information reported by employers (i.e. it is not an estimate) shows an average of 324,688 employed in October 2010; 317,098 in November and 313,398 in December. A falloff in employment in winter is not unusual.

Oil and gas employment remained stable in the fourth quarter after showing an uptick in the third quarter. In October there were 13,053 oil workers employed; 12,939 in November and 13,044 in December, according to the labor department data.

Permit may issue for \$180 million Tanana River bridge project

We hear the U.S. Army Corps of Engineers has notified the Environmental Protection Agency of its intent to issue the needed Section 404 permit that would allow the \$180 million Tanana River bridge project to proceed this year. EPA has stalled the permit so far, using its authority under the Clean Water Act to review and even veto corps permits. As we understand it the notification starts a clock in which EPA will do its review. The Alaska Railroad, which is managing the project, hopes to get the green light so construction can begin. The bridge has been the subject of an extensive review but EPA registered last-minute concerns over effects of the bridge on the river. Meanwhile, the Legislature appropriated \$40 million for the project as the last piece in a complex mix of federal and state funding.

The bridge, near Salcha east of Fairbanks, is part of the railroad's long-range plan to extend its line east to Delta. An immediate purpose, however, will be to give the Army year-around access to training ranges on the south side of the Tanana.

Denali pulls the plug on its gas pipeline project

The BP ConocoPhillips Denali gas pipeline project will not proceed further, the consortium said, citing the huge buildup of shale gas in the Lower 48. This was widely expected but the announcement still sent shock wave through the industry. The interpretation is that if Denali was unable to secure enough producer commitments, TransCanada and ExxonMobil, on the competing project, won't be able to do so either. This development will put Gov. Sean Parnell under pressure for the state's continued financial support for TransCanada and ExxonMobil work, in which the state is picking up 90 percent of those companies' expenses. The Legislature short-funded TransCanada with a \$60 million appropriation instead of \$160 million requested. Parnell said he'll back a supplemental appropriation next spring, but legislative leaders say they'll want "more information" about the TransCanada project.

No one really expects that the funding will be denied (that would really blacken the state's reputation) but legislators will make Parnell sweat to get it.

Business Intelligence

Alaska military bases stable; most military families living off-base

The long-term outlook for Alaska's military bases remains stable because of the Defense Department's large investment in infrastructure and the large training spaces available, a senior officer told Anchorage business leaders last week. The total military "population now totals 32,513 (12,002 uniformed personnel; 2,956 civilian workers, and 17,555 family). More than half of military families live off base, which is significant for the local economy. Uniformed Army personnel at Fort Richardson have doubled in the last 10 years, from 2,054 to 5,376.

Training space is a key advantage for Alaska. Many Lower 48 military installations have been consolidated into "mega-bases" that keep getting bigger (Fort Bragg now has 65,000 troops, for example) and all of these facilities are competing for space with nearby communities. Alaska has ample land and airspace available for training. One facility that is underused and could be further developed is the Northern Warfare Training Center at Black Rapids south of Delta. This is an important asset because Alaska's mountain terrain offers similarities to areas where military operations are underway.

The Legislature's recent approval of \$40 million as a final increment of funding for the \$180 million Tanana River bridge near Fairbanks further strengthens training capabilities because the bridge will give year-around access for Fort Wainwright Army units to large training areas south of the Tanana River. The bridge is being built by the Alaska Railroad and is also a key part of a long-range plan for a rail extension east to Delta.

CRUISE SHIPS ARRIVE: SUMMER TOUR SEASON UNDERWAY: The 2011 summer cruise season is underway. Disney World's Carnival Spirit was the first cruise ship into Ketchikan May 8, and Holland America's Volendam arrived in Kodiak May 14 on a trip from the Russian Far East. Kodiak merchants expected good retail sales to the ship's passengers, given that the souvenirs available at Petropavlosk, the previous stop, were slim. The Amsterdam, another Holland American ship, made its first call of the season at Homer May 21. It's Homer's second year as a cruise stop. The city is anticipating receipt of \$6 million in shared state cruise passenger tax revenues, but the money won't come in time for improvements to be made for this year's visitors. Disney and Oceana Cruises are new to Alaska this summer, each operating one vessel on several trips. Ketchikan is expecting 828,900 cruise visitors this year, about the same as last year.

DNR KICKS OFF EFFORT TO CLEAR BACKLOG OF LAND PERMIT APPLICATIONS: State Resources Commissioner Dan Sullivan has launched an internal Dept. of Natural Resources initiative to clear a backlog of 2,500 applications for various types of land use permits that have piled up in the department in recent years. The Legislature approved \$4.5 million in new funding to hire additional 20 to 25 staff in the Division of Land and Water Management to get rid of the backlog within three years.

Sullivan also put Deputy DNR Commissioner Ed Fogels in charge of an effort to reshape and simplify state permitting procedures, particularly with oil and gas, and to work with a new federal task force created by President Barack Obama to simplify federal oil and gas permitting procedures. However, in a briefing

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Fogels said the U.S. Environmental Protection Agency seems to be outside of the loop of the federal initiative, which is being led from the White House. EPA's recent assertiveness is being blamed for problems in permitting three key Alaska oil and gas initiatives: Shell's offshore drilling; the delay in Point Thomson's EIS and the delay in action by the U.S. Army Corps of Engineers with a key permit for a bridge across the Colville River that would allow discoveries in the National Petroleum Reserve-Alaska to be developed. The state's permit simplification plan is to be ready for the Legislature next spring.

Alaska Village Electric Cooperative (AVEC) expects its average cost of fuel this summer (basically a wholesale price) to be about \$1/gallon up from last year's average price. The outlook generally is that retail prices in rural communities this year will approach the sky-high levels of 2008.

NEW FUEL BARGES OPERATING IN WESTERN ALASKA: The new "Cauneg" fuel barge built for North Star Gas is set to begin deliveries in western Alaska in late May. North Star Gas is owned by 16 western Alaska village corporations and two regional corporations, Calista and NANA. North Star Gas will operate the Cauneg in partnership with Delta Western. Another new fuel barge and tug set owned by Alaska Village Electric Cooperative will be delivering fuel to western Alaska also.

Sitka's assembly approved a conditional use permit for two bulk fuel tanks to be installed by Delta Western on Samson Tug and Barge property in Sitka. Delta Western also plans to go into retail sales in Sitka.

\$60 MILLION IS APPROPRIATE FOR STATE FERRY; ALASKA SHIPYARDS TO HAVE A SHOT: Sixty million dollars in state funds for a new mainline state ferry vessel was included in the state capital budget approved May 17. The appropriation allows the state to back away from the use of federal funds, creating more flexibility in giving an Alaska shipyard, such as the Ketchikan Shipyard, a crack at the project. State

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Petroleum:

Point Thomson project to be delayed

ExxonMobil Corp. has acknowledged that its \$1.3 billion Point Thomson gas cycling and condensate production project is behind schedule due to delays in the Environmental Impact Statement being done by the U.S. Army Corps of Engineers. Contractors had been expecting contracts for field construction and drilling of three more wells in 2012 and 2013 (two wells are already drilled), but this schedule will now slip. Under the original schedule the final decisions on the EIS and permits for the project were expected in August.

State Resources Commissioner Dan Sullivan said he believes the project has been delayed a year, and possibly longer, from its anticipated startup in 2014. The project is designed to produce and recycle, or inject, gas from the high-pressure Point Thomson reservoir, with liquid condensates stripped off the gas and shipped to the Trans Alaska Pipeline System by pipeline. About 10,000 barrels/per day of condensates would be produced, but if the project performs well the condensate production could be increased. The pipeline is being designed to handle up to 70,000 barrels/day.

New draft for Chukchi Sea EIS

One more step forward has been taken in a long path to clear hurdles to exploration in the Chukchi Sea, which is believed to hold large deposits of oil and gas. The U.S. Bureau of Ocean Energy Management, Regulation and Enforcement issued a long-awaited revised draft Supplemental Environmental Impact Statement for OCS Lease Sale 193, the Chukchi Sea lease offering in February 2008 that brought over \$2 billion in bonus bids to the federal government. The revised DEIS now goes out for a public review, which is to conclude July 11. Hearings in Alaska communities will be held. A federal court had sent the

– Continued at top right

New EIS on Chukchi Sea (Cont.)

original EIS back to the MMS (now BOEMRE) for largely technical work but the agency decided to add a large oil spill scenario of 2.2 million barrels spilled from a blowout lasting 74 days. The scenario is considered theoretical “worst case” for drilling across the large lease sale area and is not the scenario that will be developed for specific exploration projects, which will be tied to site-specific geologic conditions and water depths. After the public review ends the DEIS will continue on a path to a final EIS and issuing of the final leases. Shell and ConocoPhillips are making preparations to drill in the Chukchi but no drilling can be done until the final EIS is issued.

Shell filed applications for drilling of six Chukchi Sea wells in 2012 and 2013. The company also previously filed applications for four wells in the Beaufort Sea in the same years. The company now plans to use two drill vessels, one in the Chukchi and one in the Beaufort.

ConocoPhillips' new hydrates well

ConocoPhillips completed the drilling of a well to test production from gas hydrates on the North Slope. The experimental production test will begin after freeze-up in the fall. It will involve injection of carbon dioxide to induce production of gas, in the form of methane, from a hydrate. The chemical reaction has been laboratory proven, but this is the first field test. The U.S. Dept. of Energy is supporting the research. BP is working on plans for its own hydrate gas production experiment which will involved gradual depressurization and thawing of a hydrate to release methane. Hydrates on the North Slope contain immense amounts of methane. The question is whether the gas can be economically produced.

Fisheries:

Bristol Bay salmon quality, value

The Copper River sockeye harvest is underway. State fish and game biologists are estimating a catch of 1.2 million sockeyes this summer, up from last year's disappointing 636,000 (half of what was forecast). We'll have to watch trends a little longer to get a feel whether the 2011 catch will meet expectations. Biologists also projected a harvest of 9,000 king salmon and 293,000 coho (silver) salmon in this year's Copper River fishery.

Big 2011 salmon harvest is expected

The 2011 salmon harvest overall is projected at 204 million, up from 171 million last year. Most of the increase is expected in pink salmon. Harvests are expected to be up in all three major pink salmon areas, Prince William Sound, Kodiak and Southeast. The industry is also waiting to see if last year's price trends hold. Not including post-season adjustments, sockeyes averaged \$1.11/pound in 2010, up from 90 cents/pound in 2009; king salmon averaged \$3.04/pound, up from \$2.76/pound the year before; cohos averaged \$1.05/pound, up from 93 cents/pound; pinks averaged 35 cents/pound, up from 26 cent/pound; chums averaged 66 cents/pound, up from 49 cents/pound.

Minerals:

More drilling at SE rare earth project

Ucore Rare Metals hope to have its rare earth mine project on Prince of Wales Island in Southeast ready for a financing and construction decision in two years, the company said. Ucore has an \$8 million drilling program underway this year at the Bokan-Dotson Ridge Project. The site is 37 miles southwest of Ketchikan. Aurora Geoscience of Juneau is managing the 2011 drilling project, which aims to retrieve 12,000 meters of

Strong interest in rare earths (Cont.)

core. There is now major interest in rare earth exploration in Alaska given the action by China to shut off shipments. China is a major source of rare earths, which are used in high-tech manufacturing.

Skagway plans port, dock expansion

Skagway is working with the Alaska Industrial Development and Export Authority on plans to expand docks and ore transfer facilities at Skagway. The first project is expected to be expanding warehouse capacity so more ore can be stored. There is \$10 million in the state capital budget for dock improvements, and AIDEA has \$65 million in new authority for financing improvements to ore loading and transfer facilities at the Skagway terminal it owns. Two Yukon Territory mines now ship ore through Skagway, the Minto and Bellekeno Mines. Three other companies, Western Copper Corp., Selwyn Chihong Mine Ltd. and Eagle Mine are showing strong interest in using the port. Yukon is experiencing a boom in mining, with a dozen planned new mines in the permitting stage.

Petroleum:

One jack-up to arrive, delay for 2nd

Escopeta Oil and Gas' jack-up rig is set to arrive in Homer on its heavy-lift vessel within days, we're told. Meanwhile, a project to bring a second jack-up rig to Cook Inlet, by Buccaneer Energy, is likely to be delayed until 2012 because of complications in negotiating a final buy-in agreement with the Alaska Industrial Development and Export Authority, a state agency. Buccaneer's rig, which is in Asia, is larger and heavier than Escopeta's rig. *Critics already argue that Escopeta's rig is ill-suited to the Inlet.*

Business Intelligence - continued

- Continued from page 5

ferries routinely receive major maintenance overhauls in Ketchikan and the yard has successfully built several vessels, notably a new-technology ferry for the Mat-Su Borough and the U.S. Navy.

WATER EXPORTS A GOOD IDEA, BUT CRITICAL INFRASTRUCTURE LACKING: Sitka hopes to export fresh drinking water taken from Blue Lake that lies in the mountains above the town, but developers concede that markets and logistics have to be worked out before any water is shipped out. A pipe costing \$1.64 million was completed in June 2007 and the city has allocated 9.5 billion gallons of Blue Lake water for annual export, city officials said. True Alaska Bottling, the firm working on the export project, says the water would be loaded into a tanker ship that would pull into Sitka harbor and take on 50 million to 60 million gallons of water.

But so far there is no facility to fill the boats with fresh water, no place for the boats to moor, and no vessels yet available to transport the water. Another problem is the lack of infrastructure in countries such as China and India that could use the water. Sitka wants to get 1 cent a gallon for its water, but that price could increase because of transport and other costs. Meanwhile, Sitka's Assembly renewed its contract with True Alaska for two more years. However, True Alaska would have to pay a \$75,000 penalty if it does not ship 50 million gallons of water by Dec. 8, 2012.

WORK ON RAIL EXTENSION TO PORT MACKENZIE STARTS THIS SUMMER: The Matanuska-Susitna Borough will issue a contract in July to begin construction of roadbed for the extension of the Alaska Railroad tracks to the borough's Port MacKenzie. The borough is now finishing a rail and truck "loop" unloading area at the port itself. The first six miles of rail belt will be built north from the port to the edge of the state agricultural area. Both the unloading loop and the first six miles will be paid for with funds already appropriated by the Legislature. The \$37.5 million appropriated this spring for Fiscal 2012, which begins July 1, will be used to start work at the Houston end of the rail extension, although the governor may reduce the appropriation (Parnell recommended \$20 million in his own capital budget.) The full project is estimated at \$220 million. Sixty two million was appropriated previously (and now committed); that leaves \$158 million needed. If the \$37.5 million approved this spring is allowed to stand, about \$120 million more is needed to finish.

FOOD FOR THOUGHT: GREAT BEAR OPENS OFFICE: FEX CLOSSES ONE: Great Bear Petroleum, the small Texas independent hoping to develop oil production from North Slope shale, has opened an office in Anchorage. FEX LLC, subsidiary of major independent Talisman Energy, which came to Alaska in 2006 to explore NPR-A, is closing its office in Anchorage after being blocked by the federal government in testing its discoveries. Talisman has now made a corporate decision that it doesn't want to be in Alaska.

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Economic Development Speech, January 14, 2011
Updated January 13, 2011 - *Mayor*

Welcome: Homer named not only most liveable but also most sexy city.

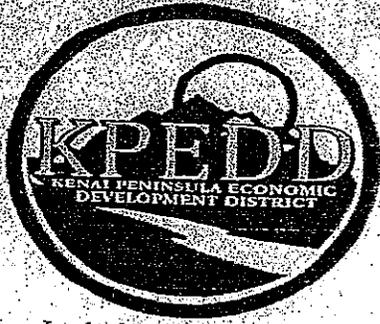
1. New Water treatment plant and hospital expansion completed
2. Funding to finish the Spit trail
3. Expanded water and sewer and sidewalks and roads
4. Reduced general fund budget by over 20% as a result of reduced revenues
5. Increased our general fund reserves from about 1 Million 5 years ago to about 4 Million, just about the six month amount recommended by the Auditors
6. Continued to lead in halibut landings—still trying to figure out how to tax them. Overall, fish prices were up which is very good for Homer. The Halibut entry system will decrease the number of halibut charters but could increase the number of people per boat for those that have the permits.
7. The worst may be over for tourism, accommodations and restaurants are doing better than ever. Cruise ship landings increasing up to 13 to 15 visits next summer (economic impact still being studied.) the Hoka Hey riders last year Veterans' fishing derby drew 450 vets from all over Alaska; ShoreBird Festival drew about 2,000 from all over North America, the Winter King derby draws about 1,000 people along with our big summer Halibut Derby. More European tourists are coming with an increase in echo tourism. The Rotary International District Conference is coming to Homer this summer. Filming of commercials added to Homer activity (Geiko) and Sarah Palin's Alaska and other shows and movies provide both revenue for Homer and excellent PR for the area. Also a local business has a large government contract and new businesses include accounting and rendering services. The headquarters for the Isands Reserve and the Kachemak Bay Reserve and Kasistna Bay education programs will bring thousands of additional tourists to Homer this summer. Probably most of your children and grand children have visited Homer on some type of education program.
8. Lead in Climate Change planning. The City Council is currently planning to spend almost \$1 million on capital improvements to improve energy efficiency in buildings. It is anticipated this will save taxpayers over \$100,000 per year. Little Homer has done what the state and federal governments could not do—we have connected good environmental policy with good economics—saving tax payers dollars. Application for funding to provide tidal Power in Cook Inlet
9. 60 non profits are an important economic engine in the Homer area.
10. Our dock and boat harbor remain crowded. We have the largest single small boat harbor in the state and we have plans to substantially increase the dock which should reduce freight rates and to build an additional boat harbor. Money has

finally freed up to do the feasibility study for the dock expansion.. This would also create local jobs. Also the Council is currently reviewing a new Comprehensive Economic Development Strategy. As you are probably aware, Homer is well know for what we are against. This document will state what types of economic development Homer will support. Big projects for this year include: Expanded City Hall, extensions of Spit Trail, Deep Water Dock feasibility, Karen Hornaday Park upgrades, Main Street Intersection, and work on plan for natural gas distribution system. On passing gas in Homer, the city, borough and state legislative delegation are pushing to get natural gas in Homer which should reduce the cost of living and reduce the cost of doing business.

11. Concern about the Belgua Whales-- Certainly the local university scientists and the Bay Reserve and Islands and Oceans and Kasitsna Bay should be utilized to conduct the studies.
12. City took title to 200 acres of major ski trails with the local ski club maintainin
13. Many employed in Oil and gas industries. Drill baby drill, but not in Kachemak Bay. You betcha.
14. Kachemak Bay Branch of the University continues to expand.
15. Expanding our parks and ball fields-bear proof containers.
16. Oyster coop building on the spit.
17. Senior Center housing expanding. People are staying in Alaska and retiring and people are moving to Homer to retire.
18. We have a very active arts community which not only adds to the culture, but provides employment
19. Sales tax up, property tax down—a wash
20. Kachemak Bay is our high light
21. 2 Coast Guard vessels
22. Native groups active in economics in Homer area
23. Bradley Lake can provide up to 25% of railbelt power.
24. Homer is good place to raise a family (4 generations of family in Homer) and a good place to do business.

Questions:

1. Climate Change—energy efficiency fund
2. Loss of revenues because Homer is ^{NOT} taxing year round groceries like other cities in the Borough.



*Leadership to enhance, foster
and promote economic development*



THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources

INDUSTRIAL OUTLOOK FORUM

"2011 and Beyond"

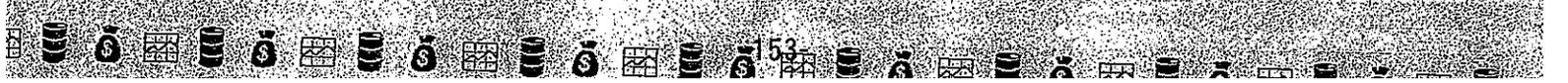
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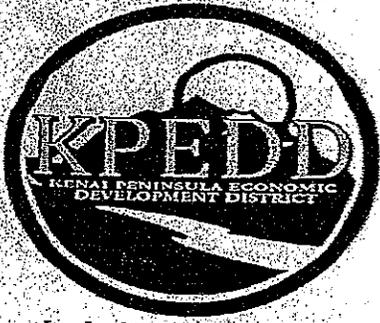
*Kenai Peninsula Economic Development District
and
Kenai Peninsula Chapter of The Alliance*

Challenger Learning Center, Kenai, Alaska

Thursday January 13th, 2011

8:30	Registration and Continental Breakfast
	Welcome
	Moderator: Ron Long <i>Former Borough Assembly President/KPEDD Board Member</i>
9:00	Kristine Holdridge <i>President of the Kenai Peninsula Economic Development District Manager Soldotna Alaska USA Federal Credit Union</i>
	Robert Favretto <i>President of the Kenai Peninsula Chapter of the Alliance President of Favretto Consulting & Business Development</i>
9:15	Workforce Development and Economic Overview Alyssa Shanks <i>Economist III, Alaska Department of Labor and Workforce Development</i>





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INDUSTRIAL OUTLOOK FORUM

"2011 and Beyond"

SPONSORED BY:

*Kenai Peninsula Economic Development District
and
Kenai Peninsula Chapter of The Alliance*

Challenger Learning Center, Kenai, Alaska

Friday, January 14th, 2011

8:30	<u>Registration and Continental Breakfast</u>
9:00	Welcome Moderator: Peter Micciche <i>Mayor of Soldotna/KPEDD Board Member</i>
9:10	<u>Cook Inlet Beluga Whale Mitigation Measures</u> Brad Smith <i>Anchorage Supervisor, National Marine Fisheries Services National Oceanic and Atmospheric Administration</i>

Handwritten notes:
1. [unclear]
2. [unclear]
3. [unclear]



9:45	<p>Susan Bell Commissioner, Commerce, Community & Economic Development</p>
10:15	<p>Networking Break</p>
10:30	<p>Kenai Peninsula 2011 and Beyond</p> <p>Kevin Banks Division of Oil & Gas, Alaska Department of Natural Resource</p> <p>Dan Clark ConocoPhillips</p> <p>Carri Lockhart Marathon Oil Company</p> <p>Mark Landt Buccaneer Alaska</p> <p>David Hall Cook Inlet Energy</p>
12:00	<p>Lunch</p> <p>Keynote Speakers: Senator Tom Wagoner John Sims (Manager Corporate Communications & Customer Service, Enstar)</p>
1:30	<p>Tyonek Native Corporation Projects</p> <p>John McClellan Vice President for Development</p>
1:45	<p>Mining Lease Updates</p> <p>Daniel Fleischmann GRMFI Geothermal Project</p> <p>John Shively The Pebble Partnership</p> <p>Dan Graham Pine Rim Coals</p> <p>Ethan Schutt Cook Inlet Region, Inc. Coal Gasification Project</p>
3:00	<p>Closing Remarks</p>



Kenai Areawide (HD 33-35) Only

House District Detail

HD Dept	Project Title	Unrestricted GF Amount	Designated GF Amount	Other Amount	Federal Amount	Total
Kenai Areawide (HD 33-35)						
Commerce	AEA - Battle Creek Diversion	6,000,000	0	0	0	6,000,000
Commerce	AEA - Daves Creek to Seward Transmission Line Completion	500,000	0	0	0	500,000
Commerce	AEA - Homer Electric Association Soldotna to Nikiski Transmission Upgrade	20,000,000	0	0	0	20,000,000
Commerce	AEA - Quartz Creek to Soldotna Transmission Maintenance and Repair	5,000,000	0	0	0	5,000,000
Commerce	AEA - Seward Power Plant Integration	2,000,000	0	0	0	2,000,000
Commerce	AEA - Soldotna to Quartz Creek Transmission Study, Design and Permitting	2,000,000	0	0	0	2,000,000
Commerce	Alaska's Healing Hearts - Equipment and Supplies	80,000	0	0	0	80,000
Commerce	AVTEC - Hydroelectric Training Facility	0	67,500	0	0	67,500
Labor	AVTEC Deferred Maintenance	1,000,000	0	0	0	1,000,000
Labor	AVTEC Economic Development Administration Distance Training Partnerships Grant	0	0	0	226,500	226,500
Labor	AVTEC Maritime Vessel Simulator Projection System Upgrade	210,000	0	0	0	210,000
Commerce	Boys & Girls Clubs of the Kenai Peninsula - Kenai Club and Teen Center Renovations	80,000	0	0	0	80,000
Commerce	Central Peninsula Hospital - Serenity House Funding	350,000	0	0	0	350,000
Commerce	Chugach Electric Association, Inc. - Battle Creek Diversion Project	0	500,000	0	0	500,000
Commerce	Chugach Electric Association, Inc. - Stetson Creek Diversion and Cooper Lake Dam Facilities	0	576,080	0	0	576,080
Commerce	Chugach Electric Association, Inc. - Transmission to Renewable Energy Resources	0	600,000	0	0	600,000
H&SS	Compassionate Services Grant	10,000	0	0	0	10,000
Commerce	Cook Inlet Aquaculture Association - Tustumena Lake Smolt out-migration Monitoring	45,000	0	0	0	45,000
Commerce	Funny River Chamber of Commerce - Community & Emergency Center Expansion	615,000	0	0	0	615,000
Commerce	Homer - Cruise Ship Dock and Passenger Facility Improvements	0	0	6,000,000	0	6,000,000
Trans	Homer - East End Road Rehabilitation - Milepost 3.7 to 12.2	0	0	0	3,500,000	3,500,000
Trans	Homer - Terminal Apron Taxiway Pavement Rehabilitation	0	0	0	3,200,000	3,200,000
Commerce	Independence Power, LLC - Fourth of July Creek Hydroelectric Project	0	136,500	0	0	136,500
Commerce	Kasilof Regional Historical Association - Dune Fencing	50,000	0	0	0	50,000
NatRes	Kasilof River Personal Use Fishery Trash and Sanitation Services	30,000	0	0	0	30,000
Commerce	Kenai - City Hall HVAC Improvements	200,000	0	0	0	200,000
Commerce	Kenai - City Streets Paving Improvements	1,000,000	0	0	0	1,000,000
Commerce	Kenai - Kenai River Bluff Stabilization	1,750,000	0	0	0	1,750,000
EnvCon	Kenai - Water Transmission Mains Phase 3	1,603,710	0	0	0	1,603,710
Correct	Kenai - Wildwood Correctional Center Project	890,000	0	0	0	890,000
M&VA	Kenai Armory Deferred Maintenance	20,000	0	0	0	20,000
Courts	Kenai Courthouse	283,000	0	0	0	283,000
Commerce	Kenai Hydro, LLC - Grant Lake Hydroelectric Facility	0	1,184,000	0	0	1,184,000

Kenai Areawide (HD 33-35) Only

House District Detail

HD	Dept	Project Title	Unrestricted GF Amount	Designated GF Amount	Other Amount	Federal Amount	Total
Kenai Areawide (HD 33-35)							
M&VA		Kenai LED Exterior Lighting	2,500	0	0	7,500	10,000
Commerce		Kenai Peninsula Borough - Central Emergency Service Area - Wildland Fire Engine	200,000	0	0	0	200,000
Commerce		Kenai Peninsula Borough - Diamond Ridge Fire Station & Equipment Building	350,000	0	0	0	350,000
Commerce		Kenai Peninsula Borough - Homer Solid Waste Transfer Facility	8,998,000	0	0	0	8,998,000
Commerce		Kenai Peninsula Borough - Nikiski Senior Service Area - Senior Center Multi-Use Facility	5,000,000	0	0	0	5,000,000
Commerce		Kenai Peninsula Borough - North Peninsula Recreation Service Area - Community Playground	75,000	0	0	0	75,000
Commerce		Kenai Peninsula Borough - Road Projects	4,500,000	0	0	0	4,500,000
Univ		Kenai Peninsula College Student Housing	1,800,000	0	0	0	1,800,000
Commerce		Kenai Peninsula Fair Association - Ninilchik Fairground Improvements	328,384	0	0	0	328,384
Commerce		Kenai Peninsula Food Bank - Warehouse Operations	27,300	0	0	0	27,300
Commerce		Kenaitze Indian Tribe - Denaina Health and Wellness Center	5,000,000	0	0	0	5,000,000
NatRes		Lower Kaslof River Drift Boat Takeout, Phase 1 of 2	2,000,000	0	0	0	2,000,000
Commerce		Moose Pass Sportsman's Club - Community Development	50,000	0	0	0	50,000
Trans		Nanwalek and Port Graham - Airport Master Plan	0	0	0	1,000,000	1,000,000
Commerce		Nikishka Bay Utilities, Inc. - Installation of Freeze Protection Measures	70,000	0	0	0	70,000
Commerce		Nikolaevsk - Community Natural Gas Pipeline	197,000	0	0	0	197,000
Trans		Ninilchik - Village Bridge Replacement	0	0	0	2,200,000	2,200,000
Commerce		Ormat Nevada, Inc. - Mount Spurr Geothermal Project	0	1,999,972	0	0	1,999,972
Commerce		ORPC Alaska, LLC - Cook Inlet Tidal Generation Project	0	2,000,000	0	0	2,000,000
NatRes		Parks and Outdoor Recreation Deferred Maintenance - Kenai Area	356,000	0	0	0	356,000
Commerce		Port Graham Village Council - Biomass Waste Heat Demonstration Project	0	75,000	0	0	75,000
Commerce		Seldovia - City Business Center Environmental	125,000	0	0	0	125,000
Commerce		Seward - Alutiq Pride Shellfish Hatchery Upgrade	250,000	0	0	0	250,000
Commerce		Seward - CDQ Fishing Fleet Relocation Study	400,000	0	0	0	400,000
Commerce		Seward - Cruise Ship Boardwalk Extension	0	0	25,000	0	25,000
Commerce		Seward - Harbor Restrooms Improvements	0	0	130,000	0	130,000
Correct		Seward - Spring Creek Correctional Center Project	398,000	0	0	0	398,000
Correct		Seward - Spring Creek Correctional Center Seward Land Transfer	250,000	0	0	0	250,000
Commerce		Seward Senior Citizens Inc. - Kitchen Expansion Project	100,000	0	0	0	100,000
Commerce		Soldotna - Joyce K. Carver Library Expansion	3,400,000	0	0	0	3,400,000
Commerce		Soldotna - Redoubt Avenue Street Improvement Project	2,079,000	0	0	0	2,079,000
EnvCon		Soldotna - Well House B Reconstruction	717,255	0	0	0	717,255
Commerce		Soldotna Area Senior Citizens, Inc. - Floor Covering	27,300	0	0	0	27,300

Kenai Areawide (HD 33-35) Only

House District Detail

HD Dept	Project Title	Unrestricted GF Amount	Designated GF Amount	Other Amount	Federal Amount	Total
Kenai Areawide (HD 33-35)						
PubSaf	Soldotna Post Facility Interior and Exterior Repair and Renovation	145,200	0	0	0	145,200
Commerce	Sterling Community Club, Inc. - Health/Safety & Community Multi-Use Facility Project	400,000	0	0	0	400,000
Kenai Areawide (HD 33-35) total:		80,962,649	7,139,052	6,155,000	10,134,000	104,390,701
Report total:		80,962,649	7,139,052	6,155,000	10,134,000	104,390,701

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