

SOUTHEAST ALASKA ROUND-UP: LEADER'S COMMUNITY UPDATES

SOUTHEAST CONFERENCE MID-SESSION SUMMIT

MARCH 2014

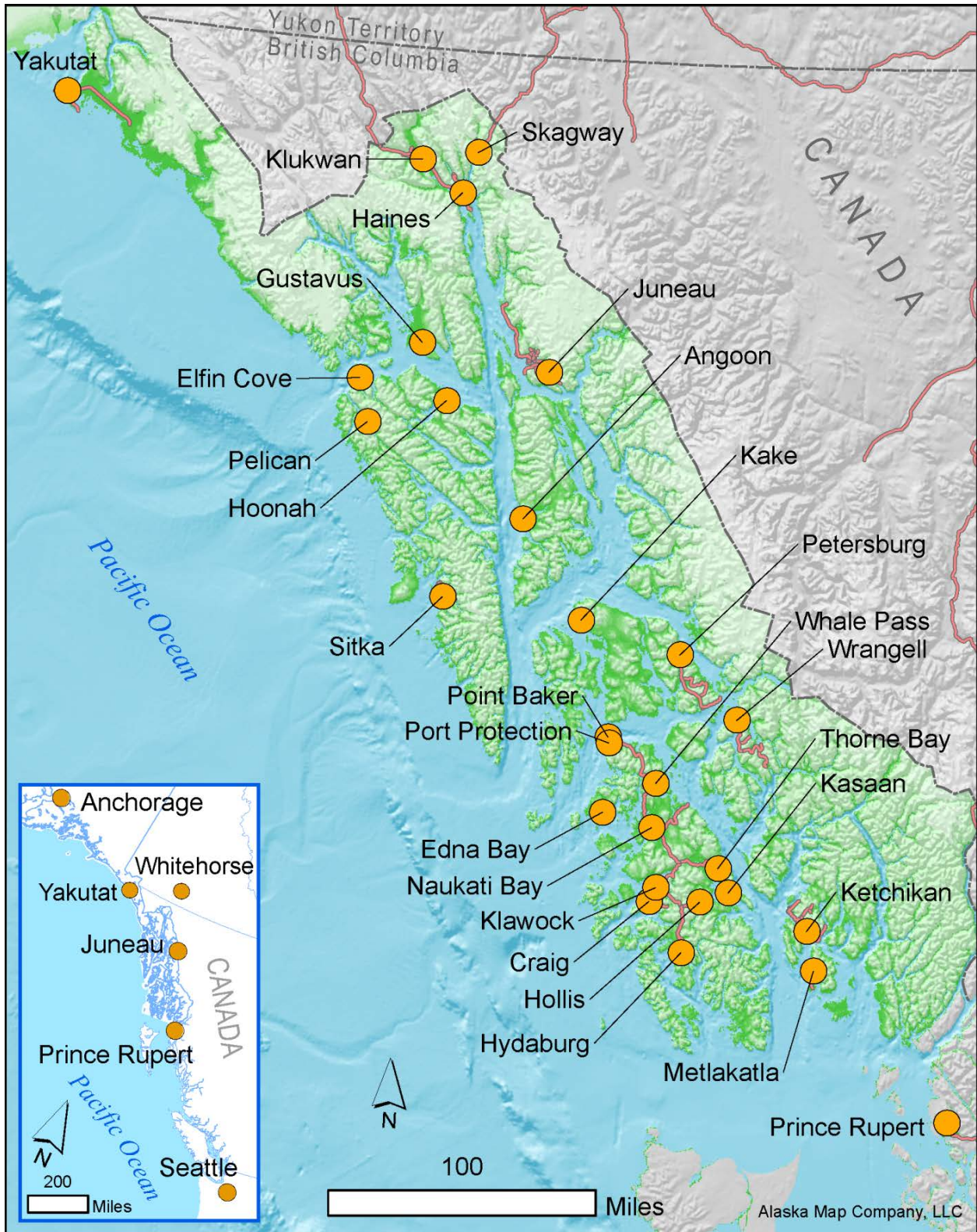


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Introduction

The Southeast Alaska Panhandle, extends from Yakutat south to the Dixon Entrance waters south of Prince of Wales Island. Crossing the Canadian border Southeast Alaska also has cultural and commerce ties with British Columbia’s Prince Rupert and smaller coastal communities. This fact is highlighted by a report offered this year by Jack Mussallem, Prince Rupert’s mayor. He and 10 other community leaders offered remarks at Southeast Conference’s Mid-Session Summit in March 2014 on key happening in their communities over the last year.

Enjoy this overview of some of the many developments in our region! Community summaries are presented geographically, from south to north.

Jack Mussallem, Mayor, City of Prince Rupert

The City of Prince Rupert and Prince Rupert Port Authority are in the process of facilitating port growth; to support transshipment of resource based commodities, and consumer products.

Prince Rupert has the third deepest natural harbor in the world, is the fastest growing port in North America for the last three years, and is the third largest port in Canada by volume shipped.

Currently, the port facilities contain one of the most efficient grain export terminals in North America (Prince Rupert Grain Terminal), a coal and petroleum coke export terminal

(Ridley Terminals Inc.) currently under a 44-acre expansion of the coal yard, including modernization of the existing rail car dumper, the addition of a second rail car dumper, the addition of more railway trucks (a total eight), and a third stacker/reclaimer for handling coal which alone cost \$26 million dollars. Also, there is a wood pellet export terminal (Pinnacle Renewable Energy Ltd.) and a container import/export terminal (Fairview Container Port), which received a fourth container crane last year. The container terminal is the most efficient terminal on the West Coast of North America. Its efficiency is based on unloading containers from ship to rail, and subsequently terminal to ship. The rail line is also the most efficient in North America coming from the Coast into the interior, with minimal rail grade, reflected in the per ton of freight hauled, to the per gallon of diesel burned. By the time a containership drops off its container cargo and is reloaded and ready to leave, a 1/3 of the imported cargo has left the container port and goes across western and central Canada, and arrives in the mid-western USA in less than 100 hours at Chicago. Last year, another rail spur line was built to the container port to increase its efficiency in the movement of additional rail cars.

With curvature of the earth, Prince Rupert is the closest North American port to Asia. That and the rail line connecting it, add to its efficiency.

In 2012, the Port facilitated 407 ships; in 2013, the Port facilitated 467 ships. This number will continue to increase as more ships come to the new wood pellet export terminal, and the expanded coal export terminal.

There are four sites within Prince Rupert harbor limits that are currently being considered for Liquefied Natural Gas Export Terminals.

Prince Rupert's future could see the development of a potash (fertilizer) export terminal, two expansions of the Fairview Container Port, the re-development of Watson Island (a 200 acre old pulp mill site), accessible by road, rail and water, containing a dock, which can accommodate vessel's up to 50,000 dead weight tons, which may be revised to vessels up to 70,000 dead weight tons.

Prince Rupert also has the largest salmon cannery in the world. Our harbor is rated as the safest harbor for access and egress of marine vessels in North America.

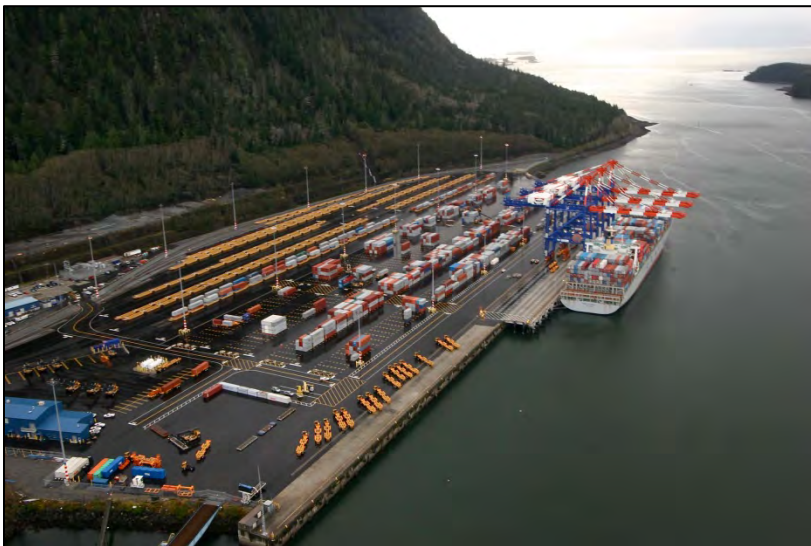
While the coal export terminal is under expansion, there is also a \$90 million dollar railway, utility, and road corridor also being built, which will access another 1,000 acres for foreshore development. Both these projects should be finished by the 4th quarter of 2014.

January 2015 will see the start of development of the 1st Liquefied Natural Gas Export Terminal in Prince Rupert Harbor limits. This Pacific Northwest LNG Project will involve 52 months of construction, 4,000 construction workers, and when operating in the spring of 2019, will provide 330 direct jobs, and 300 indirect jobs. This export terminal will also facilitate 200 to 220 ships per year. To guide the LNG carriers in and out of the dock, will require four ocean going ship docking tugs, two 75 ton tugs and, two 100 ton tugs.

The 2nd company in the Liquefied Natural Gas Terminal project will make a decision based on a business case, during the 2015 year, and may commence four years of construction the year after. Both of these LNG companies have received export licenses and have operating facilities elsewhere in the world.

Prince Rupert and Port
Photos: City of Prince Rupert

Under consideration for future development is a ro-ro ramp (roll on/roll off ramp). This would facilitate barges handling containers and steel pipe and other equipment for the oil and gas industry. The container and equipment would be off loaded to a lay down area, and transhipped by large trucks to various destinations.



Robert Sivertsen, City Council, City of Ketchikan

The community of Ketchikan has found alternative ways to capitalize on its abundant resources to rebuild its economy in order to continue to sustain the quality of life that the community has enjoyed for over 100 years.

The promotion of Ketchikan as an attraction for visitors from outside the community has resulted in tourism becoming a significant component of the local economy. The growth in tourism has driven the reconstruction and expansion of the City's port infrastructure and the rehabilitation of the Downtown Business District. In 2013 a record 960,000 cruise ship passengers visited our community.

Another important segment of the local economy includes our fishing industry. The industry has evolved from a seasonal industry to a year around industry due to winter dive fisheries. The shore based canneries and cold storage facilities are one of the primary drivers of the seasonal increases in the local workforce. The 2013 commercial salmon harvest ranks second most valuable on record.

Government is another major force in economy. This includes the City of Ketchikan, Ketchikan Public Utilities, Ketchikan Gateway Borough, International Airport, Ketchikan School District, the US Forest Service, State of Alaska, and the Alaska Marine Highway System. This accounts for about 28% of our community workforce. These jobs provide stable and year round employment opportunities for citizens of Ketchikan.

Health care is another important segment; they are the single largest private employer in the area. The Ketchikan Medical Center is a licensed 25-bed acute care facility that services Southern Southeast Alaska. KMC employees over 350 individuals and also operates a 29 bed long-term care facility. Other healthcare and social assistance providers employ 556 employees bringing the total employed by the HealthCare industry to 906. This accounts for 11% of the community workforce. On October 1, 2013 the voters authorized the city to issue general obligations bonds to the tune \$43 million dollars. Along with a 15 million dollar state grant we have started on a \$58 million dollar addition to the KMC facility that will broaden its services and increase its importance in the region. Again, another anchor for year around high paying jobs.

That brings us to construction. This is more cyclical because of its inherent nature. The industry relies on the availability of federal and state grants plus the ability of a municipality to issue bonds, or the willingness of the private sector to make investments and provide financing. In 2013 the city issued 155 building permits with a construction cost of \$11 million dollars. Construction activities in prior years accounted for 17.4 % of the city's gross sales.

Now on to our shipyard. Vigor Alaska has firmly established itself as an anchor for the maritime industry in Ketchikan. The acquisition of Alaska Ship and Dry Dock by Vigor provides financial resources required to take on large and complex projects. Vigor Alaska intends to construct the new Alaska Class Ferries, which will significantly impact the number of direct and indirect employment opportunities in the community.

A key ingredient for long-term economic growth is affordable power "**energy**". The city is finishing up a \$26 million dollar hydro project, Whitman Lake. The project funding is provided by a \$15 million bond by the city, \$8 million in state grants, and about \$2 million from the Ketchikan Gateway Borough. Presently the City has thrown its support behind a project under development by the Southeast Alaska Power Agency or SEAPA. The project proposes to raise the height of the dam at the Swan Lake Facility addressing the need for storage suggested in the Southeast IRP. Both of these projects will enhance the community's supply of low cost hydroelectric power moving forward. The unknown is funding, we encourage the State of Alaska to help fund the development and construction of renewable energy projects.

The City of Ketchikan and the Ketchikan Gateway Borough with the support of the State of Alaska have been working hard to improve community facilities, raising the quality of life for its citizens and future residents and hopefully attracting new business to our community. The city constructed a new library and fire station and continues to invest in our harbors and port systems. The Borough completed construction of a first class aquatic center and continues to advance its economic development program, all core components of any community. We are still hopeful that proposed mining projects by Heatherdale Resources LTD and Ucore Rare Metals will continue to develop and move forward.

In closing we are doing fine, but as a community as a region and as a state we need to work together

warding off regulations and outside interest that stifle growth, so we can create a positive business environment that encourages future investments creating opportunities for all Alaskans.

**Dennis Watson, Mayor,
City of Craig**

Today, the City of Craig is mostly a fishing town; we used to ship about 3 million pounds of seafood a year out of Craig; this has grown to 35 million pounds a year now. Our major processor's top line is frozen Head & Gut (H&G) salmon. The City of Craig's focus is to create the atmosphere that our processors, fishing, and other businesses need to thrive. The City is investing in

infrastructure to encourage and support development, such as road paving and utility upgrades. Keeping energy costs down and having enough energy is an important focus and key issue. On Prince of Wales Island, we all have similar issues. Big opportunity areas are the potential mines; we believe they will eventually get going and want to see this occur. We believe they can be developed the right way so that current residents and future generations can live compatibly with the mines. To conclude, we are doing well, things are a little slow but much better that a few years ago. In addition to mayor, I am also the general manager of the

Whitman Lake Hydroelectric Project
Photos: Dawson Construction



Inter-Island Ferry Authority (IFA) and the IFA is part of the economic turnaround on the island and in the region - it moves a lot of people, vehicles, and fish.

Don Marvin, Mayor, City of Klawock

In last year, the City of Klawock has stepped back in to run the local ambulance service. We ran it before with volunteers but when Guardian Air - who was doing medevacs – left, someone needed to step in to fill the void. I am quite proud of what we have been able to provide. We did it as a trail run for six months, and now are providing this service to whole island (except Craig, which has its own service). To provide this important assistance to the island we are running it on a break-even basis, rather than for-profit. Our EMT staff can travel with patients on a medevac flight if needed. It is crucial to get those in need of medical attention off the island as soon as possible. To ensure this is possible we have partnered with local airlines as the ‘regular’ planes that provide medevacs are sometimes out of range or have a delay getting to Prince of Wales Island. Now, Klawock EMT, through its airline partners, can medevac patients if needed. We recently saved a baby by getting her quickly to Ketchikan rather than having to wait for a jet medevac flight to arrive.

Jim Gould, Mayor, City of Thorne Bay

We are proud that the City of Thorne Bay just ended its 4th year in a row with a surplus, despite the challenges of rising health care insurance costs and power. We have also settled the last of three discrimination cases and put this chapter behind us.

The City of Thorne Bay is currently rebuilding and paving Sandy Beach Road and our Harbor Plan is being updated. The restroom and caretaker facility at Davidson Landing is almost complete. The cities of Klawock and Thorne Bay have formed an EMS partnership, and we have a Memorandum of Understanding with PeaceHealth and SEARHC that supports this.

We recently joined with many others in the region and are now shipping our solid waste south via Republic Services. We are working with the Tribes on Prince of Wales Island to build a Solid Waste and Recycling Transfer Facility.

Small cruise ships run by Allen Marine just finished their 2nd year of summer visits to the Island including Thorne Bay; this has been a great opportunity for visitor, residents, and local businesses.

I am pleased to report that the Kasaan -Thorne Bay Road upgrade project has finally been recognized by ADOT&PF, which is converting the plans to meet Federal Highway standards.

We are continuing the fight to our wireless & internet service upgraded (along with Coffman Cove). Finally, we are participating in an AP&T power rates lawsuit.

Julie Decker, Assembly, City and Borough of Wrangell

Things are happening in Wrangell.

The Marine Service Center continues to expand and upgrade; the City and Borough of Wrangell is installing a 2nd boat haul out now, extending electricity throughout the Marine Service Center, and finishing paving. We are looking at expanded marketing, including putting a website together so fishermen can easily find welders, fiberglassers, etc. We are continuing to encourage business development around the Marine Service Center, but running out of space, which is an infrastructure challenge to address. This is one reason why we want to develop a waterfront master plan, to look at the downtown and determine what is the best use of the waterfront.

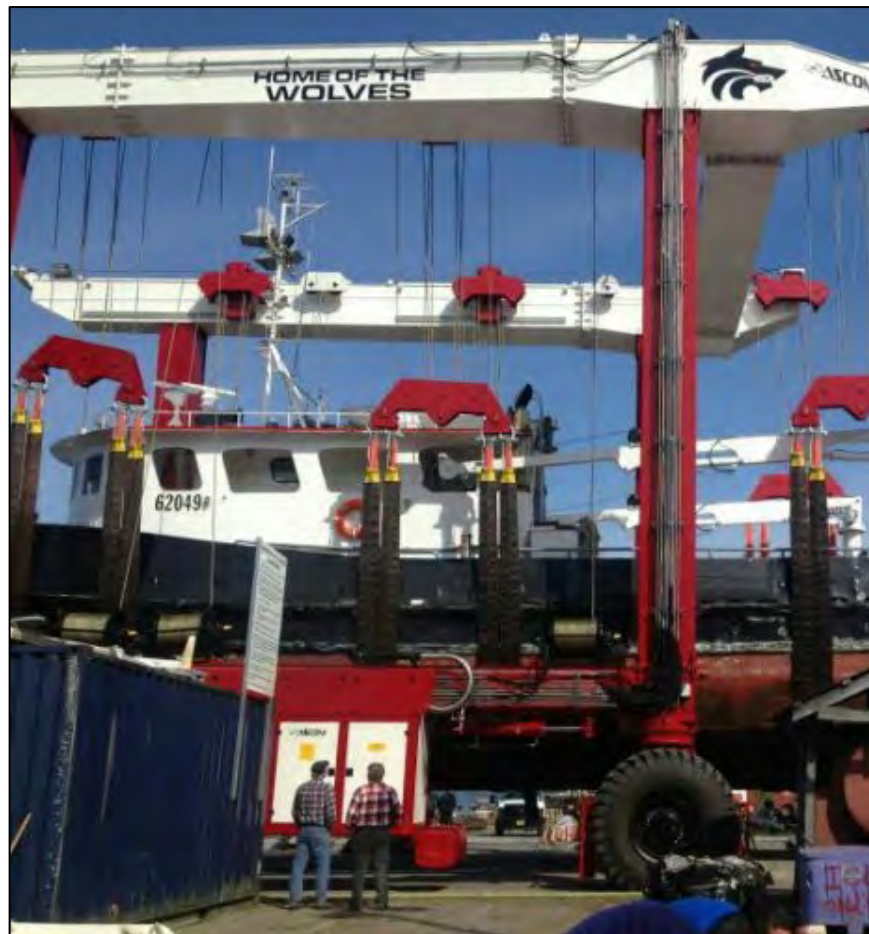
We continue to work with the schools and local businesses to encourage more on-the-job training for young people in Wrangell in marine-oriented professions. It is really valuable for them to get hands-on experience to help determine if they want to pursue these career options further.

The former Wrangell Institute property has been remediated and cleaned up. The City and Borough of Wrangell has just released a prospectus seeking development proposals for this 134 acres.

Our municipal entitlement land from the state (due to borough formation) is being finalized for transfer to the Wrangell Borough; this will give us some new properties to grow and develop.

The construction of a new clinic for the Community Health Center (Alaska Island Community Services – AICS) was completed

Wrangell's new Ascom boatlift hauls the 98-foot fish-packer St. Jude out of the water May 24. *Photo: Delton Claggett /KSTK*



last year; and the City and Borough of Wrangell is looking to build a new or expand the current hospital.

A sad event last year was when Mike Allen's sawmill burned down. Will it be rebuilt? Will there be a need? When will the USFS finalize the overdue Wrangell Island timber sale? These are timber-related questions on our mind. There is also an old sawmill at 6-mile Zimovia Highway. It is about 100 acres and privately owned; it has recently been cleaned up to State ADEC standards and the owner is interested in selling this property.

Finally, one of the two winners of the Path to Prosperity business plan competition (sponsored by Haa Aani & the Nature Conservancy) is a new Wrangell business - Raven Guitars. The business's goal is \$2 million dollars of sales for locally made guitars made from Tongass wood within five years.

Jay Sweeney, Finance Director, City and Borough of Sitka

Sitka is vibrant and optimistic about its future. Our foundation centers on five "pillars," and we are adding a sixth.

Seafood Processing/Commercial Fishing: Next week we cut the ribbon on the \$9 million rebuild of the ANB Harbor. It now has many more berths to accommodate large (40+ foot) vessels common to our commercial fishing fleet.

Energy: We are nearing completion of the \$161 million expansion of Blue Lake, which raised the dam 83 feet and will increase our hydroelectric capacity by about one-third.

Healthcare: This is a significant sector in Sitka that provides high paying jobs, brings new money into the community, and supports resident's needs.

Government: We must maintain all the state and federal government employment that we have in Sitka.

Tourism, Arts, and Entertainment: In addition independent and cruise-related visitors to Sitka, an important new addition to the mix is the former Sheldon Jackson College campus is now the Alaska Arts Southeast campus, and last year we hosted national and international groups and events from six countries there. We also have the summer long Sitka Fine Arts camp there as well. Over the past two years, Alaska Arts Southeast has brought in \$2.4 million to fix up the 20 campus buildings. Visitors and artists are coming to Sitka to use this residential and performance facility, bringing new money into the community as a result and along the way often providing enriching experiences for residents.

Science and Technology Education: This is our new sixth "pillar." The Sitka Sound Science Center is becoming a hub for science and technology education. It is not only providing a

diversity of programs and educational opportunities now for Sitka youth and adults, but is supporting salmon research, bringing in university students and professors from around the US to conduct research, has scientists in resident, and more.

In general, we are looking to nurture and support existing businesses and commerce, and expand anyway we can. A big challenge now is infrastructure maintenance; for example, how can we afford to maintain our roads? We have recently prepared long-range comprehensive plans for electricity, wastewater treatment, and our harbors; we are quite proud of this accomplishment. Now, we must look 20-30 years ahead and determine how we can maintain Sitka's roads, parking lots, parks, public buildings, and more. How do we set aside enough funding so that we can maintain and replace them when needed. We are thinking about how to do more public-private partnerships, and also considering whether any public services should be privatized or contracted out.

Merrill Sanford, Mayor, City of Borough of Juneau

Two large construction projects in Juneau are occurring now that will benefit both Juneau and the State. The State Libraries Archives Museum (SLAM) project, which is half way done, is a \$121 million State project to house the State's historic archives, artifacts, art, the state historical library, and more. This will be a great asset for the university system as well. Downtown is the Sealaska Heritage Soboleff Center; this 4-story building will be completed at the end of 2014 and feature space for art demonstrations and exhibits, retail sales, venues for ceremonies and presentations, and house a research facility and climate-controlled collections storage and work areas.

Housing in a top issue on our minds in Juneau. We are short on affordable and all other housing. The good news is that in the last year we have started work on over 100 new housing units, and, a new 120-unit dorm on the UAS campus is under construction. These efforts are partially a result of Assembly dialogue with the private sector on what can be done to get more housing built.

Another opportunity we are pursuing is work to get Seattle-based NOAA jobs that deal with Alaskan

The State Library, Archives and Museum project's crane dominates the Juneau skyline these days. Photo: Juneau Empire



fisheries relocated to Alaska – to Juneau, Sitka, or Kodiak. It is estimated that this is 500-1,000 jobs between scientists, researchers, and boats. The Juneau Assembly has allocated six months to figure out the issues, problems and work on this in earnest.

Construction of the next segment of the seawalk will begin this spring, as will a redo of downtown's cruise ship docks, two city docks, and a parking area. Altogether this is \$100 million in construction that is being funded with the Vessel Passenger Tax (head tax). Another major arrival point, the airport, has undergone a \$150 million upgrade during the last 3-4 years of which about 75 percent was funded by the federal government and safety focused.

We are working on a 10-year plan for harbor improvements, we estimate a \$100 million need for fixing/upgrading harbors that we inherited from the State. Road maintenance is another need, we spend about 1-2% of our sales tax revenue each year, or (\$7-12 million) on roads.

Norm Carson, City of Pelican Representative and Pelican Chamber of Commerce President

Patty Phillips was elected mayor of Pelican last fall. She could not be here today as she is attending the Federal Subsistence Management Meeting in Anchorage. She is a delegate on the Southeast Advisory Council for that body.

Ice machines, the two new NorthStar 20 ton icemakers are up and running. They came on line last July and delivered about 400 tons of ice to the commercial fishing fleet. In 2013, Pelican had a contractual agreement with Hoonah Cold Storage to operate the ice machines and provide a fish buying station at the Pelican Seafoods fish house. It worked well for both entities and a 3-year contract has been approved for the next three years.

Pelican Seafood Properties, the bunkhouses, company houses, cannery building, cold storage /fish house are being separated into individual parcels. The building and their lots will be platted out onto individual lots. A vote of the electorate will be held to determine whether these assets should be sold off. At this time no determination has been made as to the type business operation the City will favor. There is speculation that a charter/lodge entity may buy in but on the other hand there is an offer from a commercial fish processor and another commercial fish processor has written the City expressing interest in acquiring a portion of the plant. We expect there will be other interest as the word of pending property sale or lease potential is spread.

Fish Hatchery. We are still lobbying NSRAA, DIPAC, and ADF&G for a fish hatchery in Pelican. I was part of a contingent that attended the NSRAA Board meeting last spring. While we did not get a permit for a hatchery we were successful in obtaining a Streamside Incubation project. This involved a permit from ADF&G to release 100,000 chum fry into Pelican Creek and thereby on in to Lisianski Inlet and on out to the ocean. This was a partnership with NSRAA, DIPAC, and the City of Pelican. NSRAA provided the equipment and technical support. DIPAC

supplied 100,000 chum eggs, and the City obtained the permit from ADF&G. We see this project as a necessary step to take in reaching our goal of a local salmon hatchery.

Mercedes Phillips, Community of Elfin Cove

The main project happening in the community of Elfin Cove is completing the conceptual design for a hydroelectric project; we hope to have the permitting done by summer 2014 and are very anxious to move away from diesel as our electricity source.

Debra Schnable, Assembly, Haines Borough

Haines is facing a key challenge similar to many places now: declining revenue, which can also be viewed as an opportunity to become more independent. The loss of Denali Commission funding over last few years has really impacted the construction sector. We have quite a bit of deteriorating infrastructure and deferred maintenance too, for example Haines Borough is still replacing asbestos pipe in roads and replacing old cruise ship dock pilings from the '30s and '40s. Some of our facilities need so much work that we wonder if it would be better to simply divest. We also are working to improve the Lutak Dock with the hope of supporting an LNG project.

Constantine Mine, with a new Japanese investor, is re-upping in mineral exploration on the Palmer Deposit at Haines Highway Mile 33. They will spend \$6.2 million in 2013.

Tourism is an investment area, Haines Borough recently sold a parcel of land to Aspen Corporation who intends to build a new 2-story 50-room hotel on Main Street. The contract requires them to invest \$3 million within in certain period. There is also a possible lodge out Haines Highway being discussed to support heli-skiing.

The Borough made a commitment to convert several municipal facilities from oil to wood pellet heating and is slated to receive funding to assist in this effort. The Chilkoot Indian Association announced last week that it will construct a pellet mill in Haines utilizing State Forest wood and Yukon beetle-kill wood.

Down the block, a number of providers are working together to build a Veteran's housing and health care facility. The two-story building will have offices on the bottom floor for a number of health care providers and other commercial tenants with apartments for Veterans on the top floor. We expect this to have a long-term positive impact on the economy and continue the trend of people moving into town to take advantage of housing for aging folks, which in turn creates jobs in health related & supportive services. SEARHC is our largest employer even now.

Land ownership is big opportunity in Haines because unlike most of Southeast Alaska, we are not in the Tongass National Forest. Our large landowners are more interested in using their land assets, such as AMHT, which has announced a lease for 99,000 acres for minerals; the University of Alaska, which is still subdividing and selling land; and Haines State Forest, which offers small timber sales regularly.

Haines' Soboleff-McRae Veterans Village and Wellness Center – Concept & Groundbreaking, April 27, 2013

Photos: <http://www.hainesveteransvillage.org>

