



Haines Borough Administration
Mark Earnest, Borough Manager
(907)766-2231 • Fax(907)766-2716
mearnest@haines.ak.us

Manager's Report

March 22, 2011

FY 2012 Federal Priorities

I am recommending amending the Borough's FY 2012 Federal Priorities to add the following items:

- Nukdik Point \$500.0 – Scenic Byways
- Secure Schools
- Historic Dalton Trail National Registry Designation

I will provide additional information related to these important issues in the next few days.

Lutak Dock Tariff

The Lutak Dock is an extremely important economic engine and a vital transportation link for not only Haines, but for the State of Alaska. Current volumes of commerce flowing across the dock and through the community are, in my opinion, well below its potential. The Borough recently commissioned an economic report regarding life cycle costs of the facility. The report concluded that the rates then in effect were far below those required for the facility to pay for on going operations and maintenance, as well as future major upgrades, replacement, and possible expansion.

There are at least two important considerations in establishing rates: (1) financial viability of the facility; and (2) market impacts on the local economy and the Borough to be competitive with respect other similarly situated ports. The Borough is sensitive to the economic conditions within the community, including costs of goods and services, economic viability of merchants and other businesses that depend on the freight coming across the dock, and maintaining competitive pricing to preserve the ability to attract additional commerce.

After considering public input, including communications with AML/Lynden regarding the proposed initial tariff rates for dockage and warfage, I am recommending a substitute ordinance for consideration at the March 22, 2011 Assembly meeting. The new approach proposes a lower starting point for the increased rates, but with a gradual (10%) annual rate adjustment over a five-year period. This concept is patterned after the Alaska Railroad Corporation tariff at Whittier, Alaska and elsewhere. The following table summarizes the proposed revised Lutak Dock Tariff Schedule:

	2011	2012	2013	2014	2015
NOS	\$3.50	\$3.85	\$4.25	\$4.65	\$5.15
Gravel	\$0.20	\$0.25	\$0.30	\$0.35	\$0.40
Fish					
Explosives/Hazardous Waste	\$8.00	\$8.80	\$9.70	\$10.65	\$11.70
Dockage	\$2.50	\$2.75	\$3.00	\$3.30	\$3.65

In addition to the annual adjustments, the recommended changes consist of the following:

- Reduce the 2011 warfage tariff rates for general cargo (NOS) from \$7.50 to \$3.50 per ton
- Reduce the 2011 warfage tariff rates for Explosives/Hazardous Waste from \$20.00 to \$8.00 per ton
- Include "fish" under the NOS rate, so that it would no longer be considered as a specified commodity

PC Dock Tariff – Fast Ferry

The proposed substitute ordinance for the Lutak Dock cargo tariff (described in the above paragraph) now also contains a provision that would allow the Borough to apply the Harbor Transient Moorage rate to the Lightering Dock to accommodate any Haines-Skagway fast ferry vessel mooring at that facility.

This is a recurring issue regarding a special rate that the Borough has been granting to a private local business to operate a small passenger ferry service between Skagway and Haines to transport cruise ship passengers between the two communities. The benefit to Haines is that we get a significant number of customers for shore excursions operated in Haines that would not otherwise have an opportunity to spend money here. It's a marginal operation, but it represents in a significant public benefit.

Historically, the special rate has been approved by Assembly motion. Last year, we were able to have this approved by resolution (it came up too close to the start of the season to do it more properly). I think this should be a two-step process: (1) a non-code ordinance allowing the Assembly by resolution to establish a fee less than the tariff rate on an annual basis for this type operation (public interest considerations); and (2) authorize the manager to enter into an agreement with the company by resolution.

Garbage Contract

The Government Affairs and Services (GAS) Committee met on Monday, March 14 to consider options for the Borough in light of the upcoming expiration of a contract with Haines Sanitation for garbage collection in the Townsite. The following options were considered:

1. Having the Borough get into the garbage business either with our own employees or by contract. This would require buying out Haines Sanitation and Acme.
2. Entering another contract with Haines Sanitation. This would likely prevent Acme from being given an opportunity to get RCA approval to compete with Haines Sanitation.
3. Do nothing. This also would reduce the chances of Acme obtaining RCA approval to compete.
4. Enter two non-exclusive contracts. One with Acme (conditioned on Acme obtaining RCA approval to expand its service areas) and one with Haines Sanitation. These contracts could contain commitments regarding rates and service.
5. Send the RCA a letter indicating the Borough supports competition for garbage collection within the Townsite and let the RCA decide whether Acme's service territory should be expanded. If RCA approves then natural competitive forces should lead to rates and levels of service desired by residents. If RCA does not approve the current "self-haul" option should still allow competitive market forces to keep rates and service at reasonable levels.

The recommendation of the GAS committee is option 5: write a letter supporting competition to the RCA. Attached is a sample letter that could be provided to the RCA should the Assembly concur with the GAS Committee's recommendation.

KCIBR Update

Attached is a letter from the Kluane Chilkat International Bike Relay Association regarding this year's event, which is scheduled for June 18, 2011. The organization is limiting the total number of entries to 1,200 riders and no more than 85 8-person teams.

Chilkoot Lumber Company vs. Haines Borough Settlement Agreement

Parties representing Chilkoot Lumber Company and the Haines Borough have reached a settlement agreement regarding the above referenced litigation. This agreement is contingent on Borough Assembly approval. This issue will be discussed in Executive Session at the March 22, 2011 meeting.

To: The Honorable Jan Hill
The Haines Borough Assembly
Mark Earnest, Borough Manager

From: Brad Gilman & Sebastian O'Kelly

Re: Washington Update

Date: March 7, 2011

1. Appropriations: Growing concern over the Federal budget deficit, combined with a party switch in the House and Republican gains in the Senate in last fall's election, have elevated budgetary issues to the fore in Washington. Both parties are advocating for some level of reductions in Federal spending, with Republicans pushing more aggressively for reduction in Federal programs funded through appropriations as well as entitlements. This change in climate has resulted in continued delays in enactment of a FY 2011 budget as well as a temporary moratorium on community earmarks for this fiscal year and FY 2012.

The Federal government is currently operating under a short-term continuing resolution for the next two weeks while the parties negotiate differences over remaining funding for FY 2011. The House has passed a longer-term continuing resolution that would reduce Federal discretionary appropriations by an amount of \$59 billion below FY 2010 levels and \$100 billion below the amount the Obama Administration has requested for FY 2011. President Obama has announced a veto threat against the House bill for making too many deep cuts and adding a number of controversial policy riders on healthcare and the environment. In his FY 2012 budget, President Obama has called for a 5 year freeze on Federal appropriations. It is unclear how this impasse will be settled and whether it will lead to a government shutdown.

This budget cutting drive in both parties has resulted in attempts to terminate or cut programs important to Alaskan communities, including Community Development Block Grants, Essential Air Service, Army Corps funding and Payment-In-Lieu of Taxes (PILT). We have been working with the Alaska Delegation to oppose these efforts (see more below). We believe these and other programs important to Alaska will continue to receive scrutiny and further budget-cutting attempts, whether by the Administration or by certain Members of Congress.

Regarding earmarks, the Alaska delegation continues to maintain its support for them and stated that they will advocate for community projects more directly with Federal agencies as well as continue to press for an end to the legislative moratorium. As in years past, they have asked us to submit FY 2012 community projects through their online requests process. We have done so for the following community priorities – “new start” construction for the Haines boat harbor; Federal scenic byways funding for a

pullout/welcome area on the Haines Highway; and a study on development of Port Lutak as a deepwater port for natural gas delivery.

2. Army Corps projects: The decision to discontinue the practice of congressionally-directed project spending for FY '11 and FY '12 has thrown the Army Corps Civil Works program into chaos. The Congress and the ACOE have developed a comprehensive process for evaluating the feasibility of, and providing funding for, navigation projects. The process is project-specific by its very nature. The moratorium on earmarks means that the ACOE will not be allowed to move forward with new Alaskan harbor projects under the current funding framework. We have met with all three Alaska Delegation offices to protest the unfairness of the current arrangement, and are promoting the concept of a Pacific Ocean Division Regional Ports Initiative funding line item. The Pacific Ocean Division includes Alaska, Hawaii, Guam and the Pacific Island territories. Congressman Young has promised to approach the Governor of Hawaii to enlist his support for the concept, and the two Senate offices will be discussing the concept with the ACOE. For this effort to be successful, the Alaskan mayors and communities will need to collaborate to advocate for a dedicated Regional Ports Initiative line item. We are working on a concept paper which we intend to distribute to AML and to the communities.

3. Essential Air Service (EAS): Senator John McCain (R-AZ) offered an amendment to the FAA Authorization Bill that would have terminated the Essential Air Service Program, including the funding of \$12.5 million to carriers providing air service to 44 Alaska communities. The amendment would have also ended the requirement to serve communities such as Haines where the subsidy does not apply but there is still a required level of service. Elimination of required service, combined with the termination of funding, would have jeopardized the existence of a number of Alaska-based air carriers and severely cut back air service to many Alaska communities. We prepared a paper on the impact on Alaskan communities and distributed it widely, as well as educated Lower 48 Senate offices on the benefits of the program to certain rural communities in their states. The amendment was defeated by a vote of 61 to 38. Both Senators Murkowski and Begich strongly opposed the McCain Amendment and spoke against it on the Senate Floor. Action now moves to the House where a FAA authorization bill has been introduced and moved through committee. That bill terminates the EAS program but contains an exemption for Alaska communities, thanks to the advocacy of Representative Young. This will continue to be an issue that bears close watching in this Congress.

4. Payment In Lieu Of Taxes (PILT): During House debate on the long-term continuing resolution, Rep. Marcy Kaptur (D-OH) offered an amendment that would have cut the PILT program by 75%. This is another important program to Alaska boroughs and communities, providing \$25 million annually in areas where the Federal government has large land ownership that is exempt from local taxation. Haines receives approximately \$350,000 of this amount. The amendment was defeated, with Rep. Young voting to protect the program. This is also a program that needs close watching this Congress, particularly as it is due to be reauthorized next year. The Administration has

requested \$380 million in FY 2012, a slight increase above FY 2011, and has expressed support for reauthorization.

5. Secure Rural Schools: The Secure Rural Schools Program is due to be reauthorized this year. The Administration has requested \$328 million for the program in its FY 2012 budget request and asked that it be reauthorized. This is a positive first step, precipitated in part by bi-partisan House and Senate group letters last year to the President in support of requesting funding in FY 2012 and for a multi-year reauthorization (all three Alaska Members signed the letters). Alaskan communities received \$18.8 million from the program in FY 2010 to go to both local schools and locally-recommended conservation projects. Haines is due to receive \$389,000 for both Titles I and II this fiscal year according to Forest Service calculations. Both the National Association of Counties and the National Forest Counties & Schools Coalition, of which we are a member, has made reauthorization a very high priority. We will be coordinating closely with both groups as well as with the delegation.

6. Miscellaneous.

- **Alaska Members Take Leadership Spots On Committees:** In the 112th Congress, all three Delegation Members have assumed important positions on Committees relevant to Alaska communities. Senator Murkowski will return as Ranking Member on the Energy & Natural Resources Committee and also has ascended to the top Republican spot on the Interior & Environment Appropriations Subcommittee, which counts among the programs it funds the Forest Service and EPA sewer and water grants. She was also appointed to the Energy and Water Appropriations Subcommittee which funds Army Corps harbor projects. Senator Begich remains on the Armed Services Committee and is the new Chairman of the Subcommittee on Oceans, Atmosphere, Fisheries and Coast Guard and will have responsibility for oversight and authorization of legislation on those issues. Rep. Young is now Chairman of a new Subcommittee created to address Alaska Native issues (Subcommittee on Indian and Alaska Native Affairs) and has also kept his spot on the Transportation & Infrastructure Committee, which authorizes surface transportation and harbor projects and programs.
- **Genetically Modified Salmon:** The Delegation has re-introduced two bills – one, to prohibit FDA approval of genetically modified salmon for sale in the U.S., the other, to require labeling of such fish. All three Members have joined the newly-formed Wild Salmon Caucus which is supporting the bills and will be involved with other issues affecting salmon fisheries. Separately, Rep. Young has introduced legislation to prohibit the issuance of permits for finfish aquaculture in Federal waters unless such permits are authorized by Congress.
- **Sealaska Lands Withdrawal Legislation:** Senator Murkowski is circulating draft legislation to be re-introduced to permit the Sealaska Corporation to withdraw certain lands in Southeast Alaska. Her staff held public meetings on the

bill in late February in Craig and Ketchikan and the bill has seen a number of changes since the version from the prior Congress. Full details, including maps of the proposed withdrawal areas, can be found here --
<http://murkowski.senate.gov/public/index.cfm?p=SealaskaLandBill>

- **Wetlands Permit Legislation:** Rep. Young has re-introduced legislation removing the EPA from being able to veto Section 404 wetlands/dredged fill permits issued by the Army Corps of Engineers.

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

SOUTHEAST REGION PRECONSTRUCTION
DESIGN AND ENGINEERING SERVICES

SEAN PARNELL, GOVERNOR

6860 GLACIER HIGHWAY
PO Box 112506
JUNEAU, AK 99811-2506
PHONE: (907) 465-4504
FAX: (907) 465-4414

March 7, 2011

RE: HNS – Old Highway Sidewalk Construction
State Project: # 69178

RECEIVED Haines Borough
MAR 15 2011
Clerk's Office

Mark Earnest, Haines Borough Manager
P.O. Box 1209
Haines, AK 99827

Dear Mr. Earnest:

The Alaska Department of Transportation and Public Facilities (DOT&PF) requests comments regarding a proposed project involving the construction of new sidewalks in Haines, Alaska. Comments on the proposal from resource and regulatory agencies and the interested public would assist us in preparing the project's environmental documentation. Construction is proposed to begin in the summer of 2011.

Project Location

The proposed project is located on the Old Haines Highway between the intersections of 3rd Avenue, beginning of project (BOP) and Front Street, end of project (EOP). The location of the proposed project is in Section 34, Township 30S, Range 59E, Copper River Meridian, on the Skagway A-2 Quadrangle Map (see, Key and Regional Maps, Sheet 1 Project Location Map, Sheet 2 Work Study Area, Sheet 3).

Project Description

The project would install approximately 2450 feet of sidewalk and approximately 20 curb cuts for driveways or streets (see Project Construction Typical Sections sheets 4 and 5). The results would have sidewalks located on both side of the Old Haines Highway. Additionally, a gravel walking path (35 feet x 6 feet) would be built to connect Tlingit Park with the Old Haines Highway.

Potential Project Impacts

The proposed projects should result in temporary impacts to foot traffic during construction. The project is adjacent to Tlingit Park Cemetery which is listed in the Alaska Historic Resources Survey (AHRS) database. However, there should be no direct impacts to the cemetery from the proposed project. There are no streams or wetlands in the project area.

"Providing for the safe movement of people and goods and the delivery of state services."

Request for Comments

We request your comments on the proposed action, particularly in regard to potential impacts to resources under your jurisdiction. DOT&PF must also determine to what extent this project will impact coastal zone resources and cultural or historic properties. If you have information that would assist in these determinations, please provide it. To comply with certain interagency agreements, we also request the views of applicable agencies on potential effects on bald eagles and threatened and endangered species. Your comments will be included in the project's environmental document. We would appreciate your response by March 31, 2011.

Thank you for your consideration of this request for comments. If you have question or require clarification on any elements of the proposal, please contact Chris Schelb, Project Environmental Analyst at (907) 465-4447 or by e-mail at chris.schelb@alaska.gov or me directly at (907) 465-4504 or by e-mail at john.barnett@alaska.gov.

Sincerely,



John Barnett
Project Environmental Coordinator

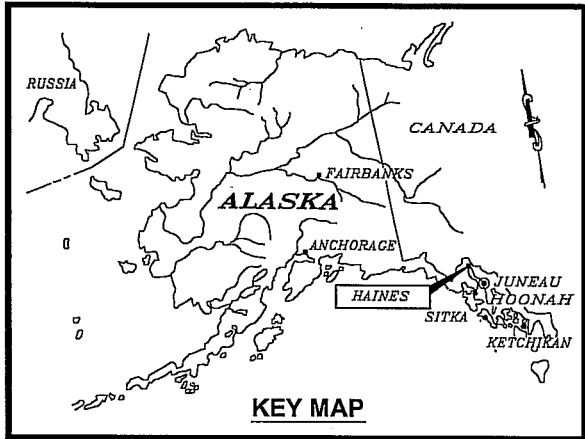
Enclosures:

Key and Regional Maps, Sheet 1
Project Location Map, Sheet 2
Work Study Area, Sheet 3
Project Construction Typical Sections, Sheet 4
Project Construction Typical Sections, Sheet 5

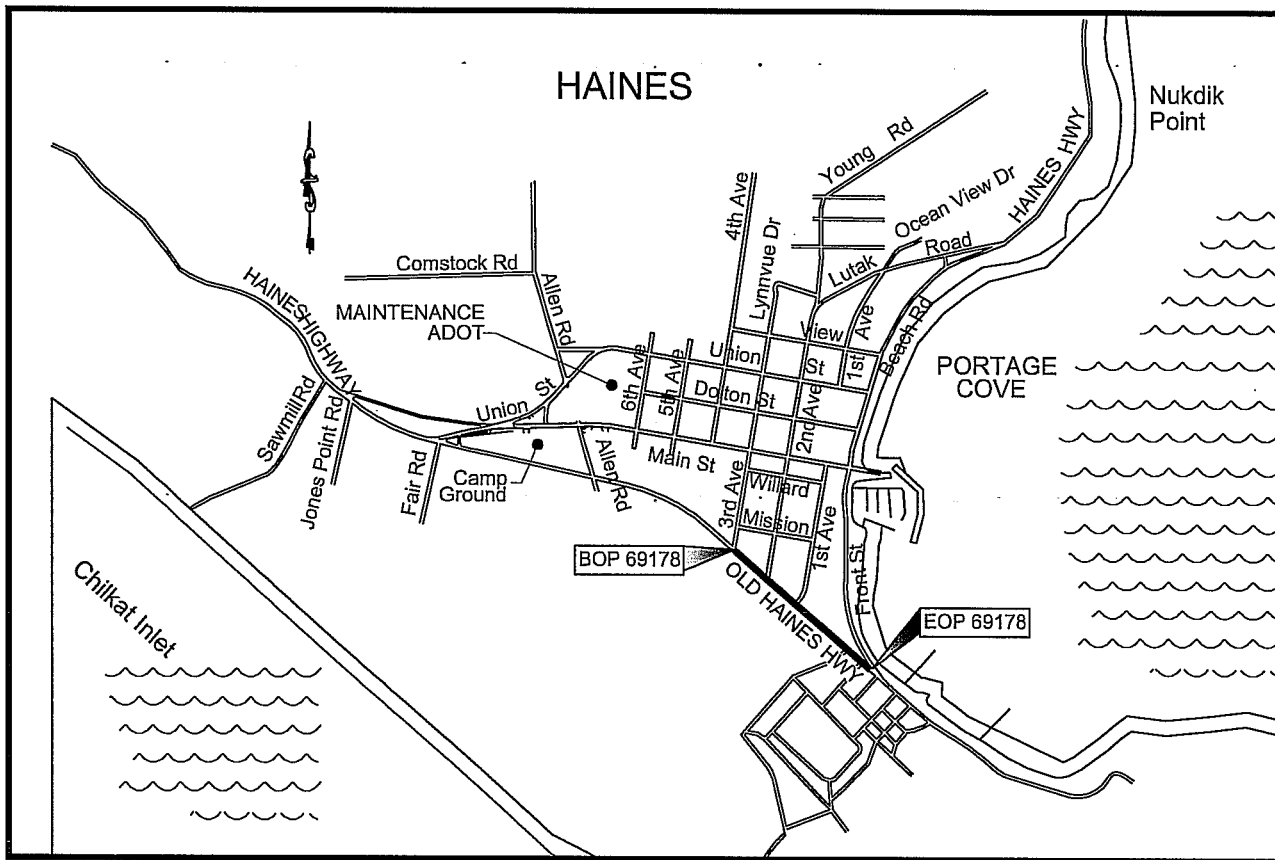
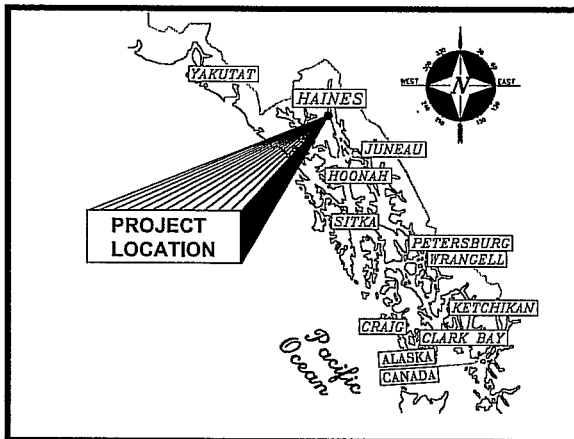
Distribution list:

Jan Hill, Mayor, Haines Borough
Jeri Clarke, Museum Director, Sheldon Museum
David Berry, Tribal Council President, Chilkoot Indian Association,
Angela Robinson, Director, Haines Convention and Visitor Bureau
Michael Byer, School Superintendent, Haines Borough School District
Chris Meade, EPA Region 10, Juneau
Bill Hanson, Field Supervisor, USF&WS
Katharine Miller, Marine Habitat Research Specialist, NOAA Fisheries
Judith Bittner, Chief Officer, State Historic Preservation Office
Steve Ritzinger, Local Coastal Zone Management Coordinator, Haines Borough
Carrie Bohan, Coastal & Ocean Management, DNR
William Ashton, Manager, Division of Water, DEC, Anchorage
Danny Gonce, Manager, Alaska Power & Telephone, Haines
Emily Cowles, Executive Director, Takshanuk Watershed Council

Cc: Jane Gendron, Southeast Region Environmental Manager, DOT&PF
Ben White, Statewide Environmental Manager, DOT&PF
Keith Karpstein, Engineering Manager, DOT&PF



KEY MAP



VICINITY MAP

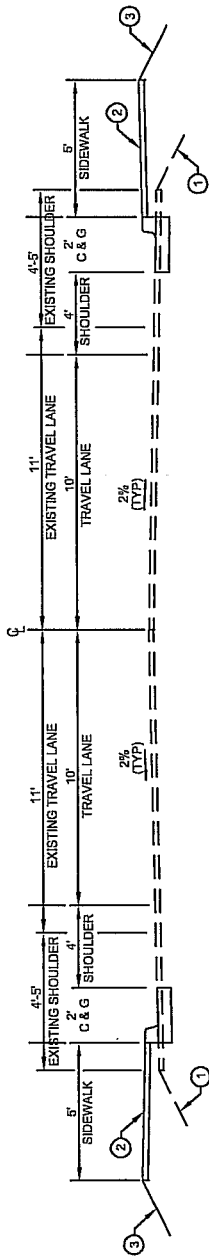
KEY AND REGIONAL MAPS

WATER BODY:
PORTAGE COVE
CHILKAT RIVER

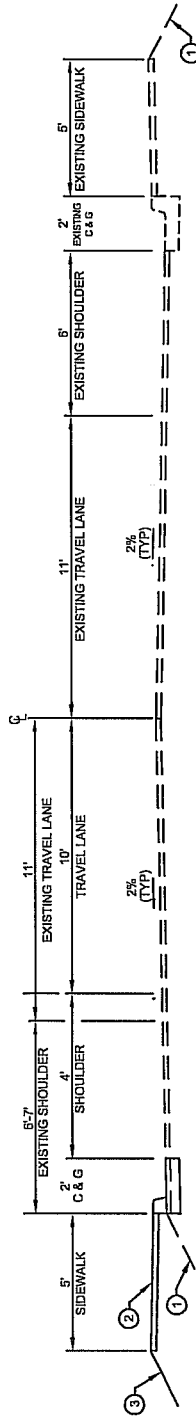
APPLICATION BY:
ALASKA STATE DEPT. OF TRANSPORTATION
AND PUBLIC FACILITIES
S.E. REGION DESIGN & ENGINEERING SERVICES

HNS-OLD HAINES HIGHWAY
SIDEWALK CONSTRUCTION
AT: HAINES, ALASKA
LOCATED IN: SECTIONS 34
T30S, R59E
COPPER RIVER MERIDIAN
QUAD MAP SGY A-2

DATE: MAR., 2011 SHEET 1 OF 5



PROPOSED TYPICAL SECTION



PROPOSED TYPICAL SECTION

LEGEND	
①	EXISTING GROUND
②	4" CONCRETE SIDEWALK
③	PROPOSED SLOPE

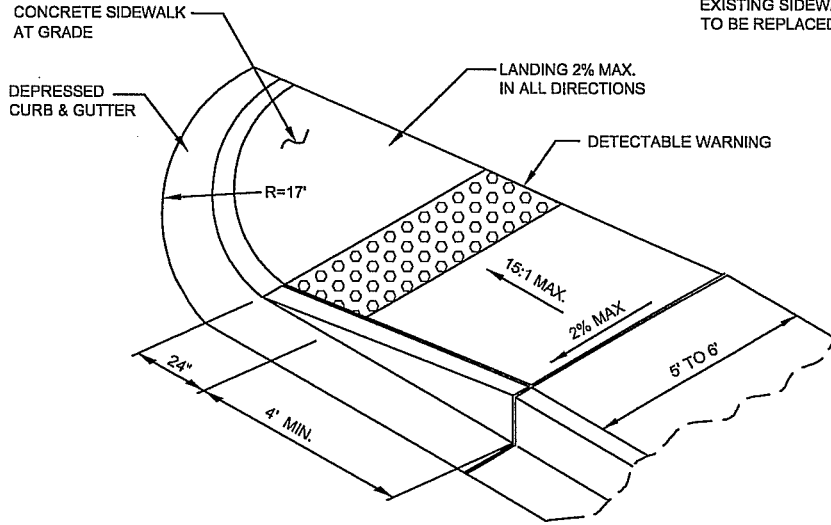
WATER BODY:
PORTAGE COVE
CHILKAT RIVER

**PROJECT
CONSTRUCTION
TYPICAL SECTIONS**

APPLICATION BY:
ALASKA STATE DEPT. OF TRANSPORTATION
AND PUBLIC FACILITIES
S.E. REGION DESIGN & ENGINEERING SERVICES

HNS-OLD HAINES HIGHWAY
SIDEWALK CONSTRUCTION
AT: HAINES, ALASKA
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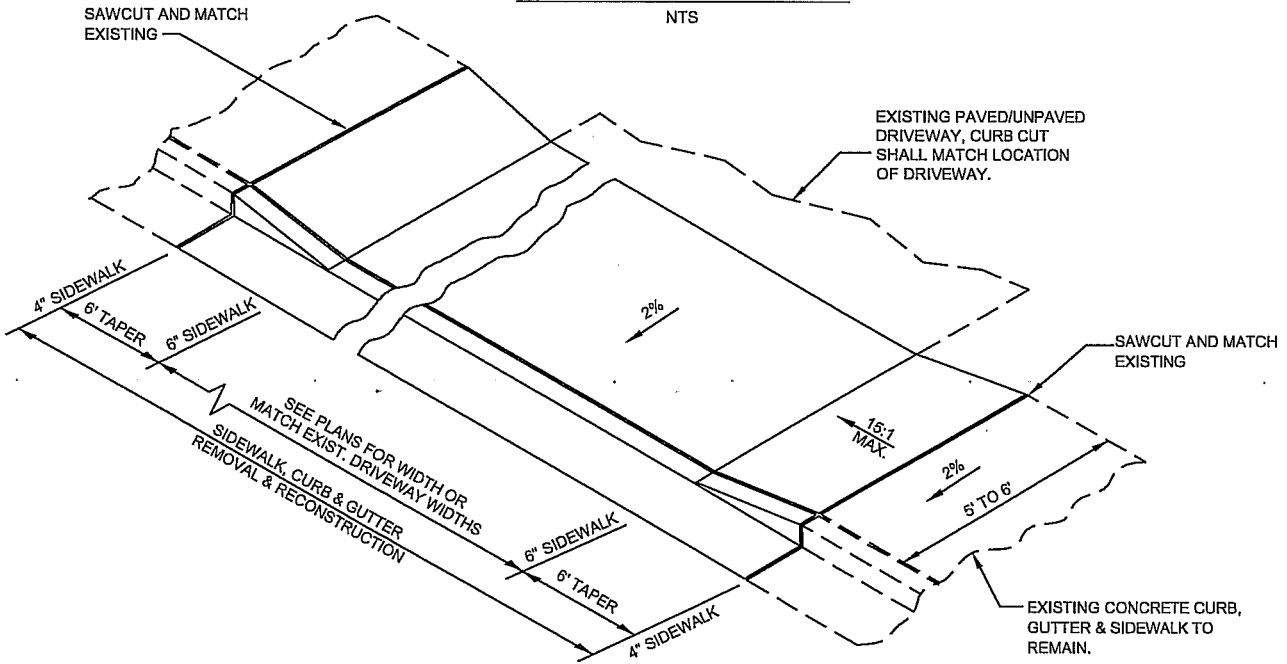
DATE: MAR., 2011 SHEET 4 OF 5



NOTE:
EXISTING SIDEWALKS, DRIVEWAYS, & CURB RAMPS TO BE REPLACED ARE NOT TO ADA STANDARD.

TYPICAL CURB RAMP

NTS



TYPICAL DRIVEWAY CURB RAMP

**PROJECT
CONSTRUCTION
TYPICAL SECTIONS**

APPLICATION BY:
ALASKA STATE DEPT. OF TRANSPORTATION
AND PUBLIC FACILITIES
S.E. REGION DESIGN & ENGINEERING SERVICES

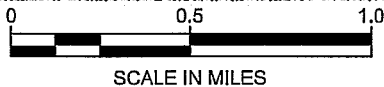
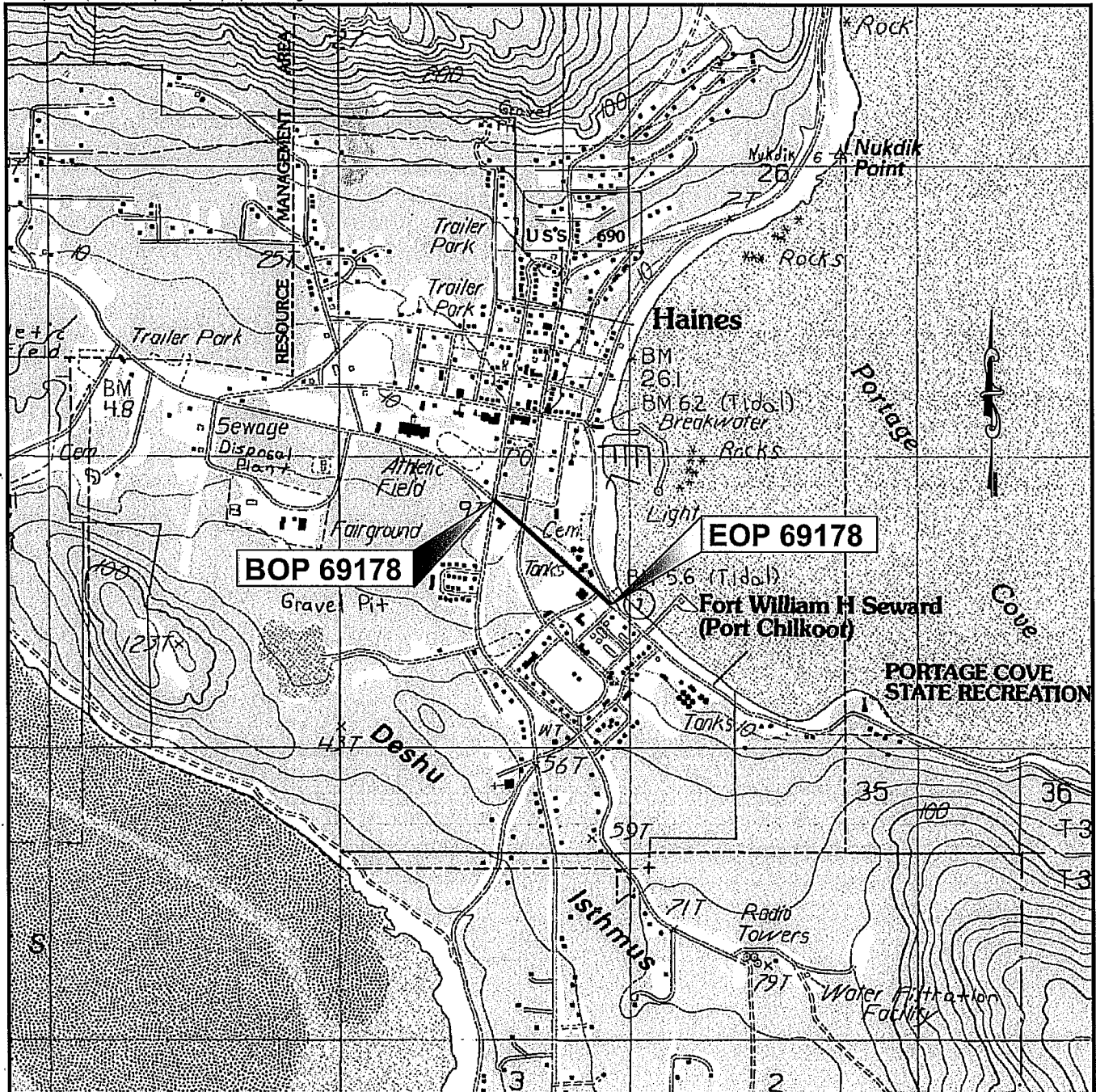
HNS—OLD HAINES HIGHWAY
SIDEWALK CONSTRUCTION

AT: HAINES, ALASKA

LOCATED IN: SECTIONS 34
T30S, R59E
COPPER RIVER MERIDIAN
QUAD MAP SGY A-2

DATE: MAR., 2011 SHEET 5 OF 5

WATER BODY:
PORTAGE COVE
CHILKAT RIVER



PROJECT LOCATION MAP

APPLICATION BY:
 ALASKA STATE DEPT. OF TRANSPORTATION
 AND PUBLIC FACILITIES
 S.E. REGION DESIGN & ENGINEERING SERVICES

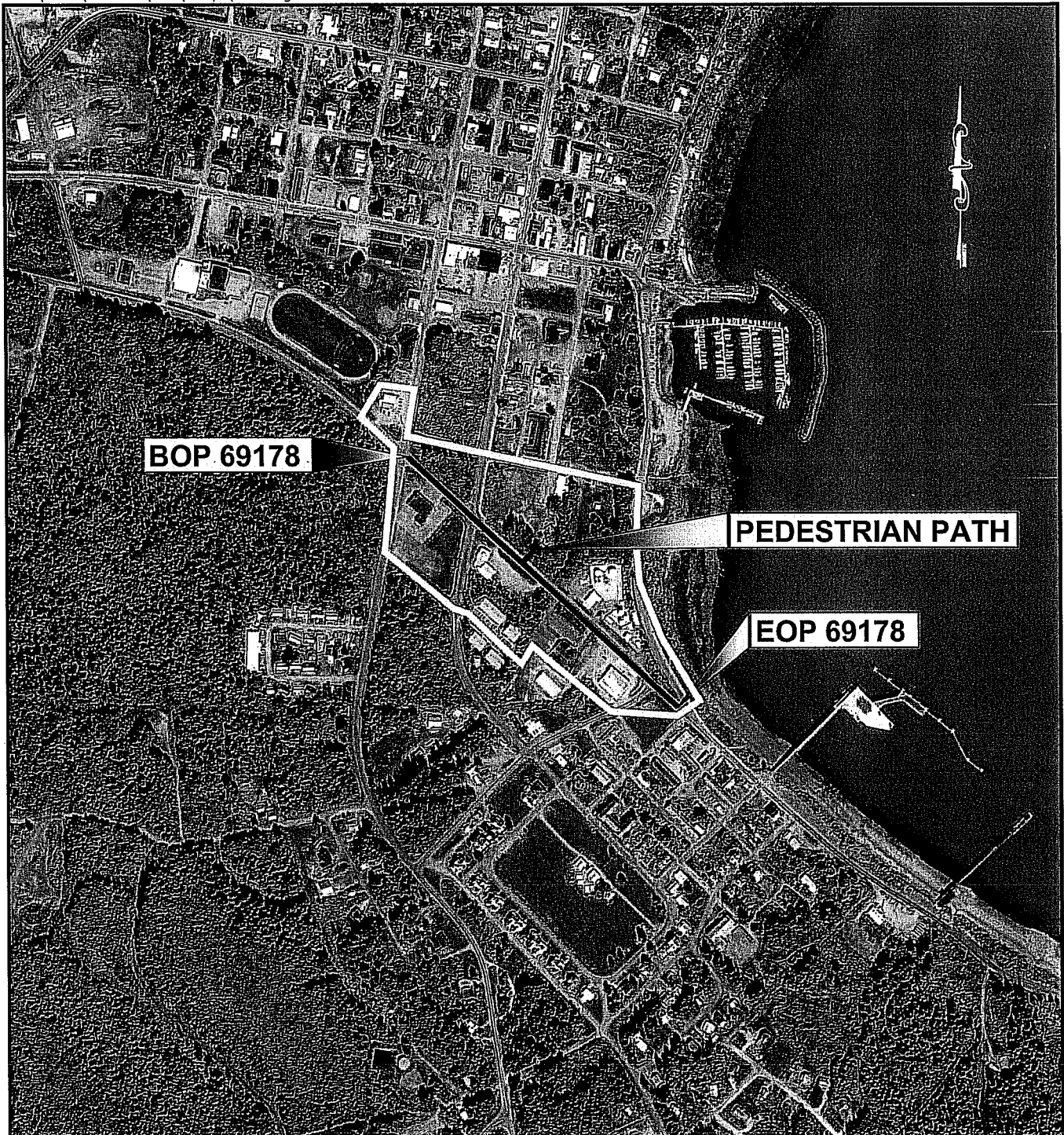
HNS—OLD HAINES HIGHWAY
 SIDEWALK CONSTRUCTION

AT: HAINES, ALASKA

LOCATED IN: SECTIONS 34
 T30S, R59E
 COPPER RIVER MERIDIAN
 QUAD MAP SGY A-2

DATE: MAR., 2011 SHEET 2 OF 5

WATER BODY:
 PORTAGE COVE
 CHILKAT RIVER



WORK STUDY AREA

WATER BODY:
PORTAGE COVE
CHILKAT RIVER

APPLICATION BY:
ALASKA STATE DEPT. OF TRANSPORTATION
AND PUBLIC FACILITIES
S.E. REGION DESIGN & ENGINEERING SERVICES

HNS—OLD HAINES HIGHWAY
SIDEWALK CONSTRUCTION

AT: HAINES, ALASKA

LOCATED IN: SECTIONS 34
T30S, R59E
COPPER RIVER MERIDIAN
QUAD MAP SGY A-2

DATE: MAR., 2011 SHEET 3 OF 5

Mark Earnest

From: Brad Gilman [mackerel@hsgblaw-dc.com]
Sent: Friday, March 11, 2011 8:53 AM
To: Mark Earnest
Subject: fr: Gilman re: harbor initiative
Attachments: POD Water Infrastructure Initiative White Paper (March, 2011).doc; Water Infrastructure--memo to communities (March, 2011).doc

Mark: Attached are the draft documents on the idea about creating a special pot of money within the Army Corps for water projects in Alaska. The Alaska Delegation is already pitching the concept to the Army Corps. It is broader than just Alaska because we are going to need the Hawaii Governor and Hawaii Delegation to support the effort for it to succeed.

The Corps has been telling me for some time that the Alaska communities need to join together if they want to be a force in getting funding for their projects. We've never really attempted a coalition effort because the funding process continued to be project-specific. We are now at a crossroads and will need to take a different approach if we are ever going to get your harbor project off the ground. There has to be a pot of money available and separate from the current Corps civil works program or we are down for the count as long as the earmark moratorium is in effect.

I would appreciate any feedback. The documents are in draft and can be edited.

Brad

DRAFT

**Proposed Formation of a Ad Hoc Coalition
Of Alaskan Coastal Communities to Support
Federal and State Funding for Water Infrastructure**

The Congress has recently decided to suspend the use of congressionally-directed spending within appropriations bills while it grapples with the Federal deficit. This moratorium will make it impossible for Alaskan coastal communities to seek funding assistance from the Army Corps of Engineers to build breakwaters, wave barriers, flood control and erosion control features, dredging of new, expanded or improved harbors, or local water supply projects. The communities of Hawaii and the Pacific Island territories also face the same fate.

Under the moratorium on congressionally-directed spending, only projects which are identified in the President's Budget Request are eligible for funding. Projects contained in the President's Request are identified through a scoring system which favors the more developed ports of major urban areas and large-scale environmental restoration such as the Everglades Restoration Project. Rural coastal communities do not have the population base to compete within a scoring system that provides a bias towards large cargo volumes and urban populations. Rural communities, however, are more economically dependent on waterborne commerce in relation to the rest of their local and regional economies than the large urban areas, which have more diversified economies. There needs to be some mechanism within the Army Corps budget to recognize the unique circumstances of the rural communities of Alaska, Hawaii, and the Island territories.

Army Corps officials have stated Alaskan coastal communities should have a unified voice in advocating for federal funding for water infrastructure projects. The Corps has also stated that Alaskans will have a bigger impact on the national budget discussion if the State of Alaska also becomes more active in the planning, prioritization, and funding of this water infrastructure. The Corps believes that a proposed Federal-State-Local partnership presents a strong argument to the Congress and the Administration in seeking a dedicated source of funding for coastal Alaskan water infrastructure.

Alaskan Mayors and Municipal Governments should form an ad hoc coalition to do the following—

- **Reach out to their counterparts in Hawaii and Pacific Territories of the United States to coordinate an advocacy effort within Washington, D.C. for a dedicated source of funding for the communities falling within the geographic jurisdiction of the Army Corps' Pacific Ocean Division. Such a regional initiative is essential to succeed within the Washington political arena.**

- **Communicate in one voice to the Alaska Congressional Delegation, the congressional committees of jurisdiction, and Federal Administration officials about the need for funding water infrastructure in the Pacific Ocean Division region.**
- **Gather concrete data to demonstrate the importance of water infrastructure to the health and economic diversity of Alaskan communities.**
- **Communicate in one voice to Governor Parnell and the Alaska State Legislature about the need of the State of Alaska to partner with the Army Corps and local governments for the planning, development, and funding of water infrastructure.**

DRAFT

**Proposal to Establish a Pacific Ocean Division
Water Infrastructure Funding Line Item
Within the Army Corps of Engineers Civil Works Construction Program**

Background

The Army Corps of Engineers has been the central governmental agency for the development of water-related infrastructure throughout the Nation. The ACOE has established a comprehensive process to identify, evaluate, and fund projects related to navigation, safe harbor, flood control, erosion control, and water supply. This process involves an initial reconnaissance study of a proposed project; an extensive feasibility analysis to determine the project's net benefit to the Nation; a report to Congress presenting the Chief of Engineers' findings; a Water Resources Development Act authorization of the specific project by Congress; and finally appropriations over a period of years to pay for the Federal share of the specific project.

The Congress has recently decided to suspend the use of congressionally-directed spending within appropriations bills while it grapples with the Federal deficit. The Army Corps Civil Works Construction Program has depended on a project-specific authorization and appropriations process for almost a century. The current moratorium on congressionally-directed spending has severely curtailed the ability of the Army Corps fulfill its mission throughout the country. This adverse impact is particularly acute within the Army Corps' Pacific Ocean Division.

The Pacific Ocean Division is comprised of the State of Hawaii, the State of Alaska, and the Pacific Island territories of the United States. The communities within this region are either located on islands or are in the coastal areas of Alaska (many of which are not connected to the road system). All of these communities share in common the fact that port activity is the dominant feature of their local and regional economies. This dependency on waterborne commerce makes the Army Corps Civil Works program essential to the long-term health and welfare of the Pacific Ocean Division region.

Under the moratorium on congressionally-directed spending, only projects which are identified in the President's Budget Request are eligible for funding. These projects are identified through a scoring system which favors the more developed ports of major urban areas and large-scale environmental restoration such as the Everglades Restoration Project. The rural coastal communities of the Pacific Ocean Division do not have the population base to compete within a scoring system that provides a bias towards large cargo volumes and urban populations. These rural communities, however, are more economically dependent on waterborne commerce in relation to the rest of their local and regional economies than the large urban areas, which have more diversified economies. There needs to be some mechanism within the Energy & Water appropriations bill to recognize the unique circumstances of the rural communities within the Pacific Ocean Division.

Proposal

The Fiscal Year 2012 Energy & Water appropriations bill and the Fiscal Year 2013 President's Budget Request should be amended to include a set-aside of \$50 million annually for use within the Pacific Ocean Division to develop and sustain water infrastructure in the small coastal communities of the region. The Army Corps would be charged with the responsibility of working with the States, territorial governments, and local communities to prioritize projects throughout the Pacific Ocean Division region. The Corps would be provided with discretion to investigate, evaluate, plan, and provide funding continuity for projects identified within its priority list. Non-federal cost share requirements set out in existing law would remain in place. Projects to be funded would include breakwaters, wave barriers, dredging of navigation channels and mooring basins required as part of new harbor construction or harbor improvement projects, removal of barriers to navigation specifically authorized by law, flood control, water supply, and erosion control. Routine dredging of navigation features would remain within the Army Corps' national Operations & Maintenance Program.

Mark Earnest

From: Don Reid [dreid@aml.lynden.com]
Sent: Tuesday, March 08, 2011 2:24 PM
To: Mark Earnest
Subject: Wharfage Increases

Hello Mark,

I reviewed your proposed wharfage and dockage fee changes and wanted to respond with my thoughts. I can certainly understand the reasons you are looking at this given the high cost of marine facilities and general low freight volume that you have to pay for operating and maintaining this facility. I do not know all the revenue streams that you have to contribute towards this but I will point out how I believe these proposed changes will affect our costs to service our Haines customers. Eventually these costs get passed on to our customers so what I have always encouraged other communities to do when faced with this question is to look at what other communities and facility owners are charging and be mindful to not put your local businesses at a disadvantage to other businesses in other communities. For example a seafood processor would be at a substantial disadvantage in Haines paying \$6.00 per ton in wharfage compared to someone in Wrangell paying \$2.50 / ton.

Below I created three sample scenarios based on our average tonnages to show how these rate changes will impact our costs and conversely your revenue. The first shows the current rate structure, second is your proposed rate adjustments and the third are rates that I am suggesting as a compromise. The rates that I am suggesting are a little higher than most other communities in Southeast Alaska but don't get you so far out there that you are two or three times higher than other communities.

Existing Rate Structure

Annual Gen Cargo Tons	11,200	2	\$ 22,400
Annual Exp. Tons	2000	8	\$ 16,000
Dockage Ft.	360	1.2	\$ 22,464
			\$ 60,864

Currenty Proposed Rate Structure

Annual Gen Cargo Tons	11,200	7.5	\$ 84,000
Annual Exp. Tons	2000	20	\$ 40,000
Dockage Ft.	360	2.5	\$ 46,800
			\$ 170,800

AML Recommended Rate Structure

Annual Gen Cargo Tons	11,200	3.5	\$ 39,200
Annual Exp. Tons	2000	8	\$ 16,000
Dockage Ft.	360	2.5	\$ 46,800
			\$ 102,000

As you can see, adopting the initially proposed rates would have a very significant increased cost to our operation and would certainly result in an adjustment to our rate structure to recoup this cost. I cannot speak for our pricing department but my experience is that smaller adjustments tend to be incorporated into our rates rather than triggering an added line item wharfage charge to our freight bills.

As you look for other ways to increase revenues at your facility I encourage you to look for things that target the increases directly to the customers that use the service such as for storage of freight. The port of Wrangell is very aggressive in billing our customers directly when they store freight at the port facility.

To wrap this up I am suggesting the following:

- Consider my proposed rate adjustments as a compromised to avoid extreme rate adjustments at one time.
- Note that the proposed increase for explosives to \$20.00 / ton appears excessive and would equate to \$450.00 per load compared to \$180 per load at current rates which are already substantially above general cargo rates.
- Create a rate table that identifies future year's rates with annual incremental CPI increases to gradually increase revenues.
- Eliminate the higher wharfage rate for fish products to help your local processors be competitive with other processors in the region.
- Clearly define item 404 as Explosives or Hazardous Waste and not to include general hazardous materials as vehicles and other common minimally hazardous shipments.
- Ensure that the funds from this go to maintain and improve the dock structure. From our standpoint the facility works well and our needs do not require expansion or upgrades. Simply maintaining it will satisfy our requirements for the foreseeable future.
- Bill customers that store freight at your facility storage if they exceed the 5 day free time.

I will give you a call tomorrow to see where you are at with this.

Thanks, Don

RULES AND CHARGES		
ITEM 260		
WHARFAGE		
Rates will be assessed on all cargo including ship's stores and fuel. Over-stowed cargo, ship's gear and dunnage will not be charged wharfage.		
Cargo loaded or discharged overside vessels to or from another vessel will be assessed one half the named wharfage charges.		
(Rates in dollars and cents)		
TYPE OF CARGO	WHARFAGE: PER UNIT	UNIT
All cargo, NOS:		
2010	\$4.00	Short Ton
2011	\$4.25 [I]	
2012	\$4.60 [I]	
2013	\$4.95 [I]	
Exemptions:		
Explosives Hazardous Waste Live Animals	The rate for these items by request only	
Fish, Fresh or Frozen:		
2010	\$4.00	Short Ton
2011	\$4.25 [I]	
2012	\$4.60 [I]	
2013	\$4.95 [I]	
Lumber, Cants or Logs:	\$4.00 [I]	1,000 Board feet
Empty Containers:		
2010	\$10.00	
2011	\$10.00	
2012	\$11.00 [I]	
2013	\$11.00 [I]	
Gravel:		
2010	\$1.00 [R]	Short Ton
2011	\$1.00 [R]	
2012	\$1.10 [R]	
2013	\$1.10 [R]	
Minimum Wharfage: \$200.00 [A]		

RULES AND CHARGES		
ITEM 270		
SECURITY FEES		
In order to fulfill its responsibilities for security, including but not limited to responsibilities mandated under the Maritime Transportation Safety Act of 2002 and the US Coast Guard regulation 33CFR105, ARR will assess against and collect from ocean going vessels, their owners, or operators for the use of the terminal working areas at port operated facilities, a Port Security Fee. Such fee, in the amounts set forth below, shall be in addition to all other fees and charges due under this tariff. At the ARR's sole discretion, charges may be assessed to cargo and/or vessels for additional security costs associated with an increase in MARSEC level mandated by the US Department of Homeland Security.		
Assessed for vessels loading or offloading cargo, the following Security Fees will apply: [A]	SECURITY FEE: PER UNIT	UNIT
2011	\$0.50	Short Ton
2012	\$0.50	
2013	\$0.55	
Minimum fee: \$250.00 minimum		
Assessed for vessels not handling cargo, the following Security Fees will apply: [A]	PER VESSEL PER DAY	MAXIMUM
2011	\$250.00	\$500.00
2012	\$250.00	\$500.00
2013	\$300.00	\$600.00
Port Security Container Fee:	PER EMPTY CONTAINER TO OR FROM VESSEL	
	\$2.00	
Security Access Card:	\$15.00	
Replacement Access Card:	\$25.00	
SECURITY SERVICES		
When actual security is required to be provided by ARR, the security fees assessed will be the actual cost of contract security plus 15% in lieu of the above listed fees. [A]		

Issued: November 26, 2010

EFFECTIVE: January 1, 2011

ISSUED BY: Alaska Railroad Corporation, Real Estate & Facilities, P. O. Box 107500, Anchorage, AK 99501-7500

For explanation of Abbreviations and Reference Marks not explained herein, see last page of this tariff.

RULES AND CHARGES	RULES AND CHARGES																																																												
<p>ITEM 50</p> <p style="text-align: center;">DEFINITIONS</p> <p>Berthing or Docking: Any vessel occupying a space adjacent to any wharf or facility, whether lines are attached or not attached.</p> <p>Dockage: The charges assessed against a vessel for berthing at a wharf, pier, bank, or other facility or for mooring to a docked vessel.</p> <p>Holiday: Wherever reference is made in this tariff to "Holidays" it means the following:</p> <table style="width:100%; border: none;"> <tr> <td style="width:50%;">New Year's Day</td> <td>January 1</td> </tr> <tr> <td>President's Day</td> <td>Third Monday in February</td> </tr> <tr> <td>Memorial Day</td> <td>Last Monday in May</td> </tr> <tr> <td>Independence Day</td> <td>July 4</td> </tr> <tr> <td>Labor Day</td> <td>First Monday in September</td> </tr> <tr> <td>Columbus Day</td> <td>Second Monday in October</td> </tr> <tr> <td>Veterans Day</td> <td>November 11</td> </tr> <tr> <td>Thanksgiving Day</td> <td>Fourth Thursday in November</td> </tr> <tr> <td>Christmas Day</td> <td>December 25</td> </tr> </table> <p>Holidays named above which fall on a Saturday or Sunday will be observed on the preceding Friday or following Monday, respectively.</p> <p>Passenger Service Charges: The charges assessed against vessels, their owners, agents, or operators which load or discharge passengers at any facility owned or operated by ARR for the use of the terminal facilities.</p> <p>Point of Rest: The area of ARR's Terminal facility that is designated by the terminal operator for the receipt of inbound cargo or baggage from a vessel and the area of the terminal facility that is designated for the receipt of outbound cargo or baggage for loading to a vessel.</p> <p>Stevedoring Contractor: Any person that has written authorization from ARR to perform stevedoring services on ARR wharves or facilities.</p> <p>Terminal Operator: Alaska Railroad Corporation and its designated agents.</p> <p>Vessel: A ship, tug, boat, or barge either self-propelled or not self-propelled.</p> <p>Wharfage: The charges assessed against cargo for its passage over, under, or through any ARR wharf, pier or facility or loaded or discharged overside vessels berthed at any such facility.</p>	New Year's Day	January 1	President's Day	Third Monday in February	Memorial Day	Last Monday in May	Independence Day	July 4	Labor Day	First Monday in September	Columbus Day	Second Monday in October	Veterans Day	November 11	Thanksgiving Day	Fourth Thursday in November	Christmas Day	December 25	<p>ITEM 60</p> <p style="text-align: center;">DELAYS, WAIVER OF CHARGES</p> <p>Vessels, owners, shippers or consignees shall not be entitled to a waiver of any terminal charges because of delay arising from the failure or breakdown of terminal equipment, or delays arising from any other cause not reasonably within the control of the terminal operator.</p> <hr/> <p>ITEM 70</p> <p style="text-align: center;">DEMURRAGE, RAIL CARS OR VESSELS</p> <p>In furnishing the service of vessel berthing, ordering, billing out, loading or unloading rail cars, and of handling to and from vessels, no responsibility for any demurrage or delay whatsoever on either rail cars or vessels will be assumed by the terminal operator.</p> <hr/> <p>ITEM 80</p> <p style="text-align: center;">DOCKAGE</p> <p>Charges shall commence when a vessel is made fast and shall continue until such vessel is completely freed from and has vacated the berth. No deductions shall be made for Sundays or Holidays, nor because of weather or other conditions. The length shown in Lloyds Register or the certificate of registry will apply. If the length is not shown in these documents, the linear distance measured from the extreme point of the bow to the extreme point of the stern will apply.</p> <p>Dockage charges will be assessed as shown below, subject to a minimum dockage charge of [I]\$200.00.</p> <p>Vessels docked 12 or less hours will be assessed half the applicable docking fee, subject to minimum docking fee of \$200.00. [A]</p> <p style="text-align: center;">(Rates in dollars and cents per foot per 24-hour period or fraction thereof)</p> <table border="1" style="width:100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>YEAR</th> <th>0' to 300'</th> <th>301' to 600'</th> <th>601' to 700'</th> <th>701' to 800'</th> <th>Over 800'</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>1.75</td> <td>2.50</td> <td>3.15</td> <td>4.40</td> <td>5.00</td> </tr> <tr> <td>2009</td> <td>1.95</td> <td>2.75</td> <td>3.45</td> <td>4.85</td> <td>5.50</td> </tr> <tr> <td>2010</td> <td>2.15</td> <td>3.05</td> <td>3.80</td> <td>5.30</td> <td>6.05</td> </tr> <tr> <td>2011</td> <td>2.35</td> <td>3.35</td> <td>4.20</td> <td>5.85</td> <td>6.65</td> </tr> <tr> <td>2012</td> <td>2.60</td> <td>3.70</td> <td>4.60</td> <td>6.45</td> <td>7.35</td> </tr> <tr> <td>2013</td> <td>2.85</td> <td>4.05</td> <td>5.10</td> <td>7.10</td> <td>8.10</td> </tr> </tbody> </table> <p>A vessel not engaged in working passengers or cargo shall vacate when the berth is required for a vessel to load or discharge passengers or cargo. A vessel on notice to move which refuses to vacate will be assessed dockage at five times its applicable rate starting at the time vessel is notified to vacate.</p>	YEAR	0' to 300'	301' to 600'	601' to 700'	701' to 800'	Over 800'	2008	1.75	2.50	3.15	4.40	5.00	2009	1.95	2.75	3.45	4.85	5.50	2010	2.15	3.05	3.80	5.30	6.05	2011	2.35	3.35	4.20	5.85	6.65	2012	2.60	3.70	4.60	6.45	7.35	2013	2.85	4.05	5.10	7.10	8.10
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