



## **CITY MANAGER REPORT**

**Reporting Period:** February 1 to April 18, 2019

**Prepared By:** Phillip A. Zavadil, City Manager

**Date:** April 19, 2019

### **ADMINISTRATION**

#### **Outreach and Communications Plan**

##### **City Code Online**

On February 28, 2019, we received the online proof of the City's Code of Ordinances from Code Publishing to review. I have completed an initial review of the code and assigned Monique to review with Phyllis and answer some additional questions that Code Publishing had. On April 19, 2019, Monique and I met to review the code together and prepare a response for Code Publishing.

Once all the changes are made to the draft code, we will need City Council to review and approve the new City Code of Ordinances with the updated format, numbering, and various links to references.

#### **Human Resources Division**

##### **Training**

###### **Leadership Training**

On February 25-28, 2019 James Bird Guess with the International Success Academy conducted a leadership development training with City management staff and staff from the St. Paul Health Center. This training continued to build upon leadership skills from James' previous trainings for the City.

###### **ICS Training**

On April 15-16, 2019, Rich Wands with Emergency Management Services International (EMSI) conducted an Incident Command Systems (ICS) 100/200 class and on April 17-18 conducted an ICS 300 class for personnel that may be involved in command staff positions. A total of 14 City employees successfully completed the ICS 100/200 class and a total of 7 City employees successfully completed the ICS 300 class.

##### **Performance Reviews**

Employee performance reviews for all regular non-contract City employees began in mid-March. We are still in the process of finalizing all the performance reviews.



## **Lobbying Services and Efforts in Juneau**

### **Lobbying Services**

As soon as Governor Dunleavy's proposed budget and budget cuts were released, I began to contact firms in Juneau that could perform the following services for the City in Juneau:

- Track and provide updates on the proposed budget and any legislation that might affect the City and community (such as the shared fish tax, education funding, proposals to excess State properties like our airport, community revenue assistance, PCE, PERS/TERS).
- Help guide Jacob and I as we meet with folks in Juneau, and help set up meetings
- Notify us if we should testify on the budget discussion or legislation.
- Help prepare SNP leadership letter to get to the legislature and Governor soon regarding proposed cuts and impacts to St. Paul and out-right reject the proposed budget.
- Help prepare a one to two page document for our March trip that describes where St. Paul is, demographics, economy, etc. that we could distribute to the legislature, especially the new members.

I requested proposals for John Walsh and Mark Hickey. After review and consideration, I selected Hickey and Associates to assist the City with the above functions.

### **Lobbying Efforts**

Mark Hickey arranged several meetings for Mayor Merculief and I to attend on March 18-20, 2019. Mayor Merculief was unable to travel to Juneau. Mark scheduled meetings with the following State Legislative and Administrative Branch representatives:

- Alaska Fish and Game Commissioner Doug Vincent-Lang
- Attorney General Kevin Clarkson
- Senator Lyman Hoffman
- Representative Bryce Edgmon
- Department of Transportation Commissioner John MacKinnon
- Governor's Office with John Moller and Ben Steven and OMB Director Donna Arduin
- Lieutenant Governor Kevin Myer

The main focus of the meetings was to communicate a consistent message of the proposed impacts of the Governor's proposed budget on the City of Saint Paul, specifically the State shared fish tax to our community, which is approximately 1/3 of our total revenue in our general fund that is go towards providing essential public safety and works services in our community. We provided our letter to Governor Dunleavy dated March 14, 2019 (*see attached*) and a copy of the Municipal Impact Statement that we prepared for Alaska Municipal League (*see attached*) to each of the people with met with.

During the meeting with Attorney General Clarkson, I also discussed the high turnover of Assistant District Attorney that are assigned to St. Paul Island, improvements in how case

files are handled by the District Attorney's office, and how some of St. Paul Island cases are not followed up on by the DA's office.

During the meeting with DOT/PF Commissioner McKinnon, I expressed the importance of the Saint Paul Airport to our community and that we are expecting to go through another Essential Air Service process and would like the DOT/PF to support the community's decision regarding EAS and the air carrier.

On March 21, 2019, I provided testimony to the Senate Finance Committee on behalf of the City regarding SB63 (*see attached testimony*).

### **U.S. Coast Guard**

As you all are aware, the U.S. Coast Guard (USCG) began operating out of the St. Paul Base again this year. From what I was told this was a strategic decision based solely on where the fishing fleet is fishing. Since the crab fleet was fishing mostly in the northern region this year the USCG stationed in St. Paul. It is highly likely that they the USCG will station in St. Paul again this next crab season. Other City staff and I took every opportunity we had to make the USCG feel welcome in our community again. Chief Lamblez and I had an opportunity to briefly meet one of the Captains and Commanders during their short visits to St. Paul. I mentioned to both of them that we are glad to see the USCG back in our community. I also informed them that the navigation aid on the end of the main breakwater was out.

On March 20, 2019, Mark Hickey and I met with Admiral Matthew Bell in Juneau. I let the Admiral know that we were glad to see the USCG operating out of St. Paul again. He stated that the St. Paul base is a Forward Operating Logistics (FOL) base and these bases are not funded in their budget, but that the USCG is committed to being in St. Paul as long as that is where the fishing fleet is. I mentioned to the Admiral that our navigation aid on the end of the main breakwater was out and has been for some time. He was going to check with his staff on that. On April 21, 2019, Admiral Bell informed me that the navigation aid was repaired by the Aids to Navigation unit out of Kodiak.

### **Air Transportation**

#### **Last Penair Flight**

March 1, 2019 was the last Penair Saab 340b flight to SNP.

#### **First Ravn Flight**

March 3, 2019 was the first Ravn Dash 8-100 flight to SNP.

#### **Ravn Notice to Terminate Service**

On March 5, 2019, Ravn filed a Notice of Intent to terminate scheduled air service to St. Paul Island with the US Department of Transportation (USDOT) (*see attached notice*). We expected Ravn to file this notice. This is the process in which Ravn would request a subsidy from the USDOT.

### **Meeting with USDOT**

On March 26, 2019, Marissa Mercurief, Mateo and CJ Zane met Kevin Schlemmer and Mike Gormas USDOT. They thanked them for their very effective involvement last December to ensure air service ahead of the holidays and the government shutdown. The meeting summary is below:

- **Timing:** there is only one person working on this matter, but they expect that the RFP for EAS to St Paul will be out within the next week or two. They noted however that FAA is under no legal obligation to put an Order out for another month or two. Then there is a 90-day notice period which takes us to early June (4<sup>th</sup>). Although Ravn has filed its notice for termination of service, flights to St Paul are covered by a Holding Order, until a proposal is accepted and EAS starts. Ravn will get paid retroactively (in 30-day increments) for the period covered by the Holding Order, even if Ravn is not chosen, but not until the 90-day notice period concludes.
- In terms of subsidization, USDOT did raise questions about the increase in terminal and “turn” charges for Ravn at the airport facilities and stated they were going to look into this. CJ explained that fees had been dropped to below market price in an effort to assist PenAir which was in bankruptcy, and the recent increases are reflective of a return to market prices.
- **Level of Service:** this will depend in part on what the responses/proposal to the RFPs will be and also on the community/St Paul engaging with different air carriers, but the baseline for subsidized EAS is the community’s current air service needs, which is intermediate aircraft 3 times a week, up to 4 times a week during peak seasons. However, if for example ACE wants to provide more service, 2 times a day, 7 days a week, DOT will take a look. DOT may even approve a combination of proposals for example: ACE 7 days a week plus cargo, and Ravn 1 or 2 times per week. The emphasis was that DOT can be very flexible in determining adequate level of service and in the proposals they find acceptable. DOT however, will not subsidize service that is not justified or needed (for example, if Alaska Air put in a bid that provided for a much larger plane but was double the cost of Ravn and its been shown that 3 flights a week by Ravn’s aircraft is all that is needed AT THE MOMENT – St Paul can develop its need for more service in conjunction with getting the runway 139 certified). DOT also stated that a subsidy does not necessarily mean ticket prices will decrease, but in some cases, it does reduce ticket prices but even then, not by much.
- **Community Feedback:** they indicated that they received detailed comments/information about St Paul’s air service needs during last year’s interactions, but that the community is free to weigh in and provide additional comment, and that a new docket for comments is open. DOT said they view the best, most appropriate time for the Community to submit new, revised comments is after the RFP has gone out and proposals received. USDOT strongly recommended that St Paul engage with the different air carriers during the RFP process to submit proposals that are realistic and reflective of potential growth, including moving to larger aircraft as that growth occurs, as well as requirements during peak seasons. USDOT emphasized that it is the carriers that demonstrate/develop the need through their proposals and if St. Paul wants/needs more, then it is up to the community to work with Ravn, or any other

carrier, to submit proposals reflective of St Paul's needs – i.e., if Ravn submits a proposal that states 3 flights a week is all that the market demands, then USDOT will have a difficult time requiring Ravn to do more. But, if the Community works with a carrier or carriers so that the bids are reflective of a shared Community/Carrier vision for what's needed, this can be very effective, keeping costs in mind of course.

Marissa, CJ, and Mark Hickey had a follow-up call to discuss next steps, particularly with regards to ACE, after the USDOT meeting. Below is a summary of the discussion:

- While Kevin and Mike from USDOT said they understood the Community's wishes were solidly against having Aces' 1900s provide the air service, they did say, "If Ace were to propose service 2X per day for 7 days per week, we'd have to take a look at that." It is not clear if they will use DASH 8-100 as an example of intermediate aircraft in the RFP, similar to how they referenced the "SAAB 340" as an example of aircraft type the last time the EAS process was started but ultimately terminated when Pen Air withdrew its notice of cessation of service. We may be able to check back with them on this point.
- The concern then becomes, if Ace offers enough frequency with the 1900s (with no subsidy or less subsidy) to bring the number of seats per week into the same range as Ravn or other carriers may propose using larger aircraft with less frequency, could we end up with a situation where Ace becomes the provider? We advise that the Community cannot rule out this possibility. Kevin and Mike also talked about a scenario where there might be a mix of air carriers and types of aircraft, one where potentially Ravn was providing most or "more" passenger service and ACE was providing the additional service to get to an adequate level between the two.
- The Community may decide to take on the issue of the unacceptability of the 1900s (regardless of frequency) immediately by potentially going to the Alaska Congressional Delegation with a request that they weigh in against such an outcome, perhaps using the McGrath EAS decision as a key argument. The McGrath decision basically determined that Ace's bid was unresponsive as its aircraft (1900s) were too small. If the size of aircraft was relevant for McGrath, it seems a strong case can be made that it would be even more relevant for the more distant and over-water destination of St. Paul.
- The Community may decide to wait and take on any concerns with Ace's bid once the bids are in and it's clear what the Ace proposal is. Concerns over the bid could be strongly expressed to the AK Congressional Delegation and to the USDOT record via official comments from the Community.
- Before deciding whether to engage immediately or to wait, and how soon to engage the AK Congressional Delegation, it may make sense to ascertain if the Community has contacts who might be able to find out with some degree of surety what Ace intends to do. If for instance it can be learned with a high degree of confidence that Ace is not planning to bid 2X per day for 5, 6, or 7 days per week, that would be worth knowing.

### **Meetings with Ravn**

On March 13<sup>th</sup>, I met with Dave Pflieger, Derek Shanks, Missy Roberts and Tina Hanley with Ravn at their headquarters in Anchorage. We discussed the following items:

- Ravn Name – Derek indicated that Ravn was in the process of changing their name to Ravn Air Group.
- Cargo – I asked if Ravn was going to start taking cargo to SNP and that we would like to see a change from ACE to Ravn. Derek indicated that Ravn was not quite ready to take on cargo and they were evaluating it. I suggested that they could use their Beechcraft 1900s and take cargo, mail, and bypass mail to SNP. Len Sloper, Ravn's Head of Airports was evaluating cargo. NOTE: Since this meeting Ravn has been bringing in mail on the rescheduled flight and Ravn Air Cargo service is available.
- Fares – Derek informed me that Penair had not raised fares for 6 years and that fuel and labor costs have gone up. He also stated that the operating fees at the St. Paul Airport, the POSS Camp facilities that TDX leases also increased. Derek stated that the EAS subsidy is not likely to change fares. We also had a discussion regarding refundable and non-refundable fares.
- EAS Filing – I briefly discussed the notice of termination filing by Ravn and the EAS process with Ravn management. This is the process by which Ravn can request a subsidy from USDOT to fly the St. Paul Island route.
- APUN – We had a discussion regarding the current station operator APUN. Ravn will continue to use APUN to operate the St. Paul Station. I encouraged Ravn to provide APUN with customer service training.
- Commitment – President Pflieger stated that Ravn is committed to serving St. Paul Island. I discussed that the community is looking for a partnership where the airline can grow with our community as we increase economic opportunities.

On April 5, 2019, I met with Derek Shanks, Missy Roberts and Tina Hanley with Ravn at their headquarters in Anchorage. We discussed the following items:

- USDOT Order – The USDOT order prohibiting termination of service and requesting proposals just came out prior to me arriving for the meeting. I briefly reviewed the order with Ravn management. Ravn is committed to flying to St. Paul Island and will submit a proposal.
- Other Potential Airlines Proposing EAS – We discussed other airlines that might bid on the EAS for St. Paul Island. ACE and Grant Aviation were discussed. We discussed how many flights per day or week that ACE would have to fly to service St. Paul Island.
- Community Meeting – We discussed having Ravn management come out to St. Paul Island to present to the community their EAS proposal. The Ravn team stated they would get back to me regarding the day and time for such a meeting. I offered to host the meeting at the Rec Hall.

### **USDOT Order**

On April 5, 2019, USDOT issued Order 2019-4-6, an Order Prohibiting Termination of Service and Requesting Proposals (*see attached*). By this order Ravn is prohibited from terminating service to St. Paul Island and the USDOT is requesting proposals from interested carriers in providing service to St. Paul Island. Proposals are due to USDOT by May 6, 2019.

### **Entity Leadership Meeting on EAS**

On April 11, 2019, leadership from the City, CBSFA, Tribal Government, and TDX met to discuss the USDOT Order referenced above, the community visit by Ravn, contacting other carriers regarding EAS proposal submission. Mark Hickey and I also provided the group with brief updates regarding meeting with Ravn and State DOT/PF.

### **Expected Proposals from Carriers**

Based on in person and email correspondence, the following carriers are expected to submit EAS proposals: Ravn Air and Norther Air Cargo.

### **Next steps**

The EAS proposals from the air carriers are due to USDOT by May 6, 2019. USDOT will then post to a docket and seek public comment on the proposals. I have requested that Mark Hickey assist us with preparing a joint entity letter commenting on the proposals.

Ravn management will be on island April 30, 2019 to visit with the community and discuss their EAS proposal. The community meeting will be from 2:00 to 4:00 pm in the Rec Hall and will be aired on KUHB.

### **APEI Board Retreat and Meeting**

On March 14, 2019, I attended the Alaska Public Entity Insurance (APEI) Board Retreat in Anchorage. The purpose of the meeting was to discuss excess capital distribution and member benefits. APEI has historically distributed excess capital through a premium dividends/reduction and also through offering loss control programs. The board brainstormed new ways to encourage loss control activities by its membership and did not make any changes to the current structure.

On March 15, 2019, I attended the APEI Board meeting in Anchorage. The board voted to approve the excess capital distributions to its members. We discussed the anticipated rate changes. For 2019/2020 we are expecting a 16% increase in insurance costs. The board approved changes to the agreement that is signs with each member. The board also approved the employee 401k profit sharing amount. The next meeting will be via teleconference in July this year.

### **Awards/Grants/Donations/Opportunities**

#### **State of Alaska Hazard Mitigation Grant Program (HMGP)**

On April 4, 2019, I met with Javin Swearingen with the State Division of Homeland Security and Emergency Management on JBER to discuss the City's Notice of Intent to apply for the HMGP grant to purchase a new community emergency siren. Javin discussed the process for preparing a full proposal and the possible funding announcements that

could be available for this project. Javin indicated that the recent funding announcement released in response to the November 2018 earthquake was likely to have sufficient funding for our project. Full proposals for the funding announcement are due in October 2019. I am working with Agnew::Beck to help prepare this proposal.

**Economic Development Administration (EDA) - Economic Development Assistance**

On April 5, 2019, Mateo and I met with Shirley Kelly with EDA to discuss potential funding opportunities for extending the City South Dock north to replace the piers with a concrete faced dock. She liked the idea and how it could build upon past City and Tribal Government EDA projects that have been funded. Shirley recommended that we look at the Economic Adjustment grant that is open to submit a proposal to preparing a feasibility study and business plan. I have already started working on this grant proposal with the grant writers from Agnew Beck. We hope to submit this grant proposal by May 10, 2019.

**State of Alaska Community Transportation Program**

I am working with Mike Dahl to prepare and submit a grant proposal to the State of Alaska Community Transportation Program to request funding to construct new access road to the Saint Paul Harbor. New road would be dedicated public road within the Harbor Subdivision right-of-way to replace existing unimproved roadway that is predominately on private property and runs around and between existing buildings. The project will include drainage features to reduce local flooding in the area and provides additional sight distance and intersection signage to improve public safety. This grant proposal is due May 15, 2019.

**Information Technology (IT)**

**Managed IT Services**

In February LMJ Consulting completed the migration to Office 365. There were a few expected issues in this process, but they have been resolved.

LMJ Consulting technicians will be on St. Paul Island April 25 – May 5 to upgrade City's Servers, Firewall; Switches, and upgrade staff desktops and monitors.

**USACOE Cost Share**

On March 22, the Department of the Army/US Corps of Engineers (USACE) issued a memo providing implementation guidance for Section 1402(a) of the Water Resources Development Act which applies to the cost-sharing on the Saint Paul Harbor Improvements Project. The guidance basically restores the 89.8%-10.2% federal/local cost-share established in the 2003 Appropriations Act. In practical terms this would erase the \$5.2 million the USACE alleged the City owed upon completion of the Saint Paul Harbor Improvements Project, and the \$5.3 million equivalent to 10% of the General Navigation Features that the USACE alleged the City owed to be paid over a period of 30 years. It also means that the City will recoup the \$127,000 that were collected by the Department of Treasury in 2018.

On February 6, 2019, the City submitted comments regarding USACOE implementation guidance for WRDA (*see attached*).



On February 6, 2019, Senators Murkowski and Sullivan and Representative Young sent a letter on behalf of St. Paul Island to the USACOE regarding the implementation guidance for WRDA (*see attached*).

On April 11, 2019, I received an email from Bruce Sexauer with Alaska District USACOE regarding a preliminary version of the Project Cooperation Agreement (PCA) amendment for review (*see attached*). Mateo and I reviewed the PCA amendment and provided some comments to the USACOE.

Concerning next steps, the USACE and the City are in the process of amending the 1998 Project Cooperation Agreement to reflect the language in the 2018 WRDA. The USACE will then produce a Final Accounting of amounts owed on the Harbor Improvements Project (if any) and the Small Boat Harbor.

### **City Code of Ordinances**

#### **Harbor Ordinance**

Becky with Ashburn & Mason, and I reviewed the current Harbor ordinance last year. Becky is currently working on the revision that we discussed. Some of the revision will include updates to process, rules, and a section on restricted access to the breakwater. Due to Ashburn & Mason's and my busy schedule, I expect to have this ordinance ready for first reading at a meeting in early fall this year.

#### **Guide Permit Ordinance**

Based on some discussion with State Division of Community and Regional Affairs (DRCA) regarding a guide permit ordinance, it made more sense to revise our sales tax ordinance to include language on taxing guide services.

#### **Sales Tax Ordinance**

DCRA sent me example sales tax ordinances that included language regarding guide services. After review of sample ordinances, I sent our current ordinance and the sample sales tax ordinances to Becky with Ashburn & Mason to elicit her assistance with revising the City's sales tax ordinance.

On March 13, 2019, Becky and I met to review our ordinance the sample ordinances and discussed potential changes to include online sales and guide and other services in a revised sales tax ordinance. Becky and I met a second time on April 3, 2019 regarding the sales tax ordinance. After initial review she stated that our current sales tax ordinance is not very streamlined and recommended two possible options. One, a band aide approach where we only change a bit of the wording or two, a complete revision of the ordinance to make it more efficient and easier to read and review some of the procedures in the ordinance that we do not use. After some discussion, we thought the best approach would be to revise the entire ordinance. Becky assigned the task to her assistant and Nadia and I have been working with her assistant on some revised language and processes. I expect to have this ordinance ready for first reading at a meeting in early fall this year.

### **Investment Ordinance**

City administration has received a draft version of the revise Investment Ordinance from Altman Rogers. Stephanie and I have reviewed the changes to the ordinance and spoke with Altman Rogers regarding the proposed changes.

### **FINANCE**

#### **Insurance Renewal**

Nadia and I have been working on the City's insurance renewal package for 2019/2020. The package was due April 15<sup>th</sup> and sent to our insurance broker, Alliant Insurance Services on April 12, 2019.

### **HARBOR**

On February 9, 2019 at approximately 9:00 am, Harbor Officer Victor Clarey arrived at the office observed the damage that occurred to the Harbor Office and reported it to our Department of Public Safety dispatch.

At approximately 10:30 am, City Manager Phillip Zavadil, Public Works Director Edward Paulus and Police Officer Shane Auginaush arrived at the Harbor Office to assess and inspect the damage. It was very apparent that something pushed in a portion of the exterior wall on the west side of the building (*see photos below*).



The team then entered the building to assess that interior damage. There was evidence of water flooding the office through the damaged wall as there were debris and dirt/mud throughout the building interior (*see photos below*).



Furniture, bookshelves, appliance were scattered about in the building (*see photos below*).



After further inspection the team noticed two exposed wall studs were pushed about 3/4" to 1" in from the sill plate (*see photo below*).



There is evidence that more of the wall is pushed in on both sides of the damaged area, which is indicated by the cracks in the sheetrock in the bathroom (*see photos*).





Additionally, the north interior door of bathroom is racked to where the bottom of the door hits jamb while the top has a large gap. Areas along the west wall siding show depressions as if it is pushing in as well (*see photos below*).



The asphalt shingles were pretty much nonexistent on the west portion of the roof leaving the ice and water underlayment exposed (*see photos below*).



The following contents in the building were damaged by water:

- 1 Bunn Coffee Maker
- 2 APC Pro 1000 back-up batteries
- 1 Kenwood Radio
- 1 Samsung ML-2250 Laser Printer
- 1 Sharp Microwave
- 1 Avanti mini fridge
- 1 Dell Optiplex 380 computer
- 1 Cannon MF216n copy/fax machine
- 1 Dell Dimension E510 computer
- 2 Dell Keyboards
- 1 Dell E2210Hc computer monitor
- 1 Dell E171FP computer monitor

Additionally, the Voice over IP phone is not working. We will have to wait for the ACS tech to arrive to investigate why it is not working.

On February 15, 2019, I submitted a Property Loss Report to APEI. APEI responded and started a claim. On February 18, 2019, Nadia and I had a call with APEI to discuss the claim. On February 20, 2019, we received an email from APEI stating that the City does not have earthquake and flood insurance and that the claim would not be covered due to the fact that it was a wave that caused the damage to the Harbor Office. After further discussion with APEI and our insurance broker, it appears that the City has never had earthquake and flood insurance. We will be obtaining a quote for earthquake and flood insurance for the 2019/2020 renewal period.

Public Works completed temporary repairs, which included assisting with debris removal, reattaching the wall section that was pushed in, adding an additional piece of plywood on the exterior of the building at the section that was damaged, and place large concrete blocks in front of the west side of the building (*see attached photo*).





# CITY OF SAINT PAUL

## ALASKA

March 14, 2019

Governor Michael J. Dunleavy  
Office of the Governor  
PO Box 110001  
Juneau, Alaska 99811-0001

Dear Governor Dunleavy:

Allow me to introduce myself and the unique community I have the honor of representing. My name is Jacob Mercurief. I am lifelong resident of Saint Paul Island. I am also a fisherman and subsistence hunter. The City of Saint Paul is a community of approximately 388 residents, who like me are mostly Unangax (Aleut), and a seasonal population of 500.

### Background:

Historically, Saint Paul Island's economy was dependent on the commercial fur seal harvest, a highly profitable operation which the federal government inherited and managed when the United States purchased Alaska from the Russian Empire in 1867. The Saint Paul Island Aleuts were essentially brought as slaves by Russian colonizers from the Aleutian Chain to harvest fur seal pelts. Our conditions did not change significantly under U.S. rule, until 1983 when the U.S. Congress mandated the development of a "stable, diversified, and enduring fisheries-based economy" on Saint Paul Island not dependent on commercial fur sealing. I lived through this transition period from fur sealing to fishing as a young man.

To this effect, close to \$150 million was invested on Saint Paul Island by the U.S. and State of Alaska governments over the course of three decades to build the infrastructure (breakwater, harbor and small boat harbor, airport, landfills, fuel farm, power plant, water tanks, outfall and sewer) necessary to develop a fisheries-based economy. In addition to securing appropriations for these investments, our very effective Alaska congressional delegation helped enact legislation such as the Pribilof Island Transition Act of 2000, the Crab Rationalization Program of 2004, and the amended CDQ Program of 2006 to create a favorable legal regime. Although, Saint Paul Island was a late entrant into the Bering Sea's commercial fisheries, this multiyear effort succeeded as Saint Paul Island, thanks to its privileged location, became one of the most important crab delivery and processing harbors in Alaska's commercial crab fisheries. During the 1990's Trident Seafoods, Unisea, and Icicle Seafoods invested on Saint Paul Island locating shoreside processing facilities within the Saint Paul Harbor to tap into the crab resource.

In addition, Saint Paul Island residents successfully transformed themselves from harvesters of fur seal pelts into small boat halibut fishermen, myself included. The completion of the Small Boat Harbor in 2010 and more recently the Vessel Repair Shop were important milestones in the consolidation of our local fishery which employs between 15-18 vessel owners and their crews, a total of 80-100 persons during the summer months.

Although crab processing activity decreased dramatically after the collapse of the crab stocks in 2000, Trident Seafoods maintains a plant on Saint Paul Island that is critical to our community. The activity surrounding the Trident Plant and its workers drives the economy of Saint Paul Island and generates most of Saint Paul Island's tax revenues, including the fisheries taxes that are shared with the State of Alaska. The halibut harvested by local fishermen is also processed at the Trident Plant.

#### Impacts of Ending the Fisheries Taxes Revenue Sharing and the Proposed FY20 Budget:

Ending the revenue sharing derived from the collection of raw fish taxes (fisheries landing and business taxes), as is being proposed, would significantly impair the City's ability to maintain local infrastructure, including the harbor facilities needed by the fishing industry, and to provide services to both residents and businesses that operate on Saint Paul Island, such as the Trident Plant -- undermining over three decades of to date successful policies by the U.S. Congress, the federal government, and the State of Alaska.

While the City appreciates the State's commitment to sustainable spending, I would like to draw attention to the impact the proposed FY20 budget would have on Saint Paul Island. In CY17, local tax revenue made up approximately 50% of its total budget and state contributions covered about 30%, therefore any cuts to these revenues would dramatically impact the City's economic well-being and survival. The City currently employs 35 residents who fulfill the obligations of a local government, which include public safety and public works functions and services. The City also owns and operates several public utilities, which include electric, water, wastewater, refuse and fuel utilities and services. The City's ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, along with local tax revenues contributed by the community.

Based on the proposed FY20 budget, the City has highlighted below some of the impacts that the State's proposals would have on Saint Paul Island's residents.

- In CY17 the City's Community Assistance funding was \$82,480.69 and is 3.25% of its budget. This funding went to provide public safety services on Saint Paul.
- In CY17 Saint Paul residents depended on \$249,681.02 in PCE funding to afford high energy costs.
- In CY17 the City's share of the Shared Fisheries Business Tax was \$892,296 and its share of the Fish Landing Tax was \$9,833.
- The anticipated cuts to the Pribilof School District for FY20 would be \$313,554. The Pribilof School District budget is approximately \$1.6 million per year. The Pribilof School District is now a combined district, since neighboring St. George closed its school because it lacked the minimum 10 students. The proposed cut in education



funding would cut approximately 16% from its total budget, which would significantly impact the school, its operations and ability to provide quality education.

While PCE and Community Assistance remain funded for at least FY 20, the City is concerned for their long-term viability. The combined reductions and cost-shifting will mean that the City anticipates:

- Potential staff reductions of 3 to 4 full time positions with a reduced work week from 40 hours per week to 35 hour per week.
- Public Safety budget reduced by 7%.
- Public Works budget reduced by 19%.
- Travel and training budgets reduced by 90%.
- General fund capital improvement budget reduced by 100%.
- Local sales tax increases by 90 to 95% to offset these decisions.
- An increase in utility (electric, water, sewer, and refuse) rates to cover the administrative costs for operation of these utilities.

As I understand it, the proposed FY20 budget does not include any capital improvement project funding, which is critical and essential to maintaining quality public safety and public works services, safe drinking water, sewer and refuse systems in our community. The proposed cuts would translate to direct and indirect impacts on our residents, local businesses, the tourism industry, and the fishing industry, as well as the federal and state agencies that operate on Saint Paul Island.

I look forward to working with you and your administration to develop a budget that is sustainable while recognizing the contributions and realities of communities such as Saint Paul Island to our great state.

Sincerely,



Jacob Mercurief  
Mayor, City of St. Paul Island, Alaska

Cc. Senator Lyman Hoffman  
Representative Bryce Edgmon  
Senator Bert Stedman  
Senator Natasha von Imhof  
Representative Neal Foster  
Representative Tammie Wilson  
Senator Lisa Murkowski  
Senator Dan Sullivan  
Representative Don Young  
Saint Paul City Council  
Amos Philemonoff, President, Aleut Community of St. Paul Island  
Phillip Lestenkof, President, Central Bering Sea Fishermen's Association  
Brett Agenbroad, Superintendent, Pribilof School District



CITY OF  
**Saint Paul**  
ALASKA

**Municipal Impact Statement**  
**City of Saint Paul**



We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska.

The City of Saint Paul (City) is responsible for municipal governance in this community of 388 full time residents with a seasonal population of 500. We currently have 35 employees who fulfill the obligations of a local government, which include public safety and public works functions and services. The City also owns and operates several public utilities, which include electric, water, wastewater, refuse and fuel utilities and services. Our ability to do so is limited by statute, public interest and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base and consumer rates.

In CY17, our total tax revenue (local sales and shared State) was 80.27% of our total budget, and any impact from State decision-making on local economies further weakens our sustainability.

Based on the proposed FY20 budget, we have highlighted below some of the impacts that your decisions will have on our residents.

- In CY17 our Community Assistance funding was \$82,480.69 and is 3.25% of our budget. This funding went to provide public safety services in our community.
- In CY17 our residents depended on \$249,681.02 in PCE funding to afford high energy costs.
- In CY17 our share of the Shared Fisheries Business Tax is \$892,296 and our share of the Fish Landing Tax is \$9,833.
- The anticipated cuts the Pribilof School District for FY20 are \$313,554.

While PCE and Community Assistance remain funded at least for FY20, we are concerned for their long-term viability.

We are also troubled by the governor's directive to look into ways to reduce the number of public airports owned by the state. The Saint Paul Airport is literally the community's lifeline to the rest of Alaska and the world.

Lastly, we are extremely disappointed that for the past three years there has been no funding available to St. Paul Island for capital improvement projects submitted through the CAPSIS system. Last fiscal year the City requested approximately \$3.5 million for relocation of our Harbor Road and construction of a new harbor office. Both these projects are critical to serve our fishing industry. Given the proposed FY20 budget it appears our CAPSIS request for FY20 of approximately \$5.2 million for the previous projects, sewer lift station upgrades, and an emergency generator for City Hall will go unfunded for another year.

The combined reductions and cost-shifting will mean that the City of Saint Paul anticipates:

- Potential staff reductions of 3 to 4 full time positions with a reduced work week from 40 hours per week to 35 hour per week.
- Public Safety budget reduced by 7 to 11%.
- Public Works budget reduced by 18 to 22%.
- Travel and training budgets reduced by 90 to 100%.
- General fund capital improvement budget reduced by 100%.
- Local sales tax would need to increase by 90 to 95% to offset these decisions.
- An increase in utility (electric, water, sewer, and refuse) rates to cover the administrative costs for operation of these utilities.

Since the phase-out of the commercial fur seal harvest in 1983, and in recognition of its unique history, State and Federal investments and policies towards St. Paul Island have been designed to develop a self-sustainable economy that is dependent on the surrounding commercial fisheries. To this effect over \$100 million in State, Federal, and local funds were invested in harbor infrastructure alone, making St. Paul Island one of the most important fishing industry ports in the Bering Sea. Legislation from the CDQ Program, to the Crab Rationalization Program, to the Pribilof Island Transition Act, to numerous infrastructure appropriations have provided a legal and economic regime that has enabled this success and attracted private sector investment. The proposed budget and cuts in fish tax revenue-sharing, would starve St. Paul of a continued return on these investments, depriving St. Paul Island of the resources necessary to maintain local infrastructure, and undermining four decades of to date successful policies.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to residents of Alaska. The proposed FY20 budget does not include any capital improvement project funding, which is critical and essential to maintaining quality public safety and public works services, safe drinking water, sewer and refuse systems in our community. The proposed cuts would have a negative impact on our community that would translate to direct and indirect impacts on our residents, local businesses, tourism industry, fishing industry, Federal and State agencies that operate in St. Paul. The City of Saint Paul will work to mitigate the damage from these actions, including to work with legislative leaders to develop solutions that reflect the public interest.

## **Testimony by Phillip Zavadil, City Manager for City of Saint Paul on SB63**

for the record I am Phillip Zavadil. I am the City Manager for City of Saint Paul. Good afternoon members of the committee.

The State shared fisheries business tax and fishery resource landing tax make up 1/3 of the City of Saint Paul's total general fund operating budget. These funds go directly to provide public safety and public works services to our residents, our industries (such as fishing and tourism), and the State and Federal agencies that operate on the island.

35 years ago, the State under Governor Sheffield and Hammon administrations made a commitment along with the Federal government to support projects that would provide for the long-term economic stability of the Pribilof Islands; transitioning the communities of St. Paul and St. George Islands from an economy based on the harvest of fur seals to a fisheries based economy. One of these projects included the development of harbors. The State and the City invested tens of millions of dollars in the development of the St. Paul Harbor in order to create a stable fisheries-based economy.

SB63 proposes repeal of revenue sharing to local governments of the state fisheries business taxes and the fishery resource landing tax. Repealing this shared resource means the State will no longer support it's 35-year commitment to the communities of the Pribilof Islands and the Aleut people, as well as, threatening the long-term sustainability of the significant investments the State made into the harbor.

More importantly it impairs the City's ability to pay back the loans St Paul Island had to take to pay for its share of the harbor and other local infrastructure. Over \$100 million were invested in federal, state and local funds, in harbor infrastructure alone. Thanks to this harbor, St Paul Island remains one of top generators statewide of fisheries business taxes. However, St Paul Island is one of the more highly indebted communities on a per capita basis in Alaska. The State's proposed action would essentially nullify the returns on our local investment which has paid off so well for the State since the transition from fur sealing to fisheries as can be seen by State reports on fisheries tax revenues. It would condemn us to permanent indebtedness and potentially bankruptcy.

Is Alaska really "open for business" if it means that local governments do less with less, especially if it threatens the long-term economic sustainability of our community and the services we provide to our residents, industries and government agencies?

The City of Saint Paul does not support SB63.

Thank you for your time.

**BEFORE THE  
U.S. DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.**

Essential Air Service at:	)	
	)	
ST. PAUL ISLAND, ALASKA	)	DOT-OST-2017-0110
	)	
Under 49 U.S.C. § 41731 <i>et seq.</i>	)	

**NOTICE OF INTENT OF CORVUS AIRLINES, INC.  
TO TERMINATE SCHEDULED AIR SERVICE**

Communications with respect to this document should be sent to:

David H. Pflieger, Jr.  
President & CEO  
Ravn Air Group, Inc.  
4700 Old International Airport Road  
Anchorage, AK 99502  
(907) 866-2448  
[dave.pflieger@flyravn.com](mailto:dave.pflieger@flyravn.com)

Jonathon H. Foglia  
Barbara M. Marrin  
KMA Zuckert LLC  
888 17<sup>th</sup> Street, NW, Suite 700  
Washington, D.C. 20006  
(202) 298-8660  
[jfoggia@kmazuckert.com](mailto:jfoggia@kmazuckert.com)  
[bmarrin@kmazuckert.com](mailto:bmarrin@kmazuckert.com)

Counsel to Ravn Air Group, Inc.

March 5, 2019

**BEFORE THE  
U.S. DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.**

<u>Essential Air Service at:</u>	)	
	)	
ST. PAUL ISLAND, ALASKA	)	DOT-OST-2017-0110
	)	
<u>Under 49 U.S.C. § 41731 <i>et seq.</i></u>	)	

**NOTICE OF INTENT OF CORVUS AIRLINES, INC.  
TO TERMINATE SCHEDULED AIR SERVICE**

Corvus Airlines, Inc. d/b/a Ravn Alaska (“**Ravn Alaska**”), pursuant to Part 323 of the Department’s regulations, hereby provides notice of its intention to discontinue unsubsidized scheduled air service between Anchorage, Alaska (“**ANC**”) and St. Paul Island, Alaska (“**SNP**”), effective June 3, 2019.

As more fully described herein, Ravn Alaska is willing to continue providing essential air service (“**EAS**”) at SNP if granted adequate subsidy under the Department’s EAS program. In support of this Notice, Ravn Alaska states as follows:

1. Ravn Alaska holds a certificate of public convenience and necessity to engage in interstate air transportation of persons, property and mail, as last re-issued by Order 2014-7-15 (served Jul. 22, 2014).
2. On March 3, 2019, Ravn Alaska replaced its affiliated carrier, Peninsula Aviation Services, Inc. (“**PenAir**”) <sup>1</sup> as the operator of the services which are the subject of this Notice. Prior to that date, PenAir served SNP with a single Saab 340 aircraft, on a subsidy-free basis.

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<sup>1</sup> Both PenAir and Ravn Alaska are wholly-owned direct subsidiaries of HOTH, Inc. and indirect subsidiaries of Ravn Air Group. Inc. This ownership structure is described in more detail in Order 2018-12-9 (served Dec. 12, 2018).

3. Ravn Alaska replaced PenAir at SNP due to PenAir's inability to continue serving SNP following the exit of the Saab 340 aircraft from its fleet (the only PenAir aircraft capable of serving SNP) and the lack of any qualified PenAir Saab 340 pilots thereafter.<sup>2</sup>

4. Ravn Alaska's replacement of PenAir at SNP has ensured, in the immediate term, continuity of scheduled air services for the community, whose residents and businesses depend on such service for medical appointments and family visits, and whose economy requires such service in support of crucial local economic activity and commerce.

5. Ravn Alaska intends to continue operating, without subsidy, the flights which are the subject of this Notice for a minimum of 90 days from the date of this Notice. However, based on the historic financial performance of PenAir-operated flights at SNP, increased pilot, mechanic and other costs as well as Ravn Alaska's projected operational costs associated with its new, extended overwater operations,<sup>3</sup> Ravn Alaska will not be able to serve SNP on an indefinite basis (*i.e.*, beyond such initial 90-day period) and in an economically viable manner, unless it is granted adequate subsidy under the EAS program. The cost prohibitive nature of providing longer term service on a subsidy-free basis also is driven by significantly higher local airport terminal operating expenses at SNP. Thus, the public interest warrants the prompt establishment of a carrier selection

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<sup>2</sup> As recounted in greater detail in Order 2018-4-5 (served Apr. 10, 2018), Peninsula Airways, Inc. ("Old PenAir"), a carrier under different ownership than, and the transferor of certain assets pursuant to a bankruptcy auction to, PenAir, notified the Department of its intent to terminate unsubsidized air service at SNP on August 14, 2017, prompting the Department to solicit proposals from carriers interested in providing essential air services at SNP. After the filing of competing carrier proposals, Old PenAir on October 26, 2017 withdrew its August 14 notice. By Order 2018-4-5, the Department terminated the carrier selection case based on Old PenAir's then-continued operation of subsidy-free service at SNP. Following the closing of the asset transaction on December 21, 2018, PenAir continued operating these services to ensure the community continued receiving essential air service, despite uncertainty around the long term availability of the Saab 340 aircraft and crew availability.

<sup>3</sup> The commencement of Ravn Alaska's service replacing those of PenAir were contingent upon completion of extended overwater operations certification for Ravn Alaska's Dash 8 aircraft, including completion of a simulated ditching as required under FAR 121.921(d). Such certification was obtained on February 28, 2019.

Corvus Airlines, Inc. d/b/a Ravn Alaska  
Notice of Intent to Terminate Scheduled Air Service  
Docket DOT-OST-2017-0110

proceeding, so that Ravn Alaska and any other interested carrier(s) may submit their service proposals for consideration by the Department and the St. Paul Island community.

6. The schedule for the Ravn Alaska-operated flights which are the subject of this Notice is as follows:

<b>Ravn Alaska Schedule</b>								
<u>Flt #</u>	<u>Origin</u>	<u>Dep</u>	<u>Destination</u>	<u>Arrival</u>	<u>Equip.</u>	<u>Seats</u>	<u>Frequency</u>	<u>Notes</u>
7H 970	ANC	11:40	SNP	15:30	DH8	25	Tue/Thurs/Sun	Stop at Bethel, AK
7H 971	SNP	16:20	ANC	19:20	DH8	25	Tue/Thurs/Sun	Nonstop

7. Ravn Alaska operates its flights at SNP with De Havilland/Bombardier Dash 8 equipment (configured with 25 seats).

8. At present, SNP does not receive scheduled air service from any other certificated air carrier. Thus, upon the discontinuation of the Ravn Alaska-operated flights which are the subject of this Notice, air service at SNP will fall below the minimum determined EAS level set by Order 80-1-167 (served Jan. 25, 1980).<sup>4</sup>

9. Any objections to this Notice must be filed within twenty (20) calendar days from the date of this filing, in accordance with 14 C.F.R. §§ 323.9 and 323.10. PenAir will make all required notifications as outlined in 14 C.F.R. § 323.7.

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<sup>4</sup> As noted above, Ravn Alaska wishes to continue serving SNP on a longer term basis if granted adequate subsidy. However, the EAS Statute and Department regulations require that this Notice be provided in order to initiate the solicitation process for carrier proposals to provide EAS with such subsidy.



Corvus Airlines, Inc. d/b/a Ravn Alaska  
Notice of Intent to Terminate Scheduled Air Service  
Docket DOT-OST-2017-0110

Respectfully submitted,



Jonathon H. Foglia  
Barbara M. Marrin  
KMA Zuckert LLC  
888 17<sup>th</sup> Street, NW, Suite 700  
Washington, D.C. 20006  
(202) 298-8660  
[jfoglia@kmazuckert.com](mailto:jfoglia@kmazuckert.com)  
[bmarrin@kmazuckert.com](mailto:bmarrin@kmazuckert.com)

Counsel to Ravn Air Group, Inc.

Dated: March 5, 2019

CERTIFICATE OF SERVICE

On this 5th day of March 2019, a copy of the foregoing Notice was served by electronic mail on the following:

DOT:

[kevin.schlemmer@dot.gov](mailto:kevin.schlemmer@dot.gov)  
[michael.gormas@dot.gov](mailto:michael.gormas@dot.gov)  
[michael.f.martin@dot.gov](mailto:michael.f.martin@dot.gov)

St. Paul Island Community:

[jacob@stpaulak.com](mailto:jacob@stpaulak.com)  
[pazavadil@stpaulak.com](mailto:pazavadil@stpaulak.com)  
[mjmerculieff@aleut.com](mailto:mjmerculieff@aleut.com)

State of Alaska:

[dot.commissioner@alaska.gov](mailto:dot.commissioner@alaska.gov)



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Barbara M. Marrin



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 5th<sup>th</sup> of April, 2019

Essential Air Service at

**ST. PAUL ISLAND, ALASKA**

under 49 U.S.C. § 41731 *et seq.*

**DOCKET DOT-OST-2019-0038**

**ORDER PROHIBITING TERMINATION OF SERVICE  
AND REQUESTING PROPOSALS**

**Summary**

By this Order, the U.S. Department of Transportation (the Department) is (1) prohibiting Corvus Airlines d/b/a Ravn Alaska (Ravn) from terminating service at St. Paul Island, Alaska; and (2) requesting proposals, with or without subsidy, from carriers interested in providing replacement service. Proposals are due by May 6, 2019.

**Background**

As explained in Order 2018-4-5 (April 10, 2018), the Department relied on Peninsula Airways d/b/a PenAir (PenAir) to provide Essential Air Service (EAS) at St. Paul Island on an unsubsidized basis. At St. Paul Island, PenAir was providing up to four weekly round trips to Ted Stevens Anchorage International Airport (Anchorage) using 30-seat Saab 340 aircraft.

In December 2018, PenAir became a subsidiary of Ravn Air Group and eliminated the Saab 340 aircraft from its fleet. Due to this fleet change, PenAir was not able to continue serving St. Paul Island. On March 3, 2019, another subsidiary of Ravn Air Group – Corvus Airlines d/b/a Ravn Alaska – replaced PenAir as the operating carrier at St. Paul Island. Ravn began serving St. Paul Island with three weekly round trips from St. Paul Island to Anchorage.

**Notice**

Two days after Ravn replaced PenAir, on March 5, 2019, Ravn submitted to the Department a notice of intent to terminate service at St. Paul Island in 90 days, or on June 3, 2019. Title 49 U.S.C. § 41734 prohibits the carrier from suspending service before 90 days at EAS-eligible places where a carrier provides the only scheduled air transportation.

In its notice, Ravn states that, “based on the historic [sic] financial performance of PenAir-operated flights at [St. Paul Island], increased pilot, mechanic and other costs as well as [Ravn’s] projected operational costs with its new extended overwater operations, [Ravn] will not be able to serve [St. Paul Island] on an indefinite basis...unless it is granted adequate subsidy.” Further, Ravn states that its inability to provide subsidy-free service is “driven by significantly higher local airport terminal operating expenses” at St. Paul Island Airport.

Ravn states that it currently operates three weekly round trip flights from Anchorage to St. Paul Island, with a technical stop at Bethel, Alaska (westbound only), using De Havilland/Bombardier Dash 8 equipment, configured for 25 passenger seats.

St. Paul Island’s EAS determination, from Order 80-1-167 (January 25, 1980), provides that its passenger service should be served with large aircraft (seating 60 seats or more). However, due to current airline fleet availability, and lack of certification of St. Paul Island Airport for large aircraft, the community’s EAS has been met, on an unsubsidized basis, with intermediate-sized aircraft, such as the Saab 340 and the Dash-8.

In the notice, Ravn states that St. Paul Island “does not receive scheduled air service from any other certificated air carrier.” However, this statement is not correct. Grant Aviation, Inc., a U.S. certificated air carrier,<sup>1</sup> provides three weekly round trips from St. Paul Island to Unalaska (Dutch Harbor) via St. George, Alaska, using small aircraft.<sup>2</sup> Additionally, Alaska Central Express, Inc. d/b/a Ace Air Cargo, also a U.S. certificated air carrier,<sup>3</sup> provides all-cargo service on three weekly round trips from Anchorage to St. Paul Island (via St. George) using small aircraft.<sup>4</sup>

### **Eligibility**

St. Paul Island is eligible for subsidized EAS should the Department determine that EAS will not be provided without subsidy. The FAA Modernization and Reform Act (Pub. L. No. 112-095, enacted on February 14, 2012, contained new limits on eligibility of certain communities to receive subsidized EAS. However, Alaska and Hawaii were exempt from those limits. Thus, communities that were included on the original list of EAS-eligible communities on October 24, 1978, continue to remain eligible, including St. Paul Island.

### **Hold In**

Ravn’s termination of service could potentially leave St. Paul Island without its historical or near-historical levels of service, including passenger seats and aircraft size. Therefore, the Department is prohibiting Ravn from terminating such service at the end of its proposed 90-day notice period (June 3, 2019) and requires it to maintain service at the community as set forth in Appendix D, for an initial 30-day period through July 4, 2019. Additionally, the Department is requesting proposals for service after July 4, 2019, with or without subsidy.

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<sup>1</sup> Order 98-7-6.

<sup>2</sup> The St. George-Unalaska leg is subsidized by the EAS program.

<sup>3</sup> Order 2011-9-14.

<sup>4</sup> <https://www.aceaircargo.com/schedules/freight/>

## **Request for Proposals**

The Department is seeking proposals, with or without subsidy, from carriers interested in providing replacement service at St. Paul Island. Air carriers should file their proposals no later than May 6, 2019. Staff will then docket the proposals, thereby making them public. Shortly afterwards, the Department will provide a summary of the proposals to the communities and civic officials, asking them for their formal comments. The Department will give full consideration to all proposals filed in a timely manner.<sup>5</sup>

Interested carriers should prepare their proposals with every expectation that their initial proposals will represent their *final* and *only* proposals. However, we retain the discretion to negotiate proposals with carriers when we deem it desirable; in such cases, we will give all applicants the same opportunity. We also retain the discretion to reject outright all unreasonable or unrealistic proposals and resolicit a new round of proposals. Negotiation or rejection are only occasional exceptions to the rule.

The Department is here providing interested carriers with basic information to serve as guidance when they prepare their proposals, but we will not prescribe a precise format for their proposals. The Department expects proposals to adequately describe the service being proposed and the annual amount of subsidy being requested, if any. The applicants can make their own judgments as to the level of detail they wish to present; however, they may want to include proposed schedules as well as supporting data for any subsidy requests, such as projected block hours, revenues, and expenses. We strongly encourage clear, well-documented proposals that will facilitate their evaluation by the community and the Department. We expect carriers to include realistic proposed start-up dates, and we may consider this timetable along with the statutory carrier-selection criteria.<sup>6</sup>

Regarding specific levels at St. Paul Island, the Department expects proposals for up to three weekly round trips on intermediate-sized aircraft, providing sufficient capacity to accommodate traffic and mail/cargo to a suitable hub airport. Typically, in Alaska, mail and freight flows are asymmetrical, with up to 90 percent of total mail and freight flowing outbound from the hub to the EAS communities. The Department will evaluate all proposals, either with or without subsidy, in the context of the unsubsidized service St. Paul Island currently receives, when deciding on a carrier selection, including the number of weekly frequencies and aircraft size.

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<sup>5</sup> Carriers should not expect the Department to accept late filings, especially given the emergency nature of this case. In cases where a carrier proposes to provide EAS without subsidy, and we determine that service can be reliably provided without such compensation, we do not proceed with the carrier-selection case. Instead, we typically rely on that carrier's subsidy-free service as proposed.

<sup>6</sup> In selecting a carrier to provide subsidized EAS for an eligible place not in Alaska, 49 U.S.C. § 41733(c)(1) directs us to consider five factors: (a) service reliability; (b) contractual and marketing arrangements with a larger carrier at the hub; (c) interline arrangements with a larger carrier at the hub; (d) community views, giving substantial weight to the views of the elected officials representing the users; and (e) whether the carrier has included a plan in its proposal to market its service to the community. In addition, the Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, as continued by the Continuing Appropriations Act, 2019, Pub. L. No. 115-245, and the Further Additional Continuing Appropriations Act, 2019, Pub. L. No. 116-5, provides that, when selecting a carrier to provide EAS, the Department may consider the relative subsidy requirements, thus codifying a factor that we have considered since the inception of the program.

Carriers are also welcome to propose more than one service option, if they envision other, potentially more attractive service possibilities with subsidy requirements that remain competitive. As always, we will solicit community and state views on such options before making a long-term carrier-selection decision.

### **Traffic**

To help carriers make traffic and revenue projections, historical traffic data are included in Appendix B.

### **Other Carrier Requirements**

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.<sup>7</sup> Consequently, all carriers receiving Federal subsidy for EAS must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. Because the Department is prohibited from paying subsidy to carriers that do not submit these documents, all carriers that plan to submit proposals involving subsidy should be aware that the selected carrier will be expected to complete the required certifications. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-5903.<sup>8</sup>

### **Community and State Comments**

The community and State of Alaska are welcome to submit comments on the proposals at any time. As noted earlier, shortly after proposals are submitted, we will provide a summary of the proposals to the civic parties and ask them to promptly submit their final comments.

This Order is issued under authority delegated in 49 CFR 1.25a(b)(6)(ii)(D).

### **ACCORDINGLY,**

1. The Department prohibits Corvus Airlines d/b/a Ravn Alaska from suspending service at St. Paul Island, Alaska, at the end of the 90-day period, and requires it to maintain service at the community as set forth in Appendix D, for an initial 30-day period through July 4, 2019, or until a carrier capable of providing reliable EAS actually begins service at the community, whichever is first;

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<sup>7</sup> The regulations applicable to these areas are: (1) 49 CFR Part 20 -- New restrictions on lobbying; (2) 49 CFR Part 21 -- Nondiscrimination in federally-assisted programs of the Department of Transportation -- Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 -- Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 - Nondiscrimination on the basis of disability in air travel; and (3) 49 CFR Part 29 -- Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

<sup>8</sup> The certifications are also available on the web at <https://www.transportation.gov/policy/aviation-policy/small-community-rural-air-service/essential-air-service>.

2. The Department requests that carriers interested in providing Essential Air Service at St. Paul Island, Alaska, submit their proposals, with subsidy requests if necessary, no later than May 6, 2019. The proposals should be sent to [EAS@dot.gov](mailto:EAS@dot.gov) and [michael.gormas@dot.gov](mailto:michael.gormas@dot.gov) with the title "Proposal to Provide Essential Air Service at St. Paul Island, Alaska;"<sup>9</sup>
3. This docket will remain open until further order of the Department; and
4. The Department will serve copies of this order on the civic officials of St. Paul Island, Alaska, the Aleut Community of St. Paul Island, the State of Alaska Department of Transportation & Public Facilities, Corvus Airlines d/b/a Ravn Alaska, and the courtesy distribution list for EAS requests for proposals.

By:

Joel Szabat  
Assistant Secretary  
Aviation and International Affairs

(SEAL)

*An electronic version of this document is available  
at [www.regulations.gov](http://www.regulations.gov)*

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<sup>9</sup> Questions regarding filings in response to this order may be directed to Michael Gormas at (202) 366-1853 or [Michael.Gormas@dot.gov](mailto:Michael.Gormas@dot.gov).

## AREA MAP<sup>1</sup>



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<sup>1</sup> Source: Great Circle Mapper, Copyright © 1996-2016, Karl L. Swartz. All rights reserved.



**Passenger/Cargo St. Paul Island, AK (SNP)<sup>1</sup>**

		Direction	Values							
		Deplanements			Enplanements			Total Pax	Total Freight_Tons	Total Usmail_Tons
Year	Month	Pax	Freight_Tons	Usmail_Tons	Pax	Freight_Tons	Usmail_Tons			
2018	1	396	0.2965	2.4295	233	0.011	0.5265	629	0.3075	2.956
	2	166	0.666	8.8185	247	0.005	0.3615	413	0.671	9.18
	3	190	0.5575	5.7445	258	0.449	0.481	448	1.0065	6.2255
	4	152	0.574	2.688	164	0.084	0.2725	316	0.658	2.9605
	5	302	1.0325	1.823	261	0.403	0.365	563	1.4355	2.188
	6	239	0.3625	1.457	186	0.077	0.3845	425	0.4395	1.8415
	7	180	0.5	1.6625	175	0.126	0.0235	355	0.626	1.686
	8	156	0.325	0.745	179	0.0395	0.1655	335	0.3645	0.9105
	9	220	0.4705	1.7545	261	0.0315	0.017	481	0.502	1.7715
	10	262	0.2335	0.342	236	0.214	0.233	498	0.4475	0.575
	11	117	0.164	1.882	162	0.029	0.078	279	0.193	1.96
	12	200	0.3895	0.826	138	0.103	0.1125	338	0.4925	0.9385
2018 Total		2580	5.5715	30.1725	2500	1.572	3.0205	5080	7.1435	33.193

<sup>1</sup> Source: Bureau of Transportation Statistics: Schedule T-100.

**Example of General Terms and Conditions for Essential Air Service**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate Order, including the service plans outlined in the Order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the Order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the Order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or complete, terminates or reduces payments for service or changes service requirements at a specific location provided for under this Order, then, at the end of the period for which the Department does make payments in the stipulated amounts or at the stipulated service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Funds may not be available for performance under this Order beyond [DATE]. The Government's obligation for performance under this Order beyond [DATE], is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this Order beyond [DATE], until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond [DATE], the Department will provide notice in writing to the carrier.

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims for service provided in July must be filed by October 31<sup>st</sup>; August claims must be submitted by November 30<sup>th</sup>, and so on.

**Essential Air Service to be maintained at St. Paul Island, Alaska**

Effective Period: July 4, 2019, or until further Department action.

Hub: Ted Stevens Anchorage International Airport (ANC)

Frequency: Three weekly round trips.

Aircraft: De Havilland/Bombardier Dash 8 (25 or 29 seats).



# CITY OF SAINT PAUL

## ALASKA

February 6, 2019

Ada Benavides  
Senior Policy Advisor  
Planning and Policy Division, Room 3F86  
Department of the Army  
U.S. Army Corps of Engineers  
441 G Street, NW  
Washington, DC 20314-1000

**Re: Implementation Guidance concerning Section 1402(a) of the WRDA 2018**

Dear Ms. Benavides:

The City of Saint Paul Island, Alaska, (the City) is providing this comment in response to a press release dated 12/14/18 seeking public input on the development of implementation guidance for provisions contained in the Water Resources Development Act of 2018 (WRDA 2018), specifically Section 1402(a), which was signed into law on October 23, 2018.

1. Executive Summary:

Section 1402 of the 2018 WRDA states that:

*“Notwithstanding section 2008(c) of the Water Resources Development Act of 2007 (Public Law 110-114; 121 Stat. 1074), the project for navigation, St. Paul Harbor, authorized by section 101(b)(3) of the Water Resources Development Act of 1996 (110 Stat. 3667) shall be cost-shared substantially in accordance with the costs established by section 105 of the Energy and Water Development Appropriations Act, 2003 (117 Stat. 139).”*

The purpose of this provision is to restore the cost-share that was established by the U.S. Congress in the 2003 Energy and Water Development Appropriations Act (EWDA 2003), and subsequently repealed in the Water Resources Development Act of 2007 (WRDA 2007). EWDA 2003 included a technical correction authorizing a higher total project cost and raising the federal contribution to the St. Paul Harbor Project, which had originally been authorized in the Water Resources Development Act of 1996 (WRDA 1996), or Public Law 104-303. The technical correction, as intended by Congress, provided the US Army Corps of Engineers (USACE) with additional funds to respond to increases in the construction cost of the St. Paul Harbor Project (phases 1 and 2). Congress specifically left the non-federal contribution amount authorized in WRDA 1996 at the same level in EWDA 2003, intending that the non-federal (City) financial obligation would remain the same.

The St. Paul Harbor Project (phases 1 and 2) was completed in 2005. The USACE subsequently developed documentation in 2006-2007 to amend the 1998 Project Cooperation Agreement (1998 PCA) -- under which the project was constructed -- reflecting a 89.8% federal, 10.2% non-federal (City), cost-share as established by EWDA 2003. In late 2007, WRDA 2007 repealed this cost-share, but this was not discovered until 2010, 5 years after completion of the St. Paul Harbor Project (phases 1 and 2) and 7 years after passage of EWDA 2003. In 2017 USACE presented a Final Accounting to the City notifying it that it would owe USACE an additional \$10.5 million based on WRDA 2007. The only way to redress this situation was through new legislation, which was finally secured in WRDA 2018.

Based on the above historical synopsis, and reflecting payments made by the City as late as 2017 on the cost-share agreed to in 2003, proper implementation of Section 1402(a) of WRDA 2018, will result in the following:

- i) the City, as non-federal cost contributor, is to owe the USACE: \$0 for the St. Paul Harbor Project (phases 1 and 2); and,
- ii) the City is to be reimbursed for amounts collected in 2018 above the cost-share established under EWDA 2003.

2. The Fur Seal Act Amendments of 1983 and Congressional Direction for Development of a Fisheries-Based Economy on St. Paul Island:

In 1983 Congress enacted the Fur Seal Act Amendments. One of the main goals of the 1983 Amendments was to create a diversified economy on the Pribilof Islands that was not dependent on the commercial fur seal harvest operation that was acquired by the federal government when the United States purchased Alaska from Russia in 1867. To this effect, and pursuant to congressional intent, over \$100 million have been invested in infrastructure, just on St. Paul Island, since 1983 to provide the community with the basis for a viable fisheries-based economy. Given St. Paul's strategic location in the central Bering Sea, amidst the nation's largest commercial fisheries, the centerpiece of this economic transition was construction of a harbor that would service the Bering Sea's commercial fisheries and allow local residents to become fishermen. This would mark the beginning of a historic partnership between St. Paul Island and the USACE that has proved so beneficial to Alaska and the nation.

The first St. Paul Harbor Project was authorized as part of the 1986 Water Resources Development Act (WRDA), three years after passage of the Fur Seal Act Amendments. At a cost of \$25 million, and with a \$7 million appropriation from the State of Alaska, a 750-foot breakwater with a 200-foot dock was constructed and completed by USACE in 1990. This harbor allowed St. Paul to benefit from the boom in the snow crab fishery, which lasted throughout the 1990's and during which St. Paul became the second largest fisheries port in Alaska (based on fisheries business taxes), after Unalaska.

3. Construction of the Current St. Paul Harbor Project:

The initial investment on St. Paul Island, although successful in establishing a fisheries-based economy as per Congress' intent, was insufficient. Due to overcrowding and congestion; a limited harbor maneuvering area; and damage to docks, vessels, and onshore facilities, a 1996 USACE study determined that additional improvements would be needed. In WRDA 1996, Congress authorized the USACE to construct the St. Paul Harbor Improvements Project at a total

cost of \$18,981,000, with an estimated federal cost of \$12,239,000 and a non-federal cost of \$6,742,000 million. The 1998 Project Cooperation Agreement signed by the USACE and the City established a cost share of 65% federal/35% non-federal, as reflected in the abovementioned monetary amounts.

Construction began in 1999, but due to design flaws and scouring at the toe of the main breakwater detected in 2001, additional appropriations were required to complete the project. In 2003, through the Consolidated Appropriations Resolution (PL 108-7),<sup>1</sup> or EWDA 2003, Congress authorized an increase in the total cost of the project from \$18,981,000 to \$52,300,000, and a corresponding increase in the federal share from \$12,239,000 to \$45,558,000. The local/City share of \$6,742,000 was left untouched. As a small, mostly Aleut, village of approximately 400 residents it was understood that the City would be unable to afford an increase in share of a project whose construction had already commenced and whose overall costs had increased from \$18,981,000 (as authorized in WRDA 1996) to \$52,300,000 (as authorized in EWDA 2003).

The USACE, and the other parties, interpreted the change in the total cost of the project authorized in EWDA 2003 as establishing a cost share of 89.8% federal/10.2% non-federal. This was reflected in a Post Authorization Change (PAC) Report dated 4/26/2006 recommending that the 1998 Project Cooperation Agreement between the USACE and the City (1998 PCA) be amended to: 1) change the local cost share to 10.2%; and 2) delete the 10% deferred cost share on General Navigation Features (GNF), see Attachment A. This cost-share was further confirmed when then-Assistant Secretary of the Army, John Paul Woodley, approved the PAC Report recommendations in a memo to the Director of Civil Works dated June 22, 2007, see Attachment B. Despite these recommendations and approvals, the 1998 PCA was not amended (to this date it has not been). Both parties proceeded to complete the project in 2005 on this basis, and the City fully paid its 10.2% local share.

#### 4. Status of the St. Paul Harbor Project Since 2010:

In 2010, upon completion of the Small Boat Harbor Project, which was executed under a separate Project Cooperation Agreement signed in 2006 (2006 Small Boat Harbor PCA), the USACE began the process of amending the 1998 PCA based on the PAC Report and the Assistant Secretary's memo. At this particular juncture, the USACE regional office in Anchorage was informed by USACE headquarters in Washington, DC, that Section 2008 of WRDA 2007 (adopted in November 2007, 4 months after Assistant Secretary Woodley's approval of the PAC Report), had repealed the technical correction in EWDA 2003. As a result, in the USACE's view, the cost-share reverted to the cost-share established in WRDA 1996. The City was notified in 2010 that it would retroactively owe the USACE over \$13 million, although the USACE noted at the time that the cost figures were estimates subject to revision during the Final Accounting, see Attachment C.

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<sup>1</sup> In addition to the 1983 Fur Seal Act Amendments, the 1986 and 1996 WRDAs, and the Consolidated Appropriations Resolution of 2003, Congress has enacted several bills designed to develop a fisheries-based economy of St. Paul Island. These include adding the Community Development Quota (CDQ) Program to the Magnuson-Stevens Act through the Sustainable Fisheries Act of 1996; the Pribilof Islands Transition Act of 2000; and adoption of a provision of the Consolidated Appropriations Act of 2004 that established the Bering Sea and Aleutian Islands (BSAI) Crab Rationalization Program in June 2004 which allocated crab resources to harvesters, processors, and coastal communities, including St. Paul Island.

The City's position in response to USACE's notification was that if the 1998 PCA had been amended on a timely basis, soon after EWDA 2003 was enacted, the cost-share problem would not have arisen. Moreover, the City would not have made additional financial commitments to construct the Small Boat Harbor had it been made aware of this issue. In an effort to restore the original intent of EWDA 2003 through legislation, the City worked closely with Congress from 2010 to 2018.

In April 2017 the USACE notified the City that it had settled a longstanding dispute with the subcontracting firm, Kelly Ryan, over construction of the St. Paul Harbor Project, and that it was finally prepared to issue a Final Accounting. In June 2017, the USACE notified the City that the final amount owed by the City was \$5,220,574 plus an additional 10% of GNF payable over 30 years, which amounted to \$5,359,800, for a total of \$10,580,374, see Attachment D. The City, once again, disputed the USACE's legal position in 2017. Not only did the USACE's position undermine almost four decades of federal, state, and local investments in furtherance of congressional legislation to establish a fisheries-based economy on St. Paul Island, but it threatened the continued existence of the unique community of St. Paul. The City quite simply did not have the funds to pay the disputed amount of \$10.5 million, which represented an overwhelming financial burden to St. Paul's 400 residents.

The USACE proceeded to refer the disputed amount to the Department of Treasury for inclusion in the Treasury Offset Program (TOP), under which a total of \$127,913.40 in utility and rental payments to the City by federal agencies operating on St. Paul Island were seized starting on April 24, 2018. This collection effort ceased 6 months later on October 24, 2018, the day after presidential signature of WRDA 2018 (which was adopted by U.S. Senate on October 10, 2018).

#### 5. City's Position Regarding Implementation of Section 1402(a):

The City has been an active participant for over 20 years in securing legislation in Congress to: i) authorize funds to construct the St. Paul Harbor (WRDA 1996); ii) secure a technical correction through EWDA 2003 authorizing an increase in the overall cost of the St. Paul Harbor Project and an increase in the federal share; and, iii) restore the cost-share established in EWDA 2003 after its repeal in WRDA 2007. Given its historic involvement, the City's understands that Section 1402(a) will result in a new accounting by the USACE that will remove the \$10,580,374 that the USACE notified the City it was owed in June 2017. The City expects that its obligations to the St. Paul Harbor Project will be based on an 89.8% federal/10.2% non-federal cost share as expressed in the attached spreadsheet/scenario presented to it by the USACE on June 30, 2017, see Attachment E. Under this scenario the City's obligation towards First Construction Costs was \$142,700.30, which the City paid to the USACE in November 2017. Furthermore, the City's obligation pursuant to Article II.J (the additional 10% amount for GNF payable over 30 years) is equal to zero, as laid out in Attachment E.

In addition, the City expects restitution or reimbursement of amounts collected under TOP in 2018 totaling \$127,913.40 as well as any interest, penalties, and fees assessed by the federal government during the collections process. The City has always acknowledged its obligation to pay the USACE \$1,635,012.29 pursuant to 2006 Small Boat Harbor PCA. To facilitate final resolution of this matter, the City would consider being credited for the amount collected under TOP in 2018, in its future payment schedule on the Small Boat Harbor.

To conclude, as was acknowledged by Colonel Reinhard Koenig in October 2010, “[t]he City of Saint Paul has always been an excellent partner and has made timely cost share contributions throughout the long life of this and the previous harbor project per agreements.” The City looks forward to final resolution of this matter and to resuming its historic and positive interaction with the USACE.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jacob Mercurief". The signature is fluid and cursive, with the first name "Jacob" and last name "Mercurief" clearly distinguishable.

Jacob Mercurief  
Mayor



**Congress of the United States**  
**Washington, DC 20515**

February 6, 2019

Ada Benavides  
Senior Policy Advisor  
Planning and Policy Division, Room 3F86  
Department of the Army  
U.S. Army Corps of Engineers  
441 G Street, NW  
Washington, DC 20314-1000

**Re: Implementation Guidance re Section 1402(a) of the WRDA 2018**

Dear Ms. Benavides:

Our offices are providing this comment as input on the development of implementation guidance for provisions contained in the Water Resources Development Act of 2018 (WRDA 2018), more specifically, regarding Section 1402(a) Special Rules – St. Paul, Alaska. The purpose of this provision is to restore the cost-share established by the U.S. Congress in the 2003 Energy and Water Development Appropriations Act (EWDA 2003). EWDA 2003 included a technical correction authorizing a higher total project cost and raising the federal contribution to the St. Paul Harbor Project, which had originally been authorized in the Water Resources Development Act of 1996 (WRDA 1996), or Public Law 104-303.

The technical correction, as intended by Congress, provided the US Army Corps of Engineers (USACE) with additional funds to respond to increases in the construction cost of the St. Paul Harbor Project (phases 1 and 2). Congress specifically left the non-federal contribution amount authorized in WRDA 1996 at the same level in EWDA 2003, intending that the non-federal (City of St. Paul) financial obligation would remain the same. The USACE correctly interpreted EWDA 2003 in subsequent documentation -- including a Post Authorization Change (PAC) Report (4/26/2006), and an internal memo from then-Assistant Secretary of the Army, John Paul Woodley, to the Director of Civil Works (6/22/2007) approving the PAC recommendations -- as reflecting a 89.8% federal, 10.2% non-federal, cost-share for the St. Paul Harbor.

Although the St. Paul Harbor Project was physically completed in 2005, in late 2007 the Water Resources Development Act (WRDA 2007) repealed the cost-share established in EWDA 2003. This repeal was not discovered until 2010, 5 years after completion of the St. Paul Harbor Project (phases 1 and 2) and 7 years after passage of EWDA 2003. In 2017 USACE presented a Final Accounting to the City notifying it that it would owe USACE an additional \$10.5 million based on the repeal in WRDA 2007. The only way to redress this situation was through new legislation, which Congress secured last year in WRDA 2018. Proper implementation of Section 1402(a) will therefore result in restoration of a cost-share for the St. Paul Harbor Project (phases 1 and 2) on a 89.8% federal/10.2% non-federal basis.

From a historic perspective, one of the main goals of Congress regarding St. Paul, and the Pribilof Islands, since the enactment of the Fur Seal Act Amendments of 1983, has been to allow the creation of a self-sufficient, fisheries-based, economy that was not dependent on the commercial fur seal harvest. To this effect, for close to 4 decades, Congress has enacted fisheries legislation and authorized appropriations

for infrastructure development necessary to achieve these goals. In this regard, the construction of a harbor on St. Paul that would service the Bering Sea's commercial fisheries and allow local residents to become fishermen was considered a critical piece of infrastructure by the Alaska congressional delegation. To this effect, over \$100 million has been appropriated and invested on St. Paul through the USACE just in harbor-related infrastructure.

Congress never intended that St. Paul, a small community of approximately 450, mostly Aleut residents, retroactively pay \$10.5 million based on a cost-share to which it did not agree, on a project whose costs had skyrocketed from \$18,981,000 to \$52,300,000 million. The City quite simply does not have the funds to pay the amount in question. Moreover, this prospective obligation undermined almost forty years of federal, state, local, and private sector investments in furtherance of federal policies regarding St. Paul Island, and also threatened the very survival of this unique community.

Based on the above historic recitation, and reflecting payments made by the City as late as 2017 on the cost-share agreed to in 2003 totaling \$142,700.30, and a six-month collections process initiated in 2018 under the Department of Treasury (TOP) which netted \$127,913.40, proper implementation of Section 1402(a), should result in the City, as non-federal cost contributor, owing the USACE \$0 for the St. Paul Harbor Project (phases 1 and 2); and the City being reimbursed for amounts collected in 2018 under TOP plus any penalties.

Our constituents on St. Paul have noted that the USACE is a valued partner to their community. It is also valued partner to the State of Alaska. Our offices look forward to working with the USACE to implement WRDA 2018. Please do not hesitate to contact us should there be any questions regarding congressional intent and understanding of this act.

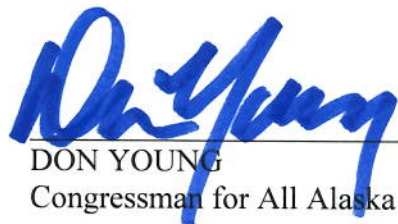
Sincerely,



LISA MURKOWSKI  
United States Senator



DAN SULLIVAN  
United States Senator



DON YOUNG  
Congressman for All Alaska

AMENDMENT NO. 1  
TO  
PROJECT COOPERATION AGREEMENT  
BETWEEN  
THE DEPARTMENT OF THE ARMY  
AND  
THE CITY OF ST. PAUL, ALASKA  
FOR CONSTRUCTION OF THE  
ST. PAUL HARBOR IMPROVEMENTS, ST. PAUL, ALASKA

THIS AMENDMENT NO. 1 is entered into this \_\_\_\_ day of \_\_\_\_\_, 2019, by and between the Department of the Army (hereinafter the "Government"), represented by the Assistant Secretary of the Army for Civil Works, and the City of St. Paul, Alaska (hereinafter the "Non-Federal Sponsor"), represented by its Mayor.

WITNESSETH, THAT:

WHEREAS, construction of the St. Paul Harbor Improvements Project at St. Paul, Alaska was authorized by Section 101(b)(3) of the Water Resources Development Act of 1996, Public Law 104-303;

WHEREAS, the Government and the Non-Federal Sponsor entered into a Project Cooperation Agreement on November 24, 1998 (hereinafter the "Agreement") for construction of the St. Paul Harbor Improvements Project (hereinafter the "Project", as defined in Article I.A. of the Agreement);

WHEREAS, Section 105 of the Energy and Water Development Appropriations Act, 2003, Public Law 108-7, amended the total cost and estimated Federal cost of the Project provided in Section 101(b)(3) of the Water Resources Development Act of 1996, Public Law 104-303;

WHEREAS, the amendment in Section 105 of the Energy and Water Development Appropriations Act, 2003, Public Law 108-7, was evaluated in a post-authorization change report dated April 26, 2006, which recommended amending the Agreement to require the Non-Federal Sponsor to contribute 10.2 percent of the total Project costs and to delete the 10 percent deferred non-Federal cost-share of the general navigation features;

WHEREAS, the post-authorization change report was approved by the Assistant Secretary of the Army for Civil Works on June 22, 2007, as the basis to amend the Agreement in accordance with the cost-sharing changes dictated by Section 105 of the Energy and Water Development Appropriations Act, 2003, Public Law 108-7;

WHEREAS, Section 2008(c) of the Water Resources Development Act of 2007, Public Law 110-114, provides that estimated Federal and non-Federal costs of water resources projects authorized to be carried out by the Secretary of the Army before, on, or after November 8, 2007,

are for informational purposes only and shall not be interpreted as affecting the cost-sharing responsibilities established by law;

WHEREAS, Section 1402(a) of the Water Resources Development Act of 2018, Public Law 115-270, provides that, notwithstanding Section 2008(c) of the Water Resources Development Act of 2008, Public Law 110-114, the Project shall be cost-shared substantially in accordance with the costs established by Section 105 of the Energy and Water Development Appropriations Act of 2003, Public Law 108-7;

WHEREAS, the implementation guidance for Section 1402(a) of the Water Resources Development Act of 2018 issued by the Assistant Secretary of the Army for Civil Works on 22 March 2019 states that the Secretary will cost-share the Project substantially in accordance with the costs established by Section 105 of Energy and Water Development Appropriations Act, 2003, Public Law 108-7 and the post-authorization change report approved by the Assistant Secretary of the Army for Civil Works on 22 June 2007; and

WHEREAS, the implementation guidance directs that the Agreement be amended to reflect the revised cost-sharing percentages and to delete the 10 percent deferred cost-share of the general navigation features.

NOW, THEREFORE, the Government and the Non-Federal Sponsor agree to amend the Agreement as follows:

1. The fourth WHEREAS is amended by striking the existing text and replacing it with the following:

“WHEREAS, Section 105 of the Energy and Water Development Appropriations Act, 2003, Public Law 108-7, and Section 1402(a) of the Water Resources Development Act of 2018, Public Law 115-270, establish the cost-sharing requirements applicable to the Project;”

2. Article II.E. is amended by striking the second and third sentences in their entirety.

3. Article II.F. is amended by striking the existing text and replacing it with the following:

“F. The Non-Federal Sponsor shall contribute 10.2 percent of the total cost of construction of the general navigation features.”

4. Article II.H. and Paragraphs 2 and 3 of Article II.H. are amended by striking “25 percent” each time it appears in the text and replacing it with “10.2 percent.”

5. Article II.I. is amended by striking the second sentence in its entirety.

6. Article II.J. is amended by striking the first two sentences in their entirety and striking from the third sentence “also” after “the Government” and before “shall afford credit”.



7. Article III.C. is amended by striking “or the credit afforded pursuant to Article II.J. of this Agreement equals the 10 percent amount, whichever occurs later,” after “final accounting pursuant to Article VI.D. of this Agreement,” and before “the Non-Federal Sponsor in a timely manner”.

8. The second sentence of Article VI.A. is amended by striking “of the portion of the total cost of construction of the general navigation features assigned to each depth increment in accordance with Article II.E. of this Agreement,” after “total cost of construction of the general navigation features,” and before “of total costs due to additional work”, and by striking “of the 10 percent amount,” after “any subsequent period of construction,” and before “of the principal amount”.

9. Article VI.A. is further amended by striking the existing fourth sentence and replacing it with the following:

“On the effective date of this Agreement, the total cost of construction of the general navigation features and the environmental restoration features is projected to be \$53,598,000, and the Non-Federal Sponsor's cash contribution required under Article II.G. and II.H. of this Agreement is projected to be \$5,466,996 for the general navigation features and the environmental restoration features, and \$2,138,661,95 for the local service facilities.”

10. Paragraph 2 of Article VI.D is amended by striking “the 10 percent amount and” after “shall determine” and before “the value, as determined in accordance with Article IV”.

11. The first sentence of Paragraph 5 of Article VI.E. is amended by deleting “(including recalculating the 10 percent amount)” after “shall amend the final accounting” and before “, recalculate the principal amount”.

12. Article XVI is amended by striking the address for the Government and replacing it with the following:

“District Engineer  
U.S. Army Engineer District, Alaska  
P.O. Box 6898  
JBER, Alaska 99506-6898”

13. All other terms and conditions of the Agreement remain unchanged.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1, which shall become effective upon the date it is signed by the Assistant Secretary of the Army for Civil Works.

DEPARTMENT OF THE ARMY

CITY OF ST. PAUL, ALASKA

BY: \_\_\_\_\_

BY: \_\_\_\_\_

Assistant Secretary of the Army  
(Civil Works)

Mayor

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

## CERTIFICATE OF AUTHORITY

I, \_\_\_\_\_, do hereby certify that I am the principal legal officer for the City of St. Paul, Alaska; that the City of St. Paul, Alaska is a legally constituted public body with full authority and legal capability to perform the terms of Amendment No. 1 between the Department of the Army and the City of St. Paul, Alaska in connection with the St. Paul Harbor Improvements Project, and to pay damages, if necessary, in the event of the failure to perform in accordance with the terms of this Amendment No. 1, as required by Section 221 of Public Law 91-611, as amended (42 U.S.C. 1962d-5b), and that the person who executed this Amendment No. 1 on behalf of the City of St. Paul, Alaska has acted within **[INSERT: his or her, as applicable]** statutory authority.

IN WITNESS WHEREOF, I have made and executed this certification this \_\_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
City Attorney

## CERTIFICATION REGARDING LOBBYING

The undersigned certifies, to the best of his or her knowledge and belief that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

---

**[TYPED NAME]**

Mayor

DATE: \_\_\_\_\_



**NON-FEDERAL SPONSOR'S  
SELF-CERTIFICATION OF FINANCIAL CAPABILITY  
FOR AGREEMENTS**

I, \_\_\_\_\_, do hereby certify that I am the Chief Financial Officer [OR TITLE OF EQUIVALENT OFFICIAL] of the City of St. Paul, Alaska (the "Non-Federal Sponsor"); that I am aware of the financial obligations of the Non-Federal Sponsor for the St. Paul Harbor Improvements Project; and that the Non-Federal Sponsor has the financial capability to satisfy the Non-Federal Sponsor's obligations under the St. Paul Harbor Improvements Project.

IN WITNESS WHEREOF, I have made and executed this certification this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_