

DISCUSSION of the Memorandum of Understanding between the State of Alaska and the Southeast Conference for the Alaska Marine Highway System strategic plan.

POSSIBLE MOTION

I MOVE TO approve a \$10,000 grant from the Southeast Economic Development Fund to Southeast Conference to assist with funding of the Alaska Marine Highway strategic plan.

Memorandum of Understanding



BETWEEN
THE STATE OF ALASKA
AND
THE SOUTHEAST CONFERENCE



This Memorandum of Understanding (MOU) sets forth the terms and understanding between the State of Alaska and the Southeast Conference, a regional development organization, to develop a proposed strategic plan, to include a long-term, comprehensive operational and business plan for the Alaska Marine Highway System (AMHS).

Background

For over 50 years, the AMHS has provided a critical transportation link between Alaska's coastal communities, the Lower 48, and Canada. The AMHS serves as a socio-economic lifeline and transportation corridor for many of the communities it serves, and provides statewide economic benefits. In recent years, the AMHS has experienced rising costs, decreasing budgets, and significant reductions in service. Ferry users statewide have expressed concerns about service reductions, system unreliability and interruptions in service. The AMHS system's aging fleet requires increased maintenance and a plan for vessel replacement. The State's current fiscal challenges add imperative to re-examining the AMHS system, the needs of those it serves, and opportunities for transformational change to ensure the system's long-term viability.

Purpose

This MOU establishes an agreement of understanding between the State of Alaska (State) and the Southeast Conference to develop an AMHS Strategic Plan (Plan), to include a long-term, comprehensive operational and business plan for the AMHS that is financially sustainable and meets the needs of those it serves. The process will involve broad public engagement and should result in a 25-year plan for the system. The plan is intended to provide a benefit to the State and the public.

Roles and Responsibilities

Through this MOU, the State of Alaska agrees to:

- Outline goals and objectives for the Plan;
- Contract with the Southeast Conference under AS 36.30.850(b)(29) to manage development of the Plan;
- Comply with all applicable procurement laws and regulations;
- Provide access to relevant data, information and expertise, subject to confidentiality rules that may apply; and
- Participate as a member on the Project Steering Committee.

Through this MOU, Southeast Conference agrees to:

- Perform its contractual duties to manage the development of the Plan;

- Identify, request, and receive additional non-state aid for the project;
- Provide staff and resources to coordinate a statewide steering committee of community leaders for the development of a long-term, comprehensive operational and business plan;
- Actively solicit statewide input through a broad public process;
- Contract with specialists if needed to identify possible solutions for the AMHS; and
- Develop and submit a draft written Plan to the State, followed by a final written Plan that is responsive to State and stakeholder feedback.

The AMHS Strategic Plan developed by Southeast Conference under this MOU shall address, at a minimum, the following issues:

- *AMHS Mission Statement:* The AMHS mission must be identified, stated, and agreed to, and the mission statement will be the project's first deliverable.
- *Governance Structure:* What type of governance structure or combination of structures is best suited to operate the AMHS in an economically optimal way that meets user needs?
- *Operations:* How can the AMHS best serve the basic transportation and shipping needs for Alaskans? How can vessels be better matched to specific routes? What routing structure is most viable for the AMHS?
- *Other Revenue:* What mix of public funding and other revenues will provide for the sustainability of the AMHS for the next 25 years? What changes are needed to the tariff rates and structure? What are the opportunities for marketing and ancillary revenue?
- *Partnerships:* What is the potential for partnerships with private, tribal, municipal and/or nonprofit entities? Is there a role for contracting for concessions, routes, or other aspects of operations? Are there opportunities to leverage AMHS assets to create revenue?

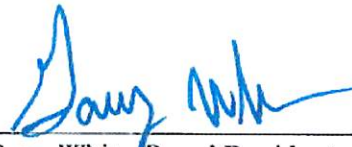
Duration

This MOU may be modified by mutual consent of authorized officials from the State of Alaska and Southeast Conference. This MOU shall become effective upon signature by the authorized officials from the State of Alaska and Southeast Conference and will remain in effect until modified or terminated by mutual consent. In the absence of mutual agreement on an alternative timeframe by the authorized officials from State of Alaska and Southeast Conference, this MOU shall end on December 31, 2017.

Dated this 19th day of May, 2016



Bill Walker, Governor
State of Alaska



Garry White, Board President
Southeast Conference



612 W. Willoughby Ave., Suite B
P.O. Box 21989, Juneau, AK 99802
Phone (907) 586-4360
www.seconference.org
Email info@seconference.org

SOUTHEAST ALASKA REGIONAL DEVELOPMENT ORGANIZATION

Dear Alaska Marine Highway Supporter;

Southeast Conference is asking for your contribution and support to help move the Alaska Marine Highway System Reform Project forward.

Alaska's Marine Highway is entering a period of profound change. With its financial reserves exhausted, vessels in need of major refits or replacements, an unsustainable cost structure and waning political support, cuts in service have crippled the system. Yet the communities it serves are heavily dependent on reliable marine transportation. AMHS operates in an environment with market, political and operational challenges unlike those anywhere else in the world. Its service mandate is broad, its markets small and diverse, and its political support increasingly fragmented. Typically, annual appropriations fall approximately \$20 million short of what is needed to sustain operations. Success over the long-term will require a carefully crafted combination of management, operations and funding strategies (and execution). Yet the value of AMHS is clear. In addition to providing transportation to communities with no other options and infrastructure for several regional economies, AMHS accounted for 1,700 Alaska jobs and \$104 million in Alaska wages in 2014. The State of Alaska's general fund investment of \$117 million resulted in a total return on investment of \$273 million, a return of more than 2 to 1.

Southeast Conference recently signed a Memorandum of Understanding with Governor Walker that establishes an agreement between the two parties to develop an Alaska Marine Highway System Strategic Plan, to include a long-term comprehensive operational and business plan that is financially sustainable and meets the needs of those it serves. The process will involve broad public engagement and should result in a 25-year plan for the system.

Southeast Conference was formed in 1958 to focus on the creation of the Alaska Marine Highway System (AMHS). SEC continues to advocate for an effective marine transportation system and it remains a centerpiece of our organization. As Alaska's Regional Development Organization (ARDOR), we reached out across the coastal regions of the state and are working statewide to find solutions for AMHS.

This is one of the most important projects Alaska will engage in and it will make a positive difference for years to come for AMHS and the people of Alaska. Financial contributions from user groups like, municipalities, tribes, corporations, and other organizations is essential to the success of this project.

This AMHS project needs your contribution. The agreement with the Governor's office comes with some financial backing but the development of this strategic plan is going to be costly. This public private partnership is very valuable and your contribution will help move this project forward. The project will be divided into 2 phases. Phase 1 will be the governance modeling and recommendations. Our goal is to have findings on the governance structure back to the Governor and Legislature this fall. We are hopeful that you will partner with us and contribute to this AMHS revitalization and reform effort.

Please contact Southeast Conference office if you have questions or would like more information. We look forward to your support and contribution to this very important project.

Sincerely,

Shelly Wright



Alaska Marine Highway System Reform Sponsorship Program

We invite you to be a sponsor of Alaska Marine Highway System Reform Project. Our mission to support activities that promote strong economies, healthy communities, and a quality environment in Alaska aligns directly with the AMHS Reform.

Annual sponsors receive recognition at both the Mid-Session Summit and the Annual Meeting, as well as on our website. Sponsorships not only move this project forward they are also opportunities to advertise and build name recognition for your business or organization. Be sure to send us your logo.

If you would like to participate, call SEC at (907) 523-4360 or complete the form below and fax it to SEC at (907)463-5670, or email to info@seconference.org.

Legacy	\$10,000
Benefactor	\$5,000
Gold	\$3,500
Silver	\$2,500
Bronze	\$1,500

No amount is too big or too small, any amount is welcome there is great value in user group contribution.

Other amount \$ _____

Name: _____

Community/Organization: _____

Address: _____ City: _____ State & Zip: _____

Phone: _____ Fax: _____

Email: _____

Payment Options:

Charge to Credit Card:

Check enclosed

Card Number: _____ Exp. Date: _____

Name as it appear on the card: _____

3-4 Digit Identifiers: _____ Statement Zip Code: _____

Signature: _____

