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DENALI COMMISSION POLICIES
Approved 11/18/08
Denali Commission Quarterly Meeting
Anchorage, AK

Since its inception in 1998 the Denali Commission (Commission) has developed a number of policies intended to guide federal funds investment in the most efficient, effective and prudent manner possible, while at the same time maximizing the benefit to Alaskan communities and residents in the areas of infrastructure development, economic development and training and workforce development. These policies have been adopted through various methods including: passage via resolution or motion. To-date the Commission has adopted the following policies, which appear in more detailed form below:

- Investment Guidance
- Sustainability
- Community Planning
- Open Door
- Private Enterprise
- Competitive Bid
- Cost Containment

INVESTMENT GUIDANCE

The Denali Commission (Commission) is committed to accelerating the building of sustainable infrastructure in rural Alaska to enhance the health and safety of rural residents and to provide the underpinnings for economic opportunity. Commission investments are directed by federal law, by the Commission's Annual Work Plan. Infrastructure needs of rural Alaska are enormous compared to available funding, thus, it is imperative that each dollar be invested in a way that will maximize the sustainable long term benefits to Alaskans.

Factors which will influence investment decisions:

Imminent environmental threats

Facilities will be placed so as to be protected from imminent environmental threats such as flooding and erosion. Long term investments generally will not be made in areas that are subject to imminent environmental threats.

Priority to be placed on needs of existing communities

The Commission will give priority to the critical infrastructure needs of existing communities before considering proposals to create new communities unless there is relocation of an existing community.

Regional support

The Commission recognizes that borough, tribal and local government involvement increases the probability that basic infrastructure and services provided with Denali Commission funds will be sustained over the long term. The Commission also recognizes that other regional organizations share both responsibility and capacity to contribute to sustainability. Consistency with regionally approved plans is a factor lending strength to investing in a particular project. The Commission shall give priority consideration to projects that have regional support and demonstrate regional planning and coordination. In general, the Commission will require regional planning documentation before providing funding for projects. Consideration will be given to the unique geographic boundaries, regional organizations and project requirements. The Commission may prioritize regional and/or multi-community projects.

Proximity/access to existing services and/or facilities

In determining the need for a new facility, a careful evaluation of existing access to services or facilities will be performed. Where the needs of two or more communities in close proximity to one another can be adequately and more cost effectively served by a single facility, that option will be selected over separate facilities for each community. Investments will be made where critical unmet needs are demonstrated. In general, the Commission will not fund projects for like facilities in communities within a twenty mile distance of one another, and accessible by year-round road service.

Renovation versus new construction

Where existing facilities can be renovated or expanded to adequately meet community needs at significantly lower life-cycle costs than new construction, that option will be favored.

Population trends

Infrastructure will be sized to meet needs that can reasonably be projected over the design life of the project. If population is increasing, appropriate excess capacity will be provided to accommodate growth. Decreasing population may result in a smaller facility than the current population would dictate. The Commission will require additional documentation of community and project sustainability in communities that have any of the following characteristics: populations less than 100 year round residents, significant (20% or greater) population fluctuations (either decrease or increase), and projected or actual closure of State of Alaska school facilities.

Affordability

The Commission will evaluate proponents' capacities to afford the life-cycle costs associated with sustaining proposed services and/or facilities, either through user fees, industry support, government transfer payments or grants from private entities.

Unit cost

Unit cost of construction varies widely across the state for a number of reasons including the technology employed and/or designs utilized. High unit cost tends to work counter to project sustainability. Some of the variables impacting unit cost (project location, soil conditions, etc.) are not controllable, but many others are. The Commission will make every reasonable effort to control unit cost to ensure that the most appropriate technology and designs are applied. However, in cases where the Commission deems unit costs too high, the Commission reserves the right to pursue alternative construction and design methodology, including, but not limited to,

all of the following: re-design, value engineering, alternative size, relocating or siting and revision of the construction budget.

Good faith

The long term sustainability of Commission investments is highly dependent on the good faith of the recipients of those investments. In evaluating potential investments the Commission will give priority to advocates who have historically demonstrated good faith in making and keeping financial commitments. Previous demonstrations of bad faith, particularly with previous state or federal investments or failure to pay taxes, may preclude additional investments.

Match Funding

The Commission will give priority to projects that have cost share match from the following sources: the State of Alaska, other federal government agencies and other (to include local, tribal, corporate, philanthropic, etc.) in addition to Commission funding for a project. Local sources of match may include, but are not limited to, the following: land valuation, equipment, right of way, etc. In some cases, the Commission shall require a cost share match contribution from one or all of the sources listed above prior to approving funding. This requirement does not apply to the statutory cost share match identified for the health facilities program. Projects which provide a variety of match funding from multiple sources shall be viewed more favorably than those that do not.

Implementation

The Commission will consider all available information regarding each of the factors identified above and any other relevant information in making investment decisions. In cases where sustainability of an investment is questionable, the Commission, either directly or through its Partners, will work with project proponents to attempt to find workable solutions. It will be incumbent on requestors to provide pertinent information that is not otherwise available and to actively engage in the effort to develop workable solutions. Solutions may involve smaller scale or mobile facilities and may include multi-community or regional management approaches. If no workable sustainable solution is apparent, the Commission or its Partners may suggest alternative means to access critical services.

SUSTAINABILITY POLICY

For the purposes of Denali Commission funded infrastructure projects, sustainability is defined as the ability of a recipient or applicant to demonstrate the capacity, both administratively and financially, to provide for the long-term operation and maintenance (typically a 30 year life cycle) of a facility. This demonstration may include such factors as maintenance costs, fuel/heating costs, staffing/personnel costs, insurance as applicable, bonding, cost escalation factors, etc. Further, sustainability includes all costs associated with management, operation and maintenance, renewal and replacement necessary to maintain a given level of service.

The Sustainability Policy indicates that because the Commission, through its enabling legislation, is charged with ensuring that all infrastructure projects demonstrate sustainability prior to Commission funding projects must provide documentation of their ability to meet the definition above. In most Commission programs this is achieved through the business plan process. However, applicants may also be asked to revise business plans, or application documents as their projects progress through the different phases of project development.

The Commission recognizes that the high cost of infrastructure makes it infeasible for the total costs of all services in all communities to be borne by local users; however, to the extent feasible, user rates should include all costs necessary to achieve sustainability.

All practical steps should be taken, including simplification of projects, standardization of infrastructure, combining of facilities, regionalization of management structures, bulk purchases of fuels, training and development of management personnel and other actions that reduce the cost of sustainable infrastructure.

To the greatest extent possible the Commission will encourage and advocate for other project funders and program partners to participate in the earliest phases of project development and the application process.

The Commission recognizes the importance of the business planning process, however, also understands that the business plan presents a “snapshot” of a project and a community at a particular point in time. To that end, the Commission shall require documentation related to sustainability over the course of a project’s various phases (planning, design, and construction), and shall reserve the ability to alter project funding and design and construction specifications pursuant to documentation review.

The Commission will use as many existing community planning and sustainability indicators as possible in project selection including, but not limited to, the following: Rural Utility Business Advisor (RUBA) documentation and analysis, regional and local community planning documents, and infrastructure prioritization lists.

COMMUNITY PLANNING POLICY

The Commission recognizes the importance of a community plan in the community development process. The plan demonstrates the community’s goals and ability to focus on future initiatives.

The plan should be the community’s starting point for any outside agency or business considering work in a community. Title 29 of the Alaska Statutes states that boroughs and first class cities established under state law shall be responsible for land use planning. In communities outside organized boroughs (and not first class cities), the task for identifying who is responsible for community planning falls to local leadership including recognized tribes in a community.

The Commission requires communities to provide a copy of their current community plan when submitting funding requests. The reason for this request is two-fold: 1) the plan provides a current economic, social, and infrastructure summary of a community and 2) the plan provides a prioritized list of projects for which the community is seeking funding assistance. The plan also explains how the community intends to sustain its existing infrastructure as well as any additional infrastructure. In general, any infrastructure projects identified for funding from the Commission should also appear as a prioritized infrastructure goal, or initiative in the community plan submitted by the applicant community.

Community plans submitted to the Commission are retained in the project file, and are also provided to the State of Alaska, Department of Commerce, Community and Economic Development to be added to the online database of community plans.

The Commission recognizes that successful project development is directly correlated to community planning. The Commission will make every effort to evaluate the benefits and potential costs of project investments against other community projects and initiatives, so that a holistic picture of community capacity and project development is utilized to make funding determinations. The Commission will rely largely on application and community planning detail to document this analysis, but may also utilize site visits and other sources of information.

OPEN DOOR POLICY

As the Commission is a federal entity, funded by federal appropriations the Commission requires that any funded infrastructure project be available to all potential users. This requirement may be documented in varying forms in Commission programs (for example, commitment to the open door policy is a component of the clinic business plan process).

PRIVATE ENTERPRISE POLICY

In general, the Commission will support private enterprise where it is functioning or can function efficiently and adequately to meet the needs of all members of the local community. Where private enterprise is inadequate or non-existent to achieve this purpose, consideration must be given to providing these services through other means. The Commission will not support the replacement of new structures for a publicly funded service to compete with services delivered by private enterprise as long as those services are:

1. Accessible to all members of a community including temporary members;
2. Reasonably priced when compared to comparable communities;
3. Predictably available and sustainable for the long term.

All proposals for new or upgraded infrastructure facilities to be funded with Denali Commission funds shall be evaluated on the basis of public benefits resulting from the project. A proposal for funding may be approved where the facility is or will be owned, operated, and/or maintained by private entities only if there is found to be a direct and substantial public benefit from the project.

Facilities funded in whole or in part by the Denali Commission may not be sold, leased, sub-leased, or interest otherwise assigned without the express approval of the Denali Commission or its successor agency. In any event, the facility shall continue to provide the originally intended public benefit until such time as that public need no longer exists or until the serviceable life of the facility has expired.

Funding decisions must take into account existing private enterprise in the community. Funding should not generally be used to create new or additional competition with existing private enterprise in the community. However in cases where an unregulated monopolistic or other wise inefficient condition exist in which current services are not available at fair and reasonable rates the Commission, after appropriate consultation, may consider funding projects that would contribute to more competitive rates.

Provisions Specific to Health Care: The Commission seeks to support health care facilities in a manner which improves access to quality, affordable health services, be it by a private entity or a publicly funded one. The Denali Commission does not seek to create or enhance competition in an inefficient market. In this scenario, an inefficient market is one that cannot support two mutually exclusive health care providers. Given the economic fragility of rural health care systems, Denali Commission funding for health care facilities will be deployed in a manner

which encourages a cooperative and collaborative arrangement for the health benefit of the community in question, and improves the sustainability of the overall care delivery system for that population. Denali Commission health facility funding supports systems that ensure access to care for everyone regardless of ability to pay. It is expected that a system that is exclusively private in rural Alaska will not be able to meet that criteria. Thus, some integration of public and private provider entities will likely be required in areas where any private provider system currently exists.

Provisions Specific to Bulk Fuel Storage: The development of any bulk fuel storage consolidation project funded in whole or in part by Denali Commission funds will consult with all retail fuel suppliers within a community in the course of developing the project's conceptual design to ensure that their interests are understood and, to the extent feasible, dealt with in the course of conceptual design.

The existing market share balance among retail fuel suppliers within a community may be significantly altered as a result of a Denali Commission funding only if all of the affected retail fuel suppliers currently operating in the community agree to it or if such alteration is deemed necessary to facilitate competitive conditions in the community. For each type of fuel, the existing market share for a retail fuel supplier is defined as the supplier's existing in-service storage capacity as a percentage of the total gallons of existing in-service storage capacity for all retail fuel suppliers in the community.

Where multiple retail fuel suppliers are involved in a project, comparable levels of investment in project costs (based on market share) will be sought from each participating retail fuel supplier in the community, whether public or private.

Denali Commission funds may be used to upgrade or replace fuel storage facilities owned by private sector retail fuel suppliers if there is determined to be significant public benefit. However, to ensure that long term project benefits flow through to the public, such new or improved fuel storage and dispensing facilities will generally be owned by a local government entity which may lease the facilities to the private sector fuel supplier at a nominal cost or contract with the private sector fuel supplier for facility operation. The term of such lease or contract will be for the life of the assets, and is not transferable as an asset of the leaseholder without express written approval of the Denali Commission or its successor agency.

COMPETITIVE BID POLICY

Any infrastructure project funded by the Denali Commission with a total project cost (to include the planning, design and construction phases) of \$3 million or greater shall be competitively bid. A waiver to this policy may be granted if an applicant demonstrates that it is in the best economic, cultural or social interest of a community or region to not competitively bid a project. The waiver request must document the benefit to the federal government (in the form of cost savings, job creation, etc.) and the community and/or region of not utilizing a competitive bid process. Key considerations for reviewing the waiver request will include cost, local preference, career training, opportunities for local hire, and local economic impact.

In general, and to the greatest extent possible the Commission shall encourage the use of community and regional hire for construction projects.

COST CONTAINMENT POLICY

The Denali Commission is committed to both internal and external cost containment for all of its programs. All Commission projects are to be sustainable and that requires examining projects on a life-cycle cost basis in the context of the community's long-term development plan. The trade-offs between initial costs of construction and long-term operating and maintenance costs must seek to minimize the true life cycle costs of the project.

The Commission requires cost effective designs, need specific designs, competitive procurement, effective project management, and maximization of cost benefit via project selection.

The Commission shall evaluate all infrastructure facilities (excluding transportation) against the benchmarks which are produced under contract on an annual basis. Commission program partners shall be required to produce cost estimate detail and project budgets in accordance with the annual benchmarks, and shall be required to justify any budget requests that are not in keeping with the benchmark figures.

POLICY APPEALS PROCESS

Appeals to any of these policies should be sent to the Denali Commission Federal Co-Chair, and the State Co-Chair, in writing.