



Denali Commission
Annual Performance Report (APR)
Fiscal Year 2012

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Annual Performance Report (APR)



Introduction

In compliance with the Government Performance and Results Act of 1993 (GPRA) the Denali Commission (Commission) respectfully submits this Annual Performance Report to Congress describing actual program results for fiscal year 2012. Contained within this report are measures and outcomes of program activities during the past fiscal year.

The Denali Commission employs performance data in the development of the agency's annual Work Plan. The Work Plan document sets forth the funding priorities of the Commission on a fiscal year basis. Performance data informs this process as Denali Commissioners review the execution and outcomes of the prior year's program activities. The three major goal areas for FY 2012 were used to evaluate performance:

- ▶ One: Modernize and develop stronger and sustainable infrastructure in rural Alaska
- ▶ Two: Promote the sustainability of rural Alaska communities
- ▶ Three: Fortify accountability policies and procedures



Fiscal Year 2012 Budgetary Resources and Functional Uses

BUDGETARY RESOURCES

The Fiscal Year 2012 (FY 2012) Work Plan was developed based on the appropriations approved by Congress for FY 2012. Several federal funding sources have historically comprised the Commission’s annual budget, including the Energy & Water Appropriation, US Department of Agriculture-Rural Utility Service (USDA-RUS), US Department of Health and Human Services - Health Resources and Services Administration (HRSA), US Department of Labor (DOL), Federal Highways Administration (FHWA), Federal Transit Authority (FTA), and interest from the Trans-Alaska Pipeline Liability Fund (TAPL). The respective amounts of these federal funds received each year are depicted in the bar chart on page 8 of this document.

The Commission’s FY 2012 budget authority once again included federal funds transfers from FTA and TAPL. However, transfers from USDA-RUS, FHWA, HRSA and DOL were not received in FY 2012.

In FY 2012 no project specific direction was provided in any appropriations to the Commission. The Energy and Water Appropriations (commonly referred to as Commission “Base” funding) are no-year funds eligible for use in all programs.

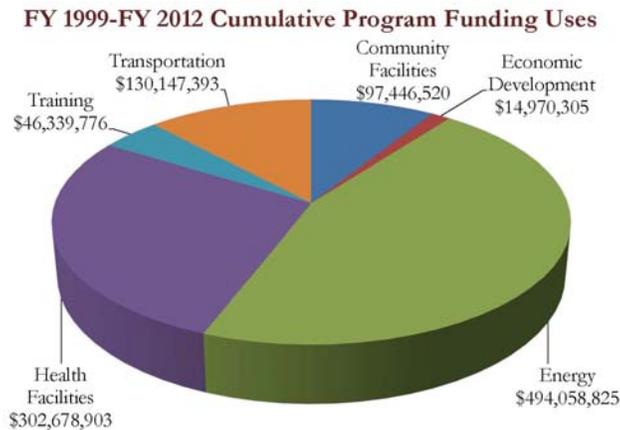
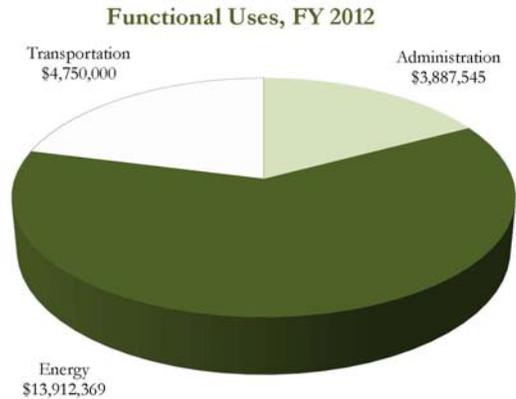
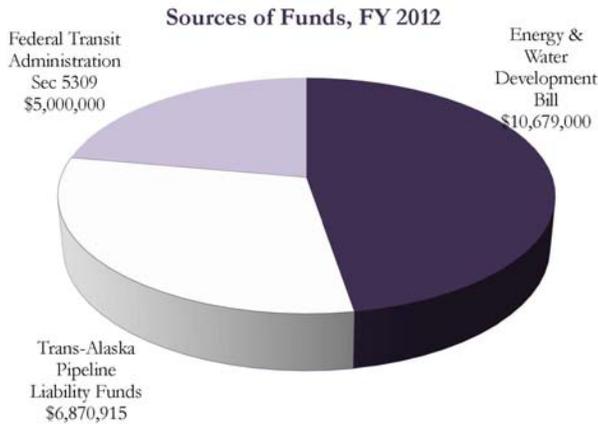
While the Base funds may be applied to any Commission program area, all other appropriations and transfers are restricted. Where restrictions apply, the funds may be used only for specific program purposes.

A comprehensive description of the FY 2012 Budgetary Resources and Financial Status of the Commission is presented in the Agency Financial Report, previously submitted to the Office of Management and Budget (OMB) in November 2012.

FY 2012 Budget Authority	
Appropriations Received	\$17,549,915
Nonexpenditure Transfers	5,000,000
Total Budget Authority	\$22,549,915



Fiscal Year 2012 Budgetary Resources and Functional Uses (continued)



FUNCTIONAL USES OF FY 2012 BUDGETARY RESOURCES

The FY 2012 Commission budgetary authority primarily funded and administered the following program and functional areas:

Energy Program

- ▶ Bulk Fuel Storage
- ▶ Community Power Generation and Rural Power System Upgrades
- ▶ Energy Cost Reduction Projects

- ▶ Renewable, Alternative, and Emerging Energy Technologies

- ▶ Power Line Interties

Transportation Program

- ▶ Roads
- ▶ Waterfront Project

Administration

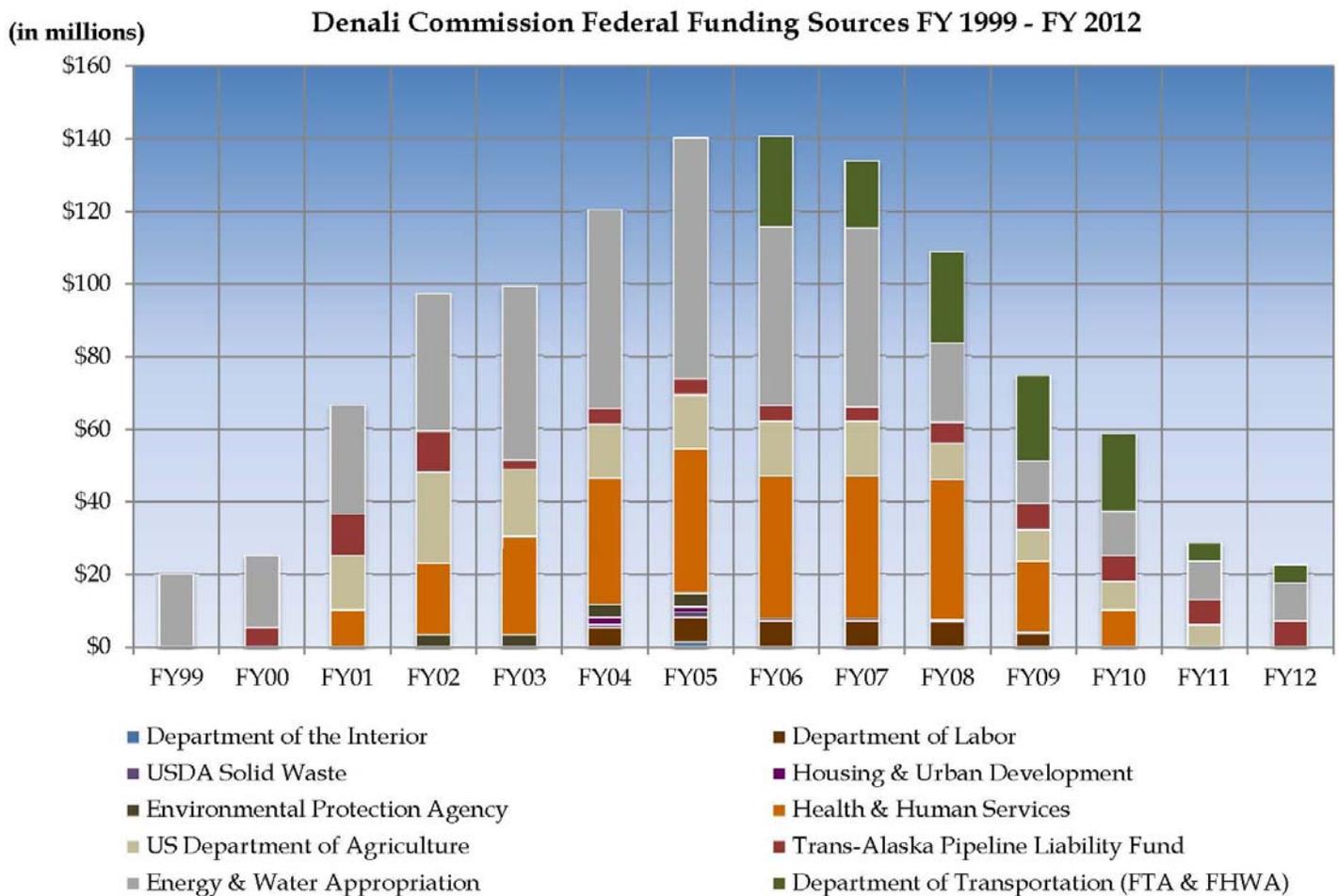
- ▶ Salaries and contracts
- ▶ Initiatives toward sustainable rural communities and accountability goal areas



Fiscal Year 2012 Budgetary Resources and Functional Uses (continued)

FINANCIAL PERFORMANCE OVERVIEW

As of September 30, 2012 the financial condition of the Denali Commission was sound with respect to having sufficient funds to meet program needs and adequate control of these funds in place to ensure obligations did not exceed budget authority. Agency audits are conducted in accordance with auditing standards generally accepted in the United States of America, OMB Bulletin 07-04 (Audit Requirements for Federal Financial Statements) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.



Fiscal Year 2012 Budgetary Resources and Functional Uses (continued)

OTHER PROGRAM AREAS ACTIVE IN FY 2012

Although the Health Facilities, Training, and Government Coordination Programs did not receive direct program allocations in FY 2012, the programs were engaged in high levels of activities underway from prior year appropriations.

The **Health Facilities Program** last received \$10 Million in FY 2010. With those and other prior-year funds, FY 2012 program performance included:

- ▶ Primary Care Clinics construction
- ▶ Primary Care Clinic designs
- ▶ Primary Care Clinic assessments
- ▶ Primary Care Clinic business planning and technical assistance

The **Training Program** last received a \$1 Million allocation in FY 2010 of the Commission's Energy and Water appropriation through the annual Work Plan process. Activities in FY 2012 included:

- ▶ Allied Health Professions
- ▶ Construction Trades
- ▶ Facility Operations and Maintenance
- ▶ Administration of Public Infrastructure

Finally, despite the lack of a directly allocated budget, **Governmental Coordination** activities were prominent and numerous in FY 2012, including:

- ▶ Sustainable Rural Communities Initiative
- ▶ White House Rural Council



KOTZEBUE WIND
TURBINES



Denali Commission Performance By Goal Area

Denali Commission grants are issued after Congress makes appropriations and after the agency annual Work Plan is approved by the Secretary of Commerce. In FY 2012, the final approval of the Work Plan occurred in mid-July 2012, just two and a half months before the end of the fiscal year, resulting in FY 2012 grants being issued late in the fiscal year. Most infrastructure projects funded did not progress past the materials ordering phase before winter hit. These circumstances make linking the FY 2012 budget to performance results in the same fiscal year difficult. Therefore, performance *achieved* in FY 2012 (regardless of the year of the appropriated funds applied) is presented here.

The Denali Commission has deep roots in infrastructure development—contributing substantially to numerous energy, health, transportation and other construction projects in the state. While we recognize that the results presented here are more akin to outputs than outcomes, these are the data points this small agency has been able to collect regarding its work.

In presenting the Denali Commission’s performance in FY 2012, the following goal areas are examined:

- ▶ Goal Area One: Modernize and develop stronger and sustainable infrastructure in rural Alaska
- ▶ Goal Area Two: Promote the sustainability of rural Alaska communities
- ▶ Goal Area Three: Fortify accountability policies and procedures



NUNAPITCHUK PRIMARY CARE CLINIC,
FALL 2011



Goal Area One: Modernize and develop stronger and sustainable infrastructure in rural Alaska

Strong rural infrastructure is critical to economic health, access to opportunity and the sustainability of small communities. Alaska’s challenging geography, weather, and lack of roads makes building roads, docks, energy distribution systems, and health delivery facilities difficult and expensive. The federal government, through the Denali Commission, has made constructing these vital infrastructure projects a priority. Rural America—and Frontier Alaska—is the backbone of the nation’s economic strength and embodies what we value in rugged individualism, respecting and living off the land, and the very nature of American heritage. All Americans benefit from the agriculture, mining, timber, and energy of Frontier America. Yet small rural communities continue to suffer from challenges in recruiting and retaining qualified and competent professionals; they often lack administrative resources in grant-writing, law enforcement, fire protection; and many frontier communities in Alaska do not have a property tax base and have difficulty in attracting financial assistance in the form of grants and loans.

TRANSPORTATION PROGRAM HIGHLIGHTS

	FY 2012	Total Since 2005
Roads Completed	12	66
Barge Landing/Mooring Points Completed	20	33
Waterfront Projects Completed	15	62

About 65 percent of all American highways run through rural areas. But Alaska, all told, only has 4,900 miles of paved and gravel roads. Rural Alaska residents rely on rivers, lakes, the sea, and relatively short community-based gravel roads, boardroads, and snowmobile trails for subsistence and commerce. Most goods and freight are delivered to a typical rural Alaska community in the summer with barges. After the rivers freeze up, goods are then delivered by air for up to eight months. Typical barge rates are \$0.50 to 0.60/pound; and air freight rates are \$0.80 to \$1.00/pound from Anchorage to rural communities.



Goal Area One: Modernize and develop stronger and sustainable infrastructure in rural Alaska (continued)

ALASKA BARGE LANDING SYSTEM DESIGN STUDY

The Alaska Barge Landing System Design Study is a two phased project that identifies potential barge landing improvement project needs in communities throughout Alaska. Barges are used to deliver fuel and freight in a majority of Alaska's rural communities which are not connected to the highways system. The study evaluated 202 communities located on coastal lands and rivers across the State. Phase I evaluated Northern, Western, Southwestern and South Central Alaska, while Phase II evaluated Southeast, Southwest and South-central Alaska. Of the 202 communities evaluated, 136 communities were identified as having barge landing improvement needs.

This study provides stakeholders such as local, state and federal entities and private organizations with a planning document, which includes a prioritized list of barge landing improvement projects and preliminary cost information. The planning document can be used for transportation and fuel/freight delivery planning purposes, coordination efforts, and to seek competitive funding opportunities. The studies were completed by the United States Army Corps of Engineers and URS Corporation through community site visits, interviews with barge operators, communities, and other stakeholders.

Economic Impact

Barge delivery in rural Alaska directly impacts the economy by enabling rural Alaska to access the larger market of goods and commodities, which indirectly impacts the economy by helping to drive costs down and increase the variety/competition of goods and commodities.



A typical barge landing includes chained mooring points to which a barge or tug ties off. The tug then turns off its engines, so it is not swept downriver.



ALASKA BARGE LANDING SYSTEM DESIGN STUDY, SUMMER 2012



Goal Area One: Modernize and develop stronger and sustainable infrastructure in rural Alaska (continued)

ENERGY PROGRAM HIGHLIGHTS

	FY 2012	Total Since 1998
Bulk Fuel Tank Facilities Completed	3	126
Rural Power System Upgrades Completed	4	89
Transmission Interties Completed	1	17
Alternative and Renewable Energy Projects Completed	2	62
Emerging Energy Technology Projects Completed	7	11

The federal government's involvement in supporting energy infrastructure for rural America is founded in the electrification movement of the 1930s. Back then, the Roosevelt Administration wanted to ensure equal access to reliable electricity among urban and rural residents, and began efforts to bring electric power to rural Americans.

Alaska's power infrastructure poses challenges to the provision of reliable, cost-effective energy. Many village communities across Alaska continue to rely on diesel-powered generation systems. In conjunction, bulk fuel facilities are essential for heating and electrical generation. Bulk fuel farms must often be sized to hold up to nine months of fuel; the time span between when rivers freeze over and until they thaw. A historic priority of the Commission's Energy Program has been to renovate and/or replace these bulk fuel tanks that present environmental risks to communities. The table above reflects the progress toward Alaska's universe of need in this area.

Since inception, the Energy Program has contributed to the planning, design and/or construction of 126 bulk fuel facility projects, 89 rural power system projects, and 17 interties. In addition, 62 alternative and renewable energy projects such as wind-diesel, geothermal, hydro, and biomass and 11 emerging energy technology projects were funded. These alternative, renewable, and emerging energy projects have largely been funded in the past six to seven years as the price of fuel has increased. It is important to note that fuel prices in rural Alaska have increased three-fold in the past 10 years.

With FY 2012 appropriations, the Energy Program funded 4 bulk fuel facilities, 1 rural power system upgrade, 1 transmission intertie, a power system upgrade design, and a business plan for a bulk fuel upgrade project.



Goal Area One: Modernize and develop stronger and sustainable infrastructure in rural Alaska (continued)

HOONAH RURAL POWER SYSTEM UPGRADE

The Commission, in partnership with the State of Alaska, Alaska Energy Authority (AEA), funded a new power plant in Hoonah, Alaska. The community of nearly 800 residents is located on Chichagof Island in Southeast Alaska. The new power plant was brought online in April 2012 and includes four generators totaling 3,100 kW, a control panel with automatic switchgear to ensure the most efficient combination of generation is used, and exhaust silencers. In addition, a heat recovery system was installed to deliver heat recovered from the generators to the school, fire hall, senior center, and health clinic. It is anticipated that the heat recovery system will offset approximately 57,000 gallons of space heating diesel annually.



HOONAH GENSET (ELECTRICAL GENERATOR);
HOONAH, ALASKA

Goal Area One: Modernize and develop stronger and sustainable infrastructure in rural Alaska (continued)

HEALTH FACILITIES PROGRAM

HIGHLIGHTS

	FY 2012	Total Since 1999
Primary Care Clinics Completed	6	132
Elder Supportive Housing Facilities Completed	0	20
Primary Care in Hospitals Projects Completed	0	49
Behavioral Health Projects Completed	0	20

The Denali Commission determined early on that the agency could improve the status of health infrastructure in the state through investing in the renovation, repair and replacement of rural health facilities. In 13 years, the Health Facilities Program, in conjunction with the US Department of Health and Human Services - Health Resources and Services Administration (HRSA) has contributed to 132 primary care clinics, 20 elder supportive housing facilities, 49 primary care in hospitals projects, and 20 behavioral health facilities. Currently, 10 clinics are in the construction phase, and 9 are in the planning or design stages.

With federal health infrastructure funds declining, the Commission’s Health Facilities Program has shifted to providing more technical assistance to rural Alaskan communities in the development of capital project development and business planning for health facilities. Occasionally, agency funds may also be used to cover the costs of the design of a clinic, positioning the community to a more successful approach with other capital funders.

A retrospective study conducted in 2011 sampled 24 completed primary care clinics to examine the outcomes of the Denali Commission’s efforts to improve access to and quality of health services available to rural Alaskans.

The study revealed that many of the original rural Alaska clinics were constructed in the 1980s as residential-type buildings. Commercial health care use took its toll on these buildings over time. More importantly, original designs did not take into account patient flow, privacy, or sanitation concerns of a clinic setting. Clinic designs varied from one community to the next, with little to no forethought for minimum space requirements for relevant rural health services. In many cases, Community Health Aides were unable to roll a gurney from the entrance into a trauma room in a straight line. In some cases, trauma work was conducted in the waiting room, as that was as far as the gurney could be pushed. Addressing these issues was one purpose for the Commission’s Health Facilities Program.



Goal Area One: Modernize and develop stronger and sustainable infrastructure in rural Alaska (continued)

Mountain Village Primary Care Clinic

The Capital Projects Office at the Yukon Kuskokwim Health Corporation (YKHC) in Bethel, Alaska has learned a lot during the past 15 years about designing and building primary care and subregional clinics throughout the Yukon Kuskokwim Delta. Upholding a vision of “Native self-determination and culturally relevant health systems, the people of YKHC strive to be the healthiest people.” YKHC administers a comprehensive health care delivery system for 58 rural communities in southwest Alaska through community health centers, a regional hospital, and behavioral and dental health services.

Since the late 1990s, YKHC has designed and constructed more than 30 village-based clinics and subregional clinics across their region. Improving upon each design over the years, the Mountain Village clinic represents and reflects the pinnacle of rural Alaska innovation and practicality. The village of 830 people now has a trauma room that can accommodate two gurneys and is fully wired for telemedicine. To maximize the number of exam rooms without exceeding the construction and operations budgets, exam rooms got smaller, and their sinks were made to fit between the wall studs. And instead of a single-purpose dental exam room which would be used four weeks per year, designers and staff created a wall compartment that accommodates, alternately, an exam table or a movable dental chair.

YKHC and the Mountain Village clinic are symbolic of strong rural ingenuity, endurance and resourcefulness. Examples of extraordinary commitment to the provision of excellent quality health care services are found in regional health corporations and non-Native health organizations all over Alaska.

MOUNTAIN VILLAGE CLINIC,
YUKON-KUSKOKWIM REGION



Goal Area Two: Promote the sustainability of rural Alaska communities

Approximately 142,000 of Alaska's 722,000 residents live in the more than 210 rural Alaska communities throughout the state. With few residents per village and high costs of living, Alaskans face difficult decisions about how to preserve these communities. As with most rural places, Alaska's villages represent family history and the deep heritage of Native and Non-Native peoples alike; they embody values of subsistence, respect for land and natural resources; and they symbolize the balance between rugged individualism with interdependence and true community.

Commission Resolution 01-15 enacted in January 2001 and the subsequent (November 2008) adoption of the Sustainability Policy, recognized that the Denali Commission is charged with ensuring that all infrastructure projects demonstrate sustainability prior to being granted Commission funding. Projects must document their ability to meet the definition of *sustainability*: 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. In most Commission programs this is achieved through the business plan process.

But more recently, the Commission has shifted the agency's, partners' and the public's understanding of sustainability to apply more broadly to the entire community rather than just to a singular project. Thus, the agency has focused its energies on initiatives that bolster the overall sustainability of Alaska's rural communities. Program-specific examples follow.

TRANSPORTATION PROJECTS

In FY 2012, the **Transportation Program's** work to promote community sustainability included construction of about 1 ½ miles of gravel road in the community of Tununak. Home to about 350 people, Tununak is located in a small bay on the northeast coast of Nelson Island, 115 miles northwest of Bethel and 519 miles northwest of Anchorage.

In FY 2010 the Tununak project was selected through a competitive process for funding of the design phase. Commission funds were matched with State of Alaska funds, and the project was managed by the Western Federal Lands Highway Division. This project was rated highly in the competitive funding process because of the long-term positive effects it would have on the life, safety and quality of life in Tununak.

The reconstruction of approximately 1-mile of the main road through the community and rehabilitation of approximately ½-mile of side streets will raise the main road grade and install culverts to improve drainage. It also includes a crushed gravel surface with appropriate dust palliative to improve driver and pedestrian safety.



Goal Area Two: Promote the sustainability of rural Alaska communities (continued)

The Tununak roads project benefits include improved vehicular and pedestrian safety, and improved health and quality of life through reduction of substantial standing water and improved transport of landfill bound materials. It also improves access between the community's residential area and commercial and public services, including access to the airport.

These additional benefits contribute to Tununak being a better place to live, and therefore a more sustainable community:

- Improves pedestrian and vehicular safety
- Reduces maintenance costs
- Improves access to fuel and freight
- Improves intermodal connections
- Reduces dust and other airborne contaminants



TUNUNAK COMMUNITY,
MAIN STREET
BEFORE THE IMPROVEMENTS



Goal Area Two: Promote the sustainability of rural Alaska communities (continued)

ENERGY PROJECTS

Soaring costs of energy and the transportation of fuel have stimulated interest in alternative and renewable energy systems. Denali Commission has been a leader in promoting the exploration and development of innovative systems over the past four years.

The power generation and fuel delivery and storage efficiencies realized upon completion of upgraded facilities directly contributed to lowering energy costs in rural Alaska. In addition, the **Energy Program** continued to develop a new branch of projects in emerging energy technologies. Building upon ideas that have been proven through preliminary research and development, and supporting further pilot-testing, the Commission contributes to the promise of new energy solutions. To date, the Commission's Energy Program has contributed to 60 alternative and renewable energy projects such as wind-diesel, geothermal, hydro, and biomass and 11 emerging energy technology projects.

EMERGING ENERGY TECHNOLOGY FUND

The Commission, in partnership with the State of Alaska, Alaska Energy Authority (AEA), funded an Emerging Energy Technology Fund that has awarded \$8.9 Million in projects with FY 2010 and 2011 funds. Eligible projects must be reasonably commercially viable within five years which test emerging technologies and conservation measures. They could also improve an existing technology or apply a technology not previously tried in Alaska.

An example of a project receiving funding is a Fairbanks company that is developing high R-value building doors and two unique, automated thermal window shutter designs to improve the overall efficiency of the thermal building envelope in cold regions. These types of projects are imperative to the long-term sustainability of Alaska communities by reigning in the high costs of traditional energy use there.



KING COVE
HYDROELECTRIC PROJECT



Goal Area Two: Promote the sustainability of rural Alaska communities (continued)

HEALTH PROJECTS

Even though the Denali Commission has funded only the planning, design and construction of rural Alaska health clinics, the agency is cognizant of the multitude of factors that contributes to the long-term sustainability of a community facility. The U.S. health care system is rapidly changing, influenced by pressures on cost, quality and access. In recognition of impending changes spurred by the Affordable Care Act of 2010 and organically occurring changes in the industry in industry, the Commission co-founded AK Health Reform.

In the true partnering tradition of the Denali

Commission, AK Health Reform is a group with representation from many statewide health-oriented organizations:

- Alaska State Hospital and Nursing Home Association
- Alaska Mental Health Trust Authority
- Alaska Primary Care Association
- Rasmuson Foundation
- Mat-Su Health Foundation
- AARP of Alaska
- And many others

The goal of AK Health Reform is to provide factual research, data and analysis regarding the state of health care in Alaska.

Because Alaska's health care delivery system is complex and involves small, rural, and regional health organizations, as well as federal systems, It is likely that there will be significant changes in the coming years as payers demand more for less, as quality is tied to payment and as the industry consolidates to respond to cost pressures.

The partnership of AK Health Reform strives for objective accurate information-sharing so all of Alaska's health system can prepare and sustain excellent access, quality and outcomes for Alaskans.



COMMUNITY HEALTH AIDES FROM THE REGIONAL VILLAGES, NORTON SOUND REGIONAL HOSPITAL GRAND OPENING



Goal Area Two: Promote the sustainability of rural Alaska communities (continued)

TRAINING PROJECTS

Many components contribute to the long-term sustainability of a community: reliable and affordable energy, housing, health care, and transportation are critical. But, economic stability must be established and supported. True to its enabling legislation, the Commission has been a leader in developing and sponsoring training and education programs that seek to develop a strong, competent, qualified, rural workforce. This has been evident throughout the implementation of all the programs delivered through the Denali Commission. Primarily, the **Training Program** has focused on training and education that results in job attainment and security, especially as they relate to Commission-funded infrastructure projects. For example, the Training Program funded Commercial Driver License (CDL) training for more than 77 rural residents who were at risk of losing their jobs due to a new state regulations requiring rural 'off-road' CDL license-holders to have additional endorsements. This project directly complemented the Commission's Transportation Program projects. And these residents' local jobs are still intact, so they can continue to build and maintain roads and airports.

In FY 2012, the Training Program continued to strengthen job training by leveraging resources and regional planning and coordination. Additionally, the program continued to offer maximum flexibility for training options, so rural residents could learn specific and applicable job skills for immediate jobs in their home regions, particularly jobs created by the Commission's Health, Energy and Transportation Programs.

In FY 2012, Training Program achievements included:

- ▶ 419 individuals completed training courses or received certifications in construction, and maintenance and operation of Denali Commission projects and/or other public facilities.
- ▶ 207 individuals completed and received certificates in Building Maintenance Repair (BMR),
- ▶ 291 individuals received weatherization (energy efficiency) certifications
- ▶ 830 students completed a range of University of Alaska coursework which resulted in certifications in the allied health occupations of Community Health Aide, Dental Assistant, Medical Office/Health Care Reimbursement and Medical Lab

In addition, the Training Program in FY 2012 initiated a standing committee named the Rural Alaska Maintenance Partnership (RAMP), to explore solutions to help sustain facilities in rural Alaska. This committee met monthly in 2012 with three main objectives in mind:

1. Reduce maintenance costs to owners and insure building systems last their design lives
2. Improve facility energy efficiencies, and
3. Create more local facility maintenance jobs through standardized training.



Goal Area Two Promote the sustainability of rural Alaska communities (continued)

An Overview of the Rural Alaska Maintenance Partnership

For over 30 years, Federal and State entities have invested billions of dollars into rural Alaska infrastructure to ensure the health, safety and welfare of rural Alaskans. Roads, clinics, schools, power generation systems, water and sewer systems, airports, communication facilities, renewable energy technologies, ports, community and commercial buildings, washeterias, homes and permanent structures of many types are now in place.

Unfortunately, the vast majorities of this infrastructure investment is not being maintained properly and/or are being operated in ways that increase the cost of ownership by 30% or greater, due to lack of training and lack of coordination. Many such investments do not achieve their anticipated useful life and must be replaced via “repair through replacement” sooner than anticipated. As grant funds decline, this approach may no longer be a viable option and we must be better stewards of these public investments.

The RAMP Rural Alaska Maintenance Partnership (RAMP) is a group of rural investors, building owners and/or operators’ looking at ways to improve the way rural maintenance is delivered. RAMP believes that facility maintenance training needs to be available and standardized across the state – this effort was launched in early January 2012. RAMP further believes that there is a viable maintenance business opportunity in each region thus a feasibility/business plan is planned for 2013.

Without a change in approach for the operations and maintenance of critical rural infrastructure, the economic and ultimate sustainability of many rural communities is in question.

Construction Education Foundation

An example of Commission success can be seen at the Construction Education Foundation (CEF) between 2009 and 2012. The Denali Commission partnered with the CEF to develop Rural Construction Academies (RCA) in partnership with high schools and Regional Training Centers due to the lack of construction career pathways in rural schools. The decline of construction education starting in the early 1990’s as rural high schools began to eliminate vocational education due to increasing education costs and unpredictable budgets. Since implementation, the RCA’s have increased construction education; established construction career pathways; and allowed rural residents to build promising careers. Through the Commission’s partnership with the CEF, over 550 people are now trained, certified and either working or able to work in construction jobs.

In rural Alaska, construction and health care workers are in high demand and provide good stable jobs in an unstable economy. Historical statistics from the Department of Labor Research and Analysis Section indicates that participants of the Denali Commission Training Programs have seen an increase of 64.4% in wages and have improved their competitiveness for available jobs by 12.1% through job training.



Goal Area Three: Fortify accountability policies and procedures

As a federal agency with stewardship for taxpayers' dollars, the Denali Commission attends to the issues of accountability earnestly. The agency's commitment to accountability and transparency was made more evident through the development of more rigorous agency grant policies. The Commission instituted a rigorous process for examining each active project and any reasons for exceptions to scope, schedule or budget. Dynamic monitoring results in projects which are delayed being detected early on and replaced, where appropriate, by projects that are ready for construction or implementation. Thorough project vetting and oversight has led to more efficient obligation of current fiscal year budget authority on projects that are equipped for sustainability. At the close of FY 2012, less than \$1 million was carried over for obligation in FY 2013. The Commission's grant close-out process has been accelerated, so that any savings realized as construction and training projects reach completion, can quickly be repurposed for new projects.

PROJECT VETTING

Projects are funded by the Denali Commission after thorough review and vetting. For example, the Transportation Program hosts an annual open nomination period for projects. All eligible projects are reviewed and scored by the Alaska Governor-appointed Transportation Advisory Committee. The top-scoring projects are funded for design and/or construction.

The Health Facilities Program has had a gated process, from business plan, to design, evidence of required cost share match, and finally construction. The Health Steering Committee meets regularly to advise on Program direction and policies for project selection.

The Energy Program also uses a business plan model, along with a universe of need. The Energy Advisory Committee plays a major role in Program direction and policy.

PROJECT MONITORING

Project Site Visits.

Once a project is funded, the agency's Program staff travel to project sites for review and progress checks. In FY 2012, Program staff traveled on nearly 80 occasions to more than 23 communities to monitor and perform site visits of grantees or potential grantees.

In FY 2012, Program staff traveled on nearly 80 occasions to perform grant project monitoring in more than 23 communities across Alaska.



Goal Area Three: Fortify accountability policies and procedures (continued)

Progress Exceptions Reports.

Further, Denali Commission staff now regularly reports to Commissioners on exceptions to anticipated project progress. Each quarter, Program staff review and accept or reject quarterly progress reports submitted by recipient organizations. This information, coupled with financial data from the agency's financial management system, Oracle (managed by the US Treasury - Bureau of the Public Debt) is analyzed for anomalies. Atypical progress on projects is reported to Commissioners in the form of irregularities related to scope, schedule and budget. In this way, staff and Commissioners can be alerted to these exceptions, extenuating circumstances that explain them, and the agency's actions to resolve the matters.

INVESTMENT IN DISTRESSED COMMUNITIES

The Denali Commission Act is very clear about prioritizing the agency's investments in communities that are economically disadvantaged. Communities across Alaska are analyzed annually based on per capita income, unemployment, and other factors and classified as either Distressed or Non-Distressed. These categories figure prominently in both the selection of projects for funding and the amount of the cost share match that is required from the community for construction.

Since 1998, the Commission has invested more than \$1 Billion in Alaska's infrastructure development and training. Nearly half of that - about \$500 Million - has supported Distressed communities.

Approximately \$500 Million has been invested in Distressed communities

FINANCIAL AUDIT: UNQUALIFIED

The most obvious illustration of the commitment of the Denali Commission to accountability is the receipt of another unqualified ('clean') audit opinion in FY 2012.

EAGLE, ALASKA HYDRO PROJECT



Program Overviews

The performance information presented on the previous pages is arranged by agency goal areas. In order to reflect the organizational structure of the Denali Commission, the following brief program overviews are supplied here.

TRANSPORTATION PROGRAM

On August 10, 2005, Congress passed H.R. 3 - Safe, Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) into law. This Act provides the Denali Commission (Commission) transportation program with approximately \$25 million annually for fiscal years 2005 through 2009. The funds are divided between the roads component of the program (\$15 million) and the waterfront development component of the program (\$10 million).

The Transportation Program focuses on providing access and resources to communities while improving health, safety, and efficiencies for local water and surface transportation.

Commission staff has focused on directed public outreach and agency coordination efforts; as a result, the program has been focusing attention on the following areas of transportation needs:

Roads Program:

The road program targets basic road improvement needs. It also looks at opportunities to connect rural communities to one another and the State highway system, and opportunities to enhance rural economic development.

- Rural community streets, roads, and board roads
- Roads between rural communities
- Roads between rural communities and the Alaska State highway system
- Roads to access resource development
- Dust control on local streets and roads
- Access to boat launch sites for commercial and subsistence fisheries
- Access to permanent barge landings for fuel and freight transfers
- Storm evacuation roads
- ATV hardened trails

Waterfront Development Program:

The waterfront development program addresses port, harbor and other waterfront needs for rural communities. The waterfront program has also recently begun focusing on improvements to regional ports, and construction of barge landings, mooring points, and docking facilities.

- Regional port reconstruction and/or expansion to support commercial fisheries and regional fuel and freight redistribution
- Harbor reconstruction and/or expansion to support commercial and subsistence fishing, and/or regional hub and intermodal connections
- Boat launch ramps to support local uses, including search and rescue operations
- Barge landing improvements including structures and mooring facilities



Program Overviews (continued)

The program has developed successful design and construction partnerships with the U.S. Federal Highway Administration (FHWA), Bureau of Indian Affairs (BIA), Western Federal Lands Highway Division (WFLHD), Alaska Department of Transportation and Public Facilities (DOT&PF), and the U.S. Army Corps of Engineers (USACE). The program also develops projects with regional, local and tribal governments, and regional tribal non-profits. Success in the program is also a function of excellent ongoing guidance from the FHWA Alaska Division.

The Commission continued to receive funding for the program beyond FY09 as a result of annual continuing resolutions.

SAFETEA-LU expired in 2009 and operated under a continuing resolution from June of 2009 through June of 2012.

In late June of 2012, Congress passed a two-year transportation bill, titled Moving Ahead Toward Progress in the 21st Century Act (MAP-21) which did not include authorization or funding for the Commission's transportation program.

Commission staff will continue to administer the program and active Transportation projects in coordination with the members of the Transportation Advisory Committee (TAC).

TRANSPORTATION ADVISORY COMMITTEE:

SAFETEA-LU required the Commission to form the Transportation Advisory Committee (TAC) to advise the agency regarding project nominations, selections, and program policy. The nine member TAC includes, by law, four members who represent rural Alaska regions or villages. The TAC is chaired by the Commission's Federal Co-Chair. The TAC is responsible for providing broad program guidance and for reviewing and recommending eligible projects submitted through the public nominations process to the Federal Co-Chair for final approval. The TAC typically reviews project nominations on a semi-annual basis; once in January for project selections and once during the summer to monitor project development.

The TAC met two times in fiscal year 2012. The key outcome from this group included the selection of 58 road and waterfront development projects, requesting a total of \$29,153,812 for rural Alaska transportation.

Due to the program not receiving continued authorization for funding under MAP-21, only waterfront projects were funded in FY 2012.

Transportation Advisory Committee Members:

Joel Neimeyer, Federal Co-Chair (Chair) *Denali Commission;*

Mike Hoffman *Association of Village Council Presidents;*

Steve Ivanoff *Kawerak, Incorporated;*

Chuck Pool, P.E., R.L.S. *Pool Engineering, Incorporated;*



Program Overviews (continued)

Chuck Quinlan *K'oyit'ots'ina, Limited;*

Ray Richards *Doyon Limited;*

Randy Romenesko, P.E. *Consultant;*

Walter Sampson *NANA Regional Corporation;*

Carvel Zimin, Jr. *Bristol Bay Borough Assembly*

PROGRAM PARTNERS:

Alaska Department of Transportation and Public Facilities

www.dot.state.ak.us

Bureau of Indian Affairs

www.doi.gov/bia

Community Development Quota Organizations

www.wacda.org

U.S. Army Corps of Engineers

www.poa.usace.army.mil

U.S. DOT Federal Highway Administration

www.fhwa.dot.gov

U.S. DOT Western Federal Lands Highway Division

www.wfl.fhwa.dot.gov

Regional Tribal Non-Profit Organizations

ENERGY PROGRAM

The Energy Program is the Commission's first program and is often identified, along with the Health Program, as a "legacy" program. The program focuses on bulk fuel storage tank upgrades (BFU) and power generation/rural power system upgrades (RPSU) across Alaska, as well as recent expansion into alternative, renewable, and emerging energy infrastructure. The purpose of the program is to provide code-compliant bulk fuel storage and electrification throughout rural Alaska, particularly for communities "off the grid" and not reachable by road or rail, with a goal of improving energy efficiency and decreasing energy costs.

Most rural Alaska communities receive their goods during the summer via barge service, including heating fuel and fuel for diesel-fired electrical generators. Consequently, the bulk fuel storage facilities must be sized for storage of at least nine months of fuel for uninterrupted service.

Program partners coordinate project funding requests with the Commission to balance the relative priority or urgency of bulk fuel and power generation needs against available funding, community readiness, and capacity to carry out the work. Legacy program (RPSU, BFU and intertie) projects are identified by partners and reviewed and selected by Commission staff.



Program Overviews (continued)

Program partners are utilized to perform initial due diligence, as well as, assist in the development of the business plans for the participants as designs are underway. The program is dynamic: priorities fluctuate throughout the year based on design decisions, due diligence and investment policy considerations, site availability, the timing of funding decisions, etc.

The Energy Program has historically used a “universe of need” model to determine program and project funding. Specifically, the program is focused on using the existing statewide deficiency lists of bulk fuel facilities and power generation/distribution systems to prioritize project funding decisions.

The remaining needs in the BFU and RPSU universes of need have previously been estimated at over \$400 million; however, this was based on 2004 construction costs. Populations have fluctuated across the state over the past ten years, erosion has increased the risk of building in certain communities and escalating construction costs have challenged the original intent of the Commission’s goal toward an exit strategy for rural energy projects.

The Commission has completed 126 bulk fuel storage projects and 89 power plant upgrades improving energy efficiency in communities across rural Alaska. With this critical work behind the Commission, and the evolution of Alaska’s villages in the past decade, the remaining universe of need is reassessed annually. Currently, the BFU universe indicates roughly 54 communities in need of this basic infrastructure; however, it is unlikely all will proceed due to sustainability issues. An upper level estimate for all 54 bulk fuel projects for a total of approximately \$220 million. The rural power system

upgrade remaining universe includes approximately 70 communities, with estimates for completion at approximately \$210 million. The RPSU program universe is less clear, as more intertie connectivity is reducing the need for stand alone projects, coupled with the increased surge of alternative/renewable energy projects statewide. A renewable energy project sometimes is proposed in conjunction with a deficiency list project to reduce the dependence on diesel fuel and the fuel storage requirements. An intertie can remove the need for a new power plant, and reduce fuel storage requirements in the intertied communities. Therefore, the legacy program may also include these types of energy infrastructure.

The Energy Policy Act of 2005 established new authorities for the Commission’s Energy Program; with an emphasis on alternative and renewable energy projects, energy transmission, including interties, and fuel transportation systems. Although the Energy Policy Act did not include specific appropriations, the Commission is expected to carry out the intent of the Act through a portion of its “Base” funding. To date, the Commission has co-funded a number of renewable projects, including hydroelectric facilities, a geothermal power plant, a biomass boiler, and a number of wind-diesel power generation systems.

About 94% of electricity in rural communities which receive Power Cost Equalization (PCE) payments is produced by diesel and about half the fuel storage in most villages is used for the power plants. Any alternative means of generating power can reduce the capacity needed for fuel storage and can reduce the sizing of and demand on diesel-fired electrical generators. This reduces capital costs, as well as, operations and maintenance (O&M) and repair and renovation (R&R) costs for fuel



Program Overviews (continued)

storage facilities and may reduce the cost of power to the community.

In FY07, the Commission issued the first request for proposals for alternative/renewable energy projects. The Commission dedicated \$5 million to this effort which was matched with \$1 million from the State of Alaska. Overwhelming response from this initiative, coupled with extraordinarily high energy costs, prompted the state to create a renewable energy fund which to date has provided \$202 MM in State funding for renewable energy projects.

With the advent of the State of Alaska's Renewable Energy Program (REP), the Commission has redirected its efforts from renewable technologies to emerging technologies. In FY10 and FY11, the Commission provided \$4.8 million to match \$4.8 million from the state for an Emerging Energy Technology Fund, which was created through legislation passed in April 2010.

Recognizing the critical role energy plays in the quality of life and economic development of Alaska's communities, the Denali Commission has made energy its primary infrastructure theme since inception and continues to make energy a priority. The Commission has made great strides developing safe and reliable energy infrastructure in Alaska while minimizing expenses.

ENERGY ADVISORY COMMITTEE

The Energy Advisory Committee was established in 2007 to aid the Commission by reviewing and updating existing policies and guiding the Commission's direction in developing a more robust energy program. The Energy Advisory Committee serves in an advisory capacity to the

full Commission.

The Commission's Energy Advisory Committee met in February 2012 to discuss the FY12 draft work plan, universe of need and project updates, and policy review.

Energy Advisory Committee Members:

John MacKinnon (Chair) *Denali Commissioner, Associated General Contractors of Alaska*

Vince Beltrami *Denali Commissioner, Alaska AFL-CIO*

Dr. Brian Hirsch *National Renewable Energy Laboratory*

Eric Marchegiani, P.E. *U.S. Department of Agriculture–Rural Development*

Robert Martin *Goldbelt Corporation;*

Brad Reeve *Kotzebue Electric Association*

Dr. Daniel White *University of Alaska Fairbanks, Institute of Northern Engineering*

PROGRAM PARTNERS:

Alaska Center for Energy and Power (ACEP)
www.uaf.edu/acep

Alaska Energy Authority
www.aidea.org/aea

Alaska Power & Telephone
www.aptalaska.com

Alaska Village Electric Cooperative
www.avec.org

U.S. Department of Agriculture Rural Utility Service
www.usda.gov/rus/electric



Program Overviews (continued)

HEALTH FACILITIES PROGRAM

Congress amended the Denali Commission Act of 1998 in 1999 to provide for the planning, designing, constructing and equipping of health facilities. The Health Facilities Program is a collaborative effort, with the partnership of numerous organizations, including the Alaska Native Regional Health Corporations and the State of Alaska. Since 1999, the Commission has methodically invested in regional networks of primary care clinics across Alaska.

While primary care clinics have remained the “legacy” priority for the Health Facilities Program, in response to Congressional direction in 2003, funding for additional program areas addressing other health and social service related facility needs was initiated. Innovative additions to clinic design, including behavioral health and dental care were adopted. And, over time, the program has expanded to include other initiatives like domestic violence facilities, elder housing, primary care in hospitals, emergency medical services equipment and hospital designs.

The program uses a universe of need model for primary care clinics and a specialized selection process through a Health Steering Committee for other program areas. In 1999, the program created a deficiency list for primary care clinics and found 288 communities statewide in need of clinic replacement, expansion and/or renovation; this list was updated in 2008. Projects are recommended for funding if they demonstrate readiness which includes the completion of all due diligence requirements. This includes an approved business plan, community plan, site plan checklist, completed 100% design, documentation of cost share match, and a high probability that the

project will begin construction during the next season.

The business plan process has been revised and updated to consider the increasing cost of fuel, electricity and other utilities, and erosion and relocation issues. These factors pose significant economic challenges to many small communities and villages.

The primary care program has integrated behavioral health and dental spaces in clinics in the medium, large and sub regional size categories, ensuring that critical space is available for specialty and mid-level providers in remote locations. Many rural Alaska communities experience the highest per capita rate of dental and behavioral health concerns in the country. Inclusion of these spaces in new clinics is a fundamental part of a successful treatment modality and model across Alaska.

Alaska has a complex system of health delivery – with Tribal, City, Village, private and federally-designated clinics and providers working in partnership to ensure there is a reliable continuum of care for isolated communities and regions throughout the state.

Designing and building health facilities in rural Alaska is also complicated – a process which must account for small populations, extreme climates, roadless communities, and environmental factors. Methodical planning and attention to unique community characteristics enables the Denali Commission to meet these challenges.

HEALTH STEERING COMMITTEE

The Health Steering Committee is an advisory body comprised of the following membership organizations:



Program Overviews (continued)

the State of Alaska, Alaska Primary Care Association, the Alaska Native Tribal Health Consortium, the Alaska Mental Health Trust Authority, the Alaska Native Health Board, the Indian Health Service, the Alaska State Hospital and Nursing Home Association, and the University of Alaska. The Committee reviews and updates program policies and guides the Program's direction and priorities.

The Health Steering Committee (HSC) met in February 2012 to review their recommendations for the Health Program in the FY 2012 Work Plan. The HSC reviews current program project selection criteria, current project progress, and recommendations for remaining Health Program funds.

Health Steering Committee Members:

William Streur, *Commissioner, Alaska Department of Health and Social Services*

Loretta Bullard, *Denali Commissioner, Alaska Federation of Natives (until June 2012)*

Lincoln Bean, Sr. *Alaska Native Tribal Health Consortium;*

Dr. Kenneth Glifort *Indian Health Service;*

Jeff Jessee *Alaska Mental Health Trust Authority;*

Andy Teuber *Alaska Native Tribal Health Consortium*

Marilyn Walsh Kasmar *Alaska Primary Care Association (until June 2012)*

Dr. Ward Hurlburt *Alaska Department of Health and Social Services*

Karen Perdue *Alaska State Hospital & Nursing Home Association*

Jan Harris *Office of Health Programs Development, University of Alaska*

PROGRAM PARTNERS:

- Alaska Department of Health and Social Services (DHSS)
www.hss.state.ak.us
- Alaska Housing Finance Corporation
www.ahfc.state.ak.us
- Alaska Mental Health Trust Authority
www.mhtrust.org
- Alaska Native Tribal Health Consortium
www.anthc.org
- Alaska State Hospital and Nursing Home Association
www.ashnha.com
- Health Resources and Services Administration
www.hrsa.gov
- Rasmuson Foundation
www.rasmuson.org
- Mat-Su Health Foundation
www.matsuhealthfoundation.org/
- Regional Alaska Native Health Organizations



Program Overviews (continued)

TRAINING PROGRAM

The Training Program was established by the Commission in 1999 as a stand alone program to provide training and employment opportunities to rural residents that supported the construction, maintenance and operation of Denali Commission investments.

The Training Program prioritizes training projects that create jobs and employment opportunities, leverage funds from other sources and demonstrate regional planning and coordination. Training Program funds are dedicated to training activities that are directly related to student costs such as instruction, books, tools, tuition, lodging and transportation.

The Denali Commission selects major program partners for the Training Program that have the capacity to provide training and education and carry-out the goals and objectives of the Commission. Through competitive opportunities facilitated through these major partners, other organizations are engaged to conduct specific training projects. Funding for the Training Program has traditionally come from two sources – the Commission’s Energy and Water (Base) appropriation and the U.S. Department of Labor (USDOL). Fiscal Year 2010 was the last year that the Training Program received new funding. Since then, Training Program activities have been limited to projects funded with prior year sources.



TRAINING ADVISORY COMMITTEE

The Training Advisory Committee (TrAC) is a high level planning group that provides guidance and recommendations to Commission staff on policy and strategic planning. The TrAC also ensures that all training program activities are aligned with the current Denali Commission Work Plan and other ongoing Denali Commission projects.

Training Advisory Committee Members:

- Vince Beltrami (Chair) *Denali Commissioner, Alaska AFL-CIO;*
- John MacKinnon *Denali Commissioner, Associated General Contractors of Alaska;*
- Wanetta Ayers *State of Alaska, Department of Labor;*
- Bernice Joseph *University of Alaska;*

PROGRAM PARTNERS

- Alaska Department of Labor and Workforce Development
<http://labor.state.ak.us>
- Alaska Works Partnership
www.alaskaworks.org
- Construction Education Foundation, Associated General Contractors of Alaska
www.agcak.org
- First Alaskans Institute
www.firstalaskans.org
- University of Alaska
www.alaska.edu
- U.S. Department of Labor
www.dol.gov

