



Denali Commission
Annual Performance Report (APR)
Fiscal Year 2011

510 L Street, Suite 410
Anchorage, AK 99501
Phone - (907) 271-1414
Toll Free - 1-888-480-4321

www.denali.gov



Authorization to reproduce this report in whole or in part is granted. While permission to reprint this publication is not necessary, the citation should be: Denali Commission. Denali Commission Performance and Accountability Report, Annual Performance Report Fiscal Year 2011. Anchorage, AK., February 2012

This report is available on the internet on the Denali Commission's Home Page at www.denali.gov and under the Administration, Finance section.

http://www.denali.gov/index.php?option=com_docman&Itemid=257

To order copies of the report or to submit comments on how we could improve the report, contact:

Denali Commission

ATTN: Nancy Merriman, Sr Program Manager

510 L Street, Suite 410

Anchorage, AK 99501

Telephone: 907-271-1414

Toll Free - 1-888-480-4321



ANNUAL PERFORMANCE REPORT

INTRODUCTION..... 5

FISCAL YEAR 2011 BUDGETARY RESOURCES AND FUNCTIONAL USES..... 6

DENALI COMMISSION PERFORMANCE BY GOAL AREA 10

- ▶ Goal Area One: Modernize and Develop Stronger and Sustainable Infrastructure in Rural Alaska..... 11
- ▶ Goal Area Two: Promote the Sustainability of Rural Alaska Communities 17
- ▶ Goal Area Three: Fortify Accountability Policies Financial Statements 23

PROGRAM OVERVIEWS

- ▶ Transportation Program 25
- ▶ Energy Program 27
- ▶ Health Facilities Program 30
- ▶ Training Program..... 32



Annual Performance Report (APR)



Introduction

In compliance with the Government Performance and Results Act of 1993 (GPRA) the Denali Commission respectfully submits this Annual Performance Report to Congress describing actual program results for fiscal year 2011. 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 agency 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 2011 were used to evaluate performance in FY 2011:

- ▶ 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 2011 Budgetary Resources and Functional Uses

BUDGETARY RESOURCES

The Fiscal Year 2011 (FY2011) proposed amended Work Plan was developed based on the appropriations approved by Congress for FY2011. 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 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 funds received each year is depicted in the bar chart on the page 8 of this document.

The Commission’s FY2011 budget authority once again included federal funds transfers from USDA-RUS, FTA and TAPL. However, transfers from FHWA, HRSA and DOL were not received in FY2011.

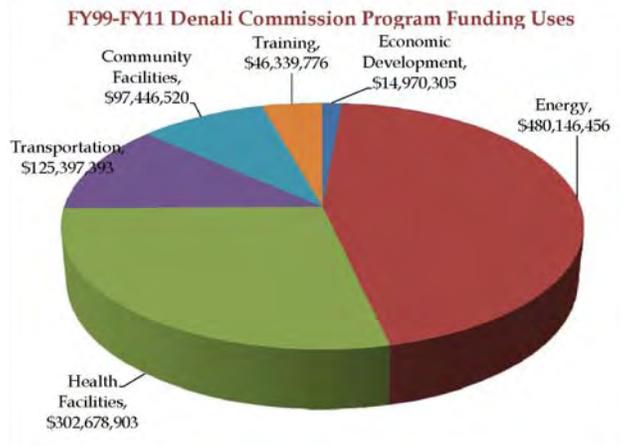
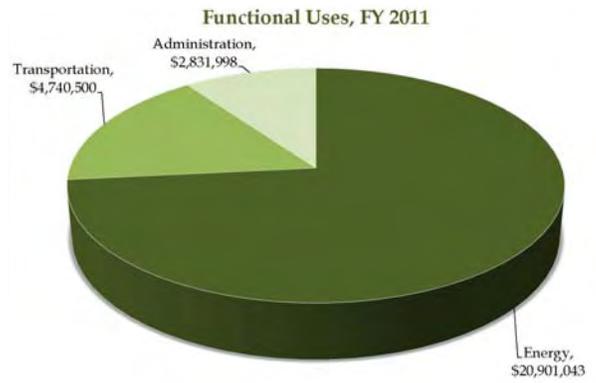
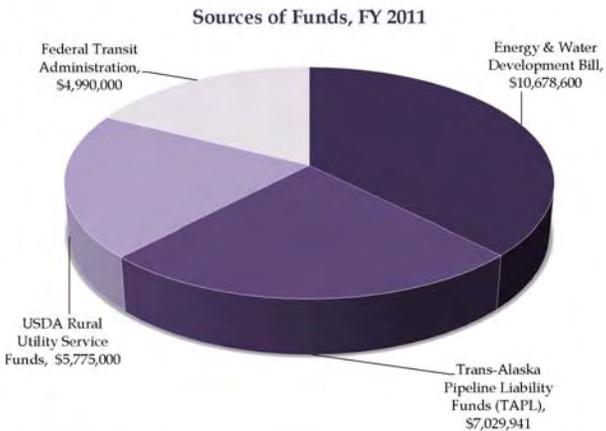
In FY2011 no project specific direction was provided in any appropriations to the Commission. The Energy and Water Appropriations (commonly referred to as Commission “Base” funding) are eligible for use in all programs, but have historically been used primarily to fund the Energy Program. The Energy Policy Act of 2005 established new authorities for the Commission’s Energy Program, with an emphasis on renewable and alternative energy projects. However, no new funding accompanied the Energy Policy Act, and prior fiscal year Congressional direction has indicated that the Commission should fund renewable and alternative Energy Program activities from the available Base appropriation.

While the Base funds may be applied to any Commission program area, all other appropriations and transfers are program-specific. For example, the FTA funds (intended for the Transportation Program) may not be moved to the Energy Program.

FY 2011 Budgetary Authority	
Appropriations Received	\$17,729,941
Offsetting Collections	5,775,000
Nonexpenditure Transfers	4,990,000
Total Budget Authority	\$28,494,941



Fiscal Year 2011 Budgetary Resources and Functional Uses (continued)



FUNCTIONAL USES OF FY 2011 BUDGETARY RESOURCES

The FY2011 Commission budgetary authority primarily funded and administered the following three 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



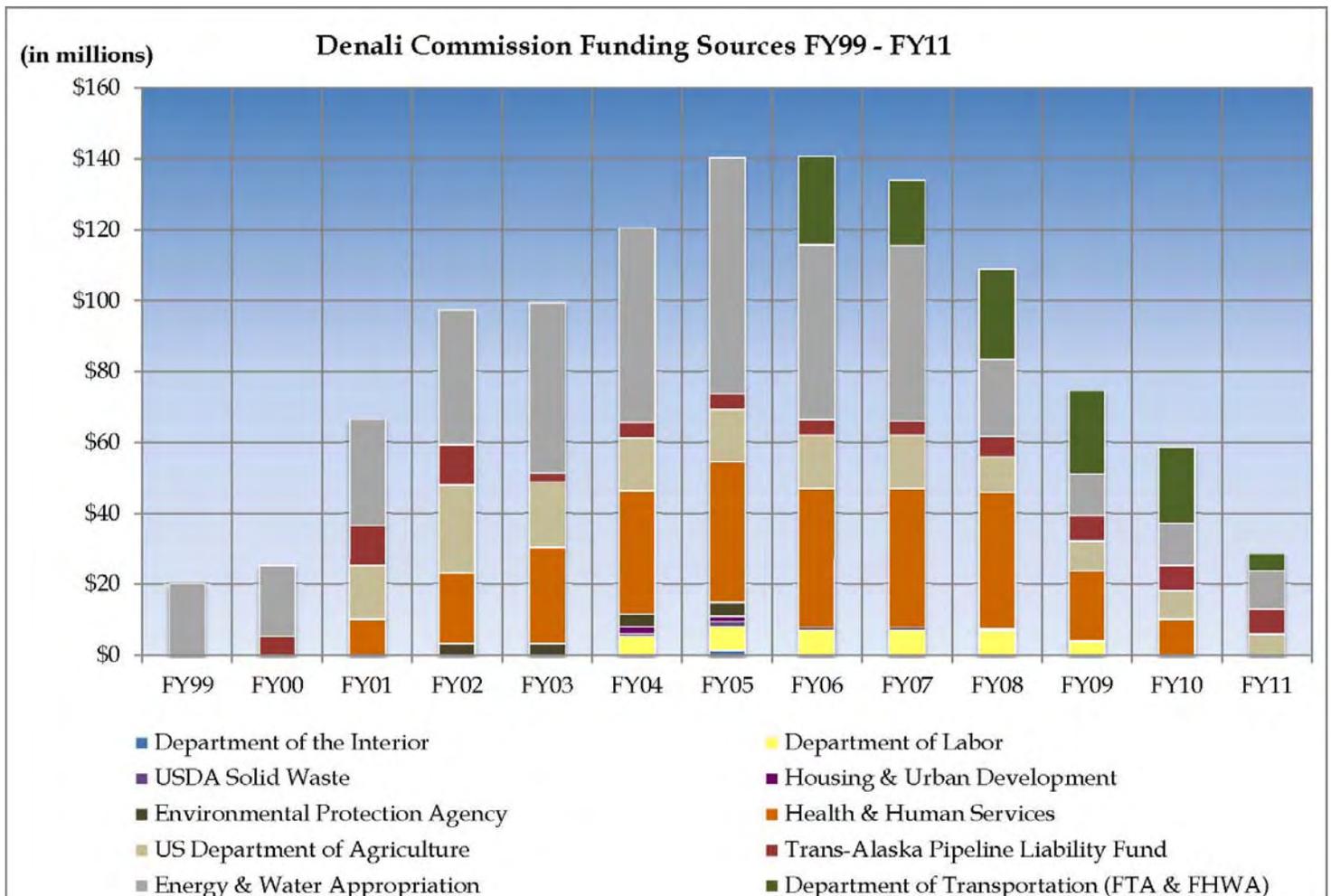
Fiscal Year 2011 Budgetary Resources and Functional Uses (continued)

Transportation Program

- ▶ Local Roads and Boardroads
- ▶ All Terrain Vehicle (ATV) Roads
- ▶ Community Connectivity and Economic Development Road Projects
- ▶ Regional Ports and Local Small Boat Harbors
- ▶ Barge Landings

Government Coordination and Agency Administration

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



Fiscal Year 2011 Budgetary Resources and Functional Uses (continued)

OTHER PROGRAM AREAS ACTIVE IN FY 2011

Although the Health Facilities, Sponsorships, Training, and Government Coordination Programs did not receive direct program allocations in FY 2011, the programs were engaged in high levels of activities underway from prior year appropriations.

The **Health Facilities Program** received \$10 Million in FY 2010. FY 2011 performance included:

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

The Commission was able to honor ten commitments for **Conference Sponsorships** with prior year funds in FY 2011.

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 2011 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 2011, including:

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



Denali Commission Performance By Goal Area

Denali Commission grants are customarily issued when Congress makes appropriations and when the agency annual Work Plan is approved by the Secretary of Commerce. In FY 2011, the timing challenges posed by a Congressional budget rescission and a pending GAO opinion on that rescission resulted in FY 2011 grants being issued very late in the fiscal year. Most of those projects were only just begun by the end of the fiscal year, and construction projects, for example, may only have progressed to the materials ordering phase. These circumstances make linking the FY 2011 budget to performance results in the same fiscal year difficult. Therefore, performance *achieved* in FY 2011 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 FY 2012, along with a strategic planning effort, agency personnel will prospectively and retrospectively analyze data for potential outcome measures.

In presenting the Denali Commission’s performance in FY 2011, 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



THE EAGLE HYDROKINETIC TURBINE
AT WORK, SUMMER 2010.



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 rural 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.

In FY 2011, the Denali Commission continued to focus on infrastructure development in such a way that it supports the sustainability of not just a stand-alone project, but the entire community.

TRANSPORTATION PROGRAM HIGHLIGHTS

	FY 2011	Total Since 2005
Roads Completed	28	99
Barge Landing/Mooring Points Completed	4	4
Waterfront Projects Completed	30	80

About 65 percent of all American highways run through rural areas. But Alaska, all told, only has 4,900 miles of paved roads. Rural residents here rely on rivers, the sea, and relatively short community-based roads, boardroads, and snowmobile trails for subsistence and commerce.



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

KWIGILLINGOK KUICUAG SLOUGH SUBSISTENCE ATV TRAIL

Vehicle fleets in rural Alaskan communities can consist mainly of ATV's, bicycles and snow machines. Boardroads and ATV trails serve as the main method of transportation. Kwigillingok (see map) is a community in Western Alaska which depends on these vehicles and most importantly, safe trails for accessing public facilities and subsistence hunting trails.

The Denali Commission provided funding to Western Federal Lands Highway Division (WFLHD) to perform design tasks, including environmental clearance, permitting, procurement and the delivery of Geo-grid construction materials for the Kwigillingok Kuicuag Slough Subsistence ATV trail. Once WFLHD completed the design and environmental elements of the project, the Village of Kwigillingok assumed responsibility for project management, local hire and maintenance of the geo-grid road.

This project exemplifies partnership, leveraging of funding sources, innovative use of technology, and engagement of the local community's labor force. The result was a cost effective sustainable project that met program goals.

Economic Impact

This project provided 11 jobs within the community; provides a safe trail system to access public facilities and other subsistence trails; and participated in the market purchase of an innovative material (geo-grid that was used for the trail) which indirectly impacts the economy by helping to drive down costs and increase the variety and competition of goods and commodities throughout the United States.



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

ENERGY PROGRAM HIGHLIGHTS

	FY 2011	Total Since 1998
Bulk Fuel Tank Facilities Completed	4	123
Rural Power System Upgrades Completed	2	85
Transmission Interties Completed	1	16
Alternative and Renewable Energy Projects Completed	1	60
Energy Efficiency Upgrades	19	
Emerging Energy Technology Projects Completed		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 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 123 bulk fuel facility projects, 85 rural power system projects, and 16 interties. In addition, 60 alternative and renewable energy projects such as wind-diesel, geothermal, hydro, and biomass and 11 emerging energy technology projects were funded.

With FY 2011 appropriations, the Energy Program funded 2 bulk fuel facilities, 2 rural power system upgrades, a conceptual design report, the emerging energy technology fund in conjunction with the State of Alaska, and the Strategic Technical Assistance Response Team (START) initiative in partnership with the U.S. Department of Energy.



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

KWETHLUK RURAL POWER SYSTEM UPGRADE

The Commission, in partnership with the State of Alaska, Alaska Energy Authority (AEA), funded a new power plant in Kwethluk, Alaska. The community of nearly 800 residents lies at the junction of the Kuskokwim and Kwethluk Rivers in western Alaska and is accessible by air year round and by barge or boat during the summer months. The new power plant includes three energy efficient generators, a control panel with automatic load sensing and paralleling capabilities to ensure the most efficient combination of generation is utilized, heat recovery to the high school, and remote monitoring to allow trouble shooting from AEA's office in Anchorage. The new power plant was completed and brought on line in February 2010 and immediately achieved over 12% efficiencies, which equated to a savings of nearly 6,000 gallons of diesel between February and June 2010. In addition, it is estimated that the school district will save 12,000 gallons of diesel through use of the heat recovery system, which will eliminate approximately 134 tons of CO₂ emissions, in 2010.



INSIDE THE KWETHLUK POWER PLANT.

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

HEALTH FACILITIES PROGRAM

HIGHLIGHTS

	FY 2011	Total Since 1999
Primary Care Clinics Completed	5	126
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 126 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. Occasionally, agency funds may also be used to cover the costs of the design of a clinic, positioning the community to a more successfully approach with other capital funders.

The Patient Protection and Affordable Care Act (Affordable Care Act) of 2010 recognized the unique and

complicated nature of the health care delivery system in Alaska with the establishment of the Interagency Access to Health Care in Alaska Task Force. Alaska has networks of well-established private, Alaska Native and military and veterans’ health facilities and providers across the state. In 2010, representatives from the nine federal agencies that make up the Task Force conducted site visits and interviews with delegates of many sectors of that delivery system across Alaska.

Among the difficulties identified by the Task Force was the lack of health infrastructure and health providers across the state and the challenge that poses for rural residents especially. Effectively, the Task Force has noted that the work of the Commission and its program partners is far from complete.



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

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. Conclusions from the study include:

Designs: Many of the original 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. 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.



Mechanical and Plumbing: Built under residential codes, many of the replaced clinics were unable to carry electrical or plumbing loads of developing health technologies or of a public building. New construction or renovation addressed reliable electric, heating and plumbing in all clinics. Now, the delivery of health services is always done with running water.

Dental and Behavioral Health: With Congress’ support and the financial assistance of the Alaska Mental Health Trust Authority, designs of replacement and renovated clinics incorporated specialized spaces for the delivery of dental and behavioral health care. The larger subregional clinics accommodate several dental operatories so that dentists and newly certified Dental Health

Aide Therapists can be permanently stationed there, providing consistent dental services to residents within a region. And with substance abuse and behavioral health issues being routinely ranked by rural Alaskans as top health concerns, the onsite provision of these services was critical to helping to fill a gap.

GRAND OPENING CELEBRATION AT
NEW 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 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 2011, the **Transportation Program's** work in this goal area included conducting a study of barge landings and mooring points throughout Alaska. Partnering with the U.S. Army Corps of Engineers for the study resulted in a prioritized list of barge landing and mooring point improvements in 202 Alaskan communities. The report relies on innovative ideas for rural project design and construction and provides a phased schedule of projects in high-need regions of Alaska for completion in the next 10 years. Additionally, the study creates a state-wide prioritization list which can be used by communities, regional organizations and funding agencies to determine appropriate, sustainable solutions for the movement of fuel, freight and equipment from river systems into villages.

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.



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

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 throughout the United States.



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 three 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.



SEALASKA WOOD PELLET BOILER

Through the Emerging Energy Technology Fund (EETF) the Commission funded demonstration projects with the potential of replication in rural Alaska with the goal of energy cost reduction. In doing so, the Alaska Center for Energy and Power (ACEP) under the University of Alaska Fairbanks is tasked with monitoring demonstration projects funded through the EETF. The goal of the EETF is to test energy options that could be commercially viable within a 5 year timeframe. The Sealaska wood pellet conversion is a noteworthy project aiming toward rural replication in Southeast Alaska. As a signature project designed to demonstrate that wood heat can be cost effective and feasible for commercial, industrial, and municipal buildings in Alaska, strategies for connecting rural communities with potential funding options to replicate this model are underway. In addition, the project is working toward creating the demand for Southeast Alaska second growth wood fiber, with the potential for significant economic impact by producing jobs and reducing energy costs to rural communities. As of spring 2011, Sealaska reported savings of \$3,000 monthly between heating costs of pellets compared to oil. Since energy costs in more isolated communities are much higher, the savings for these communities is anticipated to be much more. Through the leadership of Sealaska Corporation in assisting rural communities in their region, and with the independent data analysis of ACEP, the transition from expensive fossil fuels appears within reach. The EETF program was provided seed funding by the Commission and the State of Alaska has since established the program in statute and provided match funding for future projects.

SEALASKA WOOD PELLET BOILER
SILO IN JUNEAU



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

HEALTH PROJECTS

In recognition of changing economies and the very high costs of energy, the **Health Program** further developed the smaller (less than 1,000 square feet) clinic prototype to be available for communities throughout the state. The proven business plan was revised and streamlined for the smaller infrastructure projects, and pilot testing of the new phased tool was conducted. The 980 square foot prototype design is now being constructed in the small Haida village of Kasaan, in Southeast Alaska.

The three small clinic (760 square feet, 920 square feet and 980 square feet) prototypes were designed to not only be more cost-effective on the front-end construction phase, but be more affordable for communities in maintaining and operating them. Many energy efficiency measures were employed during design to ensure an efficient building envelope, encourages natural light, and maximizes the multi-purpose use of many areas within the facility.



THE VILLAGE OF KASAAN

KASAAN SMALL CLINIC (PROTOTYPE PILOT TEST)

The village of Kasaan in Southeast Alaska lies in a small cove on Prince of Wales Island. Sixty-five people make this community their home. It is a traditional Haida village that has no store, no recreation facility, no hotel. But it does have elders, teenagers, young children, and families who encounter health issues like any other American. Connected to the next town by a 17 mile single land gravel road that is often impassable in the winter, the residents of Kasaan find themselves isolated and needing to provide basic and often first-line trauma care in the village. The current clinic is 300 square feet—a set of small rooms off the community hall. There is no privacy, the lab equipment is situated on a counter next to the single patient exam table, and there is no way to roll a gurney from the door of the clinic to the exam room. The new 980 square foot stand-alone clinic, to be completed by the end of summer 2012, will address all of

these concerns, as well as to provide a space for behavioral health counseling, which can be converted into a small community meeting space. And the design applies new concepts of energy efficiency into the building envelope (for example, it places insulation on the outside of the building) to reduce the long-term operations cost to the Tribe.



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 helped to fund more than 50 rural residents in obtaining their Commercial Drivers Licenses in coordination with the Commission's Transportation Program projects.

In FY 2011, 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 those jobs created by the Commission's Health, Energy and Transportation Programs. In FY 2011, the Training Program achievements included:

- ▶ 445 individuals completed training courses or received certifications in construction, and maintenance and operation of Denali Commission projects and/or other public facilities.
- ▶ 218 individuals completed and received certificates in Building Maintenance Repair (BMR),
- ▶ 108 individuals received weatherization (energy efficiency) certifications
- ▶ 122 individuals were introduced to the construction trades through apprenticeships – 50 of these individuals are active construction apprentices.
- ▶ 453 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
- ▶ 109 students obtained certificates in Construction Education



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

In addition, the Training Program in FY 2011:

- ▶ Launched a study to identify education gaps in the availability and delivery of current accredited business education programs offered and accessible to rural managers.
- ▶ Began the exploration of regional facility maintenance systems, to resolve gaps in regular and preventive maintenance in public facilities across the state.

UNIVERSITY OF ALASKA PARTNERSHIP

An example of Commission success can be seen at the University of Alaska. Between 2003 and 2011, the Commission partnered with the University to develop web based training for allied health careers. This new learning system allowed rural residents to remain in their home communities, continue working and taking care of their families while continuing their education. This is critical in rural Alaska, because onsite and online training may not be readily available or applicable to available jobs in their regions. Through the Commission's partnership with the University of Alaska, over 1,000 people are now trained and working in these health careers across the state of Alaska.

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 increased their employability by 12.1% through job training.

STEBBINS BULK FUEL PROJECT: 6 RURAL RESIDENTS TRAINED

During the construction of the Stebbins Bulk Fuel project, the Commission provided funding to train 6 residents who were trained and ultimately hired by the contractor on the project. Trainees earned welding certificates in order to work on the construction phase of this project.

NEW BULK FUEL TANK FARM



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. Renewed in FY 2011, the agency's commitment to accountability and transparency was made more evident through the development of more rigorous agency grant policies. These included an attention to facilitating vetted projects through the application process to funding. Another policy directs program managers to more aggressively manage the closing of projects, as appropriate, and efficiently reprogramming recovered funds (project savings). Commissioners and leadership are developing a robust policy on the appropriate use of recovered funds.

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 2011, Program staff traveled to 46 communities on 52 separate grant monitoring trips.

In FY 2011, Program staff traveled to 46 communities on 52 separate grant monitoring trips.

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, Discovered (managed by the US Treasury Bureau of the Public Debt) is analyzed for anomalies. Atypical progress 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, any extenuating circumstances that explain them, and the agency's actions to resolve the matters.



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

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 2011.

SAND POINT NEW HARBOR CONSTRUCTION



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 (FY) 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. SAFETEA-LU is expected to continue to some unknown point in the near future when highway reauthorization occurs.

SAFETEA-LU requires the formation of a Commission 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 existing regional native corporations, native non-profit entities, and tribal governments, and 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 reviews project nominations on a semi-annual basis, once in January for project selections and once during the summer to monitor project development.

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

Roads Program:

- 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

The roads 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.



Program Overviews (continued)

Waterfront Development Program:

- 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

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 and docking facilities.

The Transportation Program has developed successful design and construction partnerships with the U.S. Federal Highway Administration (FHWA), 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.

TRANSPORTATION ADVISORY COMMITTEE:

Road and waterfront development projects are selected by the program's transportation advisory committee (TAC) following an extensive public application process. TAC members, appointed by the Governor of Alaska and led by the Commission's Federal Co-Chair, are rural Alaska leaders with expertise in transportation development. In addition to project selection work, the TAC advises Commission management on surface transportation needs in rural Alaska and assists in coordinated rural transportation planning efforts. The TAC is a key statutory feature of the program, and a key element in the program's success.

The TAC met 2 times in fiscal year 2011. The key outcome from this group included the selection of 50 road and waterfront development projects, funding a total of \$28,059,881 for rural Alaska transportation.

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;*

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

Ray Richards *Doyon Limited;*

Randy Romenesko, P.E. *Consultant;*



Program Overviews (continued)

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 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



Program Overviews (continued)

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 \$409 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.

The Commission has completed 97 bulk fuel storage projects and 55 power plant upgrades improving energy efficiency in those communities. 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 64 communities in need of this basic infrastructure; however, it is unlikely all will proceed due to sustainability issues. A high projection for all 64 bulk fuel projects totals approximately \$260 million. The rural power system upgrade remaining universe includes approximately 72 communities, with estimates for completion at almost \$220 million. The RPSU program universe is less clear, as more intertie connectivity is reducing the need for standalone projects, coupled with the increased surge of alternative/renewable energy projects statewide. A renewable 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 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.



Program Overviews (continued)

Overwhelming response from this initiative, coupled with extraordinarily high energy costs, prompted the state to create a renewable energy fund.

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, the Commission provided \$3.1 million to match \$2.2 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 2011 to discuss the FY11 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

National Energy Technology Lab (NETL)
www.netl.doe.gov

U.S. Department of Energy
www.doe.gov

National Renewable Energy Lab (NREL)
www.nrel.gov

U.S. Environmental Protection Agency
www.epa.gov



Program Overviews (continued)

HEALTH FACILITIES PROGRAM

Congress amended the Denali Commission Act in 1999 to provide for the planning, designing, constructing and equipping health facilities. The Health Facilities Program is a collaborative effort, with the partnership of numerous organizations, including the Alaska Native Regional Health Corporations. 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 an annual 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.

Recently, the business plan process was revised to include the evaluation and projections related to the cost of fuel, electricity and other utilities, and erosion and relocation issues. These factors pose significant economic challenges to many small communities and villages. As a result, and in correlation with the new Commission Investment Policy (adopted in November 2008), the Commission has also undertaken an innovative project to design a new, small clinic prototype which will take into account both the needs and resources of communities of fewer than 100 people. The Commission anticipates conducting a pilot of the small clinic next spring in Southeast Alaska. When the prototype designs are completed, the small clinic may be used by many small communities across the state.

The primary care program has continued to integrate 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



Program Overviews (continued)

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: 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 3 times in fiscal year 2010. Key outcomes include: reviewing current program project selection criteria and processes and refining those to reflect significantly reduced budgetary resources. The Committee members also spent some time at each meeting exploring the foundational purpose and value of the Health Program as they consider new potential program directions.

Health Steering Committee Members:

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

Loretta Bullard, *Denali Commissioner, Alaska Federation of Natives*

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*

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 standalone 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 Training 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 Waterbase appropriation and the U.S. Department of Labor (USDOL). Fiscal Year 2010, was the first year since the program’s inception that a direct budget was not allocated to the Training Program. Absent new funding, Training Program activities are limited to projects with program partners that have prior year funds available on existing grants.

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.

The TrAC met three times in 2010. A major challenge for the TrAC in 2010 was maintaining synergy and momentum with substantially less funding. The TrAC has been successful in engaging program partners as funding declined to ensure that they had 1) a futuristic approach, or sustainability plan, for their training programs and 2) enough funding to ensure students in the pipeline had the opportunity to complete their training program.

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, Office of Economic Development;*
- Click Bishop *Alaska Department of Labor and Workforce Development;*
- Rose Loera *Bristol Bay Area Health Corporation;*
- Bernice Joseph *University of Alaska;*
- Dawn Salesky *Alaska Native Coalition of Employment and Training*



Program Overviews (continued)

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

