



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

ADMINISTRATIVE ORDER NO. 224

I, Frank H. Murkowski, Governor of the State of Alaska, under the authority of art. III, secs. 1 and 24, of the Alaska Constitution, order all departments of the executive branch, under the direction of the Office of the Governor, to ensure that certain future capital projects funded by the State of Alaska meet, to the extent consistent with federal and state law, the State of Alaska's sustainability standards as outlined in this Order.

BACKGROUND AND PURPOSE

The purpose of this Administrative Order is to provide a framework for cooperation that enhances collaboration between the State of Alaska and the Denali Commission by providing a common definition of sustainability. Infrastructure needs in Alaska, especially in rural areas, are enormous compared to available funding. As a result, it is imperative that every dollar investment be done in a way that will maximize the sustainable long-term benefits to Alaskans.

The Denali Commission Act of 1998, as amended (Division C, Title III, P.L. 105-277), states that the purposes of the Denali Commission are to:

1. deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs;
2. provide job training and other economic development services in rural communities, particularly distressed communities; and
3. promote rural development and provide power generation and transmission facilities.

The program areas of the Denali Commission to which the state's collaboration will apply are:

- Energy projects
- Health facilities
- Solid waste projects
- Training
- Washeterias
- Multi-use facilities
- Solid waste projects

- Elder and teacher housing
- Domestic violence facilities
- Economic development

The Denali Commission Act recognizes that these purposes can only be accomplished through a collaborative, coordinated effort by the State of Alaska and federal agencies. To this end, the federal and state co-chairs, State of Alaska department commissioners, and the University of Alaska president signed a Memorandum of Understanding (MOU) dated July 2003 with the Denali Commission and various federal agencies that conduct business in the State of Alaska. The MOU outlines points of understanding that facilitate the collaboration and coordination necessary for achievement of the purposes of the Denali Commission and related missions of agencies who are parties to that MOU.

The points of understanding outlined in the MOU include recognition of the following:

1. Sustainability
Minimizing life cycle costs when investing in public infrastructure projects is an essential "first step" in achieving sustainability.
2. Regional Strategies
Systematic planning and coordination on a local, regional, and statewide basis are necessary to achieve the most effective results from investments in infrastructure, economic development, and training.
 - a. Community Plans
A single community strategic plan should be sufficient to identify and establish the priorities of each rural community.
 - b. Sharing Information
The power of sharing information increases efficiencies and decreases duplication of services by state and federal agencies.
 - c. Economic Development
Sound economic development facilitates growth of self-sufficient communities, and the coordination of activities will stimulate economic growth.
 - d. Workforce Development (Vocational and Technical Training)
Workforce development is a critical component to building sustainable public infrastructure and self-sufficient communities in Alaska.

Guidelines To Achieve Sustainability

This Administrative Order incorporates a sustainability policy and guidelines that further align State of Alaska infrastructure planning and funding for those capital projects that fall within the Denali Commission's program areas.

In executing this Administrative Order, all departments of the executive branch under the direction of the Office of the Governor shall use the following definition of sustainability and the investment guidelines in this Order to guide the funding of state capital investments that fall within the Denali Commission's program areas.

Sustainability, by definition, includes all costs associated with management, operation and maintenance, renewal, and replacement (after the design life has been achieved) necessary to maintain an acceptable level of service.

- Users Support Costs
The high cost of infrastructure in some areas of Alaska may make it infeasible for the total cost to be borne by local users. However, to the extent possible, user rates and fees should be assessed to cover all costs necessary to maintain sustainability.
- Lowest Cost Possible
All practical steps should be taken to reduce the cost of sustainable infrastructure. This includes simplification of projects; standardization of infrastructure; combining utilities; regionalization of utility management structures; bulk purchase of fuel; and training and development of management personnel.
- Business Plan Required
A sound business plan must be in place for each project. Sound business planning is key to ensuring that infrastructure projects will be operated and maintained. A business plan shall include demonstration of how all costs necessary to assure a sustainable project or level of service will be achieved.

INVESTMENT GUIDELINES

All departments of the executive branch under the direction of the Office of the Governor shall consider all available information regarding each of the factors outlined below, and any other relevant information, in making investment decisions. In cases in which sustainability of an investment is questionable, the State of Alaska, either directly or through its partners, will work with project proponents in an effort to find workable solutions to ensure that a project is sustainable.

To this end, it is incumbent that requestors provide relevant information that may not otherwise be available and to actively develop workable solutions. Solutions may involve a smaller-scale project, mobile facilities, and multi-community or regional management approaches. If no workable sustainable solution is apparent, the State of Alaska or its partners may suggest alternative means to access critical services.

The following guidelines should be followed when considering funding a capital project with State of Alaska funding:

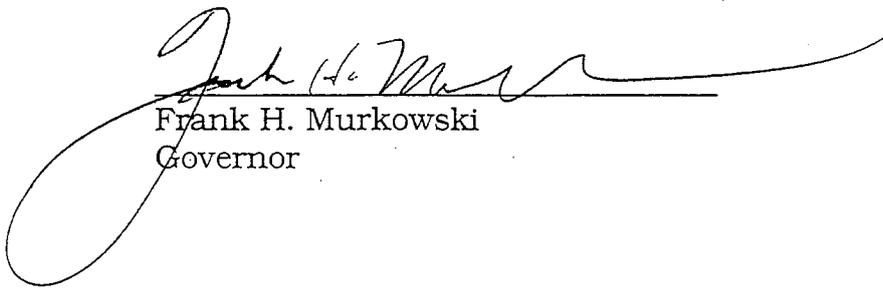
- Local governments to assume responsibility
Existence of a state-chartered government increases the probability that basic infrastructure and services funded by the State of Alaska will be sustained over the long term. The State of Alaska recognizes that other regional organizations share both responsibility and capacity to contribute to sustainability. A project's consistency with a regionally approved plan will be a strong factor in support of a project.
- Good faith
The long-term sustainability of State of Alaska investments is highly dependent on the good faith of the investment recipient. In evaluating potential investment, priority will be given to recipients that have historically demonstrated good faith in making and keeping financial commitments. Previous demonstrations of bad faith, particularly with previous state or federal investments, or failure to pay taxes, may preclude additional investments.
- Proximity and access to existing services and facilities
In determining the need for a new facility, a careful evaluation of existing access to services or facilities must be presented. Where the needs of two or more communities in close proximity to one another can be adequately and more cost-effectively served by a single facility, that option would be selected over separate facilities for each community.
- Renovation a priority over new construction
Renovation or expansion of existing facilities will be favored over new construction when it can adequately meet community needs at significantly lower life-cycle costs.
- Infrastructure sized to meet needs
Infrastructure will be sized to meet needs that can reasonably be projected over the design life of the project. If population is increasing, appropriate excess capacity will be provided to

accommodate growth. Decreasing population may result in a smaller facility than the current population would dictate.

- Affordability
Project evaluation will include the project proponent's capacity to afford the life-cycle costs associated with sustaining proposed services and facilities.
- Unit cost
Unit cost of construction varies widely across the state for a number of reasons, including the technology employed and design utilized. High unit costs tend to work counter to project sustainability. Some of the variables impacting unit cost (such as project location and soil conditions) are not controllable, but many others are. Every reasonable effort will be made to control unit costs by working with investment recipients to ensure that the most appropriate technology and designs are applied.
- Absence of imminent environmental threat
New facilities will be protected against imminent environmental threats, such as flooding and erosion, consistent with Administrative Order No. 175.
- Needs of existing communities have priority
Priority will be given to the infrastructure needs of existing communities before consideration of proposals to create new communities, unless there is a congressionally directed relocation of an existing community.

This Order takes effect immediately.

DATED at Juneau, Alaska, this 28 day of January, 2005.



Frank H. Murkowski
Governor

