



Denali Commission

Fiscal Year 2016 Budget Justification

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

www.denali.gov

Denali Commission Budget Justification 2016.

Anchorage, AK, February 2015

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As Submitted by the Denali Commission

February 2015

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Section 1

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A Message From the Federal Co-Chair

I am pleased to present the Denali Commission's budget request for Fiscal Year 2016. The Denali Commission (Commission) requests \$14.0 million to address infrastructure needs for rural Alaska communities. The Commission is committed to improving the lives of some of our country's poorest residents through these proposed investments.

The Commission was established by the Denali Commission Act of 1998, as amended (Title III, P.L. 105-277, 42 USC 3121), which recognized the need for a coordinated approach to address the infrastructure, workforce and economic development needs of isolated rural Alaska communities. Many of these communities do not have an adequate tax base to support typical community and governmental functions and consequently are challenged to provide affordable power, adequate health facilities and other measures of economic self-sufficiency.

Today, the foremost role for the Commission also stands before all funders of rural Alaska infrastructure. That is working with rural community members and building owners to find solutions to address the high cost of electricity and heating. In the past ten years the cost of energy in rural Alaska has increased three-fold and this one issue is the foremost sustainability challenge for many rural villages. Recently the Commission has partnered with the U.S. Department of Energy – Office of Indian Energy to develop an Alaska-based Strategic Technical Assistance Response Team (START) program. START's goals in Alaska include working with local, regional, and state-wide partners to identify local solutions to the high cost of energy. I am enthusiastic that this partnership will lead to targeted federal investments that will address the high cost of energy in rural Alaska.

A second agency role in serving rural Alaska is addressing how local communities and building owners can better sustain, maintain and protect the billions of dollars of existing infrastructure in rural Alaska. Roofs, boiler/heating systems, pumps, power generation, and all manner of building systems have "design" lives that are less than a typical building structure. In other words, the building structure may last for 50 years, but the internal workings of the buildings often need to be replaced once or twice during the useful life of the building. Our challenge is identifying Commission investments that will encourage and support rural Alaska building owners to maintain and operate their buildings and infrastructure for the long-term so that buildings and building systems do not fail prematurely due to incomplete or inadequate preventative maintenance.

As we have explored what it means to sustain, maintain and protect existing infrastructure, the Commission has been drawn into a number of discussions with the Federal Emergency Management Administration (FEMA) and other agencies that respond to disaster declarations. We have learned that there is a role for the Commission in the recovery portion, but not during the immediate response activities associated with a disaster. The Commission has developed long standing relationships with many Federal, State, Tribal, regional and local agencies and we have drawn on these to explore what our role may be with specific disasters. For example, the community of Galena on the Yukon River experienced a significant flooding event, during breakup of the river ice, in May 2013. A whole host of external players descended on the community and provided assistance. During the response and preliminary recovery periods a total of 37 recovery and mitigation projects were prioritized by community. The question the Commission posed to the community and all the funders was how does Galena manage potentially 37 active projects at one time? Which project has priority for local heavy equipment, or the local heated garages and workspaces, or even local workers? All recognized a need for a local project manager, but no agency had funding



A Message From the Federal Co-Chair

for this need, nor did the local community have adequate financial resources. The Commission was able to provide modest funding for a community project manager. In short, we identified where other agencies were operating, and where there were gaps in service and the Commission responded to the local need. It is my goal to bring this approach to the Commission's Fiscal Year (FY) 2016 investments in addressing rural Alaska needs in the two areas of high cost of energy and maintaining, sustaining and protecting existing buildings and infrastructure.

In addition to evolving the agency's program delivery to address current needs in rural Alaska, the Commission seeks to make continuous improvements of its administrative and operational services. As an example, we are actively implementing the Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards as set forth by the Office of Management and Budget. We are not waiting until the end of FY 2015, but are making necessary adjustments immediately after the adoption of the Uniform Guidance (i.e. December 26, 2014).

Please see the table below that enumerates the budgeted line items for FY 2016 in accordance with our requested \$14.0 million.

FY 2016 Budget Request	Discretionary	Trans-Alaska Pipeline Liability	Total
<i>10 Personnel Compensation and Benefits</i>	1,600,000	200,000	\$1,800,000
<i>20 Contractual Services and Supplies</i>	2,495,500		2,495,500
<i>30 Acquisition of Assets</i>			
<i>40 Grants and Reimbursable Agreements</i>	5,904,500	3,800,000	\$9,704,500
Total	\$10,000,000	\$4,000,000	\$14,000,000

The Denali Commission would like to thank you for your support. Should you have any questions please do not hesitate to call me at (907) 271-1414.

Sincerely,



Joel Neimeyer
Federal C-Chair



Denali Commission Program Partners

- Alaska Center for Energy and Power (ACEP)
www.uaf.edu/acep
- Alaska Department of Labor and Workforce Development
<http://labor.state.ak.us>
- Alaska Department of Transportation and Public Facilities
www.dot.state.ak.us
- Alaska Energy Authority
www.aidea.org/aea
- Alaska Native Tribal Health Consortium
www.anthc.org
- Alaska Village Electric Cooperative
www.avec.org
- Alaska Works Partnership
www.alaskaworks.org
- Community Development Quota Organizations
www.wacda.org
- Construction Education Foundation Associated General Contractors of Alaska
www.agcak.org
- First Alaskans Institute
www.firstalaskans.org
- National Energy Technology Laboratory (NETL)
www.netl.doe.gov
- Norton Sound Health Corporation
www.nortonsoundhealth.org
- 22 Regional Tribal Non-Profit Organizations
- State of Alaska Village Safe Water Program
www.dec.state.ak.us/water/vsw/index.htm
- Southcentral Foundation
www.southcentralfoundation.com
- Tanana Chiefs Conference
www.tananachiefs.org
- U.S. Army Corps of Engineers
www.poa.usace.army.mil
- U.S. Bureau of Indian Affairs
www.doi.gov/bia
- U.S. Department of Agriculture Rural Utilities Service
www.usda.gov/rus/electric
- U.S. Department of Energy
www.doe.gov
- U.S. DOT Federal Highway Administration
www.fhwa.dot.gov
- U.S. DOT Western Federal Lands Highway Division
www.wfl.fhwa.dot.gov
- U.S. Environmental Protection Agency
www.epa.gov
- U.S. Indian Health Service
www.ihs.gov
- U.S. Department of Labor
www.dol.gov
- University of Alaska
www.alaska.edu
- University of Alaska Fairbanks-Bristol Bay Campus
www.uaf.edu/bbc
- University of Alaska Fairbanks-Interior-Aleutians Campus
www.uaf.edu/iac
- Yuut Elitnaurviat
www.yuut.org



Denali Commission Overview

In 1998, national attention was focused on the immense infrastructure and economic challenges faced by rural Alaskan communities by the passage of the Denali Commission Act (full text available at http://www.denali.gov/images/denali_commission_act_of_1998.pdf). The Act became law on October 21, 1998 (Title III of Public Law 105-277, 42 USC 3121) thus establishing the Denali Commission (Commission).

The Commission is an independent federal agency that acts as a regional commission focusing on the basic infrastructure, economic development, and workforce training needs of rural Alaska. Working as a federal-state-local partnership, the Commission provides critical utilities, infrastructure and support for economic development in Alaska by delivering federal services in the most cost-effective manner possible. By creating the Commission, Congress intended for those involved in addressing the unique infrastructure and economic challenges faced by America's most remote communities to work together in new and innovative ways to make a lasting difference.

Purpose

- ▶ To deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs.
- ▶ To provide job training and other economic development services in rural communities, particularly distressed communities (many of which have a rate of unemployment that exceeds 50%).
- ▶ To promote rural development and provide power generation and transmission facilities, modern communication systems, bulk fuel storage tanks, and other infrastructure needs.

Mission

- ▶ The Denali Commission will partner with tribal, federal, state, and local governments and collaborate with all Alaskans to develop basic public infrastructure and enhance the quality of life in Alaska's communities.



Denali Commission Overview (continued)

The Commission Act designates seven leading Alaskan policy makers, identified by their privately held positions, as the Denali Commissioners:

- ▶ Federal Co-Chair appointed by the U.S. Secretary of Commerce (*Joel Neimeyer*)
- ▶ The Governor of Alaska, who serves as the State Co-Chair* (*Lt Governor Byron Mallott*)
- ▶ Executive President of the Alaska American Federation of Labor and Congress of Industrial Organizations (*Vince Beltrami*)
- ▶ President of the Alaska Federation of Natives (*Julie Kitka*)
- ▶ President of the Alaska Municipal League (*Kathie Wasserman*)
- ▶ President of the Associated General Contractors of Alaska (*John MacKinnon*)
- ▶ President of the University of Alaska (*Patrick K. Gamble*)

*The Governor has delegated this authority to the Lt. Governor.



Rural Alaska Overview

Alaska is 656,425 square miles (2 1/2 times the size of Texas), has 3 million lakes over 20 acres in size (compared with Minnesota's 10,000 lakes), has an estimated 10,000 glaciers (covering nearly 5% of the state), holds 80% of all active volcanoes in the U.S. and 39 mountain ranges containing 17 of the 20 highest peaks in the United States. Alaska is home to 229 of the 564 federally recognized tribes. Alaska's terrain of vast wilderness creates natural barriers to transportation. Most cities and villages in the state are accessible only by sea or air, including Juneau, the state capital. In most rural Alaska communities electricity is expensive, at times is unreliable, and almost solely dependent on diesel to generate power. Fuel delivery is limited to one or two annual shipments via barge and purchasing and storing enough fuel to last a community for 12 months can be daunting.

Of Alaska's 735,000 residents nearly 20 percent live in rural Alaska where steady employment, dependable utilities, and easy access to the rest of the state is a challenge. Unorganized boroughs, areas that are unincorporated, account for 97 cities and 100 unincorporated communities in rural Alaska. Typical services found throughout much of the United States, like utilities, are provided by a mix of cities, boroughs, tribes, regional corporations and non-profits in many rural Alaska communities.

According to the most recent Alaska Fuel Prices Report, produced by the State of Alaska in July 2014, retail prices for heating fuel were seen as high as \$10.65 a gallon in the past year. The same report noted that the average national price per gallon for gasoline in July 2014 was \$3.63 but the average price in the 100 Alaskan communities surveyed for the report was \$6.23 per gallon.

The Denali Commission regularly publishes a Distressed Communities Report. For a community to qualify as distressed, it must meet two of three criteria: 1. the average market income is less than minimum wage, \$16,120 annually, 2. more than 70 percent of residents 16 and older earn less than minimum wage, or 3. less than 30 percent of resident 16 and older were employed all four quarters of the year. The most recent Distressed Communities Report listed 170 communities in Alaska as distressed. Elfin Cove is one of those distressed communities with 93 percent of its residents earning less than minimum wage. Anderson is also distressed with only 32.3 percent of its residents employed all four quarters of the year.

The Denali Commission is working to promote rural development, provide power generation, modern communications, water and sewer systems and other infrastructure, as well as, job training and economic development in a cost efficient and sustainable way. Over the past 17 years the Denali Commission has provided 48,622 people in 167 communities with reliable energy, 142,420 people with improved access to healthcare in their community, and improved safety and transportation access to 119 communities making it safer for 123,254 people to receive fuel, as well as, other necessary goods. Additionally, with Denali Commission funding 19,141 job training opportunities in construction, facility maintenance, rural manager and administration, allied health services and youth initiatives enabled better employment opportunities within rural communities.



Section 2

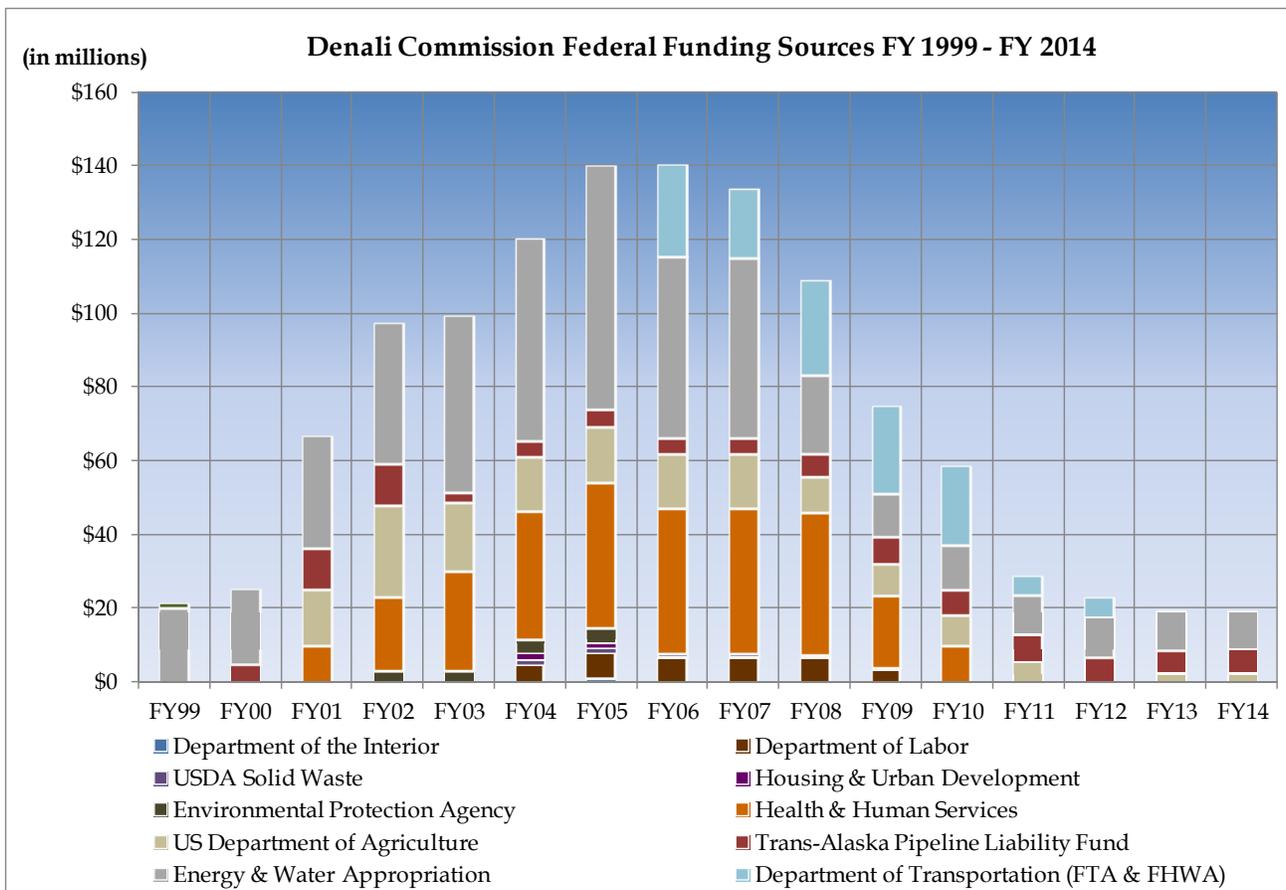
- ◆ **Financial Performance Overview**
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Financial Performance Overview

As of September 30, 2014 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.

Sources of Funds



Program Impacts

Energy

To date, the Commission has provided 48,622 people in 167 communities with safe reliable energy. The Energy Program is staffed by one Program Manager and typically receives funding from both energy and water appropriations and the Trans Alaska Pipeline Liability Fund (TAPL). In FY 2014 the Commission:

- ▶ Completed 3 bulk fuel facilities, 2 rural power system upgrades and one emerging energy project.
- ▶ Funded 1 bulk fuel facility, 2 rural power system upgrades, and 1 rural power upgrade/bulk fuel facility design.
- ▶ Produced an annual update to the comprehensive universe of need report for bulk fuel facilities and rural power system upgrade universe, which provides current, reliable resources to the Denali Commission and program partners for future projects.
- ▶ Partnered with the U.S. Department of Energy Office of Indian Energy Policy and Programs on the Strategic Technical Assistance Response Team (START) assisting tribes in Alaska with energy planning and the development of renewable energy projects.

Health Facilities

Through Commission investments 142,420 people across Alaska have improved access to healthcare in their communities. One Senior Program Manager staffs the Health Facilities Program as part of her portfolio of work at the Commission. The Health Facilities Program received its last direct appropriation in FY 2010. In FY 2014 the Commission completed the construction of two new clinics. In the first quarter of FY 2015 two additional clinics were completed. With no additional direct appropriations the Health Facilities Program now focuses on technical assistance in rural Alaska.

Transportation

Some 123,254 people in 119 communities have improved transportation options as a result of the Commission Roads and Waterfront Transportation Programs. Since FY 2005, the Transportation Program has contributed to the planning, design and/or construction of 85 rural road projects and 88 waterfront development projects and participated in the opening of 62 road and 66 waterfront development projects. The program currently has 19 active road projects and 26 active waterfront projects in the planning, design or construction phases. The Transportation Program is managed by one Senior Program Manager and assisted by one contractor. In FY 2014 the Commission completed 8 road projects, and 7 waterfront projects.



Program Impacts

Training

Providing 19,141 job training opportunities in construction, facility maintenance, rural manager and administration, allied health services and youth initiative has enabled better employment opportunities within rural Alaska communities. The Training Program is managed by one Program Manager. In FY 2014 without any direct appropriation for job training the Training Program focused on two initiatives, the rural Alaska Maintenance Partnership (RAMP) and the Alaska rural Manager Initiative (ARMI).

RAMP's mission is to create self-sustaining facility operation and maintenance systems that develop the capacity of rural Alaskans to operate and maintain their infrastructure in a manner that protects and enhances the health, safety and sustainability of rural communities and their residents. In FY 2014, RAMP led the alliance of four Alaska training providers who now offer a state standard certification for Facility Maintenance Tech I (FMT-I) and are working together to build more advanced facility maintenance courses. In 2014, these schools graduated approximately 40 FMT-I's.

In FY 2014, the Commission continues to work with the ARMI partners to improve rural manager capacity so that rural residents are appropriately hired and/or trained to manage all aspects of a rural community including projects, human resources, utilities, roads, and investments including local buildings, water, sewer and energy systems. ARMI's ultimate goal is cost savings to local governments and local utilities and healthy sustainable Alaskan communities through trained community managers.

Energy Efficiency

Sanitation Energy Efficiency Projects and Community Scale Energy Efficiency are managed by the Energy Program Manager. Clinic energy efficiency audits and upgrades are overseen by the Health Facilities Program Manager. In FY 2014 the Commission:

- ▶ Funded energy efficiency audits and/or improvements to sanitation systems in 74 communities.
- ▶ Completed 9 clinic energy efficiency audits and upgrades.



2014 Project Highlights

STEBBINS BULK FUEL STORAGE FACILITY

The Commission, in partnership with Alaska Village Electric Cooperative, funded a new bulk fuel storage facility in Stebbins, Alaska. The community of nearly 600 residents is located on St. Michael Island, roughly 120 miles southeast of Nome, Alaska. The new bulk fuel storage facilities replace aging, non-code compliant tanks that are necessary to store a years' worth of diesel and gasoline for power generation, home heating, and transportation needs for the community. The tanks also provide storage capacity for the over 400 residents of nearby St. Michael, Alaska. A new power plant and intertie under construction will tie the two communities and provide electrical generation efficiencies and raise economies of scale for integrating renewable energy technologies.

The new Stebbins Bulk Fuel Storage Facility



MANOKOTAK'S MAIN ROAD

In FY 2014, the Transportation Program's work to promote community sustainability and improve quality of life included reconstruction of Manokotak's four mile long main road between Old Village, a core area of residents, power plant operations, and public safety and other government/commercial services, and New Village a residential area near the new airport that also includes the community's new school and health clinic. Home to 400 people, Manokotak is a successful Alaska Native community with a strong commercial fishing economy and local subsistence resources economy. It is located 15-air miles southwest of the regional hub of Dillingham in Bristol Bay.



2014 Project Highlights

Successful completion of the project in FY 2014 significantly improves traveler safety, and equally important, provides enhanced roadbed and roadway surfacing strength and integrity. With regular maintenance, the road will remain in good operating condition for upward of twenty years. The road was selected for reconstruction by the Denali Commission's competitive project selection process, funding was bundled from numerous federal, state and local sources and design and construction was managed by the Federal Highway Administration's Western Federal Lands Highway Division under direction of the Denali Commission. 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 Manokotak.

Manokotak's Main Road



2016 Budgetary Use by Statutory Purpose

The Denali Commission Act of 1998, as amended, outlines three purposes for the Denali Commission:

1. To deliver the services of the Federal Government in the most cost-effective manner practicable by reducing administrative and overhead costs.
2. To provide job training and other economic development services in rural communities, particularly distressed communities (many of which have a rate of unemployment that exceeds 50 percent).
3. To promote rural development, provide power generation and transmission facilities, modern communication systems, water and sewer systems and other infrastructure needs.

The Denali Commission will use these statutory purposes to discuss the budgetary uses of Fiscal Year 2016 appropriations. As presented in the Budget Summary in section one, the Denali Commission receives money from both Discretionary Energy and Water Appropriations and Trans-Alaska Pipeline Liability (TAPL) funds. TAPL funds can, at this time, only be used for bulk fuel facilities. As such, funding for any projects outside of bulk fuel facilities will be from the \$5.9 million of Discretionary Energy and Water funds available for grants.

PURPOSE ONE: COST EFFECTIVE FEDERAL GOVERNMENT SERVICES

Community Scale Energy Efficiency

Between 1999 and 2014 huge strides were made in getting rural Alaska homes access to adequate sanitation services, in fact the number of homes without adequate sanitation was cut nearly in half from 34% in 1999 to 17% in 2014. Adequate sanitation lowers the risk of disease and improves the quality of life in a community. In that same 15 years the cost of energy has more than tripled and these same communities are now facing a new crisis, affording the operational and maintenance costs of their sanitation systems.

Many sanitation systems built in Rural Alaska were completed in a time when energy was much less costly and capital funding could go much further. This resulted in sanitation systems built with an emphasis on designs that would hold up to long harsh winters. The downside of these rigorous designs is poor energy efficiency. As energy costs skyrocketed, communities faced the inability to pay for both routine operations, as well as, preventative maintenance. To compound the issue Alaska is the only state where water must be heated and circulated for use in sanitation systems so that the systems themselves do not freeze.

While sanitation systems are often the number one user of energy in most Rural Alaska communities, it comes as no surprise that many other buildings are also energy inefficient. In a time when energy costs are so high, inefficiency is crippling to communities and utility operators.



2016 Budgetary Use by Statutory Purpose

The Denali Commission plans to attack this crisis by implementing community scale energy efficiency plans. These community scale energy efficiency plans will provide a cost effective and efficient solution by bundling contractors and efficiently using their time in each rural community. Community scale energy efficiency plans work by assessing all of the main energy users in a community (sanitations systems, schools, utilities, health clinics, and more) for energy efficiency the same time and providing an overall plan for energy efficiency upgrades throughout the community. Some of these recommendations will be easily implemented, for example, recommendations on heat settings that can be quickly and cheaply changed. Those recommendations that require more time and resources would be carried out when the community is ready by bringing in all of the supplies, materials and contractors at the same time thereby reducing shipping and travel costs associated with such projects. The overall goal is to improve energy efficiency in the community as much as possible, lowering over all energy costs in the most efficient, low cost manner available.

The Alaska Native Tribal Health Consortium (ANTHC), a long standing partner of the Denali Commission, would carry out much of the work associated with community scale energy efficiency plans as they are skilled in this type of work and have a team assembled and ready to take action. In addition ANTHC is the primary agent in carrying out sanitation energy efficiency improvements in rural Alaska.

With the implementation of community scale energy efficiency plans not only would Rural Alaska communities with implemented plans see immediate cost savings, they would then be able to use some of that cost savings to pay for preventative and ongoing maintenance ensuring that their utility and sanitation systems continue to work efficiently and effectively for community members.

Small Nimble Staff

The Denali Commission operates with a small staff of 12 full time employees and two part time employees. The Commission also has at its disposal a small group of intermittent employees with specialized knowledge of rural Alaska and professional skill sets like arctic engineering and rural project management. Having this group allows the Commission to quickly respond to community and program partner evaluations of prospective projects. Intermittent employees are only paid for work preformed, do not receive benefits and only work when their expertise is necessary to carry out a program activity. When you combine the abilities of the Commissions staff and its program partners the Commission has a statewide network available to carry out program activities in a quick cost effective manner.



2016 Budgetary Use by Statutory Purpose

PROPOSE TWO: JOB TRAINING AND OTHER ECONOMIC DEVELOPMENT SERVICES

Rural Alaska Maintenance Partnership

For over 40 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, and due to “high tech” building upgrades and lack of revolving training and coordination, the vast majority of this infrastructure investment is not being maintained properly or is being operated in ways that increase the cost of ownership. Many such investments do not achieve their anticipated useful life and must be replaced via “repair through replacement” sooner than anticipated. As grant funds are reduced, this approach is no longer a viable option and we must be better stewards of these public investments.

For this reason, the Denali Commission and other agencies have embarked on several new initiatives to help rural communities with this issue that is not just limited to Alaska. The Rural Alaska Maintenance Partnership (RAMP) has met regularly since January 2012 to discuss approaches that might positively influence the operations and maintenance of critical rural infrastructure. RAMP’s mission is to create a self-sustaining facility and operations maintenance system that develops the capacity of rural Alaskans to operate and maintain their infrastructure in a manner that protects and enhances the health, safety and sustainability of rural communities and their residents. In 2014, RAMP led the alliance of four Alaska training providers who now offer a state standard certification for Facility Maintenance Tech I (FMT-I) and are working together to build more advanced facility maintenance courses. In 2014, these schools graduated approximately 40 FMT-I’s.

Alaska Rural Managers Initiative

In addition, the Denali Commission and other agencies realize that rural managers are responsible for not only managing rural facilities but the community as a whole. Recruiting, hiring and retaining competent managers in a small village is difficult and many rural manager jobs are filled by local residents who have no more than a high school diploma. The effort to help enhance rural manager stability is called the Alaska Rural Manager Initiative (ARMI). In 2014, the Denali Commission continued to work with the ARMI partners to improve rural manager capacity so that rural residents are appropriately hired and/or trained to manage all aspects of a rural community including projects, human resources, utilities, roads, and investments including local buildings, water, sewer and energy systems. The ultimate end result being cost savings to local governments and healthy, sustainable Alaskan communities.



2016 Budgetary Use by Statutory Purpose

In FY 2016 the successful FMT-I curriculum development will serve as a model to create a curriculum for rural manager training. Once the rural manager training curriculum has been developed the Commission will work to make this training available to current rural managers through methods like distance delivery. The Commission will also explore the public-private partnership model for improved maintenance of utilities and non-residential buildings.



2016 Budgetary Use by Statutory Purpose

PURPOSE THREE: PROMOTE RURAL DEVELOPMENT AND ADDRESS INFRASTRUCTURE NEEDS

Bulk Fuel Tank Farms

The Denali Commission's very first task upon inception was to find a solution to the failing and non code-compliant bulk fuel storage facilities in rural Alaska so that bulk fuel storage could be environmentally sound. Equally important, these improvements ensured continuous delivery of bulk fuel allowing for a minimum standard of living in rural Alaska that included power generation and heating. In 1999, the need was great and it was determined that virtually every bulk fuel farm in rural Alaska needed to be upgraded because virtually all were non-compliant with applicable state and federal codes. The Commission took on this daunting task with its Energy Program partners by creating a universe of need list and ranking communities based on urgency of need. Since then, the Commission and its partners have worked down the list upgrading bulk fuel storage facilities for increased efficiencies and code compliance. At this time, over 100 rural communities now have code compliant bulk fuel storage.

Fifteen years later with so much accomplished it is time for the Commission and its partners to reprioritize energy investments. Bulk fuel facilities need to continue to remain code compliant but with the current tight fiscal environment more cost efficient alternatives need to be explored. One alternative is to refurbish bulk fuel tanks rather than replace where the situation allows. In exploring this option, the Commission and its partners have investigated refurbishment as an option in several communities. In Scammon Bay, for example, refurbishment was a good option resulting in code compliant tanks for an investment of \$850,000 instead of \$3 million, the estimated cost of a new tank farm for the community. In Pilot Station however, refurbishment would have been almost the same cost as building new. Refurbishment will need to be explored on a case-by-case basis in each community.

To undertake this realignment of priorities the Commission has created a Bulk Fuel Plan Work Group to write a new plan for addressing bulk fuel storage in Alaska. This work group will take into account alternatives like refurbished tanks, as well as, exploring the bulk fuel supply chain as a whole instead of looking at individual parts. The work group will undertake a comprehensive analysis of fuel shipping, delivery, storage, usage, and management of bulk fuel infrastructure by rural Alaska owners and operators, and provide policy and funding recommendations for the inclusion in the agency's future annual work plan and strategic planning processes.

The Transportation Energy Connection

With years of experience in improving bulk fuel storage and transportation in rural Alaska the Commission has come to realize that safe delivery of bulk fuel to rural Alaska begins with the barges that the fuel is delivered on and that the entire chain of supply from barge to bulk fuel storage tank is potentially vulnerable to fuel spills. Since environmental contamination from diesel fuel is the impetus for the Commission's creation it follows that the Commission should step in to address the vulnerabilities that are present where transportation and energy intersect.



2016 Budgetary Use by Statutory Purpose

Bulk fuel delivery occurs approximately three months out of the year in many rural Alaska communities. When available, barges carrying fuel tie off to mooring points, which prevent free movement of the barge, allowing for safe transport of fuel from the barge to storage facilities. When no mooring points are available to prevent free movement of the barge, tug boats run the barge aground on the rivers edge and then remain attached and running during unloading. This practice limits free movement of the barge but also increases the risk of fuel spills, causes navigational shoaling problems in rivers, and wear and tear on the tugs (e.g. propellers).

In order to continue to facilitate the safe delivery of bulk fuel to Rural Alaskan communities the Commission sees great value in investing in mooring points. As mooring points have been identified as the start of the bulk fuel supply delivery chain the Commission has proposed using TAPL funding to help construct these points. The Commission sought a determination from the Government Accountability Office (GAO) on using TAPL funding for this purpose. In Comptroller General Decision B-323365 GAO determined that the Commission couldn't use TAPL funding for the construction of mooring points with the current language. As a result, the Commission is now seeking to amend section 307 of the Denali Commission Act of 1998, as amended, and section 8102(A)(2)(B)(ii) of the Oil Pollution Act of 1998, as amended, to include installation of mooring points as part of the authority of the Commission to repair and replace bulk fuel storage tanks in Alaska.

Strategic Technical Assistance Response Team (START)

For the past two years the Denali Commission has partnered with the U.S. Department of Energy (DOE) Office of Indian Energy to assist in the development of tribal renewable energy projects. Through START, Tribes can apply for and are selected to receive technical assistance to prioritize energy efficiency and move prospective projects closer to implementation. The START Program seeks to spur clean energy project development by providing Tribes with tools and resources needed to foster energy self-sufficiency, sustainability, and economic competitiveness. START assists tribal leadership with project development and financing and helps tribal communities strategically plan their energy future.

The START program helps tribal communities to evaluate project financial and technical feasibility, provide ongoing training to community members, and help implement a variety of clean energy projects, including energy storage infrastructure, renewable energy deployment, and energy efficiency.

Starting in 2015 the Denali Commission will be leading the project management for the START Program in Alaska. The Commission will prioritize data driven choices and help to provide technical project descriptions (i.e. budget scope, timeline and need) to back up funding applications making Alaskan communities more competitive in the funding process not only for renewable energy projects but also other locally-driven solutions to lower the high cost of energy.

Sustaining Rural Power Systems

In the fall of 2014 four Alaskan communities either lost or were within hours of losing their power generation systems. Most rural Alaska communities are served by "islanded micro-grid" electrical systems. The result of power generation systems failing in winter is residents without heat and electricity, which lead to potentially dire situations and the need



2016 Budgetary Use by Statutory Purpose

for emergency response and repair at a high economic cost. These system crashes occurred when generators in the power system failed. And, while the events leading up to these failures differed in each community what is clear is that these failures cannot continue in the future.

Typically, in most rural power systems there are four operational generators. During the cold winter months, all four generators are often used, but during the warmer summers only two to three generators are needed allowing the opportunity for maintenance on idle generators.

The Denali Commission plans to explore options for ensuring that rural power systems do not fail in the winter by taking advantage of the time in the summer when generators are not needed for power production. The Commission is proposing a plan in which idle generators could be sent out of a community one at a time for rebuild and maintenance and then returned in late summer or early fall. It is typical for generators to be rebuilt every 3 to 7 years. The program the Commission proposes would allow communities to get repairs done at a reasonable rate by taking advantage of group pricing. If one generator from each of 10 communities were all sent out for repair to the same provider, economies of scale could be utilized creating overall cost savings.

The Commission plans to explore the merits of a generator rebuild and maintenance program. Statewide and regional options will be explored, as well as, costs, feasibility and providers. The Commission will report findings in 2016.

Expiring Funding

The Denali Commission will see the last of the direct funding for the Health Facilities Program, the Transportation Waterfront Improvement Program and the Transportation Roads Program as these program funds expire at the end of FY 2015. As a result, any newly funded projects in these programs will have to be funded out of the discretionary funding that the Commission receives in the form of Energy and Water Appropriations. The use of discretionary funding for health or transportation projects would need to be approved by the Commissioners in the FY 2016 Work Plan.



Section 3

- ◆ Information and Program Evaluation



Information and Program Evaluation

The Commission will continue to undertake program evaluation efforts in FY 2016, while at the same time developing and implementing new evaluation systems for new or emerging programs.

Since its inception in 1998, the Commission has utilized an evaluation methodology in its two primary programs: Energy and Health Facilities. The Commission has worked aggressively to plan, design, equip and construct or renovate health facilities in underserved communities throughout Alaska. Similarly, the Commission and its partners have developed a needs list for bulk fuel tank farms and rural power system upgrades across Alaska. The Commission will continue to make updates to both programs. Specifically, the Health Facilities Program will continue to analyze the communities that remain throughout the state with unmet health facility needs. Moreover, staff will evaluate the benefit that has been provided in the areas of cost reduction, improved access to health care and quality of health care services to rural communities that have received new or renovated primary care clinics with Commission funding.

In FY 2016 the Commission will continue to evaluate all programs based on program progression and project outputs. Furthermore, the Commission as a whole will be examining how it may better leverage resources with other program and funding partners and perhaps most importantly, how it can better demonstrate programmatic outcome accomplishments.

In FY 2015 the Commission is developing a new five-year strategic plan to guide future agency investments. As we migrate agency investments to the twin goals of addressing the high cost of energy and maintaining, sustaining and protecting existing infrastructure, we will be mindful to incorporate evaluation methodologies. We are mindful that the lessons learned in rural Alaska can be migrated to other rural parts of America.



Section 4

- ◆ Analysis of Resources



Analysis of Resources

At any given time Denali Commission staff and partners are engaged with several hundred grants and/or projects in various stages of planning, design and construction. Program partners range from sophisticated line agencies to small village-level organizations. The ability to deliver timely, sustainable projects with the right level and type of oversight and guidance, while also being nimble and agile, requires constant attention. Commission leadership emphasizes the paramount importance of public integrity, transparency and accountability. The Commission maintains an aggressive staff training program and uses the latest in grant processing technology through the U.S. Department of Health and Human Services through its GrantSolutions software. During Fiscal Year 2014, staff received training from the Office of Management & Budget, U.S. Department of Health and Human Services and the Government Accountability Office. To keep staff size at an optimum level, the Commission contracts with other federal “lines of business” at the U.S. Department of the Treasury, Bureau of Fiscal Service to provide services in the areas of finance, human resources, procurement and travel. In addition, for the advancement of governmental accountability, the Commission relies on a network of federal experts through its Business Board Advisory Committee, which include members from various government agencies.

GRANTS MANAGEMENT ELECTRONIC PROCESSING AND REPORTING SYSTEMS

The Denali Commission has two electronic web-based systems for Grants Management: GrantSolutions for processing proposed awards and post award amendments and the Commission Project Database for grantee self reporting progress on funded awards.

The Commission utilizes GrantSolutions (www.grantsolutions.gov) to manage the electronic processing of every award from start to finish. The award starts with the posting of announcements of funding opportunities, receipt and review of applications, issuance of funded awards, the generation of post award amendments, to the close out of each award.

The Denali Commission’s on-line project database (www.denali.gov/dcpdb) continues to be a transparent tool through which the Commission communicates performance to our constituents. Displaying information on every project the Commission has ever funded, this database displays funded amounts, expended amounts, narrative progress reports and photos of projects. Ultimately, the effectiveness of the Commission is measured in the number of lives that are improved as a result of the taxpayers’ investment in a particular program.

TRAVEL

Concur Travel Solutions, the travel system used by the Denali Commission, is an end-to-end online travel service for federal agencies. Concur Travel Solutions supports the entire government travel process, which includes planning and authorizing travel, making reservations, delivering electronic tickets, calculating and approving reimbursements, and archiving data. Concur Travel Solutions increases the number of self-service transactions thus reducing travel-



Analysis of Resources

management costs.

HUMAN RESOURCES

The realm of human resource (HR) management for the federal workforce is complex and large. From position classification to employee benefits to payroll administration, HR tasks demand a level of training and experience that recognizes the personal impacts these services have on Denali Commission employees every day.

The enabling legislation of the Commission exempts the agency from some parts of federal Title 5, affording the management at the Commission uncommon flexibilities in hiring qualified personnel. This has allowed the Commission to continue to be agile and nimble, proactively responding to Alaska's needs and new federal mandates, while still maintaining a lean federal staff.

To ensure the Commission provides the best HR services to our federal staff, we have engaged the U.S. Treasury's Fiscal Service Administrative Resource Center in Parkersburg, West Virginia, to administer the official human resources duties. Fiscal Service has an entire branch of highly educated and trained human resources professionals who are available to all staff for consultation and assistance.

PROCUREMENT

When the Denali Commission needs to obtain goods or services required to operate the agency office or programs, we do so under Federal Acquisition Regulations (FAR). This set of regulations embodies the philosophy of the federal government to support, to the degree practical, small and disadvantaged businesses when procuring goods and services. Small businesses are the backbone of the American economy, and the FAR recognizes and implements guidance that encourages contracting with those small businesses. Competitive solicitations among responsible contractors results in the best value to the Government, and that has fostered new and mutually beneficial relationships between businesses and the Commission.

The federal government requires that performance-based work statements be written, to maximize the application of the contractor's knowledge and experience in achieving the Government's goals. The Denali Commission has competitively procured goods and services over the past several years which include: program management services, technical assistance services, computer software and hardware, photography services, and graphic design services.

Because the authority to obligate federal funds rests with Contracting Officers, we partner with the U.S. Treasury's Bureau of the Fiscal Service Administrative Resource Center in Parkersburg, West Virginia, which has a procurement branch staffed with highly educated and qualified contracting professionals.



Section 5

- ◆ Agency Restructuring & Work Process Design



Agency Restructuring and Work Process Design

AGENCY RESTRUCTURING

Agency restructuring has been underway for the past several years as annual appropriations have been reduced. Effectively, the Commission has cut staff in half since 2009 through normal attrition and not backfilling the positions. It is expected that this staffing pattern will continue while being mindful that the agency must continue managing a portfolio of existing grants, as well as complete necessary due diligence for future investments.

With the assistance of the US Office of Personnel Management the Commission has identified a new personnel model. Historically, the Commission hired staff to manage specific programs and these individuals then became subject matter experts in the field. The reduced level of funding in recent years has made employing full-time subject matter experts unsustainable. Commission staff will become “generalists” who understand the nuances of how the Federal Government does business (i.e. Federal contracting, grant making, budgeting, travel, etc.). As needed, the Commission will hire subject matter experts for short duration intermittent position, or will contract for these services. The subject matter experts will provide advice and guidance to Commission staff as needed and then the agency and the subject matter expert will part ways once their professional skills are no longer needed.

In FY 2015 the agency hired a full-time General Counsel and a full-time Director of Programs to provide needed agency leadership.

WORK PROCESS DESIGN

The most significant work process design change for the Commission centers on the statutorily required annual work plan, which outlines the Commission investments for the fiscal year in question. Historically, the annual work plan included a list of capital investments and some non-capital investments. With a change of investment strategy to focus on sustaining, maintaining, and protecting existing infrastructure it is appropriate to reflect this change in the work plan process. The Commission will continue to fund typical infrastructure that the Commission has historically invested in. This would include bulk fuel farms, power generation systems, etc.

As we transition to new investments to address the high cost of energy and sustaining existing infrastructure, there will be a need for appropriate due diligence and strategic planning for the future work of the Commission. We have found that new programs that include pre-construction activities and studies that will help inform future capital investments attract significant attention. These non-capital investments would also be part of the annual work plan process and would be discussed over the course of the fiscal year in question.



Section 6

- ◆ Ensuring Information is Publicly Available



Ensuring Information is Publicly Available

The Commission's project database is an integrated, online management reporting and tracking tool for Commission projects. The Project Database is used to manage the electronic reporting of award data by recipients, and is also available to the general public to view every award and project funded by the Commission. This database provides all project information, and encourages public viewing and sharing of information particularly through the reports module function. The Project Database also enables Commission staff to manage projects through the use of milestones and retrieve "at-a-glance data" of major project criteria including: the scope, award, theme, schedule, budget and reporting.



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Denali Commission

510 L Street, Suite 410
Anchorage, AK 99501
Telephone: 907-271-1414
Toll Free: 888-480-4321

