



Board of Director Regular Meeting Minutes

February 11, 2014 Recorder: Donna Halvorsen

1. **Call Meeting To Order:** Harvey Mc Donald called meeting to order at 10:00am.
2. **Roll Call:**

Chair	Thorne Bay	Harvey McDonald	present via teleconference
Vice Chair	Klawock	Jeff Nickerson	present via teleconference
Sec/Tres	Craig	Otis Gibbons	present via teleconference
Director	Wrangell	Bernie Massin	present via teleconference
Director	Coffman Cove	Misty Fitzpatrick	absent excused
Director	Hydaburg	Jolene Edenshaw	present via teleconference
Director	At Large	Dee Dee Jeffreys	present via teleconference

Staff Present: Dennis Watson, Gail Slentz and Donna Halvorsen

Staff present via teleconference: Len Laurance, Brian Edwards, Scott Crayne and Bill Bailey

Public Present: None

Public present via teleconference: None

3. **Approval of Minutes:** Motion: Approve minutes of the November 12, 2013 Regular Meeting and November 12, 2013 Special Meeting as written; moved by Dee Dee Jeffreys and seconded by Jolene Edenshaw. Motion approved unanimously.
4. **Approval of Agenda:** Motion: Approve agenda as presented including moving New Business item a) Presentation of FY2013 Financial Statements (w/Christine Harington) to occur when she ties into the teleconference at approximately 10:15am; moved by Jolene Edenshaw and seconded by Dee Dee Jeffreys. Motion approved unanimously.
5. **Public Comment:** None
6. **Correspondence:** None
7. **Manager's Report:**
 - Dennis Watson sent an update out February 10, 2014 to all BOD members outlining a few items. He explained that he went to Juneau January 25, 2014 on behalf of the City of Craig and was able to talk to legislators about IFA issues as well. His main question was how safe is our \$500,000 appropriation for the next five years as promised in the governor's budget. Everyone he talked to said that in their time in the legislature, they have not heard of a "raid" on the governor's budget; so although it is possible, it is very unlikely.
 - We'll have requests in the Capital Budget for vessel projects, new computer equipment and emergency communication equipment. He continued that although legislators expect that available funding will be less than last year, it sounded like SE Alaska may get a little

more money this year since there was very little for us last year. He continued that the telecom system on the Stikine, the rebuilding of the engines on the Stikine, the scupper valve mechanisms on the POW, the propulsion inspection on the POW were all items requiring maintenance and/or repair to be in compliance with USCG and/or manufacturer requirements.

- If all goes as scheduled, the Hollis dock project will be on the street mid February 2014 then it will be about 6 weeks before the awarding process is started. Dennis has signed a MOA with the State stating that they will provide a lump sum to cover IFA's costs of running out of Coffman Cove this summer for 14 days. If we go beyond the 14 days, there is a \$25,000 per day fine if we don't have access to the dock. The City of Coffman Cove has agreed to let us rent the dock/facility in Coffman Cove. Once the contract is awarded, the Hollis dock 14-day closure will be determined; the IFA will then go to the City Coffman Cove and finalize a formal MOA.
- As you know, the IFA is having an Economic Impact Assessment done by Sheinberg Associates. Meilani Schijvens came to POW to get more information for their assessment. She interviewed customers, IFA staff, and many other POW and Ketchikan businesses and organization owners or operators. She showed us her draft and it is very user friendly and interesting; it has graphs and charts and is loaded with information.

8. Old Business:

a) Report on Winter Incentive Program.

Donna Halvorsen reported that January 2014 showed that the Winter Incentive Program was a success. As everyone knows, our ridership has been decreasing slightly each year. However, January 2014 we had 141 more passengers and 103 more vehicles travel than in January 2013, and January 2014 revenue was up \$9,953 from January 2013. Additionally, last year we ran 31 days in January and this year we ran 30 days due to the Klawock/Hollis Highway landslides. Also the geoduck season was lucrative in 2013 and this year it is basically nonexistent on POW. The agents are implementing the Winter Incentive Program at 100% accuracy and are going the extra mile explaining the details, very often resulting in the customer taking their vehicle. There was some concern whether customers would understand the rules of program but so far there has been no problem. Another concern with the program was how we would get the information out to customers. We have utilized Facebook, Twitter, email, signage, and Len's radio program. Right now we have over 100 Facebook followers and 107 email recipients and both are growing weekly, so the communication tools are working well.

Gail Slentz commented that there were 4 twitter followers two of which were her. Harvey Mc Donald asked if February looked as good as January? Jolene Edenshaw thanked the IFA for offering the program, people need it!

Dee Dee Jeffreys asked what does it mean that the geoducks tested hot?

Dennis Watson answered that means the harvest tested positive for Paralytic Shellfish Poisoning.

Jeff Nickerson said he was glad to hear ridership was up, and that this program was providing good information for future options.

b) Proposed Amendments to the Bylaws of IFA:

Gail stated that at the last BOD meeting the conflict of interest clause was the only controversial issue and that the issue has been addressed and it is now worded very specifically. Both Dennis Watson and Bob Blasco have reviewed it and approve of this version. She continued that we'd need to have a special meeting to approve a final resolution but today we can agree on the concept presented.

A short discussion clarified that member/director serves a 4-year term and that officers (chair, vice chair, and secretary/treasurer) serve a 2-year term.

Otis Gibbons was concerned that a director would not be able to participate in discussions regarding an issue where a conflict of interest was determined. He suggested that the section states that the BOD can invite the person with the conflict of interest to participate or that the BOD can reserve the right to allow a person with a conflict of interest to attend. Gail Slentz stated that you could change the "shall not be" to "may not be."

Jolene Edenshaw agreed with Otis Gibbons and wanted it stated specifically in the Bylaws. Dennis Watson agreed that "may" would address Otis and Jolene's issue; "may" is not conclusive and "shall" is.

Harvey McDonald stated that the City of Thorne Bay has always been able to invite someone to an executive session in this situation.

Gail Slentz stated that it becomes more ambiguous when given more flexibility. In policy writing, you can't provide for every situation in black and white so the BOD needed to decide if they want it flexible or specific.

Otis Gibbons and Bernie Massin agreed that a person should be able to step down from BOD position and talk on an issue as a citizen.

Dennis Watson said that we may need to add something in this that allowed for that to happen.

Jolene Edenshaw asked, shall we vote or table this until we get the two issues straightened out?

Dennis Watson recommended voting; this was a draft and the questions would go to the lawyer and we'd get his opinion on these two points then bring it back to BOD with the final resolution for approval. Motion: Approve proposed amendments to the BOD Bylaws of the IFA; moved by Dee Dee Jeffreys and seconded by Harvey Mc Donald. Motion approved unanimously.

c) Fare Increase Proposal: Gail Slentz explained that the IFA managers met and discussed fare increase options. The final consensus was that option #3 and keeping adult one-way fares below \$50 was in the best interests of both the customers and the IFA. She continued that we needed to implement a fare increase because we were \$250,000-\$300,000 short even with governor's \$500,000 annual 5-year appropriation. This won't cover the gap but it will help. Implementing the increase will also help show that the IFA is doing their part in closing the financial gap. Because fuel is not going down probably ever again, it was agreed that zeroing out the fuel surcharge and resetting our base fares to what they were now including the fuel surcharge was the most realistic approach. Additionally in this option, the adult fare goes up \$2.50 for a base price total of \$48.75. This could bring in as much as \$100,000 more in coffers annually covering about 25% of our shortfall.

Harvey Mc Donald agreed with the IFA manager's suggestions and stated that if we go with option #3, the fuel surcharge would change to 0 and we could implement up to a 25% fuel surcharge before more BOD action was required. He didn't want people to think the fuel surcharge has gone away; if we had to put one on later we would, but not until we absolutely had to.

Dee Dee Jeffreys agreed with the IFA manager's suggestions but her concern was that some people were aware that there is base rate plus fuel surcharge so we would need to let people know exactly what we were doing before we did it.

Jolene Edenshaw suggested that the sooner we got the information out, the better.

Otis Gibbons agreed with \$2.50 increase but was not so sure about raising the fuel surcharge. He continued that the fuel surcharge was perceived as a promise that if the fuel prices went down, the ticket price would go down. If we weren't promising that anymore, the information needed to be presented carefully so it did not become an issue. Also, whatever we decide about the fuel surcharge, we need to post it more clearly on website.

Dennis Watson stated that we can't leave the fuel surcharge at a level that reflects old fuel costs. Fuel prices will not go down now that manufacturers are producing low sulfur diesel. Prices seem to be bouncing up or down only \$0.20 to \$0.30 right now but we're never going back to old fuel prices. Additionally, the IFA's operating costs have gone up, and we have to raise the base fare to try to keep up with expenses. We're not raising it much; it still doesn't cover what's needed. He continued that when the governor's office chose to give us the \$500,000, they said they were helping us so they expected us to help ourselves. This increase will show that we are taking steps to resolve our financial shortfall. Dennis continued that we'll need to advertise this properly and explain to people how much has changed over the past 5-7 years and that fuel price forecasts show the cost of fuel is not ever going back down. We could explain that if the fuel prices went up dramatically, we would have to impose a fuel surcharge.

Dee Dee Jeffreys wanted to make sure the public understood that since the fuel rate has not changed for so long, we are putting it to 0 and hope that it didn't get more expensive.

Jolene Edenshaw suggested keeping it simple by providing only the necessary information that explained what would be happening at the present time, leave any "if" scenarios out.

Harvey Mac Donald wanted to be sure people weren't misled by thinking the fuel surcharge went away.

All BODs were concerned with how it would be presented to the public. It was concluded that if the BOD could come to a consensus today, Gail Slentz would draft a resolution to present at the upcoming special meeting for approval.

Motion: In favor of Fare Increase Proposal #3 effective May 1, 2014; moved by Harvey McDonald and seconded by Otis Gibbons. A roll call vote was taken and motion passes.

Chair	Thorne Bay	Harvey McDonald	yes
Vice Chair	Klawock	Jeff Nickerson	yes
Sec/Tres	Craig	Otis Gibbons	yes
	(2 or 3 but not sure of doing both simultaneously)		
Director	Wrangell	Bernie Massin	yes
Director	Hydaburg	Jolene Edenshaw	yes
Director	At Large	Dee Dee Jeffreys	yes

d) Resolution No. 2014-06: A Resolution Amending the IFA Employee Handbook.

Motion: Approve Resolution No. 2014-06 amending the IFA Employee Handbook as presented; moved by Jolene Edenshaw and seconded by Dee Dee Jeffreys.

Gail Slentz explained that she had been trying to annually go through the employee handbook to fix or bring it up to date. The amendments in this resolution addressed sections 4.4 Pay Rate Schedule, 5.3.4 Vacation Pay, 5.5.3 Sick Leave Usage and 5.4 Holidays; sections regarding the floating holiday were mainly discussed. Gail Slentz

quoted the current policy, "All vessel salaried employees will receive one additional floating holiday for every IFA observed holiday." She explained that the intent of that was to compensate salaried vessel workers for holiday pay. However, under certain circumstances vessel salaried employees were receiving double compensation for holidays. We have a chief engineer and operations manager who can rarely take their accrued time so they lose it at the end of the year. She continued that "We can't have a holiday benefit that is administered differently for different people. It's just too hard to administer and it's not equitable to all employees." Gail continued that, "This proposal meant they get paid based on a 12 hour day when they are working and then they get holiday pay just like vessel hourly workers are paid. If it's a regularly scheduled day off (their schedule is 4 on & 4 off) they get paid 12 hours holiday. If it is a regularly scheduled day on and they take that day off, they get salary pay at 12 hours. Also, every time we give a floating holiday to a vessel salaried worker, we also have to pay to replace them so it's a double expense for the IFA. We have had lots of discussion about this for a couple years." Gail Slentz continued that this proposal was a way to simplify it for everyone and make it consistent for all employees and save the IFA some money; she estimated about \$15,000 per year.

Harvey Mc Donald asked how the effected employees were taking this change?

Brian Edwards stated that Scott Crayne, Bill Bailey and Curtis Brown had to leave.

Of Note: Brian Edwards was on his cell phone and no one could hear him except Gail Slentz so most of his input was paraphrased by her.

Brian Edwards stated that the wording was confusing and he was concerned that their salary would be negatively impacted by these changes. He also stated that originally the floating holiday was offered to provide more flexibility for scheduling because these salaried positions were often unable to take holidays off. He also wanted to point out that vessel workers were limited to taking 12 hour blocks of time off unlike land based employees who could take one hour increments.

Gail Slentz stated that she used similar policy language from the employee handbook that was used for hourly employees, with a few exceptions. She explained that the change made it so that if a vessel salaried employee took a regularly scheduled day off, then he received the day off with salary wage; if he was not scheduled to work then he received holiday pay.

Jolene Edenshaw asked if there was a spokesperson for these employees, and that this issue cannot be settled until there was more discussion with the employees.

Gail Slentz stated that we haven't been able to give raises and that she didn't want to take anything away from anyone but that she wanted to be fair to all employees. Gail Slentz said she did a survey last year as to whether they would like to go from salary to hourly and 2 were for and 2 were against, so we went back to the drawing board to correct the double compensation issue. She explained that going hourly would have fixed the problem altogether, and that these 4 vessel salaried employees don't really work as salaried people either (they do their 4 on 4 off.)

Brian Edwards stated that none of them knew about this resolution until yesterday, and that he was not the spokesperson for all but talked with the others involved and half were for the cash wage and half were for receiving the floating holiday. Brian Edwards

continued that it was suggested to have the choice, at the time of the occurrence, of taking the cash wage or the floating holiday.

Dee Dee Jeffreys asked what Gail thought of that idea?

Gail Slentz replied that we better be offering it everyone then.

Brian Edwards asked why couldn't we.

Gail Slentz explained that it would be an administrative nightmare and that the cost of holiday pay is about \$15,000 annually to replace these 4 so offering it to everyone would be a lot more; it would be safe to say about \$40,000-\$50,000 more. Gail continued that it was her personal perspective from HR that if you offered a benefit to employees, you should offer the same benefit to all employees, separated only by department; consequently, all vessel workers should get same benefits.

Dee Dee Jeffreys understood both sides of the issue but stated that because vessel people have more training and responsibility made this very difficult for her to decide on.

Gail Slentz stated that her whole point in wanting them to go hourly was to make it equitable for all employees. If you want to keep offering floating holidays, it's no problem to administer it but we needed to fix the holiday pay section so vessel salaried employees do not accrue a floating holiday if they take a regularly scheduled day off.

Brian Edwards stated that he doesn't know what the double pay issue was and that he has never done it.

Gail Slentz explained that he received double compensation this past Alaska day; he got paid his vessel salaried wage and he got the day off and he got a floating holiday.

Brian Edwards stated that he put a vacation day down on his timecard for that day but that he understood the issue now, and that he wanted it clear that he didn't know he was getting double compensation. He continued that it was just a day that he took off where he could get someone to fill in. He stated he just became privy to this yesterday and wanted to hear what's going on and was glad to have this discussion.

Gail Slentz explained that this is exactly why we needed to change it; it was not easily understood.

Jolene Edenshaw stated that we clearly aren't ready to move on if employees aren't privy or haven't heard about this, is that what I'm hearing?

Gail Slentz stated that if you want those other two individuals to agree to it then we will never be able to move on and that's ok but if we could at least correct the language in the handbook to reflect that if a vessel salaried employee takes a day off from their regularly scheduled day, they are paid via their salary for that holiday and they don't accrue a floating holiday.

Harvey Mc Donald asked if we needed to sit down and talk more.

Otis Gibbons suggested having a matrix developed to show what the situation is; the wording is extremely confusing and that's why we're here in the first place. A matrix would be a simpler way to describe it.

Jolene Edenshaw and Dee Dee Jeffreys suggested we deferred action so staff could create a matrix and interview the employees involved then bring back their feelings to the BOD for final a decision.

Gail Slentz would like it done by next special meeting.

Dennis Watson explained that because the motion is already on the floor, that if the maker and seconder agree to withdraw their motion, then we can move forward with a new motion.

Jolene Edenshaw withdrew her original motion.

Dee Dee Jeffreys withdrew her second to the original motion.

New Motion: Defer action on section 5.4 Holidays (floating holidays for vessel salaried employees) until matrix is made and the 4 employees were interviewed and their input was presented to the BOD; moved by Dee Dee Jeffreys and seconded by Jolene Edenshaw. Motion approved unanimously.

9. New Business:

a) Presentation of FY2013 Financial Statements (w/Christine Harrington) At approximately 10:20am, Christine Harrington presented the results of her audit last summer. Her presentation lasted about 15 minutes, and she stated that everything looked good and that no adjustments were needed. She stated that this reflects that the accounting staff is competent and reliable. She encouraged everyone to read the section on "Notes to Financial Statement" to get a general background of how these financial statements are generated. She continued that on page 4 is a section written by Gail Slentz called, "Management Discussion and Analysis," and that this section talks about the basic issues like why did you lose money this year, is grant money fluctuating, and what were the fuel costs. She stated that what you discuss at BOD meetings are outlined in this section and would be very helpful in putting the year's financial affairs in perspective. Then lastly she explained that some of the major audit failures that have occurred in the last 10 years were due to the fact that people governing an organization were not informed of all matters. She continued that it became a legal and professional requirement to have better communications with BOD and that she accomplished this via the engagement letter or initial contract, as well as, through the letter provided after the audit is completed. In conclusion, she let everyone know that if questions come up later, she was always available by phone.

Bernie Massin: Why is the asset amount decreasing? And do you think the fare increase proposal will work?

Christine Harrington: The asset amount decreased by \$1.19 million because assets are depreciating in value. I can't really answer the second question but there is fine line between how far you can increase fares before you create a decrease in ridership. The IFA will never make it without State and/or Federal subsidies. The IFA can't function out of fare box sales but this is my personal opinion only.

Jolene Edenshaw asked whether a motion should be made to approve Christine's report, and Jeff Nickerson agreed and also asked if Dennis's report should have a motion as well.

After some discussion, it was decided to make a motion regarding Christine Harrington's report only. Motion: Accept financial statements given by Christine Harrington; moved by Jolene Edenshaw and seconded by Jeff Nickerson. Motion approved unanimously.

Part b) First Reading: Resolution No. 2014-07. A Resolution Adopting a Revised FY2014 Budget. Motion: Approve Resolution No. 2014-07 adopting revised FY2014 Budget; moved by Harvey McDonald and seconded by Otis Gibbons. A roll call vote was taken and motion passes.

Vice Chair	Klawock	Jeff Nickerson	yes
Sec/Tres	Craig	Otis Gibbons	yes
Director	Wrangell	Bernie Massin	yes
Director	Hydaburg	Jolene Edenshaw	yes
Director	At Large	Dee Dee Jeffreys	yes
Chair	Thorne Bay	Harvey McDonald	yes

10. Board Comments:

Jeff Nickerson stated he was concerned about the fare the increase and wanted BOD to get something like a *cheat sheet* of why we are raising fare so we are all saying the same thing.

Dee Dee Jeffreys agreed and stated that she thinks he's referring to a summary of "talking points."

Gail Slentz agreed that is an excellent idea and she would put it together.

Jeff Nickerson stated he was concerned that the handbook revisions were being micromanaged and that we should be careful that we do not get too far into something like this. He expressed that we should handle the handbook revisions as quickly as the 1st reading of the budget because the longer it took the more micromanaging that tends to occur.

Harvey Mc Donald reminds everyone that the BOD emergency meeting is right after this one.

Gail Slentz asked before we adjourn can we schedule a special meeting as well?

All agreed to hold the Special BOD Meeting on Tuesday February 25, 2014.

Jolene Edenshaw had to leave and was excused at 12:10pm.

11. **Schedule Next Meeting:** Next Regular Meeting will be announced. A Special Meeting will be held February 25, 2014 to approve the Fare Increase, Bylaw Revisions, Employee Handbook Revisions and Second Reading of the FY2014 Budget resolutions.

12. **Adjournment:** Motion: Adjourn meeting at 12:14pm; moved by Harvey McDonald and seconded by Otis Gibbons. Motion approved unanimously.

