



**HAINES BOROUGH, ALASKA**  
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**MEMO**

TO: Haines Borough Assembly  
Mayor Tom Morphet

DATE: November 9, 2023

RE: MARAD and STATE grant requirements

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Haines' award of \$20 million (80% reimbursable grant) toward the \$25 million Lutak Dock Replacement Project was one of three RAISE grants awarded in Alaska by the federal Maritime Administration, an agency of the U.S. Department of Transportation (MARAD). The RAISE grant is a reimbursable grant, meaning that the Borough pays project costs as they are incurred and submits requests for reimbursement to MARAD.

Haines' application was evaluated for Merit Criteria: safety, environmental sustainability, quality of life, economic competitiveness, state of good repair, partnership and innovation. Having passed this evaluation, our application was analyzed for economic analysis, environmental risk assessment and financial capacity assessment. The Secretary of the Department of Transportation (OST) ultimately selected the Lutak Dock Replacement project after this analysis.

Once we were awarded the grant, we met internally to discuss methods of construction. Following much research we decided on the progressive design-build option, presented this to the Assembly and had a work session for the public to understand the process.

We were excited to discover that Turnagain Marine's proposal was almost exactly what the community had determined it wanted during 2016 meetings on the project – encapsulation. However, Turnagain's proposal was much less expensive than the 2107 projected cost (which is why it wasn't selected in 2017). The "new" proposal was never what we really wanted but was all we thought we could afford. We still wanted the fully-vetted community plan established in 2016. Since the 2016 plan was now in the price range, the original proposal was submitted to MARAD. This proposal was reviewed by MARAD's Environmental, Risk Assessment, Financial and Legal divisions before it was recommended to the Secretary for approval. We received that approval notice just before Christmas 2022.

MARAD grants, like most grants from governmental entities, are for specific purposes. Any change to a grant, as the above scope of work change details, must go to the OST for approval.

The Borough government cannot use the MARAD grant as it pleases – it must use the grant as it has been approved by the OST. If the Borough Assembly determines that it does not wish to use the grant in this manner, we would have to convince the OST that a replacement plan would be in the best interests of the community and the federal government, or we would be relinquishing the grant funds back to MARAD.

Following award of the RAISE grant, we sought support in the form of State matching funds for the grant. We received \$3,211,284 to match the project. The grant is ONLY for the Lutak Dock Replacement Project. We confirmed this again with Senator Jesse Kiehl who wrote on July 7, 2023:

*You asked about what happens to the money if the project doesn't proceed. The details are in the grant agreement the borough signed with the executive branch, but generally speaking my understanding is that borough would stop spending any more money and would send in reimbursement requests for whatever they had already spent. They would need to then notify the grant administrator that they planned to close the project. (If the actual grant agreement says something different, I'll stand corrected.)*

*If that were to happen, the borough would also be wise to notify Haines' legislative delegation so we could try to reappropriate the money to another community need. That used to be a foregone conclusion, but in the past decade or so it has become much more difficult to keep reappropr within the district. I'd do everything I could, but there is no guarantee I could keep the cash in Haines, or even within Senate District B. It could just as easily get diverted to wide a intersection in Wasilla.*

This is the language in the State grant agreement for the Lutak Dock Replacement Project:

*Article 21. Termination for Cause*

*If the Grantee fails to comply with the terms of this Grant Agreement, or fails to use the grant for only those purposes set forth herein, the Department may take the following actions:*

*A. Suspension - After notice in writing by certified mail to the Grantee, suspend the grant and withhold any further payment or prohibit the Grantee from incurring additional obligations of grant funds, pending corrective action by the Grantee or a decision to terminate. Response must be received within fifteen (15) days of receipt of the written notice.*

*B. Termination - Terminate the grant in whole or in part, at any time before the final grant payment is made. The Department shall promptly notify the Grantee in writing of its determination to terminate, the reason for such termination, and the effective date of the termination. Payments made to the Grantee or recoveries by the Department shall be in accordance with the legal rights and liabilities of the parties.*

*Article 36. Assurance*

***The Grantee shall spend monies awarded under this grant only for the purposes specified in this Grant Agreement.***