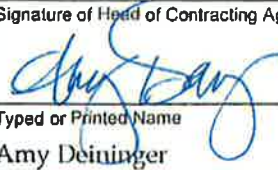


STANDARD AGREEMENT FORM FOR PROFESSIONAL SERVICES

The parties' contract comprises this Standard Agreement Form, as well as its referenced Articles and their associated Appendices

1. Agency Contract Number 2519S079		2. Financial Coding - Accounting Template	
3. Vendor Number		4. RQS & Procurement File Number N/A	5. Alaska Business License Number 251276
This contract is between the State of Alaska,			
7. Department of Transportation & Public Facilities		Division Office of the Commissioner	Hereafter the State, and
8. Contractor Northern Economics		Hereafter the Contractor	
Mailing Address	Street or P.O. Box	City	State ZIP+4
	800 E Dimond Boulevard, Suite 400	Anchorage	Alaska 99515
<p>9. ARTICLE 1. Appendices: Appendices referred to in this contract and attached to it are considered part of it.</p> <p>ARTICLE 2. Performance of Service: 2.1 Appendix A (General Provisions), Articles 1 through 16, governs the performance of services under this contract. 2.2 Appendix B sets forth the liability and insurance provisions of this contract. 2.3 Appendix C sets forth the services to be performed by the contractor</p> <p>ARTICLE 3. Period of Performance: The period of performance for this contract is <u>May 3, 2019</u>, through <u>October 15, 2019</u>.</p> <p>ARTICLE 4. Considerations: 4.1 In full consideration of the contractor's performance under this contract, the State shall pay the contractor a sum not to exceed <u>\$249,887.54</u> in accordance with the provisions of Appendix D. 4.2 When billing the State, the contractor shall refer to the Authority Number or the Agency Contract Number and send the billing to:</p>			
10. Department of Transportation & Public Facilities		Attention: Division of Division of Administrative Services	
Mailing Address PO Box 112500, Juneau, Alaska 99811-2500		Attention: Amy Deininger	
11. CONTRACTOR		<p>13. CERTIFICATION: I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alterations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the verity, legibility or availability of a public record constitutes tampering with public records punishable under AS 11 56.815-.820. Other disciplinary action may be taken up to and including dismissal</p>	
Name of Firm Northern Economics			
Signature of Authorized Representative <i>Marcus L. Hartley</i>	Date 5/3/19		
Typed or Printed Name of Authorized Representative Marcus L. Hartley			
Title President			
12. CONTRACTING AGENCY		Signature of Head of Contracting Agency or Designee	
Department/Division DOT&PF Office of the Commissioner	Date 5/3/19	 Date 5/3/19	
Signature of Project Director <i>Mary Siroky</i>			
Typed or Printed Name of Project Director Mary Siroky		Typed or Printed Name Amy Deininger	
Title Deputy Commissioner		Title Department Procurement Chief	

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

APPENDIX A - GENERAL PROVISIONS**Article 1. Definitions.**

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in signing this contract.

Article 2. Inspections and Reports.

- 2.1 The department may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 The contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

Article 3. Disputes.

- 3.1 If the contractor has a claim arising in connection with the contract that it cannot resolve with the State by mutual agreement, it shall pursue the claim, if at all, in accordance with the provisions of AS 36.30.620 - 632.

Article 4. Equal Employment Opportunity.

- 4.1 The contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, disability, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, disability, sex, marital status, changes in marital status, pregnancy, or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, disability, age, sex, marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, disability, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 The contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of contract.

Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. In the absence of a breach of contract by the contractor, the State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 6. No Assignment or Delegation.

The contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

Article 8. Independent Contractor.

The contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any Subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. Nevertheless, if the contractor does mark such documents with a statement suggesting they are trademarked, copyrighted, or otherwise protected against the State's unencumbered use or distribution, the contractor agrees that this paragraph supersedes any such statement and renders it void. The contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

Article 11. Governing Law; Forum Selection

This contract is governed by the laws of the State of Alaska. To the extent not otherwise governed by Article 3 of this Appendix, any claim concerning this contract shall be brought only in the Superior Court of the State of Alaska and not elsewhere.

Article 12. Conflicting Provisions.

Unless specifically amended and approved by the Department of Law, the terms of this contract supersede any provisions the contractor may seek to add. The contractor may not add additional or different terms to this contract; AS 45.02.207(b)(1). The contractor specifically acknowledges and agrees that, among other things, provisions in any documents it seeks to append hereto that purport to (1) waive the State of Alaska's sovereign immunity, (2) impose indemnification obligations on the State of Alaska, or (3) limit liability of the contractor for acts of contractor negligence, are expressly superseded by this contract and are void.

Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

Article 14. Covenant Against Contingent Fees.

The contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage or contingent fee.

Article 15. Compliance.

In the performance of this contract, the contractor must comply with all applicable federal, state, and borough regulations, codes, and laws, and be liable for all required insurance, licenses, permits and bonds.

Article 16. Force Majeure.

The parties to this contract are not liable for the consequences of any failure to perform, or default in performing, any of their obligations under this Agreement, if that failure or default is caused by any unforeseeable Force Majeure, beyond the control of, and without the fault or negligence of, the respective party. For the purposes of this Agreement, Force Majeure will mean war (whether declared or not); revolution; invasion; insurrection; riot; civil commotion; sabotage; military or usurped power; lightning; explosion; fire; storm; drought; flood; earthquake; epidemic; quarantine; strikes; acts or restraints of governmental authorities affecting the project or directly or indirectly prohibiting or restricting the furnishing or use of materials or labor required; inability to secure materials, machinery, equipment or labor because of priority, allocation or other regulations of any governmental authorities.

APPENDIX B¹
INDEMNITY AND INSURANCE

Article 1. Indemnification

The Contractor shall indemnify, hold harmless, and defend the contracting agency from and against any claim of, or liability for error, omission or negligent act of the Contractor under this agreement. The Contractor shall not be required to indemnify the contracting agency for a claim of, or liability for, the independent negligence of the contracting agency. If there is a claim of, or liability for, the joint negligent error or omission of the Contractor and the independent negligence of the Contracting agency, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "Contractor" and "Contracting agency", as used within this and the following article, include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "independent negligence" is negligence other than in the Contracting agency's selection, administration, monitoring, or controlling of the Contractor and in approving or accepting the Contractor's work.

Article 2. Insurance

Without limiting contractor's indemnification, it is agreed that contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the contractor's policy contains higher limits, the state shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the contracting officer prior to beginning work and must provide for a notice of cancellation, non-renewal, or material change of conditions in accordance with policy provisions. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this contract and shall be grounds for termination of the contractor's services. All insurance policies shall comply with and be issued by insurers licensed to transact the business of insurance under AS 21.

2.1 Workers' Compensation Insurance: The Contractor shall provide and maintain, for all employees engaged in work under this contract, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including but not limited to Federal U.S.L. & H. and Jones Act requirements. The policy must waive subrogation against the State.

2.2 Commercial General Liability Insurance: covering all business premises and operations used by the Contractor in the performance of services under this agreement with minimum coverage limits of \$300,000 combined single limit per claim.

2.3 Commercial Automobile Liability Insurance: covering all vehicles used by the Contractor in the performance of services under this agreement with minimum coverage limits of \$300,000 combined single limit per claim.

Appendix C | Scope of Work

The Department of Transportation & Public Facilities (DOT&PF), Program Development enters into Contract No. 2519S0079 with Northern Economics, ABL # 251276 to provide consultation on the economic reshaping of the Alaska Marine Highway System (AMHS). This is a firm, fixed-price contract.

The Contractor will assist the Department through its qualified economic/marine expertise to identify potential reductions of the State's financial obligation and/or liability as they relate to the AMHS. The project will include an analysis of options available for reshaping the system, such as through a public/private partnership, and a determination of the various options' feasibility, with targeted implementation by July 1, 2020. The ongoing trend of a less than 35% fare box recovery rate coupled with low passenger and vehicle ridership has contributed to making the AMHS an increasingly expensive system to operate. AMHS will move towards other service options to realize short and long-term cost savings for state government and to promote economic growth in affected regions of the state.

While the Governor's memo and the change records give the example of a public/private partnership, there are many other organizational changes as well as policy changes that could result in lower general fund AMHS costs. The contractor will include in the report, at a minimum, the following options or some combination thereof:

1. Reshape the entire AMHS operation by selling or giving all vessels and terminals to a private entity to run whatever service they can justify economically.
2. Reshape parts of the AMHS by selling or giving some vessels and terminals for the specific purpose of providing service to certain communities, for example communities that are not on the National Highway System (NHS).
3. Transfer AMHS assets to a public corporation that would provide service based on a fixed or zero General Fund amount. The corporation board would set service levels, fares and employee pay.
4. Lease vessels and terminals to a private entity, public corporation or non-profit entity to run as a for-profit business with the state responsible only for vessel and terminal overhaul and refurbishment.
5. Sell or lease vessels to a private entity, public corporation or non-profit entity while retaining the terminals as a state asset. There are examples of this in other states whereby the terminals are still eligible for federal aid.
6. AMHS continues as a state entity but is directed by the Legislature to drop or reduce specific high cost, low volume runs on the assumption that these communities would be serviced by the private sector with its own equipment. AMHS would sell vessels not needed to provide the remaining reduced responsibility.
7. AMHS continues as a state entity but contracts out for service to lower volume expensive routes on the basis that a private entity would use smaller vessels and less expensive crews. Vehicle and passenger service could be provided by different vessels. Current marine union contracts already allow this for Pelican, Gustavus, Hoonah, Angoon, Tenakee, and Kake.
8. Privatize all or some onboard passenger services: stateroom housekeeping, meal service, bars, gift shops, etc., to include consideration of novel freight delivery concepts such as small freight modules shipped aboard vessels without being loaded onto trailers or vehicles.
9. Implement further fare increases, including across the board increases, increases on more expensive runs, demand pricing for high demand periods or events, demand pricing based on percent of remaining vessel capacity, etc.
10. Legislature-directed renegotiation of marine union contracts to reduce vessel operation costs.
11. Evaluate any potential route changes that would reduce the operating cost, especially utilizing existing road links and potential future road links.

The analysis will incorporate pertinent information from previous state-funded AMHS studies such as:

- The 2012 Systems Analysis;
- 2015 Tariff Analysis;
- 2016 Economic Impacts analysis,
- 2017 AMHS Reform Phase 1 and 2 Reports,
- 2017 Annual Traffic Volume Report,
- 2018 Annual Financial Report,
- Various vessel condition reports. Links:

<http://www.amhsreform.com/documents>

<http://www.dot.state.ak.us/amhs/reports.shtml>

The analysis will include the result of telephone interviews with the mayors of the 35 communities currently served by the AMHS as well as any other relevant public and native organizations.

Notices to Proceed (NTP):

1. **May 3, 2019:** 1st NTP - Gap Analysis – Review of all existing reports and data (links above) and telephone interviews.
2. **June 1, 2019:** 2nd NTP - Gather additional data identified as-needed by the Gap Analysis.
3. 3rd NPT – 1st Draft – Due **8/1/2019**.
4. 4th NTP – Final Draft – Due **8/23/2019**.
5. 5th NTP – Final Report – Due **10/15/2019**.

DELIVERABLES

The contractor will be required to provide the following deliverables:

- Triage analysis of major routes or groups of routes that identifies the suitability of each for non- or low-subsidized operation, based on vessel(s) traffic density and freight demand (Freight demand on AMHS vessels is constrained to highway legal loads but for outsourced service, this constraint would not apply).
- Two-tier examination of concepts, to first determine the most promising among those identified, and then a second tier more detailed analysis of the final concepts selected.
- Final report, defining the process used, results learned and recommendation(s) for reshaping the AMHS to fulfill the stated goal: “AMHS will move towards other service options to realize short and long-term cost savings for state government and to promote economic growth in affected regions of the state.”
- Monthly progress reports submitted with each monthly invoice. The Progress Reports will be used to keep the Governor’s Office and OMB apprised of progress and will be used as the basis to authorize subsequent NTPs.

Appendix D | Compensation

Total compensation for all services provided during the performance of the contract is not to exceed \$249,887.54. The total value of the contract may not exceed \$249,887.54 without the prior, written approval of the DOT&PF Procurement Officer.

Travel Reimbursement

All travel costs pertaining to this contract will be reimbursed at actual costs. The State will reimburse preapproved travel per the following criteria in compliance to the State of Alaska Travel policies:

- Airfare is limited to coach fare.
- Commercial lodging is limited to the moderately priced and will be reimbursed at actual cost.
- Reimbursement for meals will not exceed \$60 per day.
- Rental vehicles are limited to a mid-size or less make and model as opposed to premium options.
- Receipts for all travel expenses must be provided with monthly invoices.
- All travel costs must be shown as separate line items on invoices.

State of Alaska Travel policies: [http:// doa.alaska.gov/dof/travel/index.html](http://doa.alaska.gov/dof/travel/index.html)
[http:// doa.alaska.gov/dof/manuals/aam/index.html](http://doa.alaska.gov/dof/manuals/aam/index.html)

Each invoice must:

- Reference the Contractor name;
- Reference the Contract number; and,
- Itemize the contract services and deliverables provided.
- Includes the monthly Progress Report.

The contractor shall submit invoices to the address specified on the cover page of this contract no later than 30 days after the end of the month for which services/deliverables were completed. The State will pay all invoices within thirty (30) days of invoice approval by the Project Director. Failure to include the required information on the invoice may cause an unavoidable delay to the payment process.

Notwithstanding any other provision of this contract, it is understood and agreed that the State shall withhold payment for work that the Contractor fails to perform as required under Appendix C of this contract.

The state is not responsible for and will not pay local, state or federal taxes.