CITY OF CORDOVA

Exxon Valdez Oil Spill Trustee Council
4210 University Drive
Anchorage, AK 99508-4626

December 26, 2012

Re: The Cordova Center

Exxon Valdez Oil Spill Trustees:

It is a well-known fact that in the aftermath of the Exxon Valdez oil spill, Cordova suffered greatly. Beyond the immeasurable damage caused to the environment, the spill had a devastating impact on the people of our community. No one will forget the images of oil drenched seabirds and black beaches splashed across television screens in the spring of 1989. But what most people did not see, and what most don't fully comprehend, is the magnitude of human devastation that followed. Cordova's local economy plummeted after salmon and herring stocks fell and we watched helplessly as multi-generation fishing families were left with no choice but to sell out of the industry. Other than the $2.5 million punitive damages award, which impacted only a few in the community, Cordova received zero compensation for economic loss from the oil spill.

Cordova has always been in dire need of a place for the community to meet, grow, and prosper. Community leaders felt this need grow exponentially in the years that followed the Exxon spill. In 2000, Cordova began the early planning stages for the Cordova Center, which included numerous meetings involving the entire community. Grants from a variety of agencies and foundations contributed to the initial development. The Exxon Valdez Oil Spill Trustee Council was first approached for support of the Cordova Center in 2003. Five years later in 2008, the Trustee Council came to Cordova to hold a public meeting on the matter. Over the course of six hours in a packed gymnasium with standing room only the Council heard public testimony demonstrating the community's strong and unanimous support for the Cordova Center. At that time, the engineers estimate to complete the facility was just over $18 million. The Trustee Council voted to fund the Cordova Center with $7 million, or one third of the total cost, which ever was the lesser amount.

Following the Council's vote of support, the city believed that the funding for the project would be available within months. It was not. The city immediately began applying for additional support for the project through grants. When the city started the project in August of 2010, the funds promised by the Trustee Council still had not been released. Several grants obtained by the city were due to "time out" if construction did not begin. The Trustee Council was made aware of those deadlines nearly two years prior in 2008. Because the funding was not released in time, the cost estimate had increased to almost $24 million by the time construction began. If

602 Railroad Avenue P.O. Box 1210 Cordova, Alaska 99574 Telephone (907) 424-6200 Fax (907) 424-6000

the funding promised by the Council had been available in 2008, within a reasonable time after the Council's vote to provide the set amount, we could have broken ground and taken advantage of a slow economy and the low cost of steel at that time. By 2010, the economy was improving and construction costs had rebounded. As a direct result, we have faced massive cost increases in our effort to provide Cordova with the Cordova Center.

Since 2008, the city has continued to work with the administrators at the Trustee Council in an attempt to make the promised funds available for use. After years of correspondence and endless paper trails of requests for additional information from the Council we continued to see additional delays in receiving the funds. In early 2011, the city was able to read the Council's final grant language. In studying the terms of the grant it was realized that they would preclude the city from access to significant amounts of the grant due to certain restrictions applying to qualifying dates for reimbursement. There are significant issues with cash flow in this project, since the administrators terms would only reimburse one third of the invoices. Furthermore, the city was forced to take out a line of credit at a local bank to pay bills while waiting for reimbursements from the grant, which continues to increase overall facility costs. At this time, 50 % of the Cordova Center's construction has been finished and the rest is underway or scheduled to begin. Our only roadblock at this time is the lack of fluid cash flow, especially with regard to reimbursements from the grant. Providing Cordova with the Cordova Center continues to be our top priority. We remain committed to the successful completion of this effort and are hopeful that the Trustee Council will understand our circumstance and desire for modifications at this time.

As you are aware, the Trustee Council's allocated support for this project is one of the largest portions of funding we have. Delays in providing funding have greatly increased the cost of completion and strained planning efforts and overall productivity. The following modifications requested would alter the grant language to alleviate some of these issues.

At this time, the City of Cordova respectfully requests three actions from the Trustee council:

1. The Trustee Council modify the grant to allow administrators to pay 100% of receipts up to the limit of the grant award. This will eliminate the cash flow problem and reduce unnecessary interest charges.

2. The Trustee Council waive the "qualifying dates" and recognize the full cost of the project. Not doing so in effect insures that the lesser amount will be less than 1/3 the total cost.

3. The Trustee Council increase the grant amount by $1.3 million, which will be in keeping with one third of the total cost. The delays in the start of construction while waiting for the Trustee Council administrators releasing of funds was the causal result of the increase in estimated completion cost in 2010. It is now 2013 and the final completion cost is anticipated to be higher than estimated in 2010.

The City of Cordova has always been and continues to be sincerely grateful to the Trustee Council for its support of our Cordova Center. We take great pride in our partnership and look forward to hosting scientific seminars, meetings, and other important events in the building in the future upon completion. We humbly request your understanding and an increase in assistance so that we might complete the Cordova Center and provide a space for meaningful dialogue, continued healing and support, and right action.

Sincerely,

Jim Kallander
Mayor of Cordova

Enclosures

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