

# MUNICIPALITY OF ANCHORAGE



Office of the Mayor

*Mayor Dan Sullivan*

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April 30, 2012

The Honorable Gary Stevens  
Senate President  
Alaska State Legislature  
State Capitol Room 111  
Juneau, AK 99801

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol Room 208  
Juneau, AK 99801

To Senator Stevens and Representative Chenault:

Included with this letter is the quarterly report for the first quarter of 2012 from the Municipality of Anchorage regarding the Port of Anchorage Intermodal Expansion Project (PIEP) submitted in accordance with the reporting requirement pursuant to Section 1, Chapter 5 FSSLA 2011 (pg. 20, line 16-18). This section requires the Municipality of Anchorage to submit quarterly progress reports detailing cost overruns and significant project scope changes.

This report addresses both of those requirements while explaining some of the major changes underway with the project. Additional information is available on [www.portofalaska.com](http://www.portofalaska.com) or by request. Please contact me if you have any questions or require any further information.

Sincerely,

Dan Sullivan  
Mayor

## INTRODUCTION

The Port of Anchorage (POA) is Alaska's Port and serves as a critical lifeline to the state. The Port supports twice-weekly shipments of goods transported on container ships, whose cargo accounts for an estimated 90% of the merchandise goods used in 85% of Alaska's populated areas. In addition to merchandise cargo, the Port is a major fuel hub providing critical supplies of jet fuel, gasoline, heating oil, diesel and aviation gas to communities throughout the state. It also serves as a major source of cement and other building materials.

The Port celebrated 50 years of service in 2011, and although the facilities remain operational, the dock has surpassed its life expectancy and is in a deteriorated condition. In 2003, the POA and the Municipality of Anchorage (MOA) along with the U.S. Department of Transportation Maritime Administration (MARAD) undertook the Port of Anchorage Intermodal Expansion Project (PIEP) in an effort to replace and expand the existing facility to provide modern, efficient and reliable marine infrastructure for Alaskans. The project is currently focused on construction of facilities to the north of the existing dock (Phase 1)<sup>1</sup>. For a detailed history of the project please refer to the 2011 Second Quarter Report.

Significant efforts towards initiating long-term changes were formally implemented by the MOA/POA, MARAD, and the U.S. Army Corps of Engineers (USACE) in the third and fourth quarter of 2011. These changes include:

- The MOA/POA executed a new Memorandum of Agreement with MARAD. This agreement further clarifies the roles and responsibilities of each entity through May 31, 2012, at which time all design and construction will be the responsibility of the MOA/POA, or their designee.
- The MOA/POA and MARAD have engaged the USACE to conduct a suitability study and analysis of the project work to date.

## MEMORANDUM OF AGREEMENT

In October 2011, the MOA signed a Memorandum of Agreement with MARAD to develop the Port of Anchorage Intermodal Expansion Project. This agreement was designed to improve upon an earlier agreement signed in 2003. The details of this agreement were provided in the 2011 Third Quarter Report and include the transfer of design and construction management responsibilities from MARAD to the MOA/POA, or their designated agent, by May 31, 2012; the formalization of the Project Oversight and Management Organization (POMO) team; and additional items designed to emphasize effective project planning and execution.

The MOA is in the process of developing a new Memorandum of Agreement establishing the future relationship between MARAD and the MOA/POA to be effective June 1, 2012. The MOA is also finalizing the new management structure for the project following the transfer of all design and construction management responsibilities on May 31, 2012.

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<sup>1</sup> Appendix A: Port of Anchorage Intermodal Expansion Project Phasing Plan

## SUITABILITY STUDY AND PROJECT ANALYSIS

MARAD has funded the USACE to review the design for the ongoing Intermodal Expansion Project. This review is composed of an independent study of the foundation design and a review by USACE of the planning, design, permitting and construction with a focus on evaluating what has been accomplished and providing recommendations for moving forward.

The USACE selected CH2MHill in September to conduct an independent study of the foundation system designed to support the Port's expansion efforts, and this effort is underway. In analyzing the foundation design, the study will assess the effects of hydrologic, geotechnical, structural and seismic conditions. During the first quarter of 2012, it was determined that additional information was needed in order to fully inform the analysis which is now expected to be completed in late July or early August of 2012.

## 2012 PLANNED WORK

Work in 2012 will be focused on transitioning the project management responsibilities and advancing the project design based on the recommendations of the USACE analysis and a revised project schedule.

Table 1: Funding Snapshot as of April 26, 2012

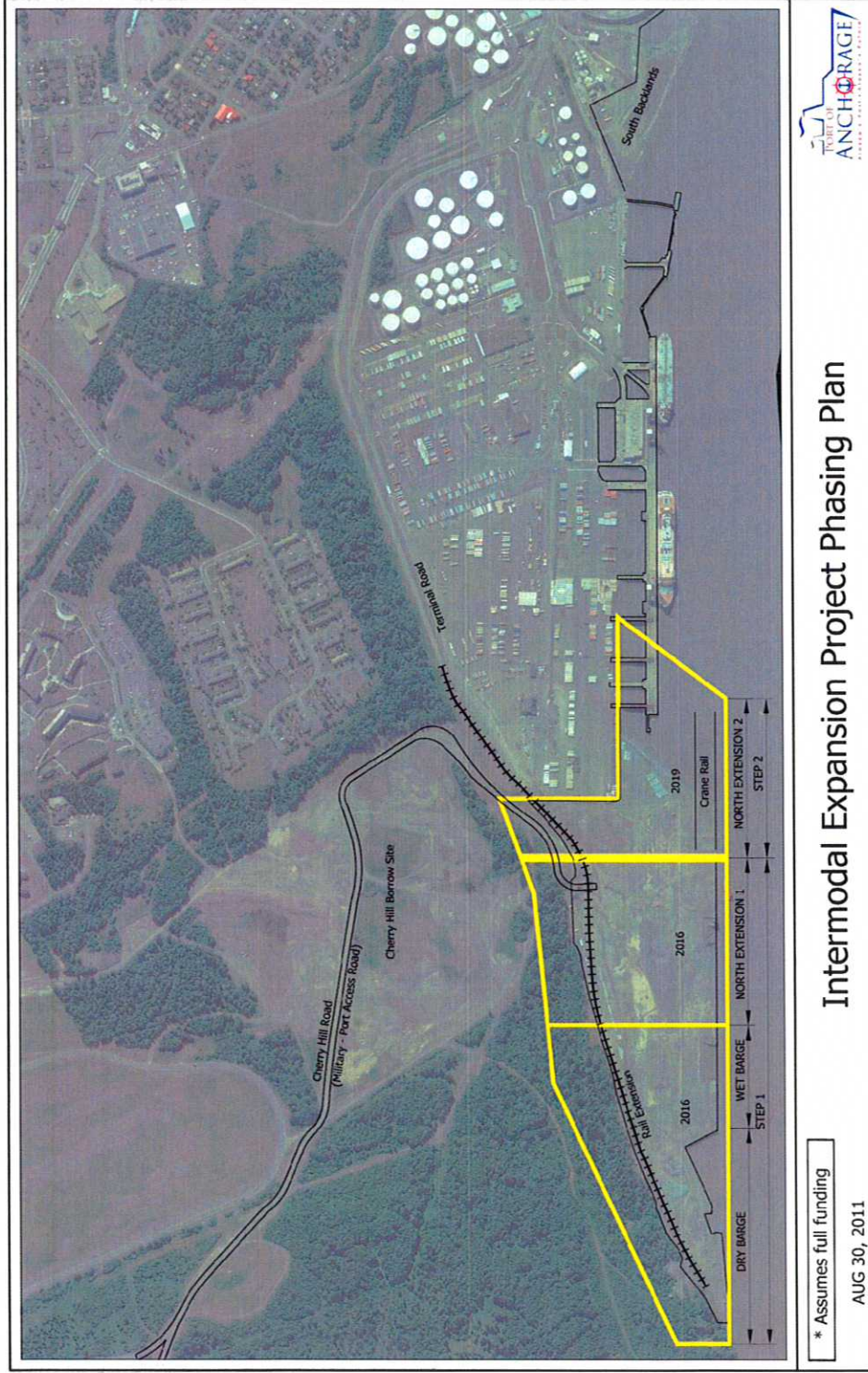
|                                  |               |
|----------------------------------|---------------|
| Total funds received             | \$332 million |
| Total funds transferred to MARAD | \$302 million |
| Total funds obligated            | \$299 million |
| Total Funds Pending obligation   | \$4 million   |

For a summary of the Expansion Project's funding to date please see Appendix B.

## CONCLUSION

In 2012 the project will realize the long-term changes initiated by the Municipality and Port authorities. These changes provide for increased local control and accountability by all parties, an improved project design, and a scaled back and achievable project plan. The proposed FY 2013 funding for the project passed by the legislature includes \$48.5 million in capital appropriations and \$50 million in a proposed bond bill to be put to the voters in the November 2012 election. While these funds fall short of the requested \$350 million, they will allow the port to continue with construction work in 2013 providing further evidence that this project will move forward successfully.

APPENDIX A: Port of Anchorage Intermodal Expansion Project Phasing Plan (highlighted area indicates Phase 1)



## APPENDIX B: FUNDING SUMMARY –

Of the \$332 million received, \$302 million have been transferred to MARAD. Currently all federal funds appropriated to the PIEP are transferred directly to MARAD, however state and port funds are transferred to the project as needed so the remaining balance of funds in MARAD's account is not necessarily an accurate indicator of the state and port funds available at any given time.

Table 1: Funding Snapshot as of April 26, 2012

|                                  |               |
|----------------------------------|---------------|
| Total funds received             | \$332 million |
| Total funds transferred to MARAD | \$302 million |
| Total funds obligated            | \$299 million |
| Pending 2012 obligations         | \$4 million   |

Table 2: State funds received to date

| Year  | Amount       | Legislation |
|-------|--------------|-------------|
| 2002  | \$5,853,658  | SB 29       |
| 2004  | \$436,505    | SB 283      |
| 2005  | \$10,000,000 | SB 46       |
| 2006  | \$10,000,000 | SB 231      |
| 2008  | \$25,000,000 | SB 221      |
| 2009  | \$20,000,000 | SB 75       |
| 2010  | \$20,000,000 | SB 230      |
| 2011  | \$30,000,000 | SB 46       |
| Total | 121,290,163  |             |

Table 3: Federal funds received to date

| Year        | DoD           | FHWA         | FTA          | SDDC    |
|-------------|---------------|--------------|--------------|---------|
| 2002        | -             | \$9,568,421  | \$2,832,968  |         |
| 2003        | \$4,850,000   | \$590,500    | \$2,862,505  |         |
| 2004        | \$4,850,000   | \$1,371,058  | \$5,181,803  |         |
| 2005        | \$12,003,750  | \$4,729,584  | -            |         |
| 2006        | \$8,245,000   | \$5,349,258  | \$5,577,500  |         |
| 2007        | \$9,700,000   | \$6,030,856  | \$5,820,000  | \$1,951 |
| 2008        | \$10,804,618  | \$6,052,337  | \$6,305,000  |         |
| 2009        | \$10,000,000  | \$8,929,635  | \$6,547,500  |         |
| 2010        | -             | -            | \$472,390    |         |
| 2011        | -             | -            | -            |         |
| Total       | \$60,453,368  | \$42,621,649 | \$35,599,666 | \$1,951 |
| Total Funds | \$138,676,634 |              |              |         |