



Mayor Dan Sullivan

March 11, 2014

Honorable Charlie Huggins
Senate President
Alaska State Legislature
State Capitol Room 111
Juneau, AK 99801

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

To Senate President Huggins and House Speaker Chenault:

Included with this letter is the quarterly report for the second quarter of SFY 2014 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), which expresses an intent that the Municipality of Anchorage submit quarterly progress reports detailing cost overruns and significant project scope changes. During the current reporting period there have been no cost overruns or significant project scope changes. But there is one reportable new development.

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 or by request. Please do not hesitate to contact me if you require any further assistance.

Sincerely,

Dan Sullivan
Mayor

INTRODUCTION

The Port of Anchorage provides critical infrastructure for the citizens of Anchorage and a majority of the citizens of the State of Alaska because most of the goods shipped to and from the state pass through the Port of Anchorage. This includes fuel supplied to Joint Base Elmendorf-Richardson and Ted Stevens Anchorage International Airport.

The existing port was substantially built in the 1960s and is reaching the end of its useful life. The Port of Anchorage Intermodal Expansion Project (PIEP) is intended to provide new berthing facilities for the shipping companies calling at the Port of Anchorage (POA).

Following studies of then-existing and projected future needs of the POA, geotechnical and structural design studies and an Environmental Assessment prepared under the direction of the U.S. Maritime Administration (MARAD), the final Environmental Assessment identified a proprietary design known as Open Cell Sheet Pile (OCSP) as the preferred alternative for the wharf and berthing area of the new PIEP. Construction began in 2006 in an area known as the North Backlands. Installation of the OCSP system began in 2008, which installed sheet piles and granular backfill in what has come to be known as the Dry and Wet Barge Berths and North Extensions 1 and 2.

Various difficulties were reported during construction, including hard driving conditions and the formation of sinkholes behind the sheet pile face. Subsequent underwater inspections found that a number of sheet piles had come out of interlock during installation, allowing soil to erode through the face during tidal cycles. Work was suspended and in 2011 the U.S. Army Corps of Engineers, Alaska District, was asked to evaluate the status of the construction and, ultimately, the suitability of the OCSP design for use at the Port of Anchorage.

The Corps of Engineers, through its contractor CH2M Hill, issued a report on the suitability of the OCSP design at this site and whether a change in direction of the PIEP was warranted. The Suitability Report, issued February 14, 2013, concluded that the Dry Barge Berth, if installed properly, would meet the original factors of safety established for the project, but the Wet Barge Berth, North Extension #1 and North Extension #2 do not meet the original static or seismic criteria when the overall global stability of the structure is considered. The report also concluded the Wet Barge Berth and North Extension #2 are irreparable from a construction perspective, and even if they could be repaired, they would not have the necessary factors of safety for global stability. Finally, the report noted that although North Extension #1 had been repaired to acceptable construction conditions according to the original designer, it too fails to meet the necessary factors of safety originally

established for the project. A copy of the suitability study is available at: <http://www.portofalaska.com/expansion-project.html>.

On August 2, 2013 the Office of Inspector General of the United States Department of Transportation released an Audit Report that addressed MARAD's project oversight, risk management, document management and contract management practices for the Port of Anchorage Intermodal Expansion Project. ("the Project") The report found that MARAD was responsible for contract oversight and compliance at the Port of Anchorage Project, and that the Project suffered from significant problems "stemming from MARAD's inadequate planning, lack of reliable cost estimates, and noncompliance with Federal contracting requirements."

A copy of the USDOT Inspector General internal audit can be found on the Port's web site at:

<http://www.portofalaska.com/images/documents/marad%20oversight%20of%20port%20infrastructure%20development%20projects8-2-13.pdf>.

Effective June 1, 2013 the Municipality of Anchorage assumed responsibility for project oversight and management. The project is now focused on the development of the marine terminals and adjacent uplands of the north end of the POA. The Municipality of Anchorage expects to restart construction in 2016.

This report describes efforts made during this past quarter to advance a scaled back version of the Port of Anchorage Intermodal Expansion Project.

PROJECT MANAGEMENT CONSULTANT CONTRACT

On September 6, 2013 the Municipality released Request for Proposal RFP-2013-P028 seeking proposals to provide project and construction management services for the Port of Anchorage Port Intermodal Expansion Project. Proposals were evaluated by a seven member committee consisting of engineers, stakeholders, and others with extensive public procurement experience. The three companies rated best after review of the written proposals were invited to participate in interviews. Ultimately, the committee recommended the contract be awarded to CH2M Hill. Mayor Sullivan advanced that recommendation to the Anchorage Assembly in December 2013 and the Assembly approved the contract on February 25, 2014.

The Municipality now exercises complete control over the Project and determines how state and local funds are utilized.

Table 1: Funding Snapshot as of December 31, 2013

Total funds contributed to PIEP	\$439 million
Total funds transferred to MARAD	\$302 million
Total Misc. Expenditures	\$7 million
Total funds un-obligated	\$130 million

A complete summary of the Expansion Project's funding to date is in Appendix B.

CONCLUSION

The Municipality and Port have initiated management and scope changes for the project. These management and oversight initiatives will provide essential information for orderly and efficient port development, together with local control and accountability. With continued support from the State of Alaska we are steadily making progress toward a modern, efficient port facility in Anchorage that will serve the citizens of Alaska for decades to come.

APPENDIX B: FUNDING SUMMARY –

Of the \$439 million dedicated to PIEP, \$302 million have been transferred to MARAD. The balance remains in the possession and control of the Municipality of Anchorage.

Table 1: Funding Snapshot as of December 31, 2013

Total funds contributed to PIEP	\$439 million
Total funds transferred to MARAD	\$302 million
Total Misc. Expenditures	\$7 million
Total funds un-obligated	\$130 million

Table 2: State funds received and Port funds contributed to date

Year	Amount	Legislation	Port Amount
2002	\$ 5,853,658	SB 29	\$ 2,443,857
2004	\$ 436,505	SB 283	\$ 8,188,000
2005	\$ 10,000,000	SB 46	\$ 4,125,000
2006	\$ 10,000,000	SB 231	\$ 8,000,000
2008	\$ 25,000,000	SB 221	\$ 22,282,541
2009	\$ 20,000,000	SB 75	\$ 22,100,000
2010	\$ 20,000,000	SB 230	\$ 4,000,000
2011	\$ 30,000,000	SB 46	\$ 4,000,000
2012	\$ 48,500,000	SB160	\$ 5,158,000
2012	\$ 50,000,000	GO Bond	
Total	\$219,790,164		\$ 80,297,398
Grand Total			\$300,087,562

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	-	-	-	
2012	-	-	-	
Total	\$60,453,368	\$42,621,649	\$35,599,666	\$1,951
Total Funds	\$138,676,634			