

MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100

FAX: 907-343-7180

Mayor Dan Sullivan

April 24, 2013

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 third quarter of SFY 2013 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 or by request. Please do not hesitate to contact me if you require any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dan Sullivan".

Dan Sullivan
Mayor

INTRODUCTION

The objectives of the Port of Anchorage Intermodal Expansion Project (PIEP) are to provide:

- A berth suitable for cargo barges and deep draft cargo ships at the north end.
- A railroad spur extension for intermodal service to the new northern berths.
- Replacement of the existing Terminal 2 and Terminal 3 berths that are currently used by the Port's containerized cargo ship carriers.
- Paving, shore protection, and utilities (including water, sewer, storm drain, power, lighting, communications, natural gas).

This report describes the progress made during this quarter toward these objectives.

SUITABILITY STUDY COMPLETED

The U.S. Army Corps of Engineers (USACE)/CH2MHill suitability study of the installed open-cell sheet pile (OCSP) system was completed and the final draft delivered to the Municipality in February. The report concluded that the OCSP design is not suitable to be used for the wet barge and deep draft berths due to inadequate global stability factor of safety and widespread interlock installation defects. A summary level PowerPoint presentation and a complete copy of the Suitability Study are available on the Port's website: <http://www.portofalaska.com/expansion-project.html>

CONCEPT DESIGN STUDY COMPLETED

The Municipality of Anchorage and MARAD partnered with USACE to facilitate the Port of Anchorage Intermodal Expansion Project Concept Design Study. USACE contracted with CH2MHill to develop three concept design alternatives for the PIEP based on findings of the Suitability Study. The Concept Design Study included a planning charrette to seek stakeholder input, design development, development of alternative evaluation criteria, and estimation of investment costs for each of the three alternatives.

CH2MHill completed the Concept Design Study in February. An overview of the concept alternatives, the evaluation criteria used to select a recommended alternative, and the estimated investment costs were presented to the Anchorage Assembly on March 8. The Municipality has engaged an engineering firm to evaluate the accuracy of the Suitability Study. Following that step, utilizing that information, the Administration will make decisions concerning the future design and delivery system in the coming months. Copies of a PowerPoint briefing and the full Concept Design Study are available on the Port's website: <http://www.portofalaska.com/expansion-project.html>

MEMORANDUM OF AGREEMENT

A revised Memorandum of Agreement has been drafted and presented to MARAD to formalize the transition of project responsibilities to the MOA.

MOA FILES LAWSUIT IN ANCHORAGE SUPERIOR COURT

The Municipality filed a lawsuit on March 8 in Anchorage Superior Court against Integrated Concepts and Research Corp., PND Engineers Inc., and CH2MHill Alaska Inc. The lawsuit seeks damages caused by the faulty design and mismanagement identified in the Suitability Study and other project records. A copy of the Complaint is available on the Port's website: <http://www.portofalaska.com/images/documents/complaint%20-%20with%20case%20no%20etc.pdf>. State funds are not being used for litigation.

PROPOSITION A - INFRASTRUCTURE BOND STATUS

On the November 2012 general election ballot was Proposition A, an infrastructure bond designed to address the critical needs of ports and roads throughout the State. The total cost for the included projects was \$453 million. \$50 million for the PIEP was included. The bond was passed, bringing the Port's 2012 total from the State to \$98.5 million.

Table 1: Funding Snapshot as of March 31, 2013

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

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

CONCLUSION

The Municipality and Port have initiated management and scope changes for the project. These changes provide for increased local control and accountability by all parties, an improved project design, and a scaled back and achievable project plan. State FY 2013 funding for the project passed by the legislature included \$48.5 million in capital appropriations and \$50 million in a bond bill put to the voters and approved in the November 2012 election. While these funds fall short of the requested \$350 million, they will allow the MOA to accomplish design and permitting required to move forward through calendar year 2013 successfully.

APPENDIX B: FUNDING SUMMARY –

Of the \$439 million dedicated to PIEP, \$302 million have been transferred to MARAD. Currently all federal funds appropriated to the Expansion Project 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 March 31, 2013

Total funds contributed to PIEP	\$439 million
Total funds transferred to MARAD	\$302 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			