

# MUNICIPALITY OF ANCHORAGE



Office of the Mayor

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*Mayor Dan Sullivan*

August 30, 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 fourth 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](http://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 that reads "Dan Sullivan".

Dan Sullivan  
Mayor

## INTRODUCTION

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

- A berth suitable for deep draft cargo ships (optional) and cargo barges 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.

## REQUEST FOR PROPOSAL (RFP) FOR PROJECT MANAGEMENT SERVICES

An RFP for a project management consultant team to take the lead on managing the Port's now-scaled back expansion efforts will be released within 60 days

## DOT RELEASES THEIR IG AUDIT OF MARAD

The US Department of Transportation's Inspector General's Office released the findings of their 2012 audit of MARAD's project management efforts in Anchorage, Honolulu, and Guam. The report found that the Port of Anchorage project had significant contracting problems stemming from MARAD's inadequate planning, lack of reliable cost estimates, and noncompliance with Federal contracting requirements when awarding and administering the port contracts. In addition, the report found that MARAD did not (1) adequately define its port project oversight responsibilities or provide guidance to contractors for developing Program Management Plans; 2) establish a sound risk management process; or 3) have a process to systematically store, maintain, and track project progress and funds. A copy of the report can be downloaded from: <http://www.oig.dot.gov/library-item/6176>.

## INDEPENDENT REVIEW CONFIRMS CH2M HILL SUITABILITY STUDY

On August 7, 2013 MOA received an executive summary of a peer review analysis performed by the national engineering firm of Simpson Gumpertz & Heger which confirms the conclusions reached by CH2M Hill that the OCSP design at the North Extension of the Port of Anchorage does not satisfy design criteria established for the Project. As a consequence, MOA intends to implement an alternative design when construction resumes on the Project.

## 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 (*Formally VECO Alaska*). 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.

#### 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. MARAD has provided an alternative version, which is now under review by the MOA.

Table 1: Funding Snapshot as of June 30, 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

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 and have completed an exhaustive investigation into the adequacy of the improvements installed at the North Extension of the Port to date, and possible design alternatives for completing the Project in the future. We will be seeking proposals from highly qualified firms to assist in evaluating design alternatives, environmental and permitting efforts, designing a pile test program and providing comprehensive construction management services, with the expectation that this Project Management Consultant will be under contract on or before January 1, 2014. These changes provide for increased local control and accountability by all parties, an improved project design, and a scaled back and achievable project plan.

## 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 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
<b>Grand Total</b>			<b>\$300,087,562</b>

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
<b>Total Funds</b>	<b>\$138,676,634</b>			