



# Municipality of Anchorage

Office of the Municipal Manager

Austin Quinn-Davidson, Acting Mayor

June 10, 2021

Honorable Peter Micciche  
Senate President  
Alaska State Legislature  
State Capitol Room 111  
Juneau, AK 99801

Honorable Louise Stutes  
Speaker of the House  
Alaska State Legislature  
State Capitol Room 208  
Juneau, AK 99801

To Senate President Micciche and House Speaker Stutes:

Submitted pursuant to Section 1, Chapter 5 FSSLA 2011 (pg. 20, line 16-18), please find attached the progress report for the third quarter of SFY 2021 from the Municipality of Anchorage regarding the Port of Alaska Modernization Program.

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,

*Anna C. Henderson*

Anna C. Henderson  
Municipal Manager

Enc.

cc: The Honorable Mike Dunleavy, Governor  
Alaska State Senate  
Alaska State House of Representatives



**Port of Alaska Modernization Program  
SFY 2021 Third Quarter Report  
March 31, 2021**

## **PROGRAM OVERVIEW**

The Port of Alaska (POA) is Alaska's largest port and directly serves 85 percent of Alaska's population living and working in more than 250 cities, villages and communities. The POA is critical infrastructure for individuals, families and businesses and is necessary to ensure Alaska's continued economic viability. However, the POA wharves are more than half a century old and much of the critical infrastructure has exceeded the economic and design life due to severe piling corrosion and changing cargo transport practices. The POA infrastructure needs to be modernized to safely and efficiently meet current and projected needs and to provide the resiliency required to mitigate seismic and other natural hazards.

The Port of Alaska Modernization Program (PAMP) will ultimately provide four new terminals for shipping companies calling on Alaska via a five-phase program comprised of multiple projects. Phase 1 includes the South Backlands Stabilization (SBS), Transitional Dredging (TD), South Floating Dock (SFD) Relocation and the Petroleum and Cement Terminal (PCT) projects. Phase 2 includes the North Extension Stabilization Step 1 (NES1), Landside Buildings (LSB), Terminal 1 (T1) and Terminal 2 (T2) projects. Phase 3 includes the Petroleum Terminal (PT) project. Phase 4 includes the North Extension Stabilization Step 2 (NES2) project. Phase 5 includes the Terminal 3 (T3) demolition project. The PAMP is currently in Phase 1, which has a planned completion date of December 31, 2021. Phases 2-5 of the PAMP are under re-evaluation to further reduce costs while meeting the minimum functionality required.

## **PROGRAM STATUS BY ASSET**

### **PCT South Floating Dock Project**

The POA is currently coordinating with United States Army Corps of Engineers (USACE) and National Marine Fisheries Service (NMFS) to revise permits for SFD. It is planned that the SFD relocation will occur in 2021 under the PCT 2021 construction contract.

### **Petroleum and Cement Terminal Project**

In Fall 2018, the POA initiated a plan to build PCT over the course of two years, with construction of the PCT superstructure in 2020 and the balance of the terminal work in 2021. This plan allowed for the best use of available funding and provided the Municipality additional time to acquire full project funding.

The PCT 2020 scope of work was awarded to Pacific Pile & Marine (PPM) on August 12, 2019. This scope for the Access Trestle and Loading Platform superstructure was granted substantial completion on November 30, 2020.

The PCT 2021 scope of work was also awarded to PPM following a competitive bid on August 21, 2020. The PCT 2021 scope is for the balance of the terminal work including monopile dolphins, topside finishes and POL fuel infrastructure. Long lead procurement and fabrication is currently ongoing with onsite construction scheduled to begin early May of 2021. Contractual substantial completion for the PCT 2021 contract is November 30, 2021.

## **PROGRAM PHASING & FUNDING**

In January of 2019, with the design of the PCT nearly complete, the Municipality published a revised total cost estimate for the five phases of the PAMP at \$1.9 billion. At that time, and due to the scarcity of sufficient funding from outside sources, the Municipality proposed increasing tariffs as the sole means to self-finance one project at a time. Port tenants strongly opposed the proposed increases, noting the corresponding price increases they would have to impose on their customers would be untenable. The tariff-only funding strategy was subsequently abandoned in favor of seeking a variety of additional funding sources, including federal, state and private enterprises, supplementing with more modest tariff increases. At the same time, the decision was made to commit to constructing the PCT as designed, but to re-examine the concept designs for the remaining phases to reduce costs.

Following the award of the PCT 2020 scope of work to PPM in 2019, the MOA Assembly required the formation of a cost reduction working group, comprised of Administration officials and Port of Alaska User's Group representatives. The charter of this group was to review and consider cost reduction ideas for implementation into the PCT. The group examined several ideas and concluded their work in early 2020.

To help bridge the funding gap, the Municipality and the POA aggressively pursued federal grants including the FEMA Pre-Disaster Mitigation Program Resilient Infrastructure Grant, the USDOT INFRA Grant, the USDOT BUILD Grant, the Port Infrastructure Development Program (PIDP) Grant and the Economic Development Administration (EDA) Grant. On November 6, 2019 the POA was notified of receipt of a USDOT BUILD Grant for up to \$25M for the PCT 2021 work. On February 14, 2020 the POA was notified of receipt of the PIDP Grant for up to \$20M, also for the PCT 2021 work. Both grants are reimbursed after expenses are incurred and require a matching non-federal percentage. This percentage is locked in by the estimated project values in the PIDP grant application. Because reimbursement is based on actual project management and construction costs, and because the construction contracts came in at less than the amounts estimated at the time of application, the POA does not expect the total reimbursement to reach the maximum \$25M and \$20M for the two USDOT grants. The Municipality will issue revenue bonds to cover the remaining non-federal percentage, and fund the debt service on those bonds via phased increases in cement and fuel tariffs. Using this mechanism, Phase 1 of the PAMP is fully funded.

See the attached phasing graphic and funding report. The funding report shows the allocation of funding to each program activity / project and is not an estimate of the total activity, project, or program cost.

## **CONCLUSION**

The Municipality and the POA are committed to continuing the PAMP in an orderly, efficient and timely manner, with local control and accountability. There is no other cargo importing facility in Alaska that can import and distribute cargo and fuel as quickly and efficiently as the POA. The facility is a centrally located, intermodal shipping hub that leverages port-related infrastructure including:

- Gantry cranes and roll-on/roll-off ramps that efficiently load and off-load containerized cargo,
- Specialized pneumatic pumps connected to a system of augured pipelines and bulk cement storage silos,
- Aromatic, distillate and low-sulfur diesel lines and facilities for fuel and lubricants – including more than 3 million barrels of fuel storage capacity,
- Cargo storage and handling facilities,
- Marine, rail, road, pipeline and air transport connection facilities.

Modernizing the Port of Alaska to ensure continuous, economic and resilient cargo service directly benefits most Alaska residents and businesses. The Municipality of Anchorage can, with continued State support and investment, continue to progress the design and construction of a modern and efficient port facility.

## **ATTACHMENTS**

Port of Alaska Modernization Program Phasing Graphic

Port of Alaska Modernization Program Funding Report

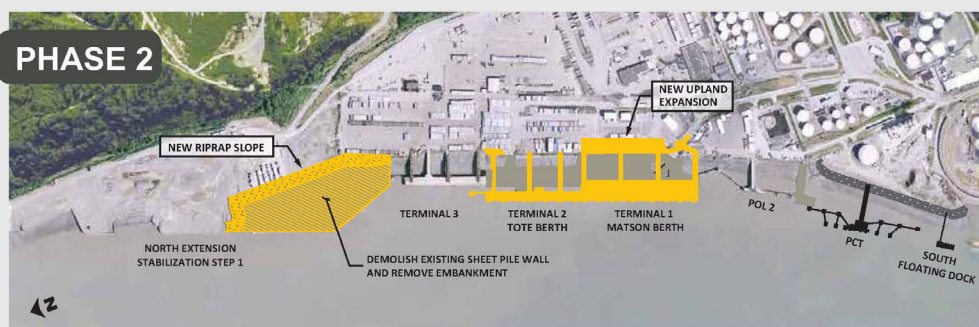


# PORT OF ALASKA MODERNIZATION PROGRAM

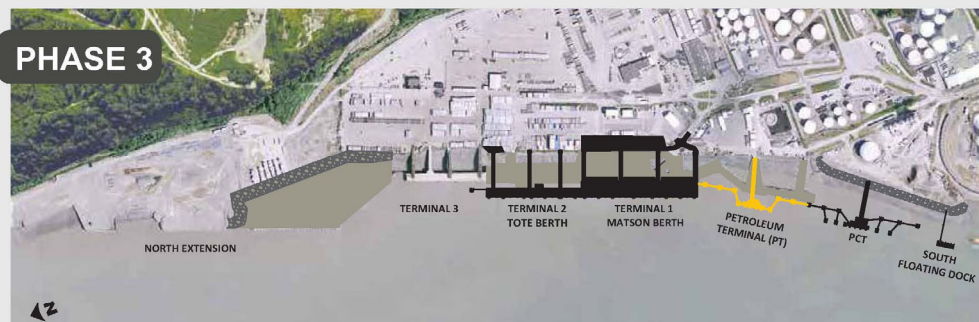
## PHASE 1



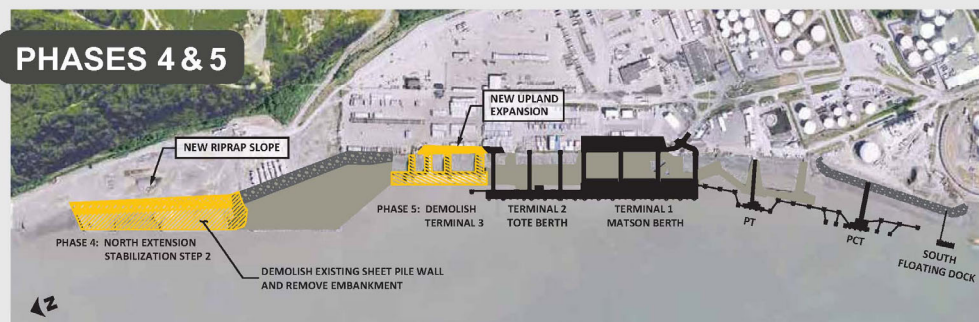
## PHASE 2



## PHASE 3



## PHASES 4 & 5





**Port of Alaska Modernization Program  
State Grant Drawdown Report  
Thru 3/31/2021**



	Funding	Committed	Uncommitted	Incurred
Program Management, Preliminary Design & Permitting	\$ 35,567,670	\$ 35,567,670	\$ -	\$ 31,684,539
Misc. Program Support	\$ 1,800,930	\$ 1,800,930	\$ -	\$ 1,766,304
Test Pile Project	\$ 5,813,224	\$ 5,813,224	\$ -	\$ 5,813,224
South Backlands Stabilization	\$ 13,353,726	\$ 13,353,726	\$ -	\$ 13,027,084
Petroleum/Cement Terminal	\$ 166,148,200	\$ 162,092,719	\$ 4,055,481	\$ 100,753,123
North Extension Stabilization Step 1	\$ 2,725,558	\$ 2,725,558	\$ -	\$ 2,625,425
<b>TOTAL</b>	<b>\$ 225,409,307</b>	<b>\$ 221,353,826</b>	<b>\$ 4,055,481</b>	<b>\$ 155,669,699</b>

State / Federal Funding	Funding	Committed	Uncommitted	Incurred
2012 State Capital Grant	\$ 29,400,000	\$ 29,148,468	\$ 251,532	\$ 28,802,700
2013 SB160 State Grant	\$ 47,530,000	\$ 47,530,000	\$ -	\$ 47,530,000
2013 State GO Bond	\$ 49,458,052	\$ 49,458,052	\$ -	\$ 49,458,051
2018 State Grant	\$ 19,600,000	\$ 19,600,000	\$ -	\$ 19,600,000
2019 MARAD BUILD Grant (up to \$25M)	\$ 19,485,460	\$ 18,804,678	\$ 680,782	\$ -
2019 MARAD PIDP Grant (up to \$20M)	\$ 15,663,312	\$ 15,116,068	\$ 547,244	\$ -
<b>TOTAL STATE FUNDING</b>	<b>\$ 181,136,824</b>	<b>\$ 179,657,267</b>	<b>\$ 1,479,557</b>	<b>\$ 145,390,752</b>

Other Funding	Funding	Committed	Uncommitted	Incurred
Bond Proceeds (up to \$60M) / Port Cash (\$2M)	\$ 44,272,483	\$ 41,696,560	\$ 2,575,923	\$ 10,278,947
<b>TOTAL OTHER FUNDING</b>	<b>\$ 44,272,483</b>	<b>\$ 41,696,560</b>	<b>\$ 2,575,923</b>	<b>\$ 10,278,947</b>

<b>TOTAL PROGRAM FUNDING</b>	<b>\$ 225,409,307</b>	<b>\$ 221,353,826</b>	<b>\$ 4,055,481</b>	<b>\$ 155,669,699</b>
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