November 6, 2017

Honorable Pete Kelly
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801

Honorable Bryce Edgmon
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801

To Senate President Kelly and House Speaker Edgmon:

Submitted pursuant to Section 1, Chapter 5 FSSLA 2011 (pg. 20, line 16-18), please find attached the progress report for the first quarter of SFY 2018 from the Municipality of Anchorage regarding the Anchorage Port Modernization Program (APMP).

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,

Ethan Berkowitz
Mayor

cc: The Honorable Bill Walker, Governor
     Alaska State Senate
     Alaska State House of Representatives
INTRODUCTION

The Port of Anchorage (POA) provides critical infrastructure to support shipment of goods and fuel to a majority of the citizens of the State of Alaska. This includes fuel supplied to Joint Base Elmendorf-Richardson and Ted Stevens Anchorage International Airport.

The existing terminals have exceeded their design and economic life due to severe corrosion on piling and changing cargo transport practices. The Anchorage Port Modernization Program (APMP) will provide four new terminals for shipping companies calling on Alaska via the state’s busiest import and intermodal freight distribution hub: Anchorage.

PROGRAM STATUS

Kiewit Manson Joint Venture achieved 35% design completion for the South Backlands Stabilization project and work is underway on the 35% design package for the North Extension Step 1 project.

On August 1, 2017, a Request for Proposals was issued for a Construction Manager at Risk (CMAR) contract for pre-construction and construction services for the Petroleum and Cement Terminal (PCT) project. The CMAR project delivery method [also known as Construction Manager / General Contractor (CM/GC) delivery] integrates the CMAR into the project during the design process. This early integration provides the opportunity to mitigate risks that impact project cost and schedule by incorporating CMAR recommendations into the design.

Options are being pursued to ensure that transitional dredging for the PCT starts no later than June 2018. Options include the U.S. Army Corps of Engineers (USACE) performing the dredging with full or partial federal funding, the USACE performing the dredging with full Municipality funding, or the CMAR performing the dredging as part of the PCT project.

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.
## Anchorage Port Modernization Program
### State Funding Report
#### As of 09/29/2017

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Funding</th>
<th>Committed</th>
<th>Incurred</th>
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<tbody>
<tr>
<td>Program Management Consultant (PMC)</td>
<td>$ 30,452,546</td>
<td>$ 22,507,602</td>
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<tr>
<td>Misc Project Support</td>
<td>$ 1,271,437</td>
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<td>Test Pile Project</td>
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<td>South Backlands Stabilization</td>
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<td>North Extension Stabilization Step 1</td>
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<td>Petroleum/Cement Terminal</td>
<td>$ 73,050,539</td>
<td>$ 7,003,929</td>
<td>$ 493,581</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 126,796,015</strong></td>
<td><strong>$ 40,205,350</strong></td>
<td><strong>$ 27,750,037</strong></td>
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<tbody>
<tr>
<td>2012 State Capital Grant</td>
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<td>2013 SB160 State Grant</td>
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<td>2013 State GO Bond</td>
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<td>$ 25,217,770</td>
<td>$ 19,246,916</td>
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<td><strong>TOTAL FUNDING</strong></td>
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10/23/2017
CONCLUSION

The path forward is clear. The Municipality and POA are committed to orderly, efficient and timely port development with local control and accountability. The next phases of the program are to finalize the design and acquire permits; but the most important component is to secure funding for construction.

Stakeholders representing Port users and vessel operators, technical and subject matter experts, POA and Municipality leadership all support the selected concept design.

The Port of Anchorage is Alaska’s largest port. It handles three-quarters of all Southcentral Alaska/Railbelt-bound, waterborne, non-fuel, freight and 95 percent of all refined petroleum products. It directly serves 85 percent of the state’s population living and working in more than 250 cities, villages and communities. The Port is critical infrastructure for individuals, families and businesses across the state and is necessary to ensure Alaska’s continued economic viability. The Port also serves the nation as one of 23 Department of Defense designated strategic seaports used to deploy U.S. warfighters’ equipment and supplies internationally. However, the Port is more than half a century old and much of its critical infrastructure has exceeded its economic and design life. The Port needs modernization to safely and efficiently meet current and projected statewide shipping needs and to restore its resiliency to survive Alaska’s harsh climate and seismic environment.

There is no other cargo importing facility in Alaska that can import and distribute cargo and fuel as quickly and efficiently as the Port of Anchorage. 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.
Alaska should invest in securing and modernizing the Port of Anchorage to ensure continuous, economic and resilient cargo service that directly benefits most Alaska residents and businesses. The Municipality of Anchorage can, with continued State support, complete design and construction of a modern, efficient port facility that will:

- Renovate aging facilities to enable safe, reliable and cost-effective operation,
- Improve resiliency to enable facilities to survive seismic events and Cook Inlet’s harsh marine environment with minimal operation disruption and a 75-year lifecycle,
- Update aging facilities to improve operational efficiency and sustainably accommodate modern shipping operations,
- Optimize facilities to accommodate changing statewide economic and market needs,
- Optimize program scope, schedule and budget to deliver a practical, timely and cost effective Port modernization program.