

MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100

FAX: 907-343-7180

Mayor Dan Sullivan

January 22, 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 second 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 that reads "Dan Sullivan".

Dan Sullivan
Mayor

INTRODUCTION

The Port of Anchorage Intermodal Expansion Project (PIEP) is now focused on concept design development for the following scope of work:

- At the north end of the existing facility, construction of a berth suitable for cargo barge operations and deep draft cargo ship operations.
- Extension of railroad spur to provide intermodal service to 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 to date towards these objectives.

MEMORANDUM OF AGREEMENT

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

CLAIMS SETTLEMENT UPDATE

The Municipality had been working with MARAD in dealing with two outstanding non-payment claims filed by Quality Asphalt & Paving (QAP) and MKB—QAP's subcontractor for sheet pile installation. MARAD elected to settle the claim action for a sum of \$11 million.

SUITABILITY STUDY AND PROJECT ANALYSIS

The U.S. Army Corps of Engineers (USACE)/CH2MHill suitability study of the installed open-cell sheet pile (OCSP) system was completed in pre-final draft form and delivered to the Municipality in October. 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. CH2MHill gave presentations to both the Anchorage Assembly and the Municipality's Geotechnical Advisory Commission (GAC) on November 9. The GAC was asked to provide comments on the pre-final draft and those have been recently received and are in review. The current schedule is to have the final report completed on February 4.

CONCEPT DESIGN DEVELOPMENT

In light of the suitability study findings, USACE/CH2MHill was tasked with developing up to three different design options for moving the project forward and accomplishing the objectives stated in the Introduction above. A concept design charrette was held by USACE/CH2MHill, the MOA/POA, and MARAD from November 13 to 15. All project stakeholders were invited to participate and key stakeholders present included TOTE, Horizon Lines, Southwest Alaska Pilots Association, Cook Inlet Tug & Barge, and the Alaska Railroad Corporation.

Numerous design options were indentified during the charette, from which three (3) are being developed to a 15% level by the end of February. In general, the concepts call for removal of the unsuitable open cell sheet pile bulkhead and stabilization of the remaining fill footprint with armor rock, or similar material. The wharf areas would then be constructed using a reinforced concrete pile-supported wharf and trestle arrangement.. The design would achieve a 75 year service life and meet all site-specific seismic and operational criteria.

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 December 31, 2012

Total funds contributed to PIEP	\$439 million
Total funds transferred to MARAD	\$302 million
Total funds un-obligated	\$132 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 December 31, 2012

Total funds contributed to PIEP	\$439 million
Total funds transferred to MARAD	\$302 million
Total funds un-obligated	\$132 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			

MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100
FAX: 907-343-7180

Mayor Dan Sullivan

October 19, 2012

Honorable Gary Stevens
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 Stevens and House Speaker Chenault:

Included with this letter is the quarterly report for the first 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.

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Sincerely,

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Dan Sullivan
Mayor

INTRODUCTION

As has been previously announced, the Port of Anchorage Expansion Project is now re-focused on construction of facilities to the north of the existing dock¹. For a detailed history of the project please refer to the 2011 Second Quarter Report.

MEMORANDUM OF AGREEMENT

As of June 1, 2012, MARAD's prime contractor, ICRC, is no longer involved in the Expansion Project. A revised Memorandum of Agreement has been drafted and presented to MARAD to formalize the transition of acquisition and contract administration to the MOA.

SUITABILITY STUDY AND PROJECT ANALYSIS

MARAD and the MOA/POA have engaged the U.S. Army Corps of Engineers (USACE) to review the design for the ongoing Expansion Project. USACE selected CH2MHill to conduct this independent study of the foundation system designed to support the Port's expansion effort. In analyzing the foundation design, the study will assess the effects of hydrologic, geotechnical, structural and seismic conditions. During the first calendar quarter of 2012, it was determined that additional information was needed in order to fully inform the analysis. The report is expected to be completed in December.

2012 PLANNED WORK

We continue to be focused on transitioning the project management responsibilities and advancing the project design by incorporating the recommendations from the CH2MHill analysis.

Table 1: Funding Snapshot as of August, 2012

Total funds received	\$385 million
Total funds transferred to MARAD	\$302 million
Total funds un-obligated	\$ 83 million

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

CONCLUSION

The Municipality and Port have begun to initiate the long term management and project oversight changes envisioned for the Expansion 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. FY 2013 funding for the project passed by the legislature includes \$48.5 million in capital appropriations and \$50 million in a proposed bond bill to be put to the voters in the November 2012 election. While these funds fall short of the requested \$350 million, they will allow the MOA to initiate detailed design efforts; providing further evidence that this project will move forward successfully to expand the Port's functionality.

¹ Appendix A: Port of Anchorage Intermodal Expansion Project Phasing Plan

APPENDIX A: Port of Anchorage Expansion Project Phasing Plan



* Assumes full funding
AUG 30, 2011



Intermodal Expansion Project Phasing Plan

APPENDIX B: FUNDING SUMMARY –

Of the \$332 million received, \$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.

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Total funds received	\$385 million
Total funds transferred to MARAD	\$302 million
Total funds un-obligated	\$ 83 million

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

Year	Legislation	Amount	Port Amount
2002	SB 29	\$ 6,263,855	\$ 3,904,640
2004	SB 283	\$ 436,505	\$ 8,188,000
2005	SB 46	\$ 10,000,000	\$ 4,125,000
2006	SB 231	\$ 10,000,000	\$ 8,000,000
2008	SB 221	\$ 25,000,000	\$ 21,200,000
2009	SB 75	\$ 20,000,000	\$ 18,282,000
2010	SB 230	\$ 20,000,000	\$ 4,000,000
2011	SB 46	\$ 30,000,000	\$ 4,000,000
2012	SB160	\$ 48,500,000	\$ 4,900,000
Total		\$170,200,360	\$ 76,599,640
Grand Total			\$246,800,000

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

MUNICIPALITY OF ANCHORAGE



Office of the Mayor

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Mayor Dan Sullivan

July 31, 2012

Honorable Gary Stevens
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

Re: SFY 2012 Quarterly Report for Port of Anchorage Intermodal Expansion

Dear Senate President Stevens and House Speaker Chenault,

Enclosed please find the quarterly report for the final quarter of SFY 2012 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 contact me if you need any further information.

Sincerely,

A handwritten signature in blue ink that reads "Dan Sullivan".

Dan Sullivan
Mayor

INTRODUCTION

As has been previously announced, the Port of Anchorage Expansion Project is now re-focused on construction of facilities to the north of the existing dock¹. For a detailed history of the project please refer to the 2011 Second Quarter Report.

Efforts towards initiating long-term changes to both project oversight and construction management were formally initiated by the Municipality of Anchorage/Port of Anchorage (MOA/POA), Maritime Administration (MARAD), and the U.S. Army Corps of Engineers (USACE) in the third and fourth quarters of CY 2011. These changes included:

- The MOA/POA executed a new Memorandum of Agreement with MARAD. This agreement further clarifies the roles and responsibilities of each entity through May 31, 2012, at which time all design and construction will be the responsibility of the MOA/POA, or their designee.
- The MOA/POA and MARAD have engaged the USACE to conduct a suitability study and analysis of the project work to date.

MEMORANDUM OF AGREEMENT

As of June 1, 2012, MARAD's prime contractor, ICRC, is no longer involved in the Expansion Project; and the MOA has assumed, through itself or a future designee, acquisition and contract administration for the design and construction of the project. A revised Memorandum of Agreement with MARAD to formalize the new roles and responsibilities is being developed.

SUITABILITY STUDY AND PROJECT ANALYSIS

MOA/POA and MARAD have engaged the USACE to review the design for the ongoing Expansion Project. This review is composed of an independent study of the foundation design and a review by USACE of the planning, design, permitting and construction with a focus on evaluating what has been accomplished and providing recommendations for moving forward.

The USACE selected CH2MHill to conduct an independent study of the foundation system designed to support the Port's expansion efforts, and this effort is under way. In analyzing the foundation design, the study will assess the effects of hydrologic, geotechnical, structural and seismic conditions. During the first quarter of 2012, it was determined that additional information was needed in order to fully inform the analysis which is now expected to be completed this fall.

MASTER PLANNING/BUSINESS PLANNING INITIATIVE

On June 27, 2012, the Port of Anchorage released a request for proposals (RFP) to initiate its first comprehensive master planning initiative since its 1999 master plan. The closing date for bids is July 27. The Port will be working with the successful bidder to

¹ Appendix A: Port of Anchorage Intermodal Expansion Project Phasing Plan

get this action under way by mid-August. This is expected to be an 18-month effort, portions of which will enable us to support our presentations for the 2013 Legislative Session.

2012 PLANNED WORK

We continue to be focused on transitioning the project management responsibilities and advancing the project design by incorporating the recommendations from the USACE and CH2MHill analyses.

Table 1: Funding Snapshot as of November, 2011

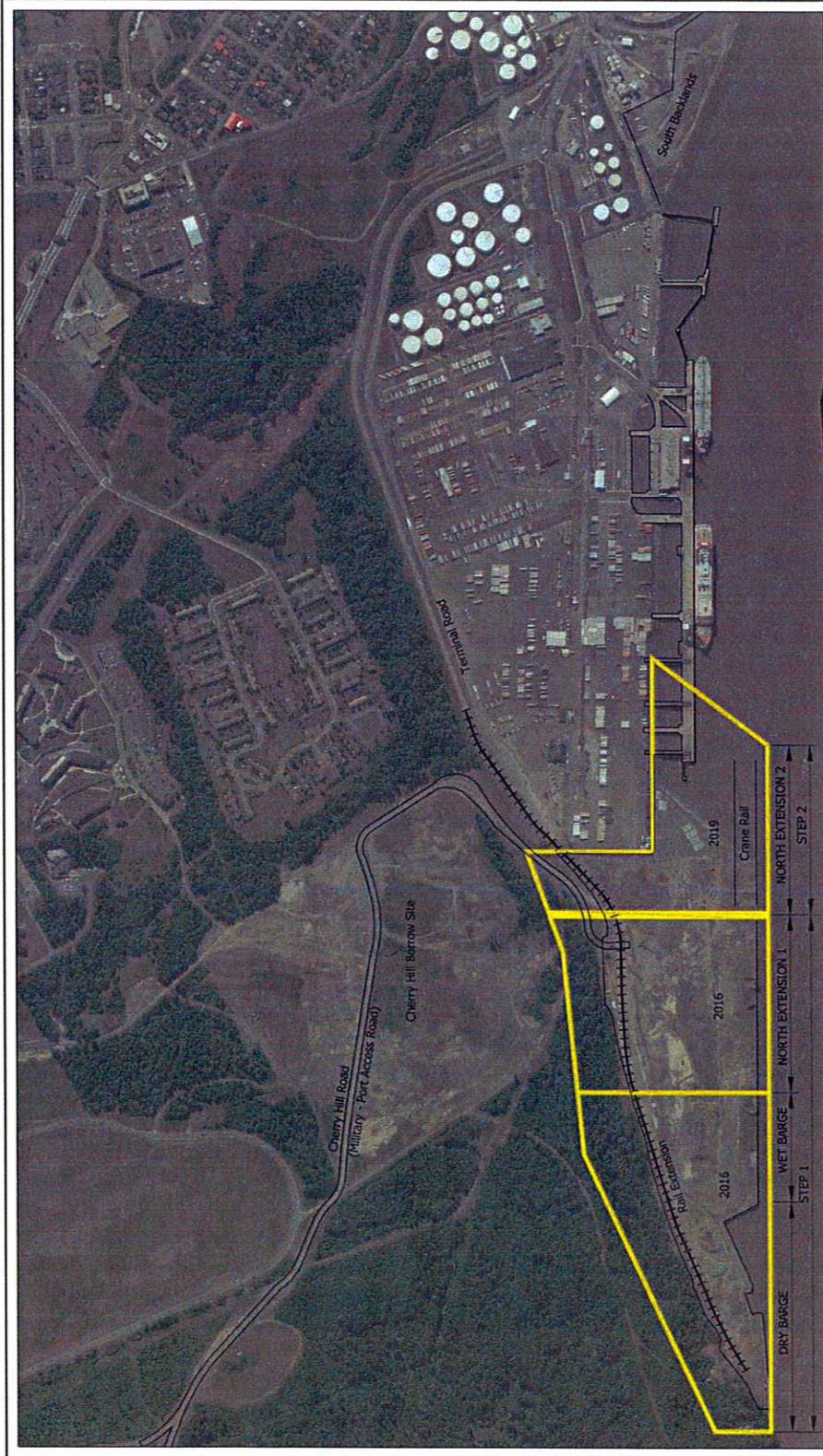
Total funds received	\$332 million
Total funds transferred to MARAD	\$302 million
Total funds obligated	\$300 million
Total Funds Pending Obligation	\$ 4 million

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

CONCLUSION

The Municipality and Port have begun to initiate the long term management and project oversight changes envisioned for the Expansion 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. FY 2013 funding for the project passed by the legislature includes \$48.5 million in capital appropriations and \$50 million in a proposed bond bill to be put to the voters in the November 2012 election. While these funds fall short of the requested \$350 million, they will allow the MOA to initiate detailed design efforts; providing further evidence that this project will move forward successfully to expand the Port's functionality.

APPENDIX A: Port of Anchorage Expansion Project Phasing Plan



* Assumes full funding

AUG 30, 2011



Intermodal Expansion Project Phasing Plan

APPENDIX B: FUNDING SUMMARY –

Of the \$332 million received, \$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 November 30, 2011

Total funds received	\$332 million
Total funds transferred to MARAD	\$302 million
Total funds obligated	\$299 million
Pending 2012 Obligations	\$ 4 million

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

Year	Amount	Legislation	Port Amount
2002	\$ 6,263,855	SB 29	\$ 3,904,640
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	\$ 21,200,000
2009	\$ 20,000,000	SB 75	\$ 18,282,000
2010	\$ 20,000,000	SB 230	\$ 4,000,000
2011	\$ 30,000,000	SB 46	\$ 4,000,000
Total	\$121,290,163		\$ 71,699,640
Grand Total			\$193,400,000

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

MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100

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Mayor Dan Sullivan

April 30, 2012

The Honorable Gary Stevens
Senate President
Alaska State Legislature
State Capitol Room 111
Juneau, AK 99801

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

To Senator Stevens and Representative Chenault:

Included with this letter is the quarterly report for the first quarter of 2012 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 contact me if you have any questions or require any further information.

Sincerely,

A handwritten signature in blue ink that reads "Dan Sullivan".

Dan Sullivan
Mayor

INTRODUCTION

The Port of Anchorage (POA) is Alaska's Port and serves as a critical lifeline to the state. The Port supports twice-weekly shipments of goods transported on container ships, whose cargo accounts for an estimated 90% of the merchandise goods used in 85% of Alaska's populated areas. In addition to merchandise cargo, the Port is a major fuel hub providing critical supplies of jet fuel, gasoline, heating oil, diesel and aviation gas to communities throughout the state. It also serves as a major source of cement and other building materials.

The Port celebrated 50 years of service in 2011, and although the facilities remain operational, the dock has surpassed its life expectancy and is in a deteriorated condition. In 2003, the POA and the Municipality of Anchorage (MOA) along with the U.S. Department of Transportation Maritime Administration (MARAD) undertook the Port of Anchorage Intermodal Expansion Project (PIEP) in an effort to replace and expand the existing facility to provide modern, efficient and reliable marine infrastructure for Alaskans. The project is currently focused on construction of facilities to the north of the existing dock (Phase 1)¹. For a detailed history of the project please refer to the 2011 Second Quarter Report.

Significant efforts towards initiating long-term changes were formally implemented by the MOA/POA, MARAD, and the U.S. Army Corps of Engineers (USACE) in the third and fourth quarter of 2011. These changes include:

- The MOA/POA executed a new Memorandum of Agreement with MARAD. This agreement further clarifies the roles and responsibilities of each entity through May 31, 2012, at which time all design and construction will be the responsibility of the MOA/POA, or their designee.
- The MOA/POA and MARAD have engaged the USACE to conduct a suitability study and analysis of the project work to date.

MEMORANDUM OF AGREEMENT

In October 2011, the MOA signed a Memorandum of Agreement with MARAD to develop the Port of Anchorage Intermodal Expansion Project. This agreement was designed to improve upon an earlier agreement signed in 2003. The details of this agreement were provided in the 2011 Third Quarter Report and include the transfer of design and construction management responsibilities from MARAD to the MOA/POA, or their designated agent, by May 31, 2012; the formalization of the Project Oversight and Management Organization (POMO) team; and additional items designed to emphasize effective project planning and execution.

The MOA is in the process of developing a new Memorandum of Agreement establishing the future relationship between MARAD and the MOA/POA to be effective June 1, 2012. The MOA is also finalizing the new management structure for the project following the transfer of all design and construction management responsibilities on May 31, 2012.

¹ Appendix A: Port of Anchorage Intermodal Expansion Project Phasing Plan

SUITABILITY STUDY AND PROJECT ANALYSIS

MARAD has funded the USACE to review the design for the ongoing Intermodal Expansion Project. This review is composed of an independent study of the foundation design and a review by USACE of the planning, design, permitting and construction with a focus on evaluating what has been accomplished and providing recommendations for moving forward.

The USACE selected CH2MHill in September to conduct an independent study of the foundation system designed to support the Port’s expansion efforts, and this effort is underway. In analyzing the foundation design, the study will assess the effects of hydrologic, geotechnical, structural and seismic conditions. During the first quarter of 2012, it was determined that additional information was needed in order to fully inform the analysis which is now expected to be completed in late July or early August of 2012.

2012 PLANNED WORK

Work in 2012 will be focused on transitioning the project management responsibilities and advancing the project design based on the recommendations of the USACE analysis and a revised project schedule.

Table 1: Funding Snapshot as of April 26, 2012

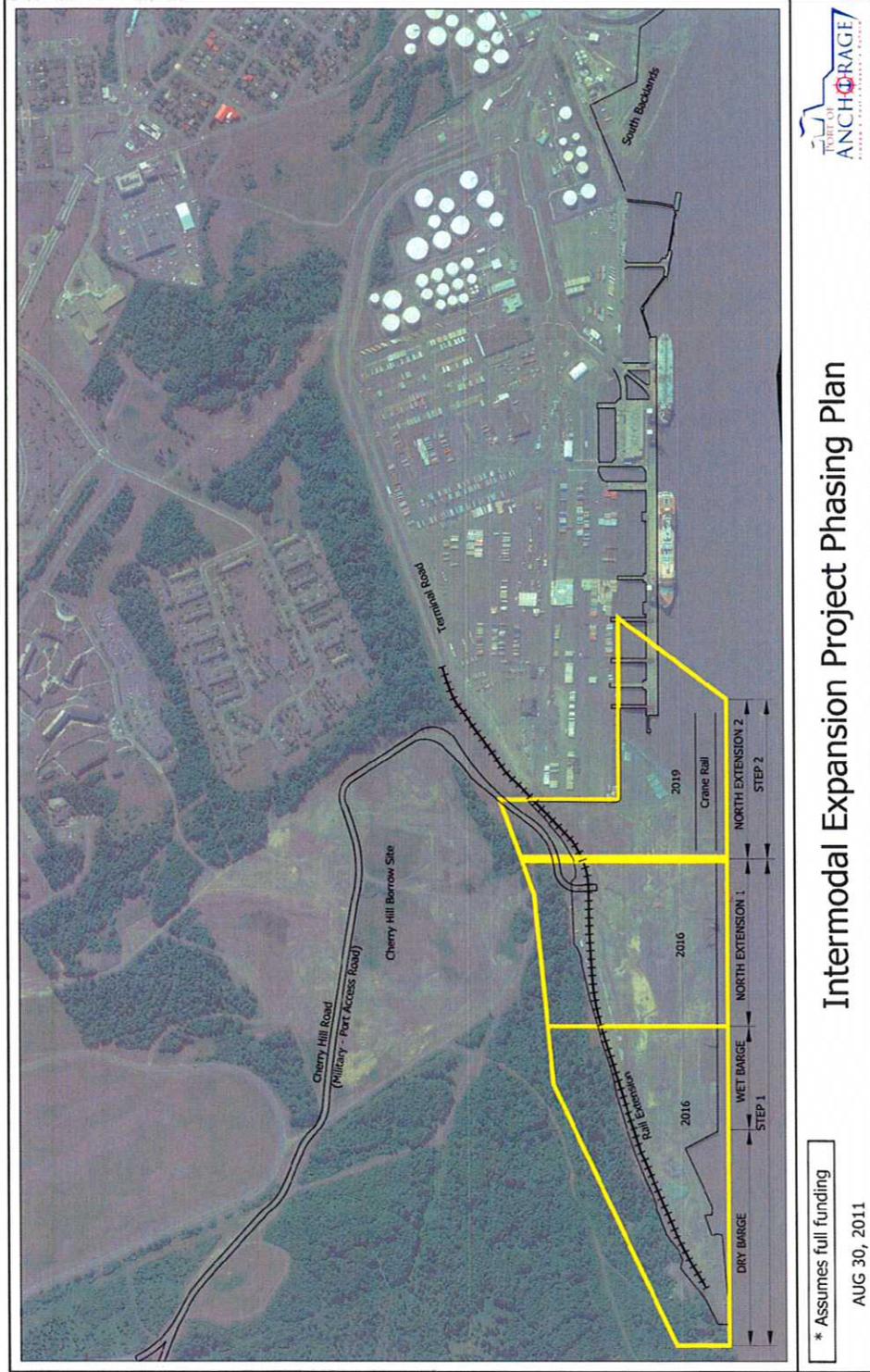
Total funds received	\$332 million
Total funds transferred to MARAD	\$302 million
Total funds obligated	\$299 million
Total Funds Pending obligation	\$4 million

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

CONCLUSION

In 2012 the project will realize the long-term changes initiated by the Municipality and Port authorities. These changes provide for increased local control and accountability by all parties, an improved project design, and a scaled back and achievable project plan. The proposed FY 2013 funding for the project passed by the legislature includes \$48.5 million in capital appropriations and \$50 million in a proposed bond bill to be put to the voters in the November 2012 election. While these funds fall short of the requested \$350 million, they will allow the port to continue with construction work in 2013 providing further evidence that this project will move forward successfully.

APPENDIX A: Port of Anchorage Intermodal Expansion Project Phasing Plan (highlighted area indicates Phase 1)



APPENDIX B: FUNDING SUMMARY –

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Mayor Dan Sullivan

January 13, 2012

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

To Senate President Stevens and House Speaker Chenault:

Included with this letter is the quarterly report for the fourth quarter of 2011 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.

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During the third and fourth quarters, significant efforts towards initiating long-term changes were formally implemented by the MOA/POA, MARAD, and the U.S. Army Corps of Engineers (USACE). These efforts include:

- The MOA/POA executed a new Memorandum of Agreement with MARAD. This agreement further clarifies the roles and responsibilities of each entity through May 31, 2012, at which time all design and construction will be the responsibility of the MOA/POA, or their designee.
- The MOA/POA and MARAD have engaged the USACE to conduct a suitability study and analysis of the project work to date.

MEMORANDUM OF AGREEMENT

In October 2011, the MOA signed a Memorandum of Agreement with MARAD to develop the Port of Anchorage Intermodal Expansion Project. This agreement was designed to improve upon an earlier agreement signed in 2003. The details of this agreement were provided in the 2011 Third Quarter Report and include the transfer of design and construction management responsibilities from MARAD to the MOA/POA, or their designated agent, by May 31, 2012; the formalization of the Project Oversight and Management Organization (POMO) team; and additional items designed to emphasize effective project planning and execution.

SUITABILITY STUDY AND PROJECT ANALYSIS

MARAD has funded the USACE to review the design for the ongoing Intermodal Expansion Project. Ultimately this review is composed of an independent study of the

¹ Appendix A: Port of Anchorage Intermodal Expansion Project Phasing Plan

foundation design and a review by USACE of the planning, design, permitting and construction with a focus on evaluating what has been accomplished and recommendations for moving forward.

The USACE selected CH2MHill in September to conduct an independent study of the foundation system designed to support the Port's expansion efforts, and this effort is underway. In analyzing the foundation design, the study will assess the effects of hydrologic, geotechnical, structural and seismic conditions. CH2MHill is bringing together a strong team of port design experts and finite element modeling capabilities to accomplish the analysis.

So that the project can move forward as expeditiously as possible, the suitability study and project analysis is expected to be complete in April, 2012.

2011 CONSTRUCTION STATUS

Like other areas within the state, most construction activities are limited to early spring, summer and fall seasons with regular shutdowns scheduled for the winter months. Earlier work in the 2011 construction season included dismantling a section of damaged sheet pile in the wet barge berth area and conducting tail wall inspections in the ship berthing areas in order to establish the integrity of the current structure. The projected budget for project related work including construction, design and support services is \$37.4 million.

The construction contractor, West Construction, successfully completed removal of a section of sheet pile in the damaged wet barge berth. Tail wall inspections were completed in a portion of the North Extension 1 ship berth area and no damage was found in the areas inspected. The site is being re-established by conducting vibrocompaction in the areas disturbed.

Table 1: Funding Snapshot as of November, 2011

Total funds received	\$332 million
Total funds transferred to MARAD	\$302 million
Total funds obligated	\$289 million
Total Funds Pending obligation	\$13 million

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

CONCLUSION

Significant changes were initiated this fall to transition the project from its previous form of contract management and oversight to a new team experienced in delivering marine infrastructure projects. Work has been focused on the planning and review efforts necessary to implement these changes in 2012. These changes will improve project delivery and ensure future success.

APPENDIX A: Port of Anchorage Intermodal Expansion Project Phasing Plan (highlighted area indicates Phase 1)



* Assumes full funding

AUG 30, 2011

Intermodal Expansion Project Phasing Plan



APPENDIX B: FUNDING SUMMARY –

Of the \$332 million received, \$302 million have been transferred to MARAD. Currently all federal funds appropriated to the PIEP 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 November 30, 2011

Total funds received	\$332 million
Total funds transferred to MARAD	\$302 million
Total funds obligated	\$289 million
Pending 2011 obligations	\$13 million

Table 2: State funds received to date

Year	Amount	Legislation
2002	\$5,853,658	SB 29
2004	\$436,505	SB 283
2005	\$10,000,000	SB 46
2006	\$10,000,000	SB 231
2008	\$25,000,000	SB 221
2009	\$20,000,000	SB 75
2010	\$20,000,000	SB 230
2011	\$30,000,000	SB 46
Total	121,290,163	

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

MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100

FAX: 907-343-7180

Mayor Dan Sullivan

October 24, 2011

Honorable Gary Stevens
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 Stevens and House Speaker Chenault:

Included with this letter is the quarterly report for the third quarter of 2011 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.muni.org/departments/port or by request. Please do not hesitate to contact me if you require any further assistance. For more information, or to schedule a tour of the Port of Anchorage please contact Port Director Bill Sheffield at (907) 343-6200.

Sincerely,

A handwritten signature in blue ink that reads "Dan Sullivan".

Dan Sullivan
Mayor

INTRODUCTION

The Port of Anchorage is Alaska's Lifeline. It supports bi-weekly shipments of goods transported on container ships from the Port of Tacoma to the Port of Anchorage. These goods account for an estimated 90% of the merchandise goods used in 85% of Alaska's populated areas. In addition to merchandise cargo, the Port is a major fuel hub providing critical supplies of jet fuel, gasoline, heating oil, diesel and aviation gas to communities throughout the state. It also serves as a source of concrete and other building materials.

The Port is celebrating its 50th anniversary this year, and although the facilities remain operational, the dock has surpassed its life expectancy and is in a deteriorated condition. In 2003, the Port of Anchorage and the Municipality of Anchorage along with the U.S. DOT Maritime Administration (MARAD) undertook the Port of Anchorage Intermodal Expansion Project in an effort to replace and expand the existing facility to provide modern, efficient and reliable marine infrastructure for Alaskans. The project is currently focused on construction of facilities to the north of the existing dock (Phase 1), scheduled for completion in 2019¹. For a detailed history of the project please refer to the July 2011 PIEP Quarterly Report.

Since July 2011, construction work has continued while project partners have been focusing on initiating long-term changes resulting in increased protection, improved project management structure, enhanced oversight, and an independent review of the work done to date.

Several major developments have occurred over the past few months, each of which are further discussed in the document:

- The Municipality of Anchorage recently concluded negotiations for a new Memorandum of Agreement with the U.S. Department of Transportation Maritime Administration (MARAD). This further clarifies the roles and responsibilities of each entity through May, 2012, at which time all contracting and construction management will be the responsibility of the POA, the Municipality, or their designee.
- The Port of Anchorage (POA), the Municipality and MARAD have engaged the U.S. Army Corps of Engineers to conduct an independent design review and an analysis of the project work to date.
- The U.S. DOT Office of the Inspector General is conducting an audit of MARAD and its contracting and procurement methods in its port development program using the Port of Anchorage Intermodal Expansion Project as a case study.
- The Municipality of Anchorage filed a lawsuit against the Federal Highways Administration's Record of Decision for the Knik Arm Crossing because its access route into Anchorage would traverse port property and negatively affect Port operations in a specific area. A settlement agreement is being finalized and the lawsuit will be withdrawn.
- MARAD has engaged AECOM to conduct a "root cause" analysis of work performed prior to 2010 to facilitate resolution of claims.

¹ Appendix A: Port of Anchorage Intermodal Expansion Project Phasing Plan

MEMORANDUM OF AGREEMENT

In 2003, the Municipality of Anchorage signed a Memorandum of Agreement with MARAD to develop the Port of Anchorage Intermodal Expansion Project. As the project progressed, it became clear that the original agreement did not sufficiently address or define each entities' roles and responsibilities. All parties recognized the need for a more extensive, detailed, and updated document which is reflected in the agreement approved by the Anchorage Assembly on Tuesday, September 27, 2011.

The most significant item in this document is the transfer of construction and contract management responsibilities from MARAD to the POA, the Municipality of Anchorage (MOA), or another agent designated by the Municipality by May 31, 2012. MARAD has been responsible for these items in the past and this represents a new direction for the project. This document also permits the potential for subsequent agreements to be negotiated between MARAD, the Municipality, and the U.S. Army Corps of Engineers to serve as the design and construction agent for the project.

The U.S. Army Corps of Engineers has increased its involvement in the project and is conducting an independent suitability study and an in-progress review that evaluates the work completed to date. The contract for the suitability study was let to CH2MHill in late September with a target completion date of March 31, 2012.

The agreement also formalizes the Project Oversight and Management Organization (POMO) team, which has been in place since January, 2011. The POMO consists of high-level representatives from the MOA, POA, MARAD and Port who meet weekly, or as needed, to act as a leadership body determining policies, vision, strategic objectives and priorities for the expansion project. The POMO is supported by the technical advisory committee consisting of project managers and engineers from the POA, MOA, MARAD, and Project Contractors (Integrated Concepts and Research Inc., PND Inc. etc.). The technical advisory committee provides recommendations to the POMO and keeps them informed of construction progress and developments.

Some additional items in the agreement are designed to emphasize effective project planning. This includes a project master plan requirement and an annual project management and financial planning requirement. In order to increase day-to-day communication and coordination between the project partners, MARAD is required to provide a full-time, on-site representative.

This new Memorandum of Agreement represents the initial formal step in making significant changes and improvements to the existing management structure of the expansion project.

MARAD PORT PROGRAM AUDIT

In May 2011, the U.S. DOT Office of the Inspector General (OIG) announced that it had initiated an audit focusing on MARAD's coordination and oversight of port

infrastructure projects using the Port of Anchorage Intermodal Expansion Project as a case study. The audit has two objectives, “to evaluate MARAD’s oversight and risk management of port development projects and to evaluate MARAD’s oversight of port infrastructure projects’ contract awards and administration².”

Under the current project management structure, MARAD has contracting and procurement responsibilities and acts as a central procurement agency with all funds, federal, state and local, being sent to MARAD for administration. Officials from the OIG visited Alaska this fall in order to meet with, and interview, entities involved in the project including Port and Municipal officials. The OIG has authority of the audit and no release date has been announced yet.

FHWA RECORD OF DECISION LAWSUIT

On July 5, 2011, the Municipality of Anchorage filed a lawsuit against the Federal Highways Administration (FHWA) stating that the Record of Decision (ROD) issued to the Knik Arm Bridge and Toll Authority did not adequately consider its affect on the expanding Port of Anchorage. The proposed route would have negatively impacted the port by eliminating operational use of the newly constructed dry barge berth. The lawsuit was not intended to stop or impede bridge development, but was initiated in order to protect port and municipal assets. A settlement agreement is being finalized.

2011 CONSTRUCTION STATUS

Work for the 2011 construction season included dismantling a section of damaged sheet pile in the wet barge berth area and completing tail wall inspections in the ship berthing areas in order to establish the integrity of the current structure. The projected budget for project related work including construction, design and support services is \$37.4 million.

The construction contractor, West Construction, successfully completed removal of a section of sheet pile in the damaged wet barge berth. Tail wall inspections were completed in a portion of the North Extension 1 ship berth area and no damage was found in the areas inspected. Ongoing work involves backfilling inspected areas and re-establishing the site. The construction work for this season is on schedule and within budget.

Table 2: Funding Snapshot as of October 11, 2011

Total funds received	\$332 million
Total funds transferred to MARAD	\$302 million
Total funds obligated	\$287 million
Total Funds Pending obligation	\$14 million

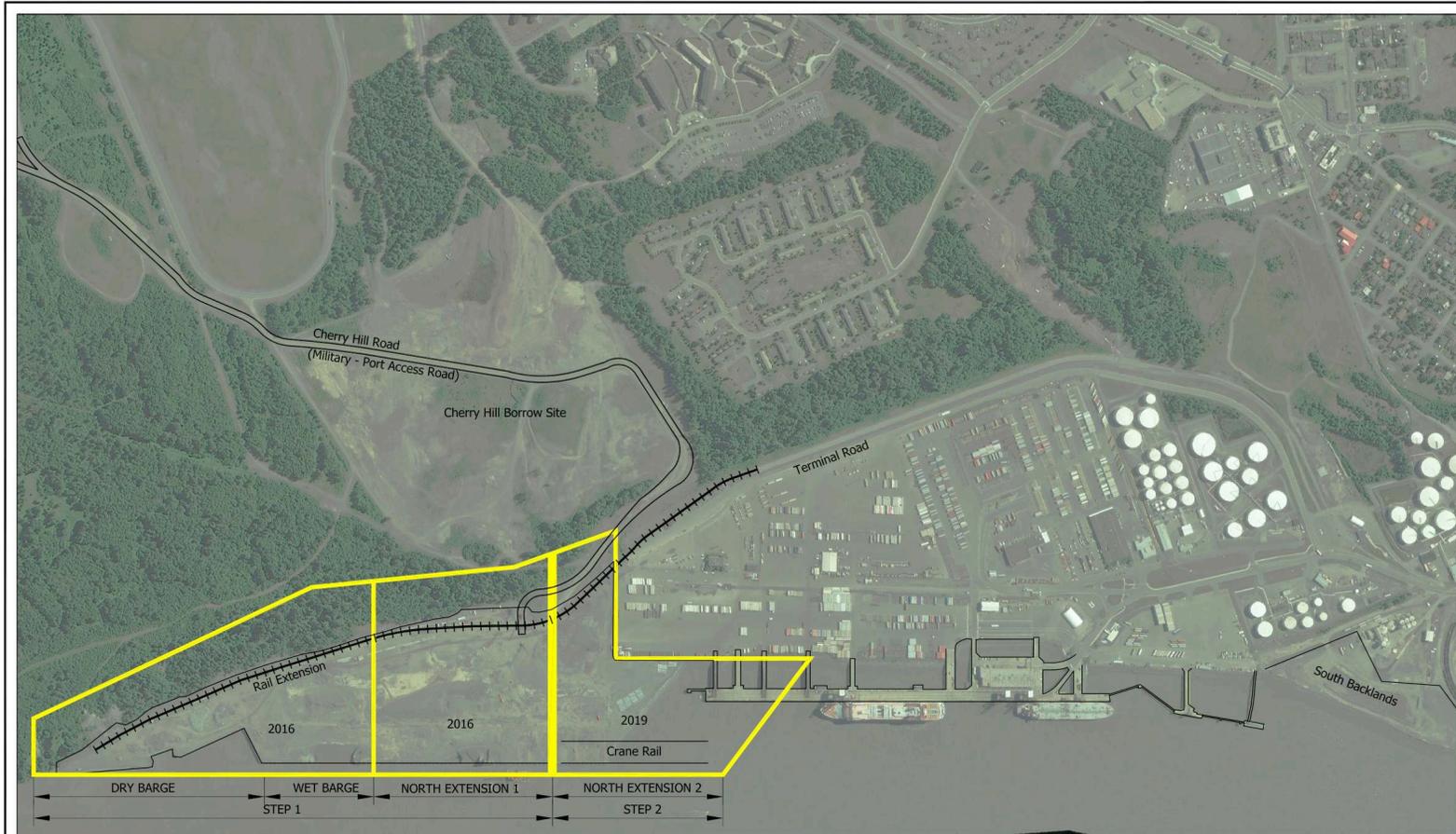
For a summary of the Expansion Project’s funding to date please see Appendix B.

² May 9, 2011 Memo from the U.S. DOT OIG to the Maritime Administrator

CONCLUSION

The past few months have produced significant changes to the project, best illustrated in the new Memorandum of Agreement. These changes are both necessary and substantial. This document creates a structure under which the project can transition from its previous form of contract management and oversight to a new team, one experienced in delivering marine infrastructure projects. As the transition process develops, our goal is that it will result in improved project delivery, cost effective design, and financial protection that will assure all parties involved that their investments are well managed and protected.

APPENDIX A: Port of Anchorage Intermodal Expansion Project Phasing Plan (highlighted area indicates Phase 1)



* Assumes full funding

AUG 30, 2011

Intermodal Expansion Project Phasing Plan



APPENDIX B: FUNDING SUMMARY

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