

Port of Alaska Modernization Program History & Status



Why care about the Port?





Critical: Alaska's premier inbound cargo port

- Half of state's inbound, marine freight
- Half of Port freight delivered outside of Anchorage
- DOD-designated National Strategic Defense Port

Old: Time is running out

- Half-century old docks are failing due to corrosion
- Docks will start closing in about 10 years regardless of seismic activity or anything else



Short of Funds

- First replacement facility is 100% designed: Petroleum / Cement Terminal
- Total funding is not enough to complete shovel-ready construction



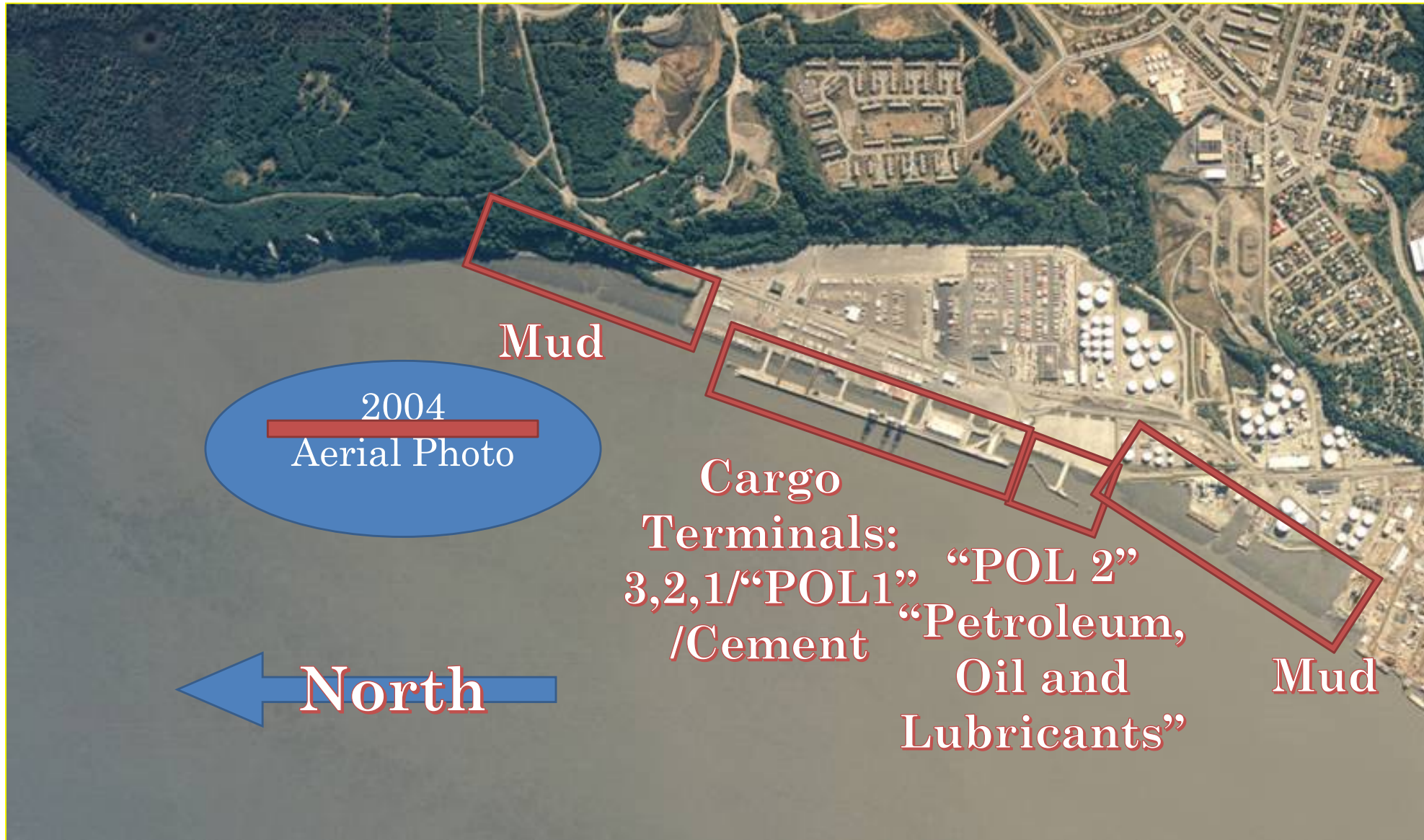
PHASE 1 COMPLETION + PHASE 2 DESIGN COMMITMENT SCHEDULE Thru 2/22/2019

2012 State Capital Grant	\$29,266,015
2013 SB160 State Grant	\$47,530,000
2013 State GO Bond	\$50,000,000
Port of Alaska Cash 2017	\$2,000,000
AR 2018-378 Grant	\$19,600,000
Port of Alaska Cash 2019	\$11,000,000
SBS Land Transfer	(\$1,500,000)
Enterprise Oversight Committee POA Analyst	(\$100,000)
CURRENT FUNDING	\$157,796,015

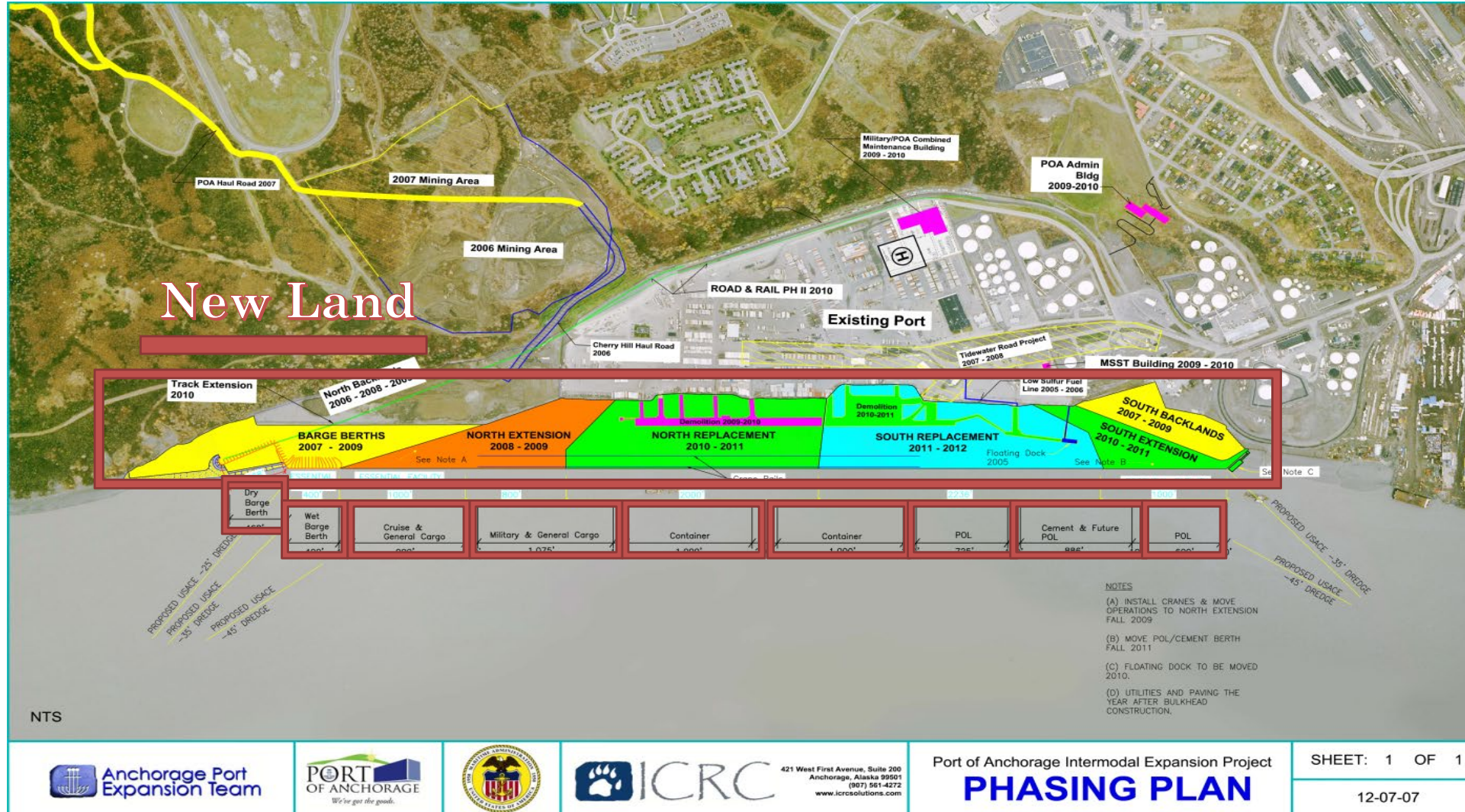
DATE BASED ON 90 DAY LEAD PRIOR TO SCHEDULED COMMITMENT

ACTIVITY	DATE***	AMOUNT	CURRENT FUNDING ALLOCATED	CURRENT FUNDING REMAINING	FUNDING SHORTFALL
PHASE 1 COMPLETION					
Current Commitment - As of 1/2019		\$90,581,700		\$67,214,315	
PCT CMAR Pre-Construction Services Extension Change Order #3	9/1/2018	\$766,256	\$766,256	\$66,448,059	\$0
• PCT 2020 Construction (Budget)	1/1/2019	\$56,900,000	\$56,900,000	\$9,548,059	\$0
• PCT 2020 Construction Risk Contingency		\$3,100,000	\$3,100,000	\$6,448,059	\$0
• PCT 2019 Builder's Risk Insurance	2/1/2019	\$18,862	\$18,862	\$6,429,197	\$0
PCT 2019 PMC Construction Management (TO 13 CO 3)	2/1/2019	\$1,340,301	\$1,340,301	\$5,088,896	\$0
• SBS Builders Risk Insurance	2/1/2019	\$56,500	\$56,500	\$5,032,396	\$0
SBS PMC Construction Management (TO 7 CO 4)	2/1/2019	\$357,895	\$357,895	\$4,674,501	\$0
• 2019 PMO (3/19 - 2/20) (TO 2 CO 7)	2/1/2019	\$3,050,407	\$3,050,407	\$1,624,094	\$0
SBS Construction Revisions	4/1/2019	\$150,705	\$150,705	\$1,473,389	\$0
• PCT Independent Cost Estimator 2021 Estimate	9/1/2019	\$50,000	\$50,000	\$1,423,389	\$0
SBS Construction Contingency		\$564,991	\$564,991	\$858,398	\$0
PCT 2019 Transitional Dredging Risk Contingency		\$752,681	\$752,681	\$105,717	\$0
PCT 2019 South Floating Dock Risk Contingency		\$98,460	\$98,460	\$7,257	\$0
PCT 2020 PMC Construction Management	12/16/2019	\$867,427	\$7,257	\$0	(\$860,170)
PCT 2020 Hydroacoustic Monitoring	12/16/2019	\$500,000	\$0	\$0	(\$500,000)
Phase 1 Stakeholder Engagement	12/16/2019	\$100,000	\$0	\$0	(\$100,000)
2020 PMO (3/20 - 2/21)	12/16/2019	\$3,500,000	\$0	\$0	(\$3,500,000)
• PCT 2021 Construction (Includes escalation and risk contingency)	12/16/2019	\$101,686,241	\$0	\$0	(\$101,686,241)
• PCT 2020 DOR Construction Services	12/31/2019	\$337,792	\$0	\$0	(\$337,792)
• PCT Builders Risk Insurance	1/1/2020	\$253,701	\$0	\$0	(\$253,701)
• PCT 2021 DOR Construction Services	12/31/2020	\$337,792	\$0	\$0	(\$337,792)
PCT 2021 Hydroacoustic Monitoring	12/31/2020	\$500,000	\$0	\$0	(\$500,000)
PCT 2021 PMC Construction Management	12/31/2020	\$867,427	\$0	\$0	(\$867,427)
2021 PMO (PCT Construction Portion @ 50%) (3/21 - 9/21)	12/31/2020	\$1,750,000	\$0	\$0	(\$1,750,000)
TOTAL					(\$110,693,123)

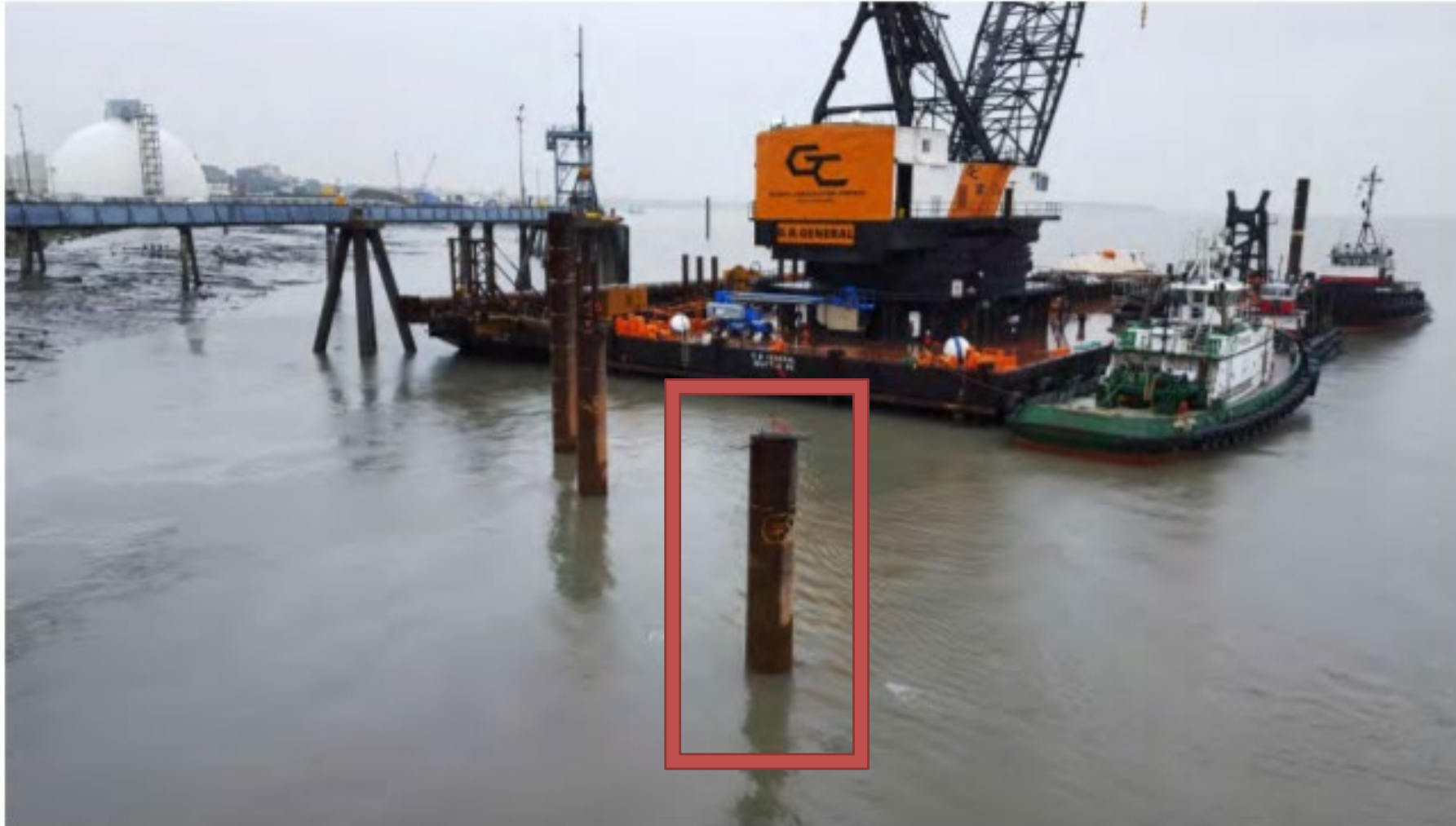
In the beginning (pre-"Port Expansion")



The Port of Anchorage Intermodal Expansion Project (PIEP) Vision



Not standard “piles”



1976 construction of Terminal 3



“Open Cell Sheet Pile” Construction



Barge Berths and Northern Extension "NES"

South Backlands

NTS

PHASING PLAN

421 West First Avenue, Suite 200
Anchorage, Alaska 99501
(907) 561-4272
www.icrcsolutions.com

Port of Anchorage Intermodal Expansion Project

SHEET: 1 OF 1

12-07-07

Sheet Pile Failure



The Port of Anchorage when PIEP was Stopped



Vision After 2013 Concept Design Study

(still partnered with MARAD, still trying to use the North Extension)



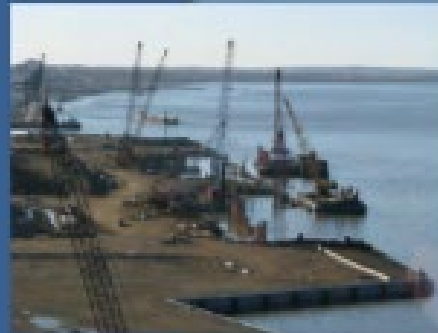
15% Concept Plan
Option 5-1 Hybrid

2013 CH2MHill Concludes Design Not Suitable

FINAL SUMMARY REPORT

Port of Anchorage
Intermodal Expansion Project
Suitability Study

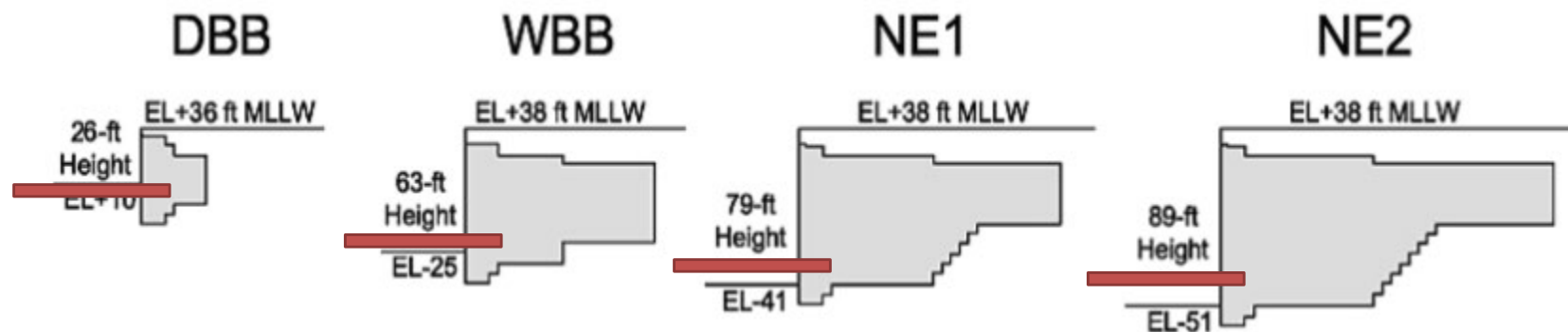
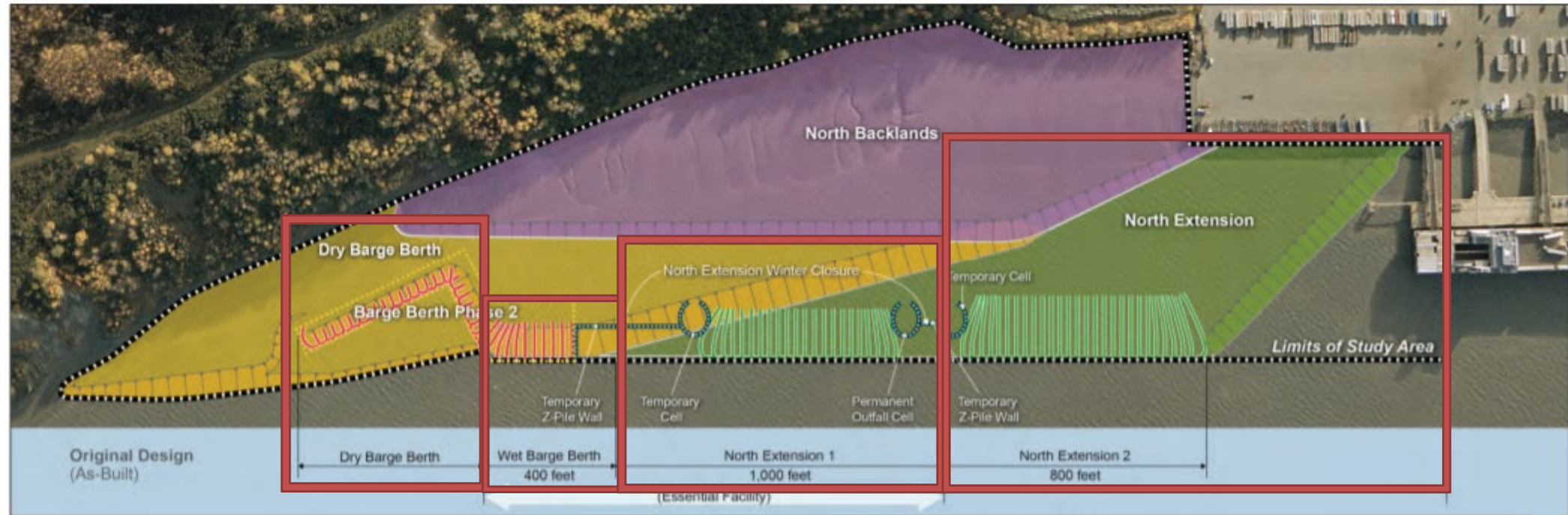
February 14, 2013



Prepared by

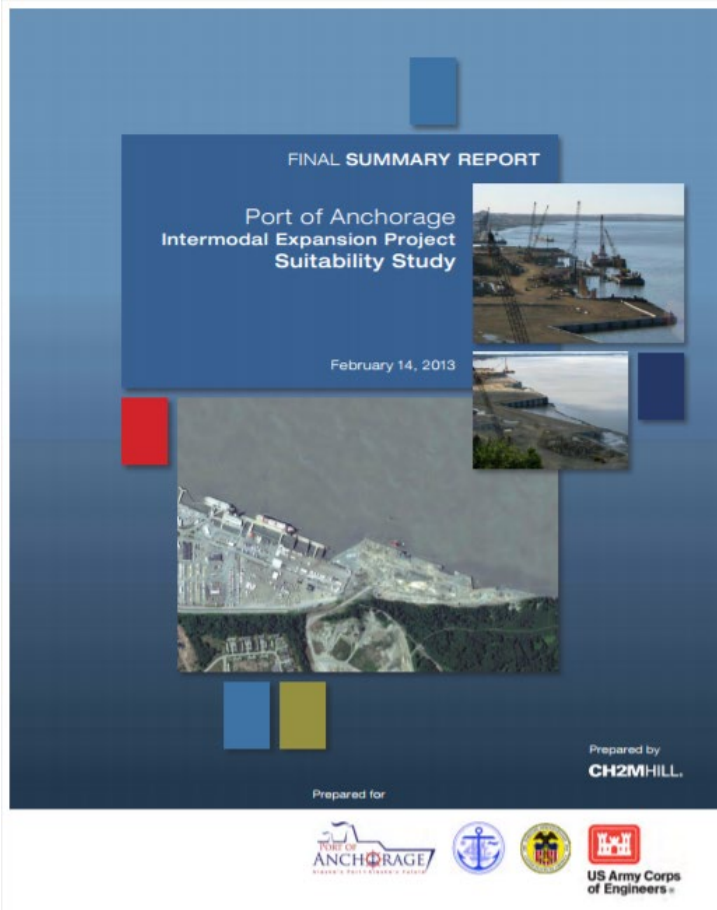
CH2MHILL®

Dry Barge, Wet Barge, NE 1, NE 2

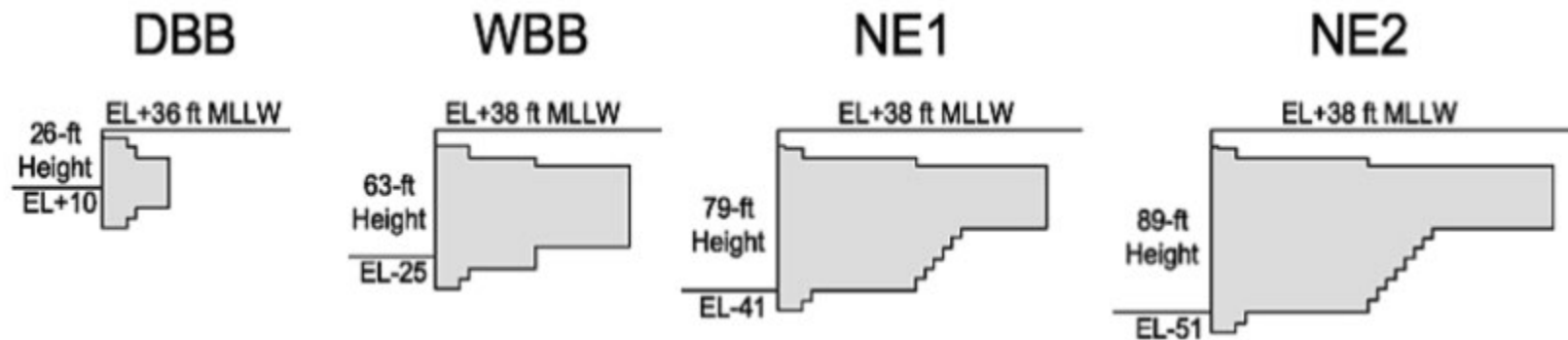
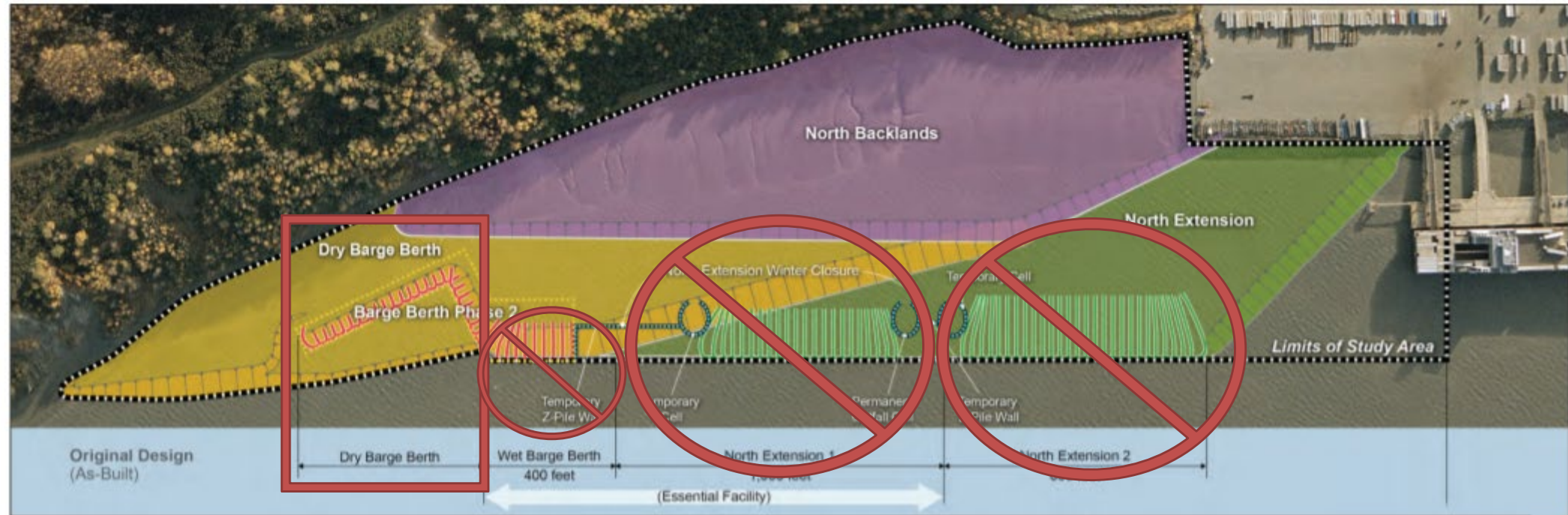


2013 CH2MHill Concludes Design Not Suitable

- Dry barge berth can be used
- Wet barge berth has “major defects” and its “factor of safety” for “static global stability” is inadequate
- North Extension 1 has “even lower [factor of safety] for static global stability”
- North Extension 2 has “most dramatic construction defects” and is globally unstable



Dry Barge, Wet Barge, NE 1, NE 2



ANCHORAGE DAILY NEWS

SUNDAY, DECEMBER 2, 2018

ALASKA'S NEWSPAPER

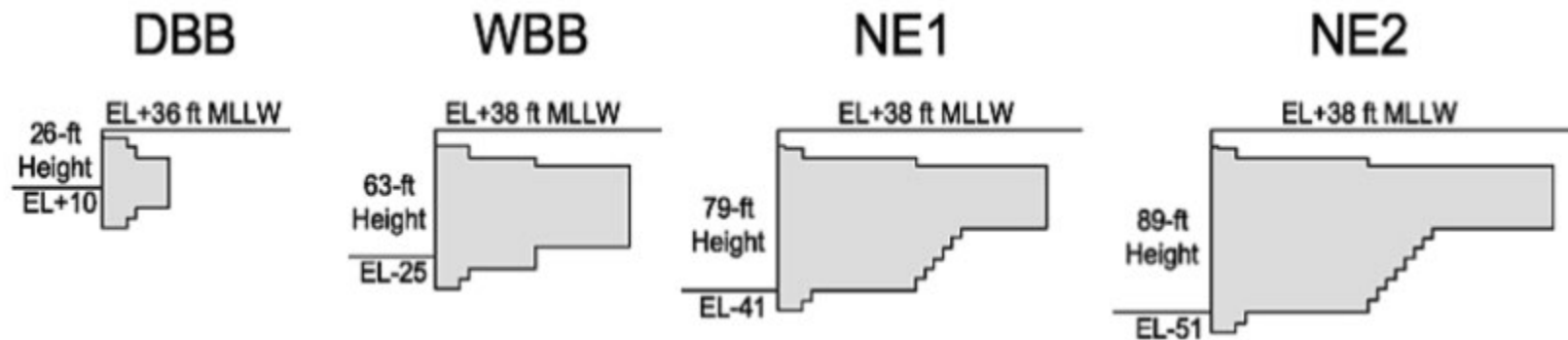
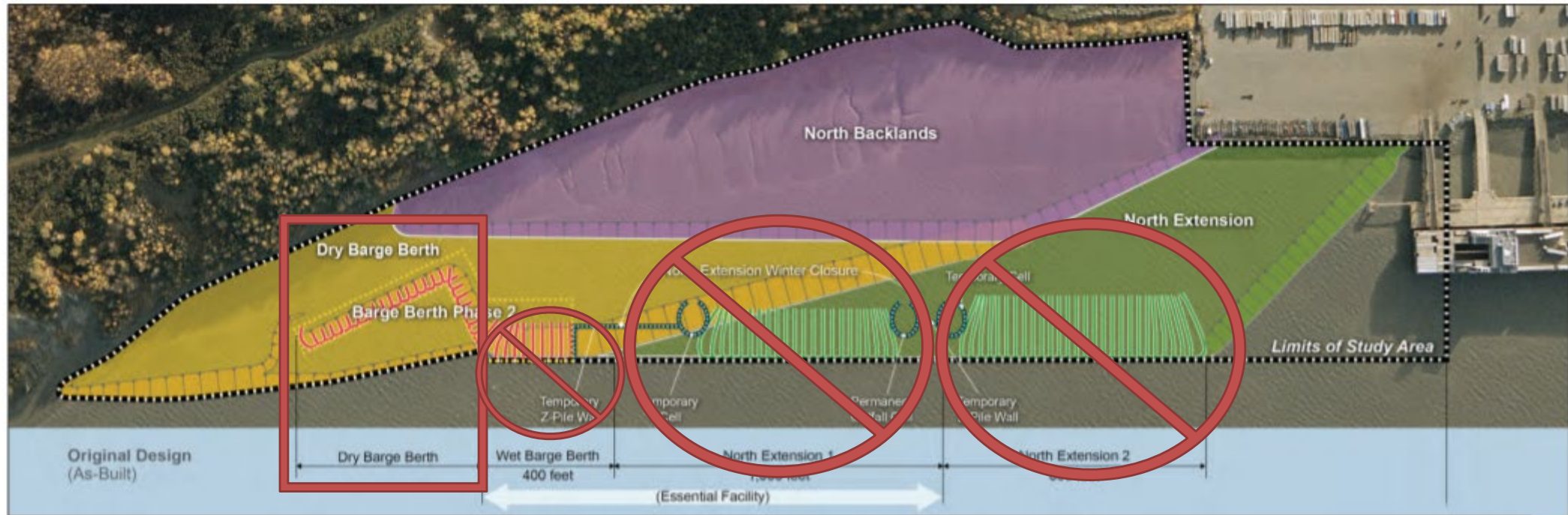
\$2.00

Picking up the pieces





Dry Barge, Wet Barge, NE 1, NE 2





ANCHORAGE

PORT MODERNIZATION PROJECT



STEP 1
Construct new POL 1.
Construct new facilities on port uplands for Transit Building operations.
Relocate transit operations to new POL 1.
Relocate Transit Building operations to the port uplands.



STEP 2
Cut back and stabilize North Extension.



STEP 3
Reconstruct Y1 and Y2.
Relocate Horizon operations to new Y1.
Relocate TOTE operations to new Y2.



STEP 4
Reconstruct POL 1.
Demolish Y3.

Vision from the 2014 Concept Design Study

Modernization – NOT Expansion

(Just replace what we have)



2014 Charrette Stakeholder Representation

- Municipality of Anchorage (MOA)
 - Geotechnical Advisory Commission (GAC)
- Port of Alaska (POA)
- Totem Ocean Trailer Express (TOTE)
- Horizon Lines (Now Matson)
- ABI Cement
- Southwest Alaska Pilots Association
- Cook Inlet Tug & Barge
- US Army Corps of Engineers Alaska District (USACE)
- Alaska Railroad Corporation (ARRC)
- CH2M HILL/HDR Program Team



ANCHORAGE

PORT MODERNIZATION PROJECT



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Reconstruct T1 and T2.
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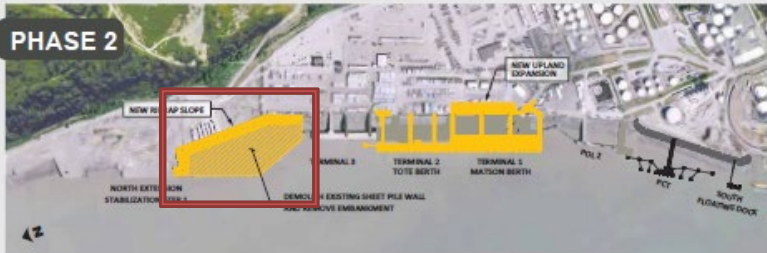
PORT OF ALASKA MODERNIZATION PROGRAM



PHASE 1



PHASE 2



PHASE 3



PHASES 4 & 5



Post-2015 Direction and Changes

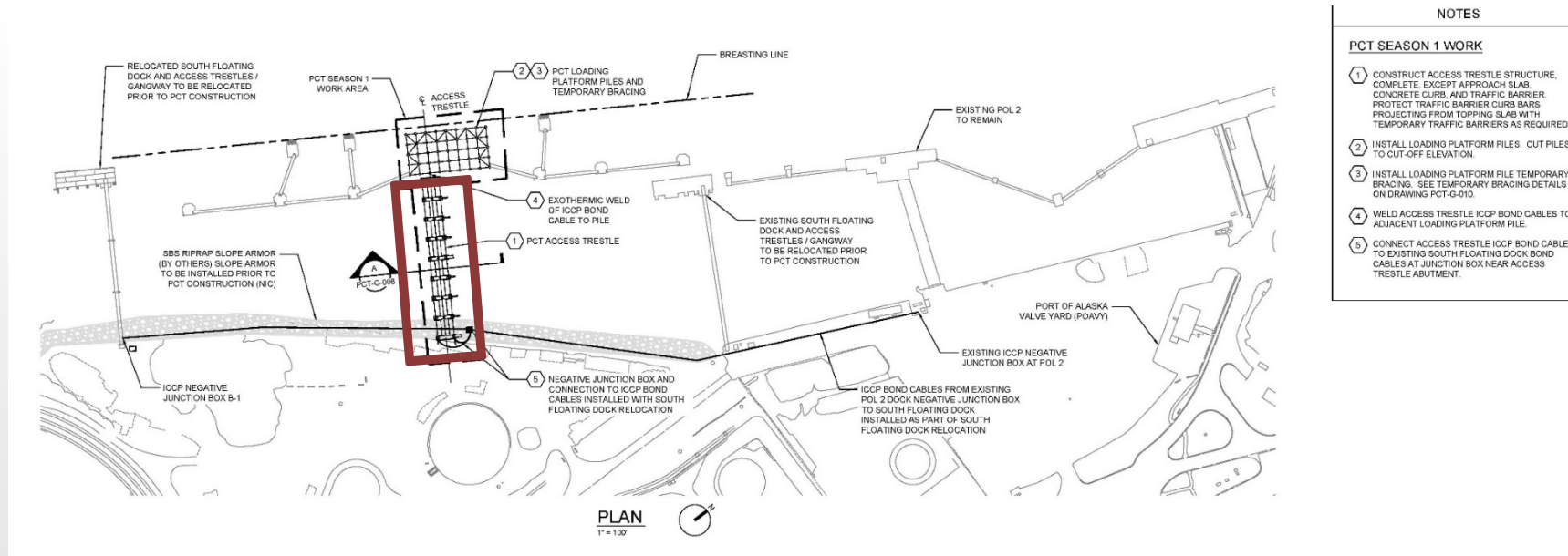
- Begin with design and \$128 million
- Prioritize construction of useful facilities – deferring second portion of North Extension Stabilization
- Advance Design
- Secure Funding

The Path We Are On Now

ANCHORAGE PORT MODERNIZATION PROGRAM



Two Seasons: PCT 2020 Construction Scope



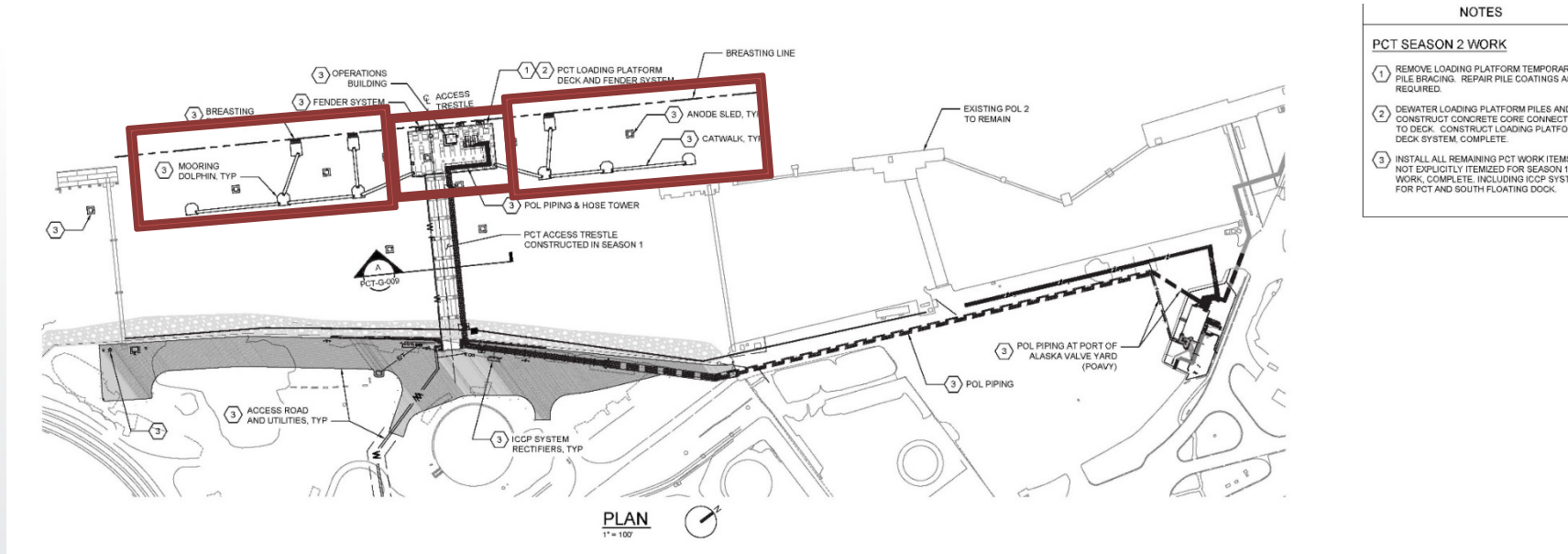
Access trestle up to top of deck, no piping or utilities

Platform piles

Temporary bracing of platform piles

Temporary impressed current cathodic protection

Season 2: PCT 2021 Construction Scope



NOTES

PCT SEASON 2 WORK

- 1 REMOVE LOADING PLATFORM TEMPORARY PILE BRACING. REPAIR PILE COATINGS AS REQUIRED.
- 2 DEWATER LOADING PLATFORM PILES AND CONSTRUCT CONCRETE CORE CONNECTION TO DECK. CONSTRUCT LOADING PLATFORM DECK SYSTEM. COMPLETE.
- 3 INSTALL ALL REMAINING PCT WORK ITEMS NOT EXPLICITLY ITEMIZED FOR SEASON 1 WORK. COMPLETE, INCLUDING ICCP SYSTEM FOR PCT AND SOUTH FLOATING DOCK.

Complete platform
Mooring and breasting dolphins
Petroleum piping and utilities
Hose tower and control building
Impressed current cathodic protection

Short of Funds

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2020, but not 2021
= Half a PCT

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Municipality of Anchorage

2016 State Legislative Program

(State Fiscal Year 2017)

Ethan Berkowitz, Mayor

Assembly

Dick Traini, Chair

Elvi Gray-Jackson, Vice Chair

Amy Demboski

Bill Evans

Patrick Flynn

Ernie Hall

Paul Honeman

Jennifer Johnston

Pete Petersen

Bill Starr

Tim Steele

Priority Capital Request

Note: The Municipality of Anchorage is not submitting any State Capital Budget request in 2016. Instead, it asks the Legislature to include the Port of Anchorage Modernization Project as a 2016 State General Obligation (GO) Bond proposition.

Port of Anchorage Modernization Project bond request \$290 million

Funding is requested for design and modernization of facilities at Alaska's largest port, which handles three-quarters of all Southcentral Alaska /Railbelt-bound, waterborne, non-fuel, freight and 95 percent of all refined petroleum products. The Port of Anchorage is Alaska's port. 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.

Terminal	Age (years)
Terminal 1 (general cargo)	54
Terminal 2 (cargo containers)	46
Terminal 3 (cargo containers)	40
POL Terminal 1 (petroleum, oil and lubricants)	50
POL Terminal 2 (cement, petroleum, oil and lubricants)	20



DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
DIVISION OF COMMUNITY AND REGIONAL AFFAIRS

Designated Legislative Grant Program
Grant Agreement

Grant Agreement Number 19-DC-006		Vendor Number MUA84635		Amount of State Funds \$20,000,000.00	
GAE 190003935	Appropriation Unit 086211004	Lapse Date 06/30/2023	Project Title Port of Anchorage		
Grantee			Department Contact Person		
Name Municipality of Anchorage			Name Jill Furbish		
Street/PO Box PO Box 196650			Title Grants Administrator II		
City/State/Zip Anchorage, AK 99519-6650			Street/PO Box 550 W 7th Avenue, Suite 1640		
Contact Person Courtney Petersen, Budget Analyst II			City/State/Zip Anchorage, AK 99501-3569		
Phone (907) 343-4479		Fax (907) 343-6998		Phone (907) 269-4537	
				Fax (907) 269-4066	
Email PetersenCL@muni.org			Email jill.furbish@alaska.gov		

Application for Federal Assistance SF-424

* 1. Type of Submission:

- ☐ Preapplication
☒ Application
☐ Changed/Corrected Application

* 2. Type of Application:

- ☒ New
☐ Continuation
☐ Revision

* If Revision,

* Other (Spec

* 3. Date Received:

01/16/2019

4. Applicant Identifier:

* 12. Funding Opportunity Number:

DHS-18-MT-047-000-99

* Title:

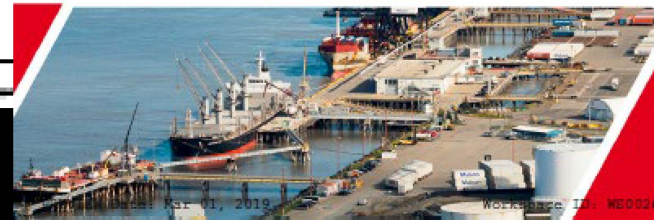
FY 2018 Pre-Disaster Mitigation

INFRA FY 2019

Port of Alaska
 Petroleum and Cement
 Terminal

Point of Contact:

Sharen Walsh P.E.,
 Deputy Director
 Walshsa@muni.org
 (907) 343-6203



Public/Private Partnership?: RFP

Purchasing Department

- ▶ Purchasing Department
- ▶ Current Bidding Opportunities
- ▶ New Vendor Instructions
- ▶ New Vendor Registration
- ▶ Registered Vendor Access
- ▶ Competitive Process
- ▶ Staff
- ▶ Organization Chart
- ▶ Contact Information

Current Bidding Opportunities

The Purchasing Department is responsible for acquiring supplies, services, professional services and construction in support of the Municipality of Anchorage's operations. All informal Request for Quotations (RFQ's), Request for Proposals (RFP's), and Invitations to Bid (ITB's) are written, advertised and awarded by the Purchasing Department. Purchasing also facilitates the public bid process (pre-bid meetings, bid opening and post-bid meetings), issues purchase orders and prepares/executes contracts. To view current bidding opportunities, click on the "open" solicitations below.

Open: Solicitations prior to bid opening or proposal due date.

Closed: Solicitations post bid opening or proposal receipt date.

History: Solicitations post award and/or no further procurement action planned.

Email us: wwpur@muni.org

Information for Bidders

Port of Alaska Modernization Program Financial Advisory Services

Final Report

November 8, 2018

Prepared for the Municipality of Anchorage and the Port of Alaska



*Prepared by Capstan Consulting LLC and
Davenport & Company, LLC*



DAVENPORT & COMPANY

FINAL – FOR PUBLIC DISTRIBUTION

Public-Private Partnerships (P3)

- Use of one or more P3's, likely combined with some public sector capital, is an alternative financing strategy to consider depending on the MOA's risk preferences and priorities
- Unless "guarantees" can be secured to support use of public finance; pursuing a P3 strategy may not necessarily impact the timeline of the PAMP or cost to end users, any more than using revenue bonds to fund one or more phases of the program



Matson®



Tariff Update

PORT OF ALASKA [ANCHORAGE] TERMINAL TARIFF 8.2 [8.1]

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Submitted by: Chair of the Assembly at the
Request of the Mayor

Prepared by: Port of Alaska

For reading: May 22, 2018

ANCHORAGE, ALASKA
AR No. 2018-164

1 **A RESOLUTION AUTHORIZING ADOPTION OF PORT OF ALASKA TERMINAL**
2 **TARIFF NO. 8.2.**

3

4

5 **WHEREAS,** in accordance with Anchorage Municipal Code 11.50.030.C, the
6 Anchorage Port Commission is charged with promulgating the Port's Terminal Tariff
7 subject to approval of the Anchorage Municipal Assembly and notification to the
8 Federal Maritime Commission; and

Dockage

Dunnage

Goals For Setting Tariff Rates for Port

Rates set to achieve revenue requirement, meaning...

1. meet its debt service coverage ratio of 1.3 or the ratio set by lender.
2. meet its fiscal policy for operating reserves set at a minimum of 60 and maximum of 90 days coverage of operating expenses following GFOA best practices.
3. meet its fiscal policy for capital reserves set a 2% of plant in service for coverage of unexpected events (earthquake, fire or catastrophic failure of facilities).
4. meet is fiscal policy for debt reserves when revenue bonds are issued for capital improvements consistent with bond covenants.
5. each project pays for itself.



The “All In” PCT Price Tag (95% Design)

Project	Preliminary Cost Estimate	Revised Cost Estimate
Petroleum and Cement Terminal	\$124,367,280	<u>\$223,117,951</u>
Minus Pro-Rata Portion of Prior Cash on Hand and State Grants <u>-\$20,895,337</u>		

Outstanding Need = ~\$200 million

Municipality of Anchorage

Port of Alaska



Port of Alaska Tariff Rate Projections Based on Parrish Blessing and Associates Analysis (DSCR 1.3) on Borrowing of \$200 million

Revenues

Year	2018	2019	2020	2021	2022	2023
Petroleum Gallons (Assumed Demand)	11,366,194	11,366,194	11,366,194	11,366,194	11,366,194	11,366,194
Petroleum Tariff/Barrel Rate	\$ 0.1579	\$ 0.2290	\$ 0.3321	\$ 0.4817	\$ 0.6986	\$ 1.0132
Customer Cost Per Gallon	\$ 0.0038	\$ 0.0055	\$ 0.0079	\$ 0.0115	\$ 0.0166	\$ 0.0241
%YoY	0.00%	45.03%	45.03%	45.03%	45.03%	45.03%
Petroleum Tariff "REVENUE REQUIREMENT"	\$ 1,794,722	\$ 2,602,938	\$ 3,775,118	\$ 5,475,166	\$ 7,940,794	\$ 11,516,769
Cement Pounds (Assumed Demand)	105,326	105,326	105,326	105,326	105,326	105,326
Cement Tariff/Ton	\$ 1.6100	\$ 2.2355	\$ 3.1039	\$ 4.3098	\$ 5.9841	\$ 8.3089
Customer Cost Per Pound	\$ 0.0008	\$ 0.0011	\$ 0.0016	\$ 0.0022	\$ 0.0030	\$ 0.0042
%YoY	0.00%	38.85%	38.85%	38.85%	38.85%	38.85%
Cement Tariff "REVENUE REQUIREMENT"	\$ 169,575	\$ 235,454	\$ 326,926	\$ 453,934	\$ 630,284	\$ 875,145
Petroleum Tariff Revenue	\$ 1,794,722	\$ 2,602,938	\$ 3,775,118	\$ 5,475,166	\$ 7,940,794	\$ 11,516,769
Cement Tariff Revenue	\$ 169,575	\$ 235,454	\$ 326,926	\$ 453,934	\$ 630,284	\$ 875,145
Total Tariff Revenue	1,964,297	2,838,392	4,102,044	5,929,100	8,571,078	12,391,913
SBTP Revenue	-	-	-	-	-	-
Other Revenue	12,644,491	11,770,396	11,770,396	11,770,396	11,770,396	11,770,396
Total Revenue	\$ 14,608,788	\$ 14,608,788	\$ 15,872,440	\$ 17,699,496	\$ 20,341,474	\$ 24,162,309

Expenses

Year	2018	2019	2020	2021	2022	2023
Operating and Non-Operating Expenses	\$ 14,896,590	\$ 15,218,384	\$ 11,765,414	\$ 12,043,462	\$ 12,340,677	\$ 12,655,653
Projected Debt Service Petroleum/Cement	-	487,342	1,712,467	4,196,497	6,938,484	9,098,329
Projected Debt Allocated "All Other Sacs"	-	-	-	-	-	-
Total Expenses	\$ 14,896,590	\$ 15,705,726	\$ 13,477,882	\$ 16,239,959	\$ 19,279,161	\$ 21,753,982

Debt Service Coverage	N/A	N/A	3.86	1.64	1.30	1.30
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Note: Estimated market price for cement is approx. \$155/ton (FOB Port of Alaska); or approx. \$0.08/lb

Goals for setting rates for Port of Alaska:

1. Rates set to achieve revenue requirement, meaning...

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- meet its fiscal policy for debt reserves when revenue bonds are issued for capital improvements consistent with bond covenants.

Study: Much higher import fees needed to pay for Anchorage port work

✍ Author: Elwood Brehmer, Alaska Journal of Commerce ⌚ Updated: February 18 📅 Published February 17



Tankers Atalanta T and Atlantic Frontier offload a combined 525,000 barrels of jet fuel at the Port of Alaska on Friday, Nov. 16, 2018. The port has a total liquid fuel storage capacity of 3.4 million barrels, or over 140 million gallons. (Loren Holmes / ADN)

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Import charges levied on basic commodities at the Anchorage port could increase fivefold or more if the municipality is forced to rebuild decrepit shoreside infrastructure on its own dime, according to an analysis released last week.

Municipality of Anchorage

Port of Alaska



Port of Alaska Tariff Rate Projections Based on Parrish Blessing and Associates Analysis (DSCR 1.3) on Borrowing of \$200 million

Revenues

Year	2018	2019	2020	2021	2022	2023
Petroleum Gallons (Assumed Demand)	11,366,194	11,366,194	11,366,194	11,366,194	11,366,194	11,366,194
Petroleum Tariff/Barrel Rate	\$ 0.1579	\$ 0.2290	\$ 0.3321	\$ 0.4817	\$ 0.6986	\$ 1.0132
Customer Cost Per Gallon	\$ 0.0038	\$ 0.0055	\$ 0.0079	\$ 0.0115	\$ 0.0166	\$ 0.0241
%YoY	0.00%	45.03%	45.03%	45.03%	45.03%	45.03%
Petroleum Tariff "REVENUE REQUIREMENT"	\$ 1,794,722	\$ 2,602,938	\$ 3,775,118	\$ 5,475,166	\$ 7,940,794	\$ 11,516,769
Cement Pounds (Assumed Demand)	105,326	105,326	105,326	105,326	105,326	105,326
Cement Tariff/Ton	\$ 1.6100	\$ 2.2355	\$ 3.1039	\$ 4.3098	\$ 5.9841	\$ 8.3089
Customer Cost Per Pound	\$ 0.0008	\$ 0.0011	\$ 0.0016	\$ 0.0022	\$ 0.0030	\$ 0.0042
%YoY	0.00%	38.85%	38.85%	38.85%	38.85%	38.85%
Cement Tariff "REVENUE REQUIREMENT"	\$ 169,575	\$ 235,454	\$ 326,926	\$ 453,934	\$ 630,284	\$ 875,145
Petroleum Tariff Revenue	\$ 1,794,722	\$ 2,602,938	\$ 3,775,118	\$ 5,475,166	\$ 7,940,794	\$ 11,516,769
Cement Tariff Revenue	\$ 169,575	\$ 235,454	\$ 326,926	\$ 453,934	\$ 630,284	\$ 875,145
Total Tariff Revenue	1,964,297	2,838,392	4,102,044	5,929,100	8,571,078	12,391,913
SBTP Revenue	-	-	-	-	-	-
Other Revenue	12,644,491	11,770,396	11,770,396	11,770,396	11,770,396	11,770,396
Total Revenue	\$ 14,608,788	\$ 14,608,788	\$ 15,872,440	\$ 17,699,496	\$ 20,341,474	\$ 24,162,309

Expenses

Year	2018	2019	2020	2021	2022	2023
Operating and Non-Operating Expenses	\$ 14,896,590	\$ 15,218,384	\$ 11,765,414	\$ 12,043,462	\$ 12,340,677	\$ 12,655,653
Projected Debt Service Petroleum/Cement	-	487,342	1,712,467	4,196,497	6,938,484	9,098,329
Projected Debt Allocated "All Other Sacs"	-	-	-	-	-	-
Total Expenses	\$ 14,896,590	\$ 15,705,726	\$ 13,477,882	\$ 16,239,959	\$ 19,279,161	\$ 21,753,982

Debt Service Coverage	N/A	N/A	3.86	1.64	1.30	1.30
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Note: Estimated market price for cement is approx. \$155/ton (FOB Port of Alaska); or approx. \$0.08/lb

Goals for setting rates for Port of Alaska:

1. Rates set to achieve revenue requirement, meaning...

- meet its debt service coverage ratio of 1.3 or the ratio set by lender.
- meet its fiscal policy for operating reserves set at a minimum of 60 and maximum of 90 days coverage of operating expenses following GFOA best practices.
- meet its fiscal policy for debt reserves when revenue bonds are issued for capital improvements consistent with bond covenants.

ALASKA Journal of Commerce

Users say fuel tariff hikes would impact cargo operations at a'rport

By: [Elwood Brehmer](#)

Alaska Journal of Commerce

Post date: Mon, 03/18/2015 - 4:23pm



Cargo aircraft are seen at Ted Stevens Anchorage International Airport in this 2015 photo. Possible tariff hikes for fuel offloaded at the Port of Alaska may impact the decisions of operators who now stop to refuel in Anchorage, company officials said at a March 15 Assembly meeting. (Photo/Rob Stapleton/Anchorage Chamber of Commerce)

ANCHORAGE DAILY NEWS

FRIDAY, JANUARY 25, 2019

ALASKA'S NEWSPAPER

\$1.00

ANCHORAGE

Cost doubles to \$2 billion to fix port

Newest estimate sets the stage for higher gas, grocery prices.

Devin Kelly
Anchorage Daily News

The estimated cost of replacing corroding docks and facilities at the Port of Alaska has ballooned to nearly \$2 billion, the project contractor said recently — a sum that will likely translate into price increases for gas, groceries and other consumer goods in the coming years.

City officials said they were stunned by the new figure, which is double what the city expected to pay.

“When we saw that number, (we)

said, how can that possibly be true? What can we do to make that number true?” said city manager Bill Falsa. “And we will figure out what to do if it is unavoidably true.”

The new cost estimate comes as the city has been preparing to build the first phase of a “modernization” project that launched in 2014. That phase includes a new petroleum and cement terminal, which delivers gasoline, diesel, jet fuel and cement to the rest of the state. The docks at the Port of Alaska have been crippled by corrosion and will begin closing in a decade without major repairs, officials have warned.

The new petroleum and cement

terminal was budgeted at \$124 million. Even so, the city was short of money, starting to scramble, they said.

At a recent Anchorage Assembly committee meeting, a dramatically different price tag emerged for the terminal: \$223 million.

There was no one cause for the high cost, officials said. Instead, a litany of price changes had added up, from dredging work to risk mitigation to protections for marine mammals, John A. Smith, a project manager with the engineering firm CH2M, said during the meeting. CH2M is the project



MARC LESTER / ADN

The Port of Alaska, as viewed from the Ship Creek boat launch, on Thursday.

See **PORT**, A4



PCT Cost Extrapolation across the Program

Analogous Method

- Apply percentage increase of PCT to all remaining projects
- Least precise method due to variations between project components

Selective Parametric Method

- Adjust major cost driving elements based on PCT unit costs
- Provides a reasonable “order of magnitude” estimate with limited effort and information

Deterministic Method

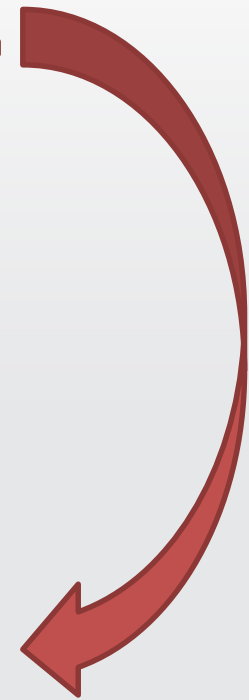
- Requires updates to the preliminary designs based on lessons learned from PCT
- Most precise method to determine costs
- Quantify the revised design and estimate using cost information learned from PCT construction

All estimates are highly sensitive to funding availability (escalation) and marine mammal restrictions or requirements



Total Program Costs Extrapolated from 65% PCT Construction Cost Estimate

Project	Preliminary Cost Estimate	Revised Cost Estimate
South Backlands Stabilization	\$15,012,914	\$16,706,096
Petroleum and Cement Terminal	\$124,367,280	<u>\$223,117,951</u>
Landside Buildings	\$20,327,727	\$15,496,126
NES Step 1	\$78,067,277	\$120,606,001
Terminal 1	\$455,688,005	\$747,213,621
Terminal 2	\$214,624,691	\$448,108,832
Petroleum Terminal	\$84,169,834	\$176,580,322
NES Step 2	\$51,857,198	\$132,680,757
Terminal 3 Demolition	\$35,698,496	\$48,016,808
Total Program	\$1,079,813,422	<u>\$1,928,526,515</u>





Major Cost Drivers

1. Risk Contingency

- \$298M included in the cost estimate (15% of total program cost)
- Marine Mammal Impacts – construction means and methods

2. Escalation

- \$202M included in the cost estimate (10% of total program cost)
- 3% annual rate used in the cost estimate
- Directly influenced by funding availability

3. Design requirements

- Seismic design criteria
- 75-year Design Life
- Tenant Requests

ANCHORAGE PORT MODERNIZATION PROGRAM

100% Designed –
Issued for
Construction



<30% Designed; Vast Majority of the Cost—but Design Assumptions Likely Will Change

MARAD Lawsuit

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

**ANCHORAGE, A MUNICIPAL
CORPORATION,**

Plaintiff,

v.

THE UNITED STATES OF AMERICA,

Defendant.


Case No. 14-166C

(Judge Damich)



Hope for Resolution Late This Year; Will Not Pay for Entire Project

PORT OF ALASKA MODERNIZATION PROGRAM (PAMP)

	Port Intermodal Expansion Project (PIEP)	Proposed Replacement Docks	Resiliency Premium	Department of Defense Department Strategic Port Premium	Total PAMP
Details	<ul style="list-style-type: none"> U.S. Maritime Administration-led project to replace and expand port was cancelled in 2012 Necessary PIEP-caused damage repairs 	<ul style="list-style-type: none"> Petroleum-Cement Terminal Petroleum Terminal Two commercial-level container terminals (approximately 1,700 feet of cargo dock face) 	<ul style="list-style-type: none"> Cost to construct facilities designed to survive extreme seismic events and Cook Inlet's harsh marine environment for at least 75 years 	<ul style="list-style-type: none"> To comply with commercial strategic seaport requirements (approximately 500 additional feet of container dock face) 	
Projected Cost	\$253 million	\$1,210 million 	\$162 million	\$303 million	\$1,928 million
Percentage Of Total PAMP	13 percent	63 percent	8 percent	16 percent	100 percent



PORT *of*
ALASKA