

MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Mayor Dan Sullivan

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January 13, 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 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.

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,

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.

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 vibracompaction in the areas disturbed.

Table 1: Funding Snapshot as of November, 2011

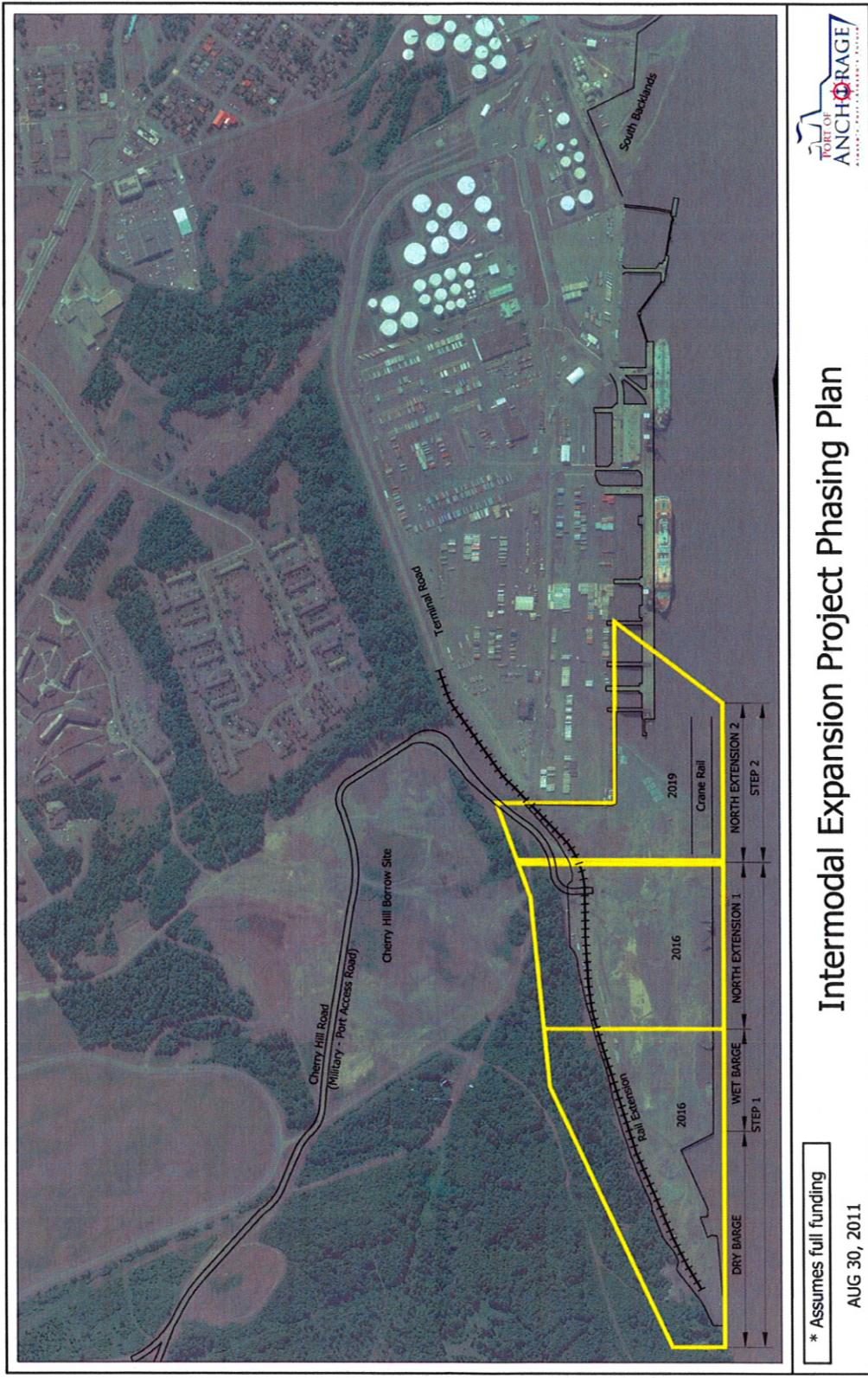
Total funds received	\$332 million
Total funds transferred to MARAD	\$302 million
Total funds obligated	\$289 million
Total Funds Pending obligation	\$13 million

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)



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			