

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

April 7, 2005

1:36 p.m.

**MEMBERS PRESENT**

Senator Charlie Huggins, Chair  
Senator John Cowdery, Vice Chair  
Senator Gene Therriault  
Senator Hollis French  
Senator Albert Kookesh

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 153

"An Act relating to international airports revenue bonds; and providing for an effective date."

HEARD AND HELD

Overview: Department of Transportation and Public Facilities  
Projects

**PREVIOUS COMMITTEE ACTION**

BILL: SB 153

SHORT TITLE: INTERNATIONAL AIRPORTS REVENUE BONDS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/29/05	(S)	READ THE FIRST TIME - REFERRALS
03/29/05	(S)	TRA, FIN
04/07/05	(H)	TRA AT 1:30 PM CAPITOL 17
04/07/05	(S)	Moved SB 153 Out of Committee
04/07/05	(S)	MINUTE(TRA)
04/08/05	(S)	TRA RPT 2DP 3NR
04/08/05	(S)	DP: HUGGINS, COWDERY
04/08/05	(S)	NR: FRENCH, THERRIAULT, KOOKESH

**WITNESS REGISTER**

Mr. Mike Barton, Commissioner  
Department of Transportation & Public Facilities

3132 Channel Dr.  
Juneau, AK 99801-7898  
**POSITION STATEMENT:** Introduced SB 153.

Mr. Brad Sworts, Planner  
Department of Transportation & Public Facilities  
P.O. Box 196900  
Anchorage, Alaska 99519-6900  
**POSITION STATEMENT:** Presented the overview.

Mr. Dave Eberly, Director of Airport Construction  
Department of Transportation & Public Facilities  
3132 Channel Dr.  
Juneau, AK 99801-7898  
**POSITION STATEMENT:** Participated in the overview.

Mr. Deven Mitchell, Executive Director  
Alaska Municipal Bond Bank Authority  
Department of Revenue  
PO Box 110400  
Juneau, AK 99811-0400  
**POSITION STATEMENT:** Participated in the overview

Mr. Jerry Rafson  
Chief of Finance  
Northern Region  
Department of Transportation & Public Facilities  
3132 Channel Dr.  
Juneau, AK 99801-7898  
**POSITION STATEMENT:** Participated in the overview

#### **ACTION NARRATIVE**

**CHAIR CHARLIE HUGGINS** called the Senate Transportation Standing Committee meeting to order at [1:36:08 PM](#). Present were Senators John Cowdery, Gene Therriault, Hollis French, Albert Kookesh, and Chair Charlie Huggins.

#### **SB 153-INTERNATIONAL AIRPORTS REVENUE BONDS**

[1:36:39 PM](#)

CHAIR HUGGINS announced SB 153 to be up for consideration.

MR. MIKE BARTON, Commissioner, Department of Transportation and Public Facilities (DOTPF), said:

The bill before you raises the bond cap for the issuance of international revenue assistance revenue bonds by \$288 million. This increase will allow us to issue bonds that will be used to finance projects at Fairbanks and Anchorage airports.

Anchorage is the number one cargo airport in North America. The outlook for cargo at Anchorage indicates a steady growth in cargo and much of the airports operation is financed by cargo carriers. The airport is operated in accordance with an agreement with a carrier that obligates the carriers to pay for the operation of the airport, including the redemption of these bonds that we would like to issue. The operating costs are paid out of revenues from the carriers and federal FAA funds for capital programs.

1:38:21 PM

There are 27 carriers that are signatory to the agreement and they voted in January on the Capital Improvement Projects that these bonds will finance and approved the package. Revenue bonds are commonly used at airports across the country to finance this type of capital improvement. As an example, I think that each of the New York airports carries about \$2 billion in bond debt. These bonds will provide the financing for new terminals in Fairbanks, the concourse A and B retrofit in Anchorage and a number of airfield projects. There are no general funds involved in this project.

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SENATOR COWDERY said Anchorage International Airport sells more fuel than Los Angeles International Airport and Houston International Airport, which indicates its size and importance. He heard approximately 11 percent of the Anchorage workforce is involved in the airport. He expressed support for SB 153.

CHAIR HUGGINS said it is important for the committee to know what projects the bill would allow and how the bill would affect the price of airline tickets in Alaska.

COMMISSIONER BARTON said ticket purchasers and federal taxpayers would pay for the improvements. In addition to the terminal projects, SB 153 would allow runway reconstruction and airfield maintenance equipment in Fairbanks. The runway reconstruction would cost almost \$52 million; the airfield maintenance

equipment would be just under \$3 million. With the terminal projects, the total cost of maintenance and improvements at Fairbanks would be \$155 million over the next five years.

Expenditures in Anchorage will include aprons, general aviation parking, additional taxiway, a snow melting system, homeland security upgrades in the terminal, noise abatement improvements, safety, security, and information system improvements, utilities, roads and grounds upgrades, airfield maintenance equipment and advanced project planning and design. The total investment will be Anchorage is \$288 million over the next five years.

SENATOR KOOKESH arrived at [1:46:04 PM](#).

CHAIR HUGGINS asked whether additional land has been set aside to accommodate the planned expansion of the Anchorage International Airport.

COMMISSIONER BARTON said land has been set aside to accommodate the future expansion of the Anchorage International Airport.

CHAIR HUGGINS said:

Let's take a worst-case scenario, which is this bond package doesn't happen. Could you give us your thoughts as Department of Transportation Commissioner, about the impact of that in terms of the concourses and hazardous materials and things of that nature.

COMMISSIONER BARTON responded:

One of the major reasons for the concourse A and B retrofit is that they are deficient in terms of seismic standards. The octagonal end of concourse B is at extreme risk. The concourse itself is the next level down in risk and the ticket and concessions area is also at extreme risk.

[1:49:37 PM](#)

DAVE EBERLE, Director of Airport Construction, Department of Transportation and Public Facilities (DOTPF), said:

Concourse B poses the largest risk. The hexagon at the end of concourse B and the ticket lobby and concession area are at the next highest-level risk. Concourse B itself could actually suffer a total collapse in the

event of a major quake according to a recent thorough evaluation of all of the airport structures. Concourse A is in the best shape. It is the most recently constructed and only has a few seismic deficiencies. However, there are some structural upgrades that should be done to A at this time.

COMMISSIONER BARTON asked Mr. Eberle to address the Fairbanks terminal.

MR. EBERLE responded:

I don't know all of the details of Fairbanks, but I do know they have similar structural deficiencies in the older sections of their buildings. There are additional problems in Fairbanks due to the location of the terminal to the taxiways. There are some interference issues arising from clearance requirements between the taxiway and any jets parked at the terminal.

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They have evaluated whether they should rehabilitate the existing terminal or build a new terminal. They have decided that it is most cost effective to upgrade the newer sections of the terminal and to rebuild the older sections of the terminal.

COMMISSIONER BARTON said that the vulnerability of the airport to seismic activity represents a great liability to the state since it could be accountable for losses associated with a collapse of the concourse. He added that in the event of an earthquake, it would be very important to have an operational airport.

CHAIR HUGGINS said:

Mr. Commissioner, I think that it is important to Alaskans to have some assurance that we won't have a repeat of the cost overruns that we had in the previous concourse. Could you speak to us for a few moments about that.

COMMISSIONER BARTON responded:

I would be delighted to address that. First, part of an overrun on concourse C was the result of 9/11. Second, part of the additional cost was a result of increased space needs that were identified by the airlines. The third part was a result of the building permit process and none of us want to revisit what happened there. We have decided to use a different management process for both Fairbanks and Anchorage, what is commonly called 'Construction Manager at Risk'. Before we enter into the final construction contract, we will ask for a guaranteed maximum price for each of the terminal facilities.

This is a process that has not been used much in Alaska. It has been used in other parts of the country. It has been used extensively by the City of Phoenix. I think that, coupled with the management structure that we have agreed with, with the airlines called 'Program Executive Committee' which is a committee composed of an airline representative and some DOT staff, which will look at any changes in scope that might come forth as this project moves down the road, and they will make recommendations to me on whether to accept or reject them. Our goal is to bring this project in on time and on budget and we think that this process will allow us to accomplish that.

SENATOR COWDERY asked if the state would insure the contractors working on the projects or if the contractors would insure themselves.

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MR. EBERLE replied that the design firm would have annual insurance through the Division of Insurance. He said the department has not decided if it will buy a project-specific policy such as it did for the concourse C project. The construction manager at risk would not be the appropriate contracting body to carry the annual insurance; it would be carried through the designer. Either the department would place a separate policy or it would be done through the design department.

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SENATOR FRENCH asked how the projects would add to the cost of an airline ticket.

MR. BARTON replied he assumes the airlines have considered the question and have determined that it would not significantly affect their market.

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SENATOR FRENCH asked whether the cost of improvements would be paid by local ticket revenue.

COMMISSIONER BARTON said the payment would not be localized since the airports of Anchorage and Fairbanks are operated as a single entity in terms of cost recovery.

COMMISSIONER BARTON remarked about 80 percent of the revenue collected from the International Airport System is collected from cargo carriers is not related to passenger ticket prices.

2:03:11 PM

SENATOR FRENCH asked the state's upper limit to pay for bonds at both airports.

COMMISSIONER BARTON replied the limit is ultimately determined by what the bond buyers are willing to pay. He does not know a specific number and he reminded the committee that many airports have a greater bond debt than Alaska has.

DEVEN MITCHELL, debt manager, Department of Revenue, commented:

The question as far as what is the airports capacity to borrow is answered by a complex equation, if you will. There are rates and charges at the airport as it is operated as an enterprise fund as Commissioner Barton pointed out, and there is potential competition for the cargo carriers from other airport systems in North America. I think that Anchorage has certain strategic advantages in terms of its geographic location and its regulations. As far as how their fees compare to the other potential competition, they are well below the other airports.

As far as additional bonds, we have covenants that are in our bond documents which are already outstanding that limit our ability to issue additional bonds. We have to have a feasibility report conducted and meet both an additional bonds test as well as an early recovery requirement projected into the future. So those are assurances that we have provided to purchasers of this debt that we won't borrow too much.

Again, as commissioner Barton pointed out, the market has indicated what they are comfortable with this level of borrowing and if we were to go beyond that, the rating of the airport system as a revenue enterprise would be in jeopardy and it would be more difficult to sell such bonds.

In all of my interactions with the ratings analyst that cover the airport system as well as underwrites that follow the state generally and the airport specifically, they have all been of the opinion that it is still reasonable and very doable for the system to undertake this level of construction activity.

SENATOR FRENCH asked how one determines the expenses included in a bond package.

MR. BARTON replied the first determination is whether it is a capital improvement project or equipment for a capital improvement project. After that is decided, a meeting is held with the airlines to go through the non-operating budget items and come to an agreement on what the program would be.

[2:07:45 PM](#)

SENATOR FRENCH whether all of the aforementioned improvements fall under capital expenses rather than operating expenses.

COMMISSIONER BARTON responded that all of the expenses that have been put before the committee are capital expenses.

[2:08:49 PM](#)

CHAIR HUGGINS remarked there were 27 carriers on the list of signatories and asked if some of them were swept up in the momentum.

COMMISSIONER BARTON said:

There is no question, some of them didn't even vote. They were provided a ballot to vote. I think that there were only a total of 15 or 17 votes for the highest project. Some of the carriers do not participate, but the way that the voting structure is set up is that two-thirds of them have to disapprove a project for it to be not approved. In other words, not voting is recorded as approval. So some of them may well have thought this through and understanding that

process, just didn't bother to go through the process of voting.

CHAIR HUGGINS asked whether it is possible that a number of carriers could go away and thus cause general fund dollars to have to be used on the bonds process.

COMMISSIONER BARTON said these bonds are insured and no general fund dollars are at risk since the insurance will cover any failure on the part of the signatories. Secondly the probability of carriers going away is higher than that of the markets going away. If an individual carrier leaves the Anchorage market, somebody would replace it.

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SENATOR COWDERY asked whether the pavement construction problems associated with non-layered pavement have been corrected.

COMMISSIONER BARTON responded they have been corrected. He asked his assistant to explain the cause of the problems.

MR. EBERLY said he did not know.

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CHAIR HUGGINS remarked highways in Alaska have a five-year life expectancy. He asked what is the lifespan of Alaskan runways as compared those of the Lower 48.

MR EBERLY replied:

A lot of the life expectancy of a runway has to do with the volume and weight of the aircraft using that runway; it has a lot to do with the materials used to build the runway. I believe that the Fairbanks runway is in excess of 30 years old and that is why they are going through a major reconstruction effort. Here in Anchorage I would expect a runway to last from four to seven years.

SENATOR COWDERY moved SB 153 from committee with individual recommendations and attached fiscal notes. There being no objections, the motion carried.

#### **OVERVIEW: DOTPF PROJECTS**

BRAD SWORTS, Mat-Su Area Planner, Department of Transportation and Public Facilities (DOTPF), presented a slide and commentary

on the Parks Highway Multimodal Alternative Wasilla Corridor. He said that the Wasilla area is growing so rapidly that its downtown area is becoming congested. At the present time 33,000 vehicles travel the Parks Highway per day and this rate is projected to rise to 54,000 by the year 2025. He said that the Department of Transportation and Public Facilities (DOT) needs \$2 million to begin an environmental process to build a multimodal corridor, which will probably run south of Wasilla. He said that he expects the Alaska Railroad Corporation to be a full partner in the process.

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MR. SWORTS said one of the advantages of acting now instead of later is as the area continues to develop; the cost of right-of-way will continue to increase. Other Parks Highway projects have demonstrated that right-of-way costs can exceed construction costs. The second advantage is the preservation of lower impact corridors and the longer one waits the less choice one has of the corridor to choose. It is possible that many presently viable corridors may be eliminated by development around Wasilla.

MR. SWORTS said the department is trying to provide a freeway style multi-lane, controlled access highway with interchanges at major intersections. DOT projections show that without a controlled access corridor, as many as 12 lanes would be required to carry the east-west traffic load and those 12 lanes will not fit through Wasilla, Meadow Lakes, or Houston.

COMMISSIONER BARTON said the next project is the North Pole Interchange on the Richardson Highway.

JERRY RAFSON, Chief of Finance, Northern Region, Department of Transportation and Public Facilities (DOTPF), said the North Pole is a fast growing area with a lot of land available for development. The City of North Pole has gravitated to the more recently built section of the Richardson Highway and there is an increasing amount of cross-town traffic as a result of the development.

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The North Pole Interchange is at the intersection of Dawson Road and the Richardson Highway. The project would convert an existing at grade unit section to a separated interchange. It would also extend frontage roads to the east to connect up with 5th Avenue and Mission Road and Lawrence Road. The project includes extending Dawson Road to the south to connect with

Lawrence Road in the refinery area and extends Frontage Road to the West towards Mission Road.

MR. RAFSON said the DOT is currently in the process of preliminary engineering for the project and expects to finish it this year. The utilities and right-of-way phases of the project would begin shortly after. The DOT hopes to move to the construction phase by 2007. GARVEE bonds originally funded the project for \$16 million, but changes made in the public review and design process raised the cost of the project to about \$23.35 million. The DOT plans to cover the increase with federal highway stipulated funds. He said that much additional work, including everything from a bypass to additional overpasses, was requested, but given the funding situation; the DOT has determined that those projects would have to be carried out in a later phase.

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SENATOR THERRIAULT said:

You have said that the design changes have upped the dollar amount and the additional overpass at 5th avenue will have to be a separate project. The original GARVEE amount was light at that time was it not?

MR. RAFSON said that is correct.

SENATOR THERRIAULT asked whether the department has a request for funding for the 5th Street overpass project.

MR. RAFSON answered additional funding is included in the stipulation for 2007 when funds for the project are needed.

SENATOR THERRIAULT asked whether the department would terminate crossover traffic at 5th Avenue and Mission Road as part of the project.

MR. RAFSON responded crossover traffic at 5th Avenue and Mission Road would be terminated. He said cross traffic between Mission Road and Lawrence Road would have to follow Frontage Road down to the interchange to cross.

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MR. RAFSON presented a slide on accident statistics pertaining to the roads involved in the project. The main purpose of the project is to improve safety while maintaining the pass for the

upper Richardson Highway. There have been a number of fatalities and injuries in the area and the project would help reduce such incidents by eliminating conflicts created by the slow speed local traffic trying to cross the high speed Richardson highway.

SENATOR THERRIAULT asked Mr. Rafson whether he has the latitude; within the design limitations imposed by the federal government, to oversize the culverts in the Cheena Slough. He said that North Pole has an ongoing problem with beavers damming the culverts and preventing maintenance workers from clearing them.

MR. RAFSON replied the department has the ability to install oversized culverts and he would look into having such culverts installed.

SENATOR COWDERY stated the federal requirements associated with the GARVEE bonds are more stringent than other available means of funding and if so, whether the federal requirements might create unnecessary delays for the project.

MR. RAFSON said to use GARVEE bonds, the federal aid process must be followed compliance with the National Environmental Policy Act must be met. Environmental requirements are not as stringent with general fund bonds.

MR. RAFSON presented a series of slides and commentary on proposed improvements for the University Avenue, Geist Road, Johansen Expressway Intersection. The Johansen Expressway carries over 20,000 vehicles a day and University Avenue carries a similar amount. He said the traffic in the area is expected to increase by 3 to 4 percent a year. The intersection has one of the highest accident rates in the Northern Region largely because of severe congestion during peak hours.

The severe congestion is partially due to a lack of dedicated right turn lanes in the intersection. This project intends to provide those lanes as well as similar modifications that are required to move traffic through the intersection more efficiently.

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MR. RAFSON presented a slide on the project's budget and schedule. The department has proposed the project be funded with general funds because that would allow it to be completed two to three years sooner than the proposed federal project. He said that the time saved through general funding would mean fewer accidents in the area.

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MR. RAFSON presented a series of slides on projects that have been proposed along the McCarthy Road.

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MR. RAFSON said the McCarthy road is a 59-mile road running from the community of Chitna to the community of McCarthy. The proposed projects would improve access to the Wrangle St. Elias National Park and Reserve, the Town of McCarthy, and various land holdings along the road. While there is very little summer traffic along the road now, the department projects that traffic will reach summer peaks of 600 vehicles per day in the next ten years.

The existing road is very narrow and lacks surfacing and ditches and there are many locations that have extensive mud and water flowing over the road. The population of McCarthy, while only about 66 now, swells in the summer with visitors and summer transients. There are several hotels and bed and breakfasts in the town.

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The department has research for an environmental impact statement (EIS) underway for various proposed projects on the McCarthy Road. The department has proposed major improvements for the first section of the road, which would be initiated when the environmental impact statements are completed.

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MR. RAFSON said the department expects to complete the draft environmental impact statement for its various projects by next winter. The department has determined that widening the road into two lanes would cost an estimated \$100 million. The department has chosen to focus on the first section of the road, which is the section that gets the most traffic and has the worst potential for a landslide.

The department feels it is imperative to get funding just to keep the road open and that is what the state funded project proposal is intended to do. It would allow the department to side step some of the federal red tape and, hopefully, allow it to be able to deliver some drainage and surfacing improvements by next summer.

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The department has another project called Slide and Flood Damage Repairs. Several years ago there was a flooding event in which the Cheena River ate into the approach to the Cheena River Bridge. During the same storm there was a slide in the area between Kennicott and McCarthy where the road was covered with 10 to 20 feet of mud. The department is currently designing permanent repairs that would protect the bridge in the future and ensure that the mudslide area is dry enough to allow for permanent repairs.

MR. RAFSON related the department's final project involves improvements in the parking situation on both sides of the footbridge at the end of the McCarthy Road.

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CHAIR HUGGINS asked whether he correctly understood the witness to say that the average daily projected peak use of the McCarthy Road would rise to 600 vehicles per day.

MR. RAFSON repeated the peak daily traffic rate is projected to rise to 600 vehicles per day.

CHAIR HUGGINS asked what the current peak traffic rate of the McCarthy Road is.

MR. RAFSON replied it is about 100 vehicles per day.

There being no further business to come before the committee, Chair Huggins adjourned the meeting at [3:10:09 PM](#).