

HOUSE FINANCE COMMITTEE

March 1, 2012

1:37 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:37 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Bill Streur, Commissioner, Department of Health and Social Services; Kelly Henriksen, Assistant Attorney General, Human Services Division, Department of Law; Denise Daniella, Executive Director, Alaska Commission on Aging; Marie Darlin, American Association of Retired Persons Alaska (AARP) Task Force; Pat Luby, American Association of Retired Persons Alaska (AARP) Alaska; Steve Ribuffo, Interim Port Director, Port of Anchorage; David Pierce, PND Engineers, Inc.; Jim Campbell, PND Engineers; Brad West, President, West Construction; Emily Cotter, Port of Anchorage.

PRESENT VIA TELECONFERENCE

Scott Sterling, Supervising Attorney for the Office of Elder Fraud and Assistance, Office of Public Advocacy, Department of Administration; Dan Sullivan, Mayor, Anchorage.

SUMMARY

HB 307 SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

SB 86 PROTECTION OF VULNERABLE ADULTS/MINORS

CSSB 86 (JUD)(efd am)was REPORTED out of committee with a "do pass" recommendation and with accompanying previously published zero fiscal notes: FN9 (DHS), FN10 (ADM), FN11 (LAW), FN12 (DPS), FN13 (DPS), FN14 (COR), FN15 (CRT).

PRESENTATION:

PORT OF ANCHORAGE EXPANSION PROJECT UPDATE

#sb86

CS FOR SENATE BILL NO. 86(JUD)(efd am)

"An Act relating to the protection of property of persons under disability and minors; relating to the crime of violating a protective order concerning certain vulnerable persons; relating to aggravating factors at sentencing for offenses concerning a victim 65 years or older; relating to the protection of vulnerable adults; making conforming amendments; amending Rules 12(h) and 45(a), Alaska Rules of Criminal Procedure, Rule 77, Alaska Rules of Civil Procedure, Rule 17, Alaska Rules of Probate Procedure, and Rule 9, Alaska Rules of Administration; and providing for an effective date."

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Co-Chair Stoltze voiced the intention of passing SB 86 out of committee today.

Representative Gara questioned if the bill had been previously heard by the committee. He indicated having few questions concerning the bill.

BILL STREUR, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, presented a short overview of the bill. He stated that SB 86 is the governor's bill that is highly supported by the Department of Health and Social Services. The bill deals with the protection of vulnerable adults. He declared that the senior population in Alaska has grown by 70 percent since the last census; five times the rate of the rest of the nation. He stressed that the exploitation of elderly and vulnerable adults is a growing problem. Although there are many types of exploitation, financial exploitation by a trusted family member is one of the most common. Often abuse victims have a difficult time accessing the courts to receive needed support. A "temporary conservator" allows the vulnerable adult to retain autonomy while obtaining emergency protection. The bill also improves the ability of the investigating reports of crime to obtain timely vital information that will lead to better services for vulnerable adults who are abused, neglected, or exploited and unable to protect their own interests.

KELLY HENRIKSEN, ASSISTANT ATTORNEY GENERAL, HUMAN SERVICES DIVISION, DEPARTMENT OF LAW, explained that the bill is in two parts. The first part deals with the new concept of "temporary conservatorship" and financial protective orders. The second part of the bill is directed toward adult protective services. The bill updates the statutes. There is an amendment of the phrase labeled "undue influence" which is the main function of the bill. She revealed that exploitation is an enormous problem for seniors and vulnerable adults, therefore throughout bill and Alaska Protective Services (APS) Code, the concept of "undue influence" was added any place there is a list of "reportable harms." The rest of the bill updates some definitions and clarifies some of the investigative powers of APS. She disclosed that the first part of the bill dealing with temporary conservatorship and financial protective orders really is the core of the bill, promoted by the Department of Public Advocacy. In Title 13, where conservatorship and guardianships are dealt with, there is the concept of "temporary guardian" so in an emergency situation it is possible to go and petition the court immediately. Within 72 hours, there is a hearing before a judge; permanent guardianship will follow.

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Ms. Henriksen reiterated that financial harm is the most common exploitation to vulnerable adults. The temporary conservatorship provision, modeled after the temporary guardianship provision, allows a petition to be filed and heard in court within 72 hours. The other section of the bill deals with financial protective orders. The *ex parte* financial protective order section is modeled after domestic violence *ex parte* hearings. The greatest problem occurs when a family member, who is trusted by a vulnerable adult, is able to get money out of an account that could subsequently be drained before anything is done. If there is sufficient evidence of abuse, it would be possible to get a hearing into the court and obtain a protective order immediately. If necessary, the guardianship can be extended six months.

Co-Chair Stoltze equated the financial protective order to a domestic violence protective order. Ms. Henriksen replied that was exactly correct.

Representative Gara disclosed he was comfortable with the bill and appreciated it being brought forward. He wondered whether existing staff to handle caseloads would be sufficient if the legislation passed. Ms. Henriksen responded in the affirmative.

Representative Gara remarked that Representative Chenault passed a bill that started the Senior Fraud Protection Unit in the Office of Public Advocacy. He wondered if that unit would be working with the attorney general's office. Ms. Henriksen answered that when APS knows about a financial fraud being perpetrated on an vulnerable adult, a report will made to the Senior Fraud Protection Unit.

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Representative Gara surmised that staff would not have additional duties under the legislation. Ms. Henriksen did not believe more staff would be required.

Representative Guttenberg pointed to page 9, line 20 related to the "employee." He wondered what the responsibilities were when a person is mandated as a person who reports an abuse. Ms. Henriksen replied that the consequences were a misdemeanor. She cautioned that it is hard to bring charges against someone who does not report an incident, but she indicated that avenue has not been

pursued. It is only meant to be an incentive. She noted that administrators in many facilities often do not have direct contact with many of the vulnerable adults. Representative Guttenberg asked what protections someone might have for reporting a situation. Ms. Henriksen indicated there would be immunity if someone made a report. It could be a problem if someone knowingly did not report a serious situation, but again she stated that circumstance has never been pursued.

SCOTT STERLING, SUPERVISING ATTORNEY FOR THE OFFICE OF ELDER FRAUD AND ASSISTANCE, OFFICE OF PUBLIC ADVOCACY, DEPARTMENT OF ADMINISTRATION (via teleconference) indicated that he was available to answer questions. He explained that the bill will concentrate new tools for individuals and state agencies to combat financial exploitation against vulnerable adults. The financial protection order portion has been adopted in several states and has been successful in helping people receive immediate relief.

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DENISE DANIELLA, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON AGING, supported the bill. She felt the bill offered strong needed protection. She indicated that there has been an increase of more than 300 percent over the last five years of substantiated reports to adult protective services.

MARIE DARLIN, AMERICAN ASSOCIATION OF RETIRED PERSONS ALASKA (AARP) TASK FORCE, commented that Pat Luby would speak first.

PAT LUBY, AMERICAN ASSOCIATION OF RETIRED PERSONS ALASKA (AARP) ALASKA, pointed out the increase in elderly abuse, especially financial exploitation perpetrated by a family member. He opined that the bill was a great response to dealing with the growing problem. He believed the bill to be one of the best examples of government agencies working together to help the citizens of the state. He remarked that institutional facility staff is usually the first to see problems when they arise.

Ms. Darlin supported the bill. She believed it to be a good bill addressing many of the abuse and exploitation issues that have been brought forward.

Co-Chair Stoltze closed public testimony.

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RECONVENED

Vice-chair Fairclough read the zero fiscal notes: FN9 (DHS), FN10 (ADM), FN11 (LAW), FN12 (DPS), FN13 (DPS), FN14 (COR), FN15 (CRT).

Vice-chair Fairclough MOVED to report CSSB (JUD)(efd am) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 86 (JUD)(efd am)was REPORTED out of committee with a "do pass" recommendation and with accompanying previously published zero fiscal notes: FN9 (DHS), FN10 (ADM), FN11 (LAW), FN12 (DPS), FN13 (DPS), FN14 (COR), FN15 (CRT).

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RECONVENED

^PRESENTATION: PORT OF ANCHORAGE EXPANSION PROJECT UPDATE

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DAN SULLIVAN, MAYOR, ANCHORAGE (via teleconference), summarized the plans to date and why it was a good path going forward. He declared that over 240,000 containers arrive in the Anchorage port annually. The containers contain goods that are distributed to about 85 percent of Alaska's population. The Anchorage port has also been designated by Department of Defense as a National Strategic Seaport. He wanted to underscore the importance of the Anchorage port expansion project to upgrade the 50 year-old-port. During the mayor's transition period into office, reports came to him of significant construction problems with the port. In the last two and a half years the work has been to determine the extent of the problem and to determine a path forward. For the last two seasons removing and replacing damaged areas has been the primary

construction activity. The delay, along with the dramatic increase in the cost of materials and the Beluga whale designation, has made the project cost increase dramatically. He revealed that to complete the project the cost has increased to over \$900 million. Due to the high number, the mayor requested a scaled down design to accommodate the primary shippers and to provide for new business with the wet and dry barge dock. The estimated cost is \$350 million. He noted that there had been misconceptions of the roles in different divisions including the port, port director, municipality and the Maritime Administration (MARAD.) He explained that MARAD is the federal agency in charge of the construction project who hired the contractors; the contractors then hired the sub-contractors. The lack of oversight by the city in the construction was a problem. He indicated that there was a new memorandum of agreement with MARAD that sets new parameters. The new parameters would now involve a Project Oversight Committee, a Technical Committee, a Quality Control and Assurance Program and the Corps of Engineers. He indicated that the most important change was the contractual relationship with MARAD and the other contractors has now been terminated which will allow the municipality of Anchorage to take over the management of the project. The city will now be able to contract with different entities for future contract management, design, and construction. He stressed that the project is back on track with the only remaining component being fiscal certainty. He announced how pleased he was with Governor Parnell's budget proposal that included \$200 million for the Port of Anchorage. Mayor Sullivan indicated that that the municipality was not tied to any one method of financing, but would leave the decision to the judgment of the legislature.

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STEVE RIBUFFO, INTERIM PORT DIRECTOR, PORT OF ANCHORAGE, cited the PowerPoint presentation, "Alaska's Port. Alaska's Future. The Port of Anchorage" (copy on file). He began the presentation with slide 2: "Facts about the Port":

- The major point of entry for containerized cargo in Alaska
- Services support over 200 rural communities in the State

- Annually, 240,000 containers move through the Port
- Since 2000, an average 4 million tons of goods and materials pass through the Port's facilities annually
- 90% of merchandise goods for the Railbelt and interior Alaska.
- 100 million pounds of bypass mail items
- 52,000 vehicles processed annually on average
- 80% of the cement for concrete

Mr. Ribuffo turned to slide 3: "Cargo Distribution Map" the distribution methods of road, rail, barge and airplane are shown. Mr. Ribuffo noted that the distribution patterns support over 200 rural communities with fuel and bypass mail deliveries.

Mr. Ribuffo moved to slide 4: "Fuel Services" which indicated that the Anchorage port is a major provider of jet fuel, unleaded gasoline, heating oil, diesel and aviation gasoline for the South Central region, rural communities and the state at large.

- 11 million barrels of fuel annually
- 2/3 of the jet fuel for Ted Stevens Anchorage International Airport
- 100% of the jet fuel for Joint Base Elmendorf-Richardson
- 2/3 of all fuel used by the military in Alaska
- 1.4 million barrels of fuel shipped from POA to rural Alaska

On slide 5: "Fuel Distribution Map" Mr. Ribuffo pointed out that the fuel from all three state refineries passes through the port. He indicated that the upper right corner of the slide listed the different types of fuel that pass through the port and the color codes matching the regions of that state to which that fuel goes. Fuel can be delivered by tanker, petroleum barge, pipeline, or rail car. Two pipelines from the port go to joint bases Elmendorf and Richardson and another pipeline goes directly to Ted Stevens International Airport.

Mr. Ribuffo continued with slide 6: "The Port and the U.S. Military," stating that the port is designated by the

Department of Defense as a National Strategic Seaport; one of only 19 ports in the United States to have this designation. Since 2001 the port has supported over 30 military deployments moving over 18,000 pieces of military equipment for the U.S. Army Alaska and the United States Transportation command.

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Mr. Ribuffo showed in slide 7: "Employment and Payroll" the important economic engine that the port plays in Alaska, contributing over \$750 million to the economy with some higher estimates of over one billion annually. The annual payroll from Port Stakeholders was \$50 million. Regular port operations create jobs for a variety of trades including longshoremen operating engineers, and teamsters. During the expansion project 150-200 tradesmen and women will be directly employed annually.

Mr. Ribuffo pointed to slide 8 "Port Stakeholders" and revealed the companies that either lease land from the port or rely regularly on port facilities to conduct business operations. Horizon Lines and Totem Ocean Trailer Express (TOTE) are the two containers shippers that call on the port twice weekly.

- Horizon Lines
- Totem Ocean Trailer Express (TOTE)
- Alaska Basic Industries (ABI)
- Tesoro Alaska
- Crowley Marine Services
- Aircraft Service International Group (ASIG)
- Flint Hills Resources
- Alaska Railroad Corporation
- U.S. Army - Alaska and U.S. Transportation Command's Surface Deployment & Distribution Command (SDDC)
- Cook Inlet Tug and Barge

Mr. Ribuffo looked at slide 9: "Annual Dock Tonnage" and explained that over the past ten years the average dock tonnage is around 4 million tons per year. Dry Bulk Goods (green) consists of commodities such as cement and steel. Petroleum Shoreside (light blue) refers to petroleum products passing through the valve yard in route to either on-port storage facilities or on the way over the dock, but

were initially delivered to the port by pipeline or rail. Petroleum Dockside (dark blue) refers to petroleum products that pass through valve yard while entering or leaving the port and which are transported there by a fuel tanker or barge.

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Mr. Ribuffo referred to slide 10: "Port that is 50 years old in a deteriorated condition" and slide 11: "Intermodal Expansion Project." In 2011 the port celebrated its 50th anniversary; a timeline that underscores the port's deteriorating condition. Severe corrosion is found throughout the facility. A 2011 memo estimated that there are 1300 pilings requiring repairs due to age and corrosion. Since 2004, 111 pilings have been repaired at an annual cost ranging \$750,000 to \$1.6 million. The annual cost amount covers approximately 16 pilings. It would take 15 years to complete all the necessary repairs and would not be adding any increase seismic protection or modernization of the facilities.

Mr. Ribuffo moved to slide 12: "Project will replace the current container facilities while providing modern, reliable and expanded infrastructure for our future." He pointed to the project area that is outlined in yellow. He noted that it has been scaled back and now focuses on two new barge berths and two new ship berths in the North End of the port. When completed, the new facilities will allow the current container ship tenants to move their ships off the old deteriorated facility into new larger and modern berthing spaces built to a higher level of seismic stability and operational safety. The two barge berths will provide new economic and business opportunities for shippers in the region and ready access to a rail line that will extend the full length of the port. He disclosed the expansion of 65 acres of land for commercial or industrial use. The combination of increased berthing space will allow for better military deployments, accommodate larger vessels, and support resource development projects in the state and region.

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Mr. Ribuffo listed in slide 13: "Expanded Opportunities" the non-tenant customers who have used the port facilities within the past 18 to 24 months. Under the categories of

New Customers it lists businesses that have formally indicated their intention of using the port facilities. The last section describes how the port facilities could be used in the future. He commented that everyone recognizes the importance of making logistics operations at the port a success.

Mr. Ribuffo directed attention to slide 14: "Funding," which would be through a combination of port, state and federal funds with \$331 million received to date:

- Federal Funds \$138.7 million
- State Funds \$ 121.3 million
- Port of Anchorage Funds \$ 71.0 million

Mr. Ribuffo remarked that the port also qualifies for a \$75 million line of credit and is currently allowed to draw up to \$51 million. Currently the port has drawn \$40 million from the credit line. The Port has also put \$31 million towards the project from savings and revenues since 2001. There is currently \$29 million in uncommitted appropriations and the port is able to draw another \$11 million on a line of credit providing a potential access of \$40 million.

Mr. Ribuffo provided a brief overview of the project in slide 15: "Project History:"

- 1999 The Port's 10-year Master Plan recommends an expansion program to meet future needs.
- 2003 The Port partners with the U.S. Maritime Administration (MARAD) to implement the program.
- 2005 The preferred alternative is selected (current project design) and the permitting process begins.
- 2006 Terminal Road Rail Extension and Coast Guard floating dock completed.
- 2007 The project receives final permits.
- 2008 North and South Backlands filled and Port/Tidewater Rd. improvements completed. Bulkhead construction in the northern phase begins.
- 2009 Dry Barge Berth bulkhead and mooring complete. Bulkhead construction continues. The port is made aware of problems in the spring of 2009.

2010 Bulkhead construction halted when the extent of the damage was revealed.

2011 Work focused on completing sheet pile inspections to establish the integrity of the structure.

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Mr. Ribuffo showed in slide 16: "Funds Expended on Project" that money spent or obligated to date in all the areas listed is \$301 million. Roads have been dug up to repair the problem and a haul road was built to move earth to create the 65 acres. He acknowledged that there had been a misconception that the total \$201 million was spent in the North End of the port. The actual money spent goes back to 2003 with work on other parts of the port, including realigning all the roads to make them safer for truck traffic and putting all the utilities underground. He also confirmed that two miles of rail track was put on the port, a haul road connecting the port to joint base Elmendorf and Richardson was built, and earth had been brought down to create the 65 new acres.

Mr. Ribuffo turned to slide 17: "Funding," which showed that \$350 million of state funding still needed. Full upfront funding will allow for the creation of multi-year bids and provide for an efficiency not presently enjoyed. The funding would eliminate the need to pay for constant contractor mobilization and demobilization, allow contractors to purchase materials at the best available prices and eliminate the risk for further increased cost through delays from lack of funding.

Mr. Ribuffo explained in slide 18: "Old Paradigm" that the three boxes showed the divided labor between the Federal Lead Agency (MARAD), the Project Owner (Port of Anchorage), the Project Manager (Integrated Concepts and Research Corporation.)

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Mr. Ribuffo showed the Old Paradigm Problems and the New Paradigm Solutions in slide 19: "New Paradigm":

The Old Paradigm included:

- No direct authority over project contractors by Port/Muni.
- No on-site MARAD representative at Port.
- No direct liability or bonding protection for Port/Muni.
- No Port directed construction oversight authority.

The New Paradigm Solutions include:

- New agreement establishing oversight committee.
- Established a technical advisory committee.
- On-site MARAD representative.
- A performance bond has been established for Port/Muni.
- On-site construction observers reporting directly to Port.
- Direct involvement in quality control & assurance program and monitoring.

In September, 2011, the Municipality of Anchorage signed a new Memorandum of Agreement with MARAD shown in slide 20: "Enacted Solutions." The new agreement provides increased accountability from all parties and ensures local control of the project moving forward. Mr. Ribuffo thanked the committee for their attention.

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DAVID PIERCE, PND ENGINEERS, INC., introduced their company as the developer of the OPEN CELL® TECHNOLOGY system. He indicated that the intent was to show the ABCs of the OPEN CELL system and answer any questions.

JIM CAMPBELL, PND ENGINEERS, presented the PowerPoint program "OPEN CELL SHEET PILE® Technology" (copy on file.) He explained that the port of Anchorage has an OPEN CELL design which uses sheet pile filled with gravel to construct the dock. In slide 1: "OPEN CELL Sheet Pile Retaining Wall System" he explained that the open cell design was developed for Alaska in the early 80s.

Co-Chair Stoltze asked how long PND Engineers had been on the project. Mr. Campbell replied from early 2005.

Mr. Campbell continued that the system consists of flat piles which link together as shown in slide 2: "OPEN CELL Components." PND Engineers design the OPEN CELL system using flat sheet pile with extruded or welded connectors. In the upper left corner of the slide the example shows the face sheets and the Tailwall back from the Y-cell. He explained the engineering components of internal and external stability in slide 3: "OPEN CELL Structural Stability." He stressed that if not designed correctly the wall could be over stressed and that would then fail the internal structure. The entire cellular structure acts as a large cohesive block. He pointed out that due to the port of Anchorage being in a huge seismic area, the Tailwalls were extended for more stabilization.

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Mr. Campbell referred to the retaining wall which is also called the Mechanically Stabilized Embankment (MSE) or reinforced earth. The soil carries a lot of compression loads then is reinforced with steel for tension load. He equated the process to reinforced concrete. Mr. Campbell directed attention to slide 4: "OPEN CELL Performance" where he stressed that the long term durability of the dock comes down to corrosion. An advantage to the system is a lot of the structure is contained back within the fill, not exposed to Cook Inlet corrosion, and the face sheets have been galvanized to make them more corrosion resistant. Corrosion is worse at the low tideline. The Tailwall Length is how the wall is designed for seismic load. The port of Anchorage has long Tailwalls to allow for the high seismic safety factor.

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Mr. Campbell moved to slide 5 "Open Cell: Applications" that showed four pictures of the OPEN CELL system applications. He pointed to slide 6 "OPEN CELL System Locations" depicting system locations. OPEN CELL structures could be found around the world, with over 185 completed structures. He pointed out that the structures are cost effective and incredibly strong. He revealed in slide 7 "Kloosterboer Dutch Harbor Marine Terminal Dutch Harbor"

that Dutch Harbor has the same seismic barometer as Anchorage. He pointed to a picture of the construction sequence of an OPEN CELL structure located in the bottom left corner. He signified that closed cells do not allow for an extension of the Tailwalls which would not make it the practical choice in high seismic environments.

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Co-Chair Stoltze requested that Mr. Campbell move to the most important areas due to the limited schedule.

Mr. Campbell moved to slide 8: "Port MacKenzie Deep Draft Dock, Cook Inlet, AK" emphasizing the project was a successful project built very quickly and at low cost. Material below the waterline were "vibrocompacted" while upper layers were roller compacted. In the upper right corner he pointed out construction cells. Mr. Campbell continued to slide 9: "Liberty SDI Development, Prudhoe Bay, AK" discussing the use in the North Slope region. Due to the ice conditions, the pile supported docks are not strong enough, therefore almost all structures in that region are bulkhead type docks. In the upper right corner of the slide he pointed to a large module landing at the port. He moved to slide 10: "Owensboro Riverwall, Owensboro, KY"

Vice-chair Fairclough requested he advance to slide 20: "OPEN CELL Technology: Unique Applications, Skagway, AK." She acknowledged that PND Engineers have been responsible for a series of designs, but Skagway has technology with unique applications. Mr. Campbell indicated that the purpose of the Skagway slide was to show the structure features which are incredibly durable and flexible.

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Co-Chair Stoltze requested a summarization of how the technology works with the port of Anchorage. Mr. Campbell responded that he wanted to provide an explanation and background of the design perimeters for a better understanding.

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Co-Chair Thomas reconvened the meeting.

BRAD WEST, PRESIDENT, WEST CONSTRUCTION, indicated that his company had been working on the port of Anchorage for the past few years. He noted that his contract is complete and has been demobilized. He wanted to speak on issues that had been in the press and provide some accurate information in going forward with funding the project. He expressed his confidence that the port project can be built with the design. The important point is how it is installed and the techniques that are used. He explained that two reports, now being produced, will be the final opinion of what happened at the port.

Mr. West commented in slide 1: "Who is West Corporation?" that West Construction is an Alaska based marine contractor with over 30 years of experience in OPEN CELL® construction. West Corporation has more OPEN CELL experience than any other contractor; 22 OPEN CELL projects to date. He also mentioned that the last container port facilities projects built in Alaska were successful projects constructed by West Construction. He pointed out that the port of Anchorage is a difficult site with high tides and many other issues. He referred to slide 2: "Unalaska Marine Center 1991" showing the Horizon Lines that also uses the port of Anchorage. In slide 3: "American President Lines" he pointed to the port in Dutch Harbor, AK that is used for the international trade. He also mentioned work in Cook Inlet with oil platforms and the Knick and Matanuska bridges.

Mr. West stressed in slide 4: "What went wrong at port of Anchorage" that a strong management team is needed to handle issues at the port to go forward in the future. The Anchorage port has 40 foot tides, fast currents, heavy ice and environmental considerations that need to be appreciated as the work moves forward. In his experience it is better to keep the fill away from the face as the sheet pile are being installed to keep the soil pressure neutral on the sheet pile. Had the previous port work been properly done there might not have been some of the problem issues. West Construction's initial project was to complete the bulkheads that had been started by the previous contractor. There were four connection points to complete the bulkhead, unfortunately when the sheets were pulled up to make the

connections; a lot of damage was revealed. (The next few slide show pictures of damage.) He explained that when dealing with government entities it takes a long time for changes to be understood and then more time to find the best way forward. He indicated that he wanted to show examples of how the work can be constructed successfully. He moved to slide 9: "Sample Project Showing Proper Land Based Approach, Dutch Harbor Ports, Dock Facility" to show and explain pictures through to slide 14. He noted that the control placement of the fill is the key to success of these jobs. Once the grade is brought up, it is compacted well so that there is no settlement and then a vibratory compaction is done to speed up any long term settlement. The structures shown in the pictures took eleven calendar months; nine months on-site. It shows a thousand foot bulkhead with a one hundred year design life and a twenty five hundred year seismic zone.

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Mr. West moved to the next project starting with slide 15: "Sample Project Showing Water Based Bar Approach, Iraq" and pictures of the projects in the following slides. The design is an OPEN CELL structure from the waterside which is the company's recommendation on how the port of Anchorage should proceed. slide 17 shows a diagram on how the company recommends the fill be placed at the port of Anchorage and slide 18 shows the soil pressures against the face and the distortion caused. In slide 19, he commented on the busy site with a multi-national working crew. He indicated how impressed the people were with the skill level and hard work of the American workers. On slide 22 he pointed out soil issues and access to the work. In Iraq the soil was soft and bridges needed to be constructed to get the fill to the face. In slide 23 a conveyor system is shown.

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Mr. West explained that an issue at the port of Anchorage was dense soils or armor rock, but a simple solution was to dig it out. Then the space is replaced with competent backfill material which alleviates a lot of the issues. He was proud to show on slide 8 that the project was given the 2011 AGC International Construction Project of the year. He then moved to slide 29: "Current Status of POA: where we are and what we know." He explained that development of

work plans and techniques that deal with difficult existing site conditions. They successfully installed 900 sheets in 2010 and verified they were driven without damage in locations where the cells had previously failed. He believed that the OPEN CELL design is appropriate for the Anchorage site if it is installed properly. He also noted that future steps have been identified to mitigate the remaining damage and successfully complete the project. He pointed out in slide 30 a very active construction site in 2010. The pictures show a combination of the off-shore construction equipment with the land based equipment taking over. slide 31 shows the Tailwalls and the work that goes along with it. The posts are able to drive into a slope because the soil pressure on either side of the Tailwall is neutral due to it being on the same grade. Mr. West moved to the picture on the left of slide 32 showing the coordination between the offshore and shore activity. The picture on the right showed some of the armor rock found that needed to be dug out.

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Mr. West referred to some of the causes of failure.

Co-Chair Stoltze interjected that the failures were before Mr. West's company started. Mr. West acknowledged that was true. slide 33: "Summary of Causes for Failure":

- Difficult site requires a qualified and highly experienced team.
- Improper means and methods used on previous contract.
- Poor communication and complicated management process.
- No clear chain of command and dysfunctional decision making process
- No Accountability
- Federal Agency, Construction Management Firm and previous Contractor were not prepared to meet the challenges of this difficult of a project.
- The process has been the goal, not the success of the project.

Mr. West urged the committee to look forward and use a "best value" contracting approach so that the municipality or state has a say in the selection of the contractor. The contractor submits the money costs, but also needs to provide their work history, work plan, resumes, financial

capabilities and all the other things to be considered before awarding a contract. He also thought it important that the project be managed and controlled locally. An experienced construction or engineering firm should be hired to oversee the project to make sure that the contractors are performing and that there is oversight of quality issues. He stressed that the port of Anchorage project is too important to fail. He agreed that a lot of expensive lessons had been learned and urged that the funding be moved forward so that the important port could be completed.

Co-Chair Stoltze asked whether Mr. West had purposefully not dwelled on what went wrong with the port of Anchorage. Mr. West replied that he did not want to dwell on the past, but move forward to the future.

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Co-Chair Thomas asked whether Ron Martin had worked for him. Mr. West responded in the affirmative. Co-Chair Thomas told a personal story. He wondered why the problems on the port of Anchorage were allowed to go on for so long. Mr. West could not answer the question.

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Representative Gara asked Mr. Ribuffo how much the project would cost over the long term. He noted that Governor Sheffield had the cost at \$1.2 billion, now the cost has been scaled back. He wanted to know how much money would be required from the state. Mr. Ribuffo replied that the municipality's request from the legislature was \$350 million and no more. Representative Gara asked whether the amount would cover all future costs. Mr. Ribuffo responded that the costs would cover the North End of the project. Future monies would be for whatever maintenance requirements are needed for the entire port which hopefully can be funded from the profits. Representative Gara noted that the North End covered a huge amount of dock space, but the Middle and South parts were also important. He noted that the South End is fuel storage and would require \$350 million and the Middle Section where the port building is located is also in need of repair. Mr. Ribuffo replied that the project had been scaled back to include only the North End and the remainder of the port will be maintained in its current configuration. Representative Gara asked whether

the company was committing to no further money requests for the Middle and South Ends.

EMILY COTTER, PORT OF ANCHORAGE, responded that the mayor of Anchorage had committed to one funding request of \$350 million. Representative Gara responded that the commitment related only to Mayor Sullivan's request and the port would outlive the mayor's term in office. He reiterated if the port would be coming back to request another \$350 million for the South and Middle End. Mr. West responded that there were no plans to come back to the legislature for additional funds.

[3:30:43 PM](#)

Representative Gara asked Mr. West whether it would be less expensive to require future contractors to guarantee a price with a bond. Mr. West responded in the affirmative. There should be a payment performance bond where there is a requirement that the contractor finish the work and pay the bills. If the contractor does not complete the work, then a surety steps in to finish the work or pay out a large check. Representative Gara asked for a statement in writing that would guarantee the legislature that there was no intent to request any funds past the \$350 million. Mr. West replied that he would have to discuss the matter with Mayor Sullivan and the municipal manager.

Vice-chair Fairclough echoed concerns voiced by Representative Gara related to the mayor's term in office. She argued that the mayor could only submit a letter good for his term of office and not for the future. She asked the municipality if they were making payments to the line of credit and, if they are, who is making those payments. Mr. Ribuffo said the line of credit is being paid by port revenue. Vice-chair Fairclough questioned the terms. Mr. Ribuffo responded that it varies. The paper is rolled over from 90 to 180 days. The interest is paid when it rolls over. Vice-chair Fairclough asked in a given year how much can be spent. Mr. Ribuffo replied that it depends on the planning and design in any given year. The \$350 million request came from a preliminary design, but expressed that he was not comfortable committing to a number right away. Vice-chair Fairclough noted it would be helpful to the committee to know what can be spent each year. She wondered if the loan needed to be paid off. She asked Mr. West if a contractor was bidding on a mega project such as this one,

what would be the spend rate. Mr. West responded these are political questions and he hesitated to answer. He did answer that in the first year of the project there is a well-known program that needs to be completed. The existing North End bulkheads have large openings that need to be finished. A lot of planning is needed and stakeholders need to be involved. He quoted a \$100 million burn rate a year.

[3:38:11 PM](#)

Mr. Ribuffo interjected that the municipal manager online may have a better take on the figure.

Co-Chair Stoltze responded that the municipal manager, the mayor, and others should get together to look at all the scenarios. He believed those individuals would be able to give the legislature a number.

Vice-chair Fairclough thanked all for the concerns being raised, but wanted reassurance that the mayor was not going to return to the legislature asking for more money.

[3:39:57 PM](#)

Representative Neuman understood the importance of the port of Anchorage, but was concerned that the 50 year old port may be vulnerable to a sizeable earthquake. He asked what would be considered a sizeable earthquake. Ms. Cotter responded that she would be happy to provide the committee with that information. Seismic stability is approached in a different method in the construction business. It outlines each level of the dock and possible damage at different levels of earthquakes.

[3:42:12 PM](#)

Representative Doogan voiced that his concerns were the same as Vice-chair Fairclough and Representative Gara. He agreed that the amount of money requested may not be all the money that will be requested over the next 50 years. He stressed that there needs to be a guarantee that the work will be completed, the total amount it will cost, and other relevant assurances put into a written document. He was concerned about the success of the port, but not ready to just go with any number thrown out. He believed a written guarantee is required stating that the port will not be requesting any more than the \$350 million.

Co-Chair Stoltze thanked the presenters.

3:47:51 PM

RECESS TO CALL OF THE CHAIR

[Secretary Note: The meeting was adjourned at 1:37:10 PM on March 2, 2010 with no further action.]