

SENATE FINANCE COMMITTEE  
March 26, 2012  
1:03 p.m.

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CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 1:03 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Lesil McGuire, Vice-Chair  
Senator Johnny Ellis  
Senator Dennis Egan  
Senator Donny Olson  
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Senator Linda Menard; Michael Rovito, Staff, Senator Menard; David Livingstone, Financial Advisor, Citigroup; Grant Holland, Vice-President, CDM Smith; Jeff Ottensen, Director, Division of Program Development, Department of Transportation and Public Facilities; Angela Rodell, Deputy Commissioner, Treasury Division, Department of Revenue; Jeff Stark, Assistant Attorney General, Department of Law; Michael Foster, Chairman, Knick Arm Bridge and Toll Authority;

PRESENT VIA TELECONFERENCE

None

SUMMARY

SB 80           KNICK ARM BRIDGE AND TOLL AUTHORITY

#sb80

SENATE BILL NO. 80

"An Act relating to the authority and obligations of the Knik Arm Bridge and Toll Authority, to bonds of the authority, and to reserve funds of the authority; authorizing the state to provide support for certain obligations of the authority; relating to taxes and assessments on a person that is a party to an agreement with the authority; and establishing the Knik Arm Crossing fund."

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Senator Thomas MOVED to ADOPT proposed CS SB 80, work draft 27-LS0430\T, Martin, 3/23/2012.

Co-Chair Stedman OBJECTED for purpose of discussion.

MICHAEL ROVITO, STAFF, SENATOR MENARD, explained the changes incorporated in the current bill. He stated that the entirety of Section 1 of the bill had been deleted, removing the language pertaining to the obligation of the state. He furthered that on page 2, "must" was replaced by "may", and remaining sections were renumbered to reflect the deletion of Section 1.

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Senator Ellis asked for clarification concerning the deletion of the language in Section 1 that had detailed the state's financial obligation to the project.

Mr. Rovito clarified that what was deleted was the explicit mention of the obligation of the state. He maintained that the moral obligation of the state would remain since the Knick Arm Bridge and Toll Authority (KABATA) was a state corporation.

Senator Ellis thought that the language in the bill should more clearly detail where the financial responsibility would ultimately fall.

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Co-Chair Stedman WITHDREW his OBJECTION to adoption of the committee substitute. There being NO OBJECTION, work draft 27-LS0430\T, Martin, 3/23/2012 was adopted.

SENATOR LINDA MENARD provided a breakdown of the legislation. She explained that the bill would increase KABATA's bond authority from \$500 million to \$600 million. She said that the bonds would be private equity bonds; federal, tax exempt bonds, issued by a state agency. She stressed that the state had no financial obligation tied to the bonds, but would be a conduit issuer. She continued that the bill required the State Bond Committee to review the bonds and make assurances that the bonds conformed to a sound financial policy. She furthered that Sections 4 and 5 of the bill provided provisions of for a project reserve fund established under Section 7. She shared that the fund, titled "The Knik Arm Crossing Fund", would be housed in the Department of Revenue (DOR) and would be used to satisfy the availability payment during the initial years of the bridge until the toll revenue was sufficient to retire the fund. She added that Section 6 exempted the crossing from state and local property tax, whether public or privately operated.

Senator Menard concluded that cost of not proceeding with the bridge could be \$3 to \$4 billion based on 2008 figures to improve the Glen and Park Highways, which would come out of the Statewide Transportation Improvement Program (STIP). She shared that the new acronym for the bridge was Bridge of Statewide Significance (BOSS).

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AT EASE

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RECONVENED

Co-Chair Stedman noted the zero fiscal note from the Department of Transportation and Public Facilities (DOT&PF). He felt that the zero fiscal impact to the state reflected in the note was questionable.

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MICHAEL FOSTER, CHAIRMAN, KNICK ARM BRIDGE AND TOLL AUTHORITY, testified in support of the legislation. He observed that the population was expected to grow 118 percent between 2010 and 2035. He stated that the Metropolitan Transportation Plan (MTP) showed a 74 percent traffic growth in the area from Eagle River to Ekultna (39,000 to 68,000). The Anchorage bowl would grow by 15 percent. He said that available land was being depleted in

the Anchorage area. He furthered that growth was predicted in outlying areas.

Mr. Foster observed that KABATA, state, and MTP models were based on the Institute of Social and Economic Research's (ISER) 2009 model. He concluded that "without a doubt" the South-central area of Alaska was growing.

Mr. Foster spoke to traffic. In 2010, 30,000 vehicles transited under the Ekultna Bridge; only 15,000 went under the bridge in 1985. He maintained that the Ekultna Bridge was the first measuring point of north bound traffic into Anchorage. He pointed to substantial growth from 1985 to 2010, and concluded that similar growth was expected from 2010 to 2025. Traffic models suggested that the Glenn Highway Ekultna overpass would grow from 30,000 to approximately 65,000 vehicles. He stated that six-lane traffic on the Glenn Highway would increase from 52,000 to 110,000 vehicles, based on the population model without a bridge. He concluded that the Glenn Highway was at capacity. He acknowledged that additional vehicles could be added, but maintained that traffic delays and accidents would occur.

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Mr. Foster discussed the financial repercussions of not building a bridge. He asserted that the cost of simply upgrading the Glenn Highway for future population was estimated by DOT&PF in the 2008 STIP as \$3 billion dollars.

Mr. Foster observed that KABATA had been created by the legislature in 2003, with the mission to connect the east and west sides of Cook Inlet through a crossing. He observed that KABATA was in private/public partnership procurement where a private partner would be responsible for financing, designing, building, operating, maintaining and toll collection. The public partnership pertained to the toll revenue. The current structure worked with an availability payment; as toll revenue came in, KABATA would make a payment on a quarterly basis to the developer for the cost of financing, designing, building, operating, and maintaining the bridge. He concluded that the state's obligation would be to pay the developer for their investment.

Mr. Foster observed that the cost estimates were done by different independent estimators: DOT&PF, Major Projects Federal Highways, and two by KABATA. All estimations put the first phase of the bridge at \$720 to \$730 million dollars. Phase 1 would be the bridge, which would span 92,000, and would have connections on both sides (14,000 foot crossing).

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Mr. Foster spoke to phase 2, which would be the Ingra/Gambell connection that would connect the bridge to Ingra/Gambell.

Mr. Foster observed that the bridge would be built as a four lane foundation for final completion. The initial deck would be two lanes, 44 foot wide. Phase 2 would expand the road to four lanes with pedestrian and bike access on the bridge.

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Mr. Foster concluded that the legislation would allow the state to be a conduit for the private developer to access tax exempt bonds. He maintained that the bonds would not be added to the state's "book" or be part of the state's bond capacity, but would be strictly pass through private activity bonds. The legislation would increase authority to \$600 million in tax exempt bonds.

Mr. Foster spoke to property tax. Private developers would not be liable for any property tax. The bridge would be an asset of the state and controlled by KABATA or the state of Alaska. The developer would only have the availability payment obligation of the state.

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Mr. Foster clarified that the reserve fund would represent the moral obligation of the state. Toll revenue was anticipated to be \$100 million short during the initial seven years. The state needed to demonstrate the ability to cover the shortfall to the developer through the availability payment. The availability payment would be similar to a lease payment. The reserve fund would be subject to appropriation. There would be a moral obligation for the state to appropriate to the fund, and pay for the infrastructure. The deleted Section 1 had been subject to

the \$1 billion, and was changed to the moral obligation relating to the reserve fund; subject to appropriation, to handle the shortfall of toll revenue in the initial years.

Mr. Foster observed that the state was estimated to receive \$1.1 billion in net revenue over the 35 years of the concession, beyond liabilities of KABATA, to pay for operations and make availability payments to the private partner. These funds could be used statewide for a variety of Title 23 projects: roads, ports, harbors, bridges, or marine highways.

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Mr. Foster estimated that were the bridge to be built, over 60 years, \$9.9 billion would be available for transportation needs statewide through the reserve fund or an established transportation fund. He added that excess toll revenue would go to the reserve fund and be appropriated under title 23. He stressed that the bridge would be built for the needs of the future. He observed that the Glenn Highway adequately handled current needs, but without an upgrade, maintenance costs would increase \$3 to \$4 billion, which would place a burden on STIP funds.

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Co-Chair Stedman wondered whether the committee would be further informed of the financial model and cost projections for the project. He requested more data to assure the committee that the exposure to the state was worth the risk.

Mr. Foster deferred the question to the available experts.

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Senator Egan desired a more clear definition of the "moral obligation of the state" written into the language of the bill. He noted that he and the Co-Chair both represented Southeast Alaska, and queried the need for either of them to feel morally obligated to the project.

Senator Ellis referred to a memorandum from the Institute of Social and Economic Research (ISER), dated March 22, 2011(copy on file). He noted that Mr. Foster used ISER research as a justification for the projections. He observed that the letter strongly objected to the use of ISER projections in KABATA's presentations on the project.

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AT EASE

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RECONVENED

Senator Ellis explained that the ISER memo was delivered in the interest of disclosure.

Mr. Foster responded to concerns presented by the letter. He maintained that the 2009 ISER numbers were accurate population numbers. He clarified that when attributing figures to ISER, he used the institute figures, not the bridge authority's projections. He noted that he had not done a comparison between the ISER number and the authority's numbers.

Co-Chair Stedman understood that the authority was in the process of drafting a written response to the ISER memo. He requested copies be distributed to committee members.

Mr. Foster replied in the affirmative. He assured the committee he would provide the information as soon as was possible.

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DAVID LIVINGSTONE, FINANCIAL ADVISOR, CITIGROUP, spoke to the development of the projections. He shared that for KABATA; he had taken capital costs and construction costs, assumptions that had been created by HDR (a national civil engineering firm,) and audited by several other firms. The estimates included a \$62 million construction contingency, which considered any potential cost overruns. He said that traffic and revenue projections were done by CDM + Wilbur Smith Associates. He added that Citigroup had been financing toll roads since the 1950's and had used the Wilbur Smith projections many times. He relayed that Wilbur Smith also created operation and maintenance, and capital expenditure projections, for the cost of running the toll systems.

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Mr. Livingston stated that from the information provided by Wilbur Smith a financial model was created, financed with a combination of equity and debt. He stated that conservative

assumptions of 12 percent equity return had been used, as well as debt rates of 50 to 75 basis points.

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Co-Chair Stedman interjected that the stress testing of the financial models should be discussed.

Mr. Livingston reviewed a graph provided to the committee titled, "60 Year Cost and Revenue Projection"(copy on file). He stated that the red bars represented the availability payments made by KABATA to the private developer over the next 35 years, from the beginning of commercial operations. He noted that in 2032 the availability payments were charted to increase because at that point the developer would add two additional lanes to the bridge and connection roads. He referenced the navy blue line, which represented KABATA administrative costs; the light blue bars indicated the KABATA total debt service. He furthered that in 2053 the bars dropped; these bars detailed the costs after the concession was over and the private developer would turn the responsibility back over to KABATA. He concluded that the bars were higher than the revenue curve in the first eight years; as development progressed availability payments were expected to be greater than the toll revenues, \$100 million would be drawn out of the reserve fund during the initial years. He relayed that surplus revenues, the green area above the bars, totaled \$9 billion which would be available for future. He added that the majority of the surplus would be reaped after 2052. He asserted that a conservative set of assumptions had been used in the development of the projections and that the sensitivities had been run. He said that traffic and revenue probabilities had been run with various assumption percentages. He maintained that under all the projections done by KABATA the project, over the first term of the concession, would create a positive cash-flow for the state.

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Co-Chair Stedman queried the dollar amounts assigned to the equity return target of 12 percent and the cost of debt aggregate of 6.42 percent.

Mr. Livingston replied that it had been assumed that the project would be funded with approximately \$80 million of equity and \$710 million of debt.

Co-Chair Stedman asked why the bank was not fully underwriting the project.

Mr. Livingston replied that the state had banks and equity investors willing to lend approximately \$800 million to build, finance, operate, and maintain the road. In return annual availability payments from KABATA were expected to cover the cost of the private parties taking the risk. He said that the private investors would be responsible for any cost overruns. He explained that the availability payments provided assurances that investors would eventually be paid for the investment. He maintained that the project would require no future appropriations.

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Co-Chair Stedman understood that projects of this size often had cost overruns, that an overrun of 20 percent could be considered a success. He assumed that overruns for the project could reach into the \$100 million range. He queried where extra funding would come from and how the state could be protected from overrun responsibility.

Mr. Livingston replied that overrun funding would come from the concession company; if the private investors did not finish the project on time, and on budget, they would accept the risk. He stated that KABATA selected the funding approach specifically to assure that cost overruns did not become a burden of the state.

Co-Chair Stedman surmised that there would be no risk of state exposure, overreaching \$700 million in debt issuance, and that stress tests performed by the committee would mirror the numbers offered by KABATA.

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Mr. Livingston replied that that was largely true. He qualified that there were "uncontrollable circumstantial events" that could require additional funding from KABATA. He shared that if there were soil test variations in the different areas of construction, KABATA could be responsible for additional payments. He felt that the sub-

set of financial risks were relatively small, compared to the size of the project.

Co-Chair Stedman probed the potential risk, small or otherwise, that could be deferred to the state.

Mr. Livingston replied that if the toll revenues came in lower than the projections, the state could be asked for future appropriations to cover the availability payments.

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Co-Chair Stedman asked if Citigroup had performed stress test on projects under consideration. He wondered where the stress test information for the project could be found so that the committee could assess the impact to the state.

Mr. Livingston reiterated that conservative projections had been used. He said that there was a significant construction and operation maintenance expenses contingencies written into the bill; higher rates than current markets, and higher equity returns, had been employed. He maintained that 100's of different projections for KABATA had been run, including some using lower toll revenues than indicated in the chart. He said that the project presented cash-flow neutral over 35 years even under a 40 percent toll revenue shortfall.

Co-Chair Stedman pointed out that the figures mentioned had not been made available to the committee. He maintained concern that an over run in the \$100s of millions could result in additional financial obligation to the state. He felt even minor exposure to the state should be avoided.

Mr. Livingston could not comment on soil testing bid for engineers. He asserted that if there was a \$200 million cost overrun, lenders would typically walk away from the project. He reiterated that the obligation of payments would not occur if the bridge was not operational.

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Co-Chair Stedman noted that \$80 million in equity and \$700 million in debt would give the lender considerable leverage.

Mr. Livingston clarified that Citigroup was a financial advisor to KABATA and could not be a lender due to conflicts of interest.

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Mr. Foster spoke to the procurement process. He stated that the in 2011, 6 submissions were received for concessions. Concessions were made up of: equity partners, financial partners, contractors, designers, builders, toll collectors, and operators. He shared that three submitters were invited to submit proposals. He said that the draft request for proposal (RFP) was being created by the Department of Law. He added that DOA also had representation for the contract process. He said that when the RFP was completed the three proposers would compare bids, which were primarily the availability payment. He believed that KABATA would commit to the availability payment. He reiterated that cost overruns would be the problem of the builder and not KABATA. He said that KABATA would not make any payments until the bridge was open. He furthered that the risk to the authority was the availability payment and that the state would not be liable for cost overruns.

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Co-Chair Stedman maintained concern with the reality of cost overrun connected to projects of this magnitude. He opined the lack of financial impact information in the presentation. He stressed that the funding under discussion was significant, with sizeable exposure to the state if the project should fail.

Mr. Livingston commented that infrastructure developments cost money. He said that the state could go about the project on its own, but that the KABATA plan should be seriously considered.

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GRANT HOLLAND, VICE-PRESIDENT, CDM SMITH, stated that CDM Smith had been conducting traffic and revenue consulting since 1950, and was considered the primer traffic and revenue consultant in the industry investment community. He shared the need for traffic and revenue consulting had grown out of general lack of knowledge concerning the management of tolls. He elaborated that CDM Smith had

worked regularly training rating agencies and toll authorities on the intricacies of traffic revenue projections.

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Mr. Holland explained that the crossing connected a landmass that was completely bound from a development standpoint to the nearest area of developable private land. He remarked that the alternative to the bridge was a 90 mile road, so it seemed that the project was valuable from a logic point-of-view.

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Mr. Holland stated that there had been a quick and inexpensive initial study of KABATA in 2005. Another study was done in 2007, and contained every piece of analysis that would be found in an investment grade study. He explained that an upgraded study had been done in 2011 to reflect current market conditions. He listed several factors considered when conducting the studies: local forecasts, ISER Studies (the basis of the 2007 study), the Bureau of Labor numbers, and independent studies. He detailed that the studies often required independent economic analysis to verify local bias in forecasts.

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Mr. Holland discussed economic modeling. One approach was to begin from historical numbers and work downwards, the other was to begin at the bottom and work upwards. He noted that the analyses were not mutually exclusive. He said that the CDM Smith analysis started at a traffic analysis level. The firm had interviewed 23 people responsible for the planning and management of economic growth in the Anchorage area. He furthered that they had talked to planning departments for further collaboration. He said that the analysis was then built from the bottom up comparing historical trends. He noted that in the 2007 study the ISER forecast and the CDM Smith forecast had variations, however employment forecasts were virtually identical.

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Senator Thomas surmised that the projections for population growth were the anticipated numbers for the Point MacKenzie area.

Mr. Holland clarified that the estimation had been for the breaking point for the Knick and Fairview areas.

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Senator Thomas understood that a doubling of vehicles crossing the Knick River was expected by 2035.

Mr. Holland replied that it was an undeniable fact that economic and population growth would occur in the Mat-Su. He stressed that the growth would generate traffic. He said that building the bridge would shift where the growth occurred.

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Mr. Foster interjected that in 1985 it was counted that 15,000 cars travelled under the Eklutna Bridge daily; the number rose to 30,000 in 2010. He noted that the traffic would increase to 65,000 by the year 2035. He stressed that without the bridge, the traffic on the Glenn Highway would double.

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Senator Thomas expressed concern as to how the amount of expected increased activity was calculated. He felt that the toll should be reduced once the bridge was paid off. He wondered what recourse could be taken if the projected numbers were wrong.

Mr. Holland responded that the bridge would induce growth. He thought that when the concession was removed in 2035 the state could determine then whether or not the tolls should be maintained.

Senator Thomas felt that the idea that the bridge would spur growth was conceptually unclear. He questioned the 89 miles figure in the study.

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Mr. Holland responded that the 89 miles measured from the edge of a planned intersection on the west side of the crossing to Central Anchorage. He believed that the growth would occur in the area because it was a deep water port, valuable for shipping natural resources. He understood that the isolation of Port MacKenzie from Anchorage had retarded

growth in the area. He said the bridge would turn the 89 mile trip into a 15 mile trip.

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Senator Thomas understood that if the bridge was not built, people working in Port MacKenzie would have to drive 89 miles to get to Central Anchorage.

Mr. Holland replied in the affirmative.

Senator Ellis referred to the Whittier Tunnel toll charge, which was a smaller project proposed by KABATA that had used CDM Smith traffic projections. He asserted that the traffic projections for the toll facility had been overestimated, and that someone had "failed spectacularly" in making accurate estimates for the basis of public policy and budget decisions. He believed that caution should be taken in using the projections established by DOT&PF and CDM Smith on an even larger project.

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Mr. Holland replied that he had no information concerning the Whittier Tunnel. He said that since 1995 there had been 22 green field (new) projects had been financed, 10 of which had exceeded projections in the first 5 years. He furthered that 4 were within 95 percent of the projections.

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Senator Olson referred to a March 2012 Dittman Research & Communications survey, page 5, which showed that 58 percent of people surveyed, did not want the bridge to be built.

Mr. Foster responded that the survey asked three questions: build it now, build it later, don't build it; the build it later numbers were assumed as positive. He added that in the most recent Dittman survey 65 percent of Alaskans, and 70 percent of South-central Anchorage said the bridge should be built now.

Co-Chair Stedman reminded the committee that finance policy decisions were not dictated by polls.

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JEFF OTTENSEN, DIRECTOR, DIVISION OF PROGRAM DEVELOPMENT,  
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES,

testified that the KABATA project was important to the entire state in order to provide redundancy for a single route area. He spoke to the states responsibility for projects necessitated by the bridge. He felt that the need for the project was obvious when considering looking the expected future population growth. He added that the growth had and would continue to create a demand for roads to be built in Anchorage, the Glen and Parks Highways, and the Mat-Su Borough. He asserted that the bridge would not be built using state general and federal funding sources; ostensibly bringing new money to the table. He said that the roads that would need to be built as a result of the bridge were already needed in the area.

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Senator Ellis wondered if DOT&PF could wait till the Legislative Budget and Audit (LB&A) audit was complete.

Mr. Ottensen acknowledged the audit. He stated that he would return to the committee with an answer.

Senator Ellis asked about the over inflated traffic estimations for the Whittier tunnel.

Mr. Ottensen recalled the project was championed by the governor at the time. He said a senior engineer in DOT&PF had been asked to move forward with the project over the objections of the rest of the department.

Senator Ellis surmised that experience could teach that powerful political interests could pressure DOT&PF into giving the green-light to projects under dubiously projected assumptions.

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Senator Thomas noted letter from DOT&PF dated April 7, 2011 (copy on file) which summarized the numbers for the project. He queried how a possible decrease in federal funding would impact the projected income from the bridge tolls.

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Mr. Ottensen read from the letter:

"The total cost of the projects not covered by toll revenue that influence bridge and general network traffic flow is \$1.8 million (1.4 million in Anchorage and \$400 million in Mat-Su) to be constructed over a period of 20 years. Regular federal highway aid funding requires a 10 percent state match. This leaves \$1,620 million that must be funded from regular highway aid dollars. Dividing \$1,620 over a period of 20 years results in a hypothetical annual federal highway funding need for these projects of \$81 million per year. The state currently receives \$400 million in regular federal highway aid funding per year. Allocating \$81 million per year for the regional network projects would amount to 20.25 percent a year of the overall amount."

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Mr. Ottensen observed that future federal funding was unknown. He stressed that need for transportation projects were driven by the population growth faced by the state. He stated that modern urban projects often cost more for non-construction aspects of the project than the construction part: the right of way, utility relocation, and traffic control collectively cost more than actual construction. He argued that the continual upgrading of the single Glen and Parks Highway corridor would end up costing the state more than the cost of building the bridge and the subsequent new roads.

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ANGELA RODELL, DEPUTY COMMISSIONER, TREASURY DIVISION, DEPARTMENT OF REVENUE, spoke to the state's financial exposure if the legislation was passed. She felt that the project would be a unique opportunity to make serious investment in major projects. She believed that understanding the financial impact of all of the projects that could be generated by the building of the bridge should be understood. She thought that while the moral obligation may not require additional funding into the future, outsiders would be observing the state's investment commitment on a global basis to grow the state.

Co-Chair Stedman understood that the off balance sheet financing mechanism would have potential impact.

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Ms. Rodell believed that it could have positive impact. She thought that it would be viewed in the big picture of the state's overall fiscal health.

Co-Chair Stedman queried whether the department had reviewed the financial model and performed stress testing to determine exposure to the state.

Ms. Rodell replied that the department had not done any stress testing, but had reviewed stress tests performed by KABATA. She stated that the department had concerns with some of the revenue forecasts pertaining to what the full impact would be if a bridge was built and no one showed up to pay a toll.

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Senator Thomas referred to a letter from Commissioner Bryan Butcher, dated March 8, 2012 (copy on file). He asked if the department maintained the same opinion on the moral obligation and responsibility of the state.

Ms. Rodell replied that the department maintained agreement with the statements in the letter. She noted that the bridge would belong to the state from day 1, and would never belong to the independent third party that would build it.

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JEFF STARK, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, testified that he had not prepared testimony.

Co-Chair Stedman reiterated the concern of the exposure to the state under the project.

Mr. Stark replied that it was generally accurate that the state would be largely protected. He stated that if KABATA completed the procurement process that it was currently in the middle of, a contract would be awarded to one of the 3 shortlisted developers. He detailed that then KABATA would enter into a public-private agreement (PPA) with the chosen contractor, which was currently being drafted by outside counsel. He relayed that PPA agreements were tremendously complex documents; nearly 1000 pages of technical provisions. He explained that PPA documents were comprehensive, and would govern the relationship of the parties for approximately 40 years: 5 years of construction and 35 years of operation. He stated that the document was tightly drafted, taking care of as many contingencies as was

possible. He detailed that the basic structure of the agreement stated that the developer would be obligated to design, build, finance, operate, and maintain the bridge, and would be responsible for most of the cost risks. He furthered that the geotechnical issues were being carefully examined and represented one of the largest risks for the state. He believed that in the end the risk would be shared between the developer and the state; the details were still unknown. He said that the state would bear the cost risks of possible seismic activity. He concluded that seismic risk should be the burden of state and KABATA, but that the developer would also carry earthquake insurance.

Co-Chair Stedman asked about cost overrun exposure.

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Mr. Stark clarified that cost overrun exposure would be carried by the developer, as would hazardous material, except under the aforementioned specific events.

[3:01:00 PM](#)

Senator Egan addressed the document titled "Then and Now: A History of the Knik Arm Crossing." He took issue with the caption under the photo on page 6, which read:

"This is what you will see as you drive back to Anchorage from your day of business with the legislature at the capital in Willow."

#

ADJOURNMENT

[3:01:41 PM](#)

The meeting was adjourned at 3:01 PM.