

SENATE FINANCE COMMITTEE
February 26, 2015
9:05 a.m.

9:05:12 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Mark Luiken, Commissioner, Department of Transportation and Public Facilities; Gary Hogins, Manager, Juneau Access Project, Department of Transportation and Public Facilities; Judy Dougherty, Executive Director, Knik Arm Bridge and Toll Authority, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

Mark Davis, Chief Infrastructure Development Officer, Alaska Industrial Development and Export Authority (AIDEA).

SUMMARY

PRESENTATION: JUNEAU ACCESS

PRESENTATION: KNIK ARM BRIDGE AND TOLL AUTHORITY (KABATA)

PRESENTATION: AMBLER ROAD

^PRESENTATION: JUNEAU ACCESS

9:06:44 AM

MARK LUIKEN, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, (DOT/PF) announced that he would be addressing the Juneau Access project and the Knik Arm Bridge. He discussed the PowerPoint, "Alaska Department of Transportation and Public Facilities, Juneau Access Improvement Project" (copy on file).

Co-Chair MacKinnon announced that there was an administrative order that asked departments to hold several megaprojects that were approved by past legislatures. She shared that the conversation was intended to understand how the current administration would move forward in assessing the value of the projects, and whether there are ways to prioritize the projects. Commissioner Luiken replied that he would address the prioritization of the projects at the end of the presentation.

Commissioner Luiken looked at slide 2, "Purpose and Need":

To provide improved surface transportation to and from Juneau within the Lynn Canal corridor that will:

- Provide the capacity to meet transportation demand in the corridor
- Provide flexibility and improve opportunity for travel
- Reduce travel times between the communities
- Reduce State costs for transportation in the corridor
- Reduce user costs for transportation in the corridor

Commissioner Luiken highlighted slide 3, "Alternatives":

8 alternatives analyzed:

- Alt. 1- No Action
- Alt. 1B - Enhanced Service with Existing AMHS Assets
- Alt. 2B - (Draft SEIS Identified Preferred) East Lynn Canal Hwy to Katzehin, Shuttles Katzehin to Haines and Skagway

- Alt. 3 - West Lynn Canal Hwy - Shuttle Berners Bay to William Henry Bay
- Alt. 4A - Fast Vehicle Ferry, Service from Auke Bay
- Alt. 4B - Fast Vehicle Ferry, Service from Berners Bay
- Alt. 4C - Conventional Monohull, Service from Auke Bay
- Alt. 4D - Conventional Monohull, Service from Berners Bay

Commissioner Luiken looked at slide 4, "Alternative 1: No Action." He remarked that there would be two new Alaska class ferries, even with the particular alternative. The Haines, Skagway, and Auke Bay ferry terminal need modifications to align with the new "roll on, roll off feature" of the new Alaska class ferries.

[9:11:21 AM](#)

Co-Chair MacKinnon remarked that the state was paying \$115 million for operations of all roads, and a separate \$115 million for marine highway, which served a very different population. She did not intend to diminish the need for the services, but noted the remarkable cost difference. She stressed that the need for the road was intended to reduce state costs for transportation in the corridor. She wondered if there was an evaluation of the cost need for this project. Commissioner Luiken replied in the affirmative. He stated that it was part of the overall of the analysis. He explained that there was an examination of the initial capital cost related to any alternative, and an evaluation of the long-term cost to the state in both operating and residents of Alaska.

Co-Chair MacKinnon expressed concern over the cost of the need to modify the ferry terminals. She wondered if the modification costs were considered. Commissioner Luiken responded in the affirmative, and stated that the costs were included in the detailed analysis later in the presentation.

Commissioner Luiken discussed slide 5, "Alternative 1B." He stated that this alternative was requested by the courts, as a result of the litigation from 2008. The 9th District Court found that the state did not fully study and enhanced ferry service option. He stated that Alternative 1B

included an enhanced ferry service and a discounted rate for that ferry service in an effort to stimulate greater use of the system. He remarked that that this alternative required a ferry terminal modification.

Commissioner Luiken displayed slide 6, "Alternative 2B." He announced that Alternative 2B was the current preferred alternative, both in the 2006 Environmental Impact Statement (EIS) and the most recent draft supplemental EIS from September 2014. This alternative would extend the Glacier Highway 48 miles on the east side of the Lynn Canal to the Katzihin area. A ferry terminal would be built in that area, and ferry service to Haines and Skagway would operate from that terminal.

Vice-Chair Micciche wondered if the eventual goal would be to connect directly to the road system. Commissioner Luiken that it was an alternative in the original EIS. He shared that there was national park property near Skagway, and it was determined that the hurdles for building a road was too great.

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Senator Hoffman wondered why there was a bridge over the Katzihin, and only add a couple of miles of road. He felt that the bridge would be a large expenditure, so he asked if there was possibly some rugged terrain that did not allow for a terminal to be built before the river. Commissioner Luiken replied that it was a terrain issue. He believed that the south side of the Katzihin did not allow for a practical location for a ferry terminal.

Commissioner Luiken addressed slide 7, "Alternative 3." stated that the alternative was not much different than 2B, except that the road was on the west side of the Lynn Canal extending to Haines. A ferry terminal would then be built in Saw Mill Cove in Berners Bay, and another terminal in William Henry Bay.

Commissioner Luiken stated that the next four alternatives were a variation of fast ferries and main line ferries, or the Alaska class ferries and main line ferries either between Auke Bay, Haines, and Skagway; or between Saw Mill Cove, Haines, and Skagway.

Commissioner Luiken discussed slide 8, "Alternative 4A." He stated that this alternative was the fast ferry option between Auke Bay, Haines, and Skagway.

Commissioner Luiken highlighted slide 9, "Alternative 4B, Summer and Winter." He stated that the southern terminus was Saw Mill Cove, so the fast ferries would be used to Haines and Skagway.

Commissioner Luiken addressed slide 10, "Alternative 4C." This option would run between Auke Bay, Haines, and Skagway with the Alaska class ferries.

Commissioner Luiken discussed slide 11, "Alternative 4D, Summer and Winter." This option would use the Alaska class ferries between Saw Mill Cove, Haines, and Skagway.

Commissioner Luiken looked at slide 12, "Cost Factors." He shared that the chart showed the initial construction costs, total project life costs, estimated net annual state GF maintenance and operation, state net cost per vehicle, total out-of-pocket user cost one way from Juneau to Skagway, and total out-of-pocket user costs one way from Juneau to Haines.

Co-Chair MacKinnon noted that the out-of-pocket costs were applied in the net portion of the state general fund, because the potential revenue was subtracted from fares against the operating costs. Commissioner Luiken agreed. He stressed that it was a net projected cost minus revenue.

Commissioner Luiken highlighted slide 13, "Project History":

- In 1992 the project was initiated
- In 1997 FHWA issued a Draft Environmental Impact Statement (EIS) for the project
- In 2000 Governor Knowles declared Alternative 2, an East Lynn Canal Highway, the State's preferred alternative but suspended work on the project and ordered construction of 2 fast vehicle ferries
- In 2002 Governor Murkowski directed that the EIS be completed

- A Supplemental Draft EIS was released in 2005, with a Final EIS in January 2006 stating the East Lynn Canal Highway as the Preferred Alternative

- A Record of Decision (ROD) was issued by FHWA in April 2006.

- In August 2006 a lawsuit was filed in District Court

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Commissioner Luiken addressed slide 14, "Project History, Continued":

- In February 2009 the District Court ruled on one count and vacated FHWA's ROD concluding that FHWA failed to consider an alternative for improved ferry service using existing ferries and terminals.

- DOTandPF appealed to the U.S. Court of Appeals for the 9th Circuit in May 2011. The three judge panel ruled 2-1 to uphold the District Court decision.

- As a result the DOTandPF and FHWA initiated preparation of a Supplemental EIS in January 2012.

- Public review and comment period of Draft Supplemental EIS closed November 25, 2014.

- DOT/PF Corps of Engineers (COE) 404/Section 10 permit application public/agency review closed January 31, 2015.

Commissioner Luiken looked at slide 15, "Draft Supplemental EIS":

Assess:

Court mandated new alternative that improves marine ferry service in Lynn Canal using existing AMHS assets, identified as Alternative 1B

Updates the 2006 Final EIS:

Reassessing the reasonable alternatives, including

- Any changes to regulations
- Updated analysis
- Alternative revisions necessary to address new environmental and engineering information available since the 2006 ROD

Commissioner Luiken addressed slide 16, "Current Project Status."

Sufficient funds are encumbered to complete the Final EIS/ROD (estimated cost of \$800,000)

Administrative Order No. 271

-Administration is currently reviewing Juneau Access Project status

-Project staff are reviewing comments received on the Draft Supplemental EIS

Co-Chair MacKinnon felt that, based on cost, the appropriate alternative, 2B, was already selected by the state. Commissioner Luiken agreed. He stated that 2B was selected because of the lower cost.

Co-Chair MacKinnon wondered if there would be a discussion regarding the other factors that an EIS may consider in choosing a preferred route, in addition to cost. Commissioner Luiken agreed to provide that information.

Co-Chair MacKinnon queried other factors that may contribute to the selection outside of cost, and the magnitude that criteria may be used in the decision. Commissioner Luiken deferred to Mr. Hogins.

[9:25:36 AM](#)

GARY HOGINS, MANAGER, JUNEAU ACCESS PROJECT, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, explained that the evaluations of the alternatives took into account the purpose and needs; and the EIS. He shared that the EIS evaluated the socioeconomic and natural environment of all alternatives. The EIS was weighed against the purpose and need, and the preferred alternative was determined by that comparison. He stated that there was a draft preferred

alternative, but required an assessment of all of the comments. The evaluation of the extensive comments and fiscal picture of the state fiscal situation would be determined before the final draft alternative.

Senator Hoffman wondered if the administration was mandated to conduct the assessment, or was the legislature included in the mandate. Mr. Hogins asked for a restatement of the question.

Senator Hoffman noted that the court mandated an assessment of the review of the access alternatives for the project. He wondered if the mandate was strictly for the administration, or did the mandate include the legislature. Commissioner Luiken responded that the court order was mandated to the Federal Highway Administration.

Senator Hoffman asked if the mandate was met by the Federal Highway Administration, and whether there was a requirement for the state to review the mandate. Commissioner Luiken responded that the mandate was complete when the Federal Highway Administration issued a record of decision on the supplemental EIS. He furthered that the interim would allow for a review of the supplemental EIS, and allow individuals to comment on the results of the draft supplemental EIS.

Senator Olson recalled that the 2006 lawsuit was against the Federal Highway Administration, and the state was not the defendant. Commissioner Luiken agreed.

Co-Chair Kelly asked for a restatement of Senator Olson's comment.

Senator Olson wanted to ensure that any entity in the state was not named as a defendant in the 2006 lawsuit.

Co-Chair MacKinnon asked for a restatement of the answer to Senator Olson's comment. Commissioner Luiken replied that he agreed with Senator Olson's comment.

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Vice-Chair Micciche looked at Alternative 3, with the bridge from Pyramid Harbor to Pyramid Island. He wondered if crossing the east fork of Chilkoot Inlet was an option that was removed because of environmental concerns. He felt that there would be reduced costs. He remarked that the

long-term operating costs would be dramatically reduced with the absence of a ferry requirement. Commissioner Luiken wondered if Vice-Chair Micciche was commented on continuing north from the current 2B terminus to Skagway.

Vice-Chair Micciche wondered if there was a potential for a crossing before the river that would allow for a road-to-road option. He felt that the ultimate goal should be the elimination of the requirement for any ferry service. Commissioner Luiken agreed that long-term costs would be significantly less with a road-to-road option. He stressed that the EIS made it difficult to determine a road-to-road option a valid alternative.

Vice-Chair Micciche surmised that the environmental impact of crossing the west fork of the Chilkat Inlet was environmentally possible, but the east fork was not environmentally possible.

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AT EASE

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RECONVENED

[9:35:20 AM](#)

Co-Chair MacKinnon looked at Alternative 2B. She asked Vice-Chair Micciche to point to his specific concern on the map.

Vice-Chair Micciche remarked that many people are concerned about why there was not a road-to-road option. He noted that Alternative 2B provided a crossing. He queried the possibility that would allow for a road-to-road option. Commissioner Luiken responded that building the bridge on the west side would be a lesser undertaking, because it was primarily mud flats. Building a bridge across the east channel would be very significant to the point of probably a pontoon bridge, which probably would not be a viable option.

Vice-Chair Micciche remarked that the Lake Union Bridge in Seattle was a pontoon bridge used by very heavy traffic. He felt that Juneau should be connected to the road system at some point.

Co-Chair MacKinnon remarked that Lynn Canal had very heavy winds, so the alternatives must be safe options.

Commissioner Luiken highlighted slide 17, "Current Project Schedule":

- Final EIS/ROD: Early 2016
- Request for injunction relief: Follows Final EIS/ROD
- Corps of Engineers Permit: Follows injunction relief
- Forest Service easement: Follow injunction relief
- First construction contract: As early as FY16 (providing no legal challenge)

Co-Chair MacKinnon remarked that there was a concern that the budget of \$3.7 billion short. She noted that there were GF moneys available to complete the EIS. Commissioner Luiken agreed.

Co-Chair MacKinnon wondered how many national highways were recognized in the state. Commissioner Luiken replied that he believed that there were 9 major highways that were recognized in the National Highway System. He announced that the marine highway system was considered part of the National Highway System.

Co-Chair MacKinnon asked if that was a new recognition. Commissioner Luiken replied in the affirmative.

Co-Chair MacKinnon understood that the Juneau Access Project would use national highway dollars. She stated that part of the federal allocation each year would be used to advance the project. Commissioner Luiken agreed.

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Co-Chair MacKinnon wanted to understand the maintenance requirements for the national highway roads in Alaska. She wondered if the federal funds could be used for maintenance on those roads. Commissioner Luiken remarked that the federal funds were primarily for capital projects. The funds were not used for maintenance and operations.

Co-Chair MacKinnon wondered how the marine highways became national highways. Commissioner Luiken replied that they were recognized with part of the current federal highways bill, Map 21, passed in 2012.

Co-Chair MacKinnon wondered if federal highways funds could be used for ferry replacement. Commissioner Luiken replied in the affirmative.

Senator Olson wondered how Juneau Access Road would affect the entire state. Commissioner Luiken replied that it would increase the cost to maintain and operate the section of highway. It would also, reduce the cost to maintain and operate that portion of the ferry system. The intention was to run a day boat rather than a main line ferry.

Senator Olson surmised that the road would cause an increase in operation and maintenance costs. Commissioner Luiken agreed. He remarked that adding capacity to the road system adds to the operations and maintenance costs.

Senator Olson noted that there was a \$5 million request for completion of the highway. He wondered if there was still another \$300 million to complete the project. Commissioner Luiken responded that the \$9 million was GF, and would bring the total GF money appropriated for the project to \$57 million. That total money could be used as match for the total project of \$574 million. The \$220 million mentioned was authorization to spend federal receipts on the project.

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Senator Dunleavy wondered if a toll concept was considered for the road. Commissioner Luiken replied in the negative.

Senator Dunleavy asked if a toll could be considered for the road. Commissioner Luiken responded that a toll was an option for any of the state highway systems.

Senator Dunleavy felt that a toll should be considered, given the current fiscal climate. He wondered what if the money needed to be paid back, if the money could shift to other projects, or if the money could be held for a year, if the project does not move forward. Commissioner Luiken responded that the funds were encumbered to bring the project to a record of decision. At that point, the state did not go forward immediately on the project. The Knik Arm crossing already had a record of decision, and the right-of-way portion of the project allowed for 20 years before initial construction.

Senator Dunleavy surmised that there was still time on the projects. Commissioner Luiken agreed.

Senator Dunleavy opined that the state would not be penalized or lose money while waiting a year to move forward on the projects. Commissioner Luiken responded that stopping the Juneau Access Project, without a record of decision, could cause the state to be liable for up to \$26 million. He furthered that the state did not have to spend money beyond the record of decision.

Senator Dunleavy surmised that the state would only "possibly" be required to return the \$26 million to the federal government. Commissioner Luiken replied that the Federal Highways administrator had verbally communicated that stopping the project completely would cause the state to return the \$26 million to the federal government.

Senator Dunleavy wondered if there was a difference between "stop" and "delay." Commissioner Luiken replied that the state could complete the record of decision, and then there was 10 years before the next step must be taken.

Senator Dunleavy remarked that the state did not currently have more funding for the project. He queried the absolute repercussions for not funding the projects in the current budget. Commissioner Luiken agreed to provide that information.

Co-Chair Kelly wondered how much GF money was required for the record of decision. Commissioner Luiken responded that \$800,000 was already encumbered.

[9:48:50 AM](#)

Co-Chair MacKinnon supported the completion of the process to avoiding paying back the federal government, and to ensure that there was 10 years to examine the project. She surmised that the money was already available for that option. Commissioner Luiken agreed. He remarked that the \$800,000 was federal aid money. He stressed that the record of decision did not require any additional state funds.

Co-Chair MacKinnon reiterated her support of reaching the record of decision.

Vice-Chair Micciche wondered if obtaining a record of decision would require additional state spending above the \$26 million. Commissioner Luiken replied that it depended on the record of decision.

Vice-Chair Micciche wondered if there was any scenario that would allow for payback of less money rather than following through with a record of decision. Commissioner Luiken agreed to provide that information.

Co-Chair Kelly surmised that the state did not need to pay any more money to reach the record of decision. He queried the amount of money in GF to make the road happen, if there was a record of decision for Alternative 2B. Commissioner Luiken looked at the slide titled, "Cost Factors." He noted that the construction cost for 2B was \$574 million for construction. He stated that 10 percent of the \$574 million was state match funds. There was already \$48 million in GF already appropriated for the project, so there was roughly \$9.4 million of GF to meet the match requirement for the construction costs.

Co-Chair Kelly surmised that there was only \$9 million remaining for the state. Commissioner Luiken responded that the \$9 million would get to construction.

Co-Chair Kelly queried the remaining funds from current time until cars would operate on the road. Commissioner Luiken replied that the total was \$574 million.

Co-Chair Kelly queried the remaining GF funds required to get cars on the road. Co-Chair MacKinnon further surmised that there was 10 percent remaining, depending on the cost estimates. Commissioner Luiken replied that \$574 million was the DOT/PF estimate of the total cost.

Co-Chair Kelly wondered approximately how much more GF money was required from the current moment until cars could operate on the road. Mr. Hogins replied that there was \$48 million in hand. The ratio required another \$52 million, so the balance would be \$4 million.

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Co-Chair Kelly wondered approximately how much more GF money was required from the current moment until cars could

operate on the road. Mr. Hogins replied that 10 percent of the \$574 million would be approximately \$52 million. The balance would be \$4 million.

Co-Chair Kelly asserted that the state would be required to pay an additional \$4 million in GF. Mr. Hogins agreed. He stated that the construction would be phased over six to eight years.

Co-Chair MacKinnon remarked that the project would be substantially by the federal government. The state already appropriated most of the money for the project. She remarked that the numbers would be refined over time, so the state would be responsible for that difference. Commissioner Luiken agreed.

Vice-Chair Micciche stated that the project would spend a half a billion dollars for a shorter ferry ride. He wanted to understand how and why the administration would support that project. Commissioner Luiken replied that he was focused on the current preferred alternative. He stressed that the administration had not made a decision on a preferred alternative beyond the draft.

Co-Chair MacKinnon stressed that the issue had passionate opinions on both sides of the issue. She understood that many people wanted to protect the environment. She furthered that the legislature wanted to protect the GF dollars, and how the federal and state resources were utilized.

Senator Dunleavy wondered if unused federal road money for the project could be shifted other road projects in the state. Co-Chair MacKinnon responded that the money would go through a reappropriation process, and the federal government would amend the state plan.

^PRESENTATION: AMBLER ROAD

[9:58:54 AM](#)

MARK DAVIS, CHIEF INFRASTRUCTURE DEVELOPMENT OFFICER, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA) (via teleconference), introduced himself.

[9:59:06 AM](#)

AT EASE

10:00:00 AM

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Mr. Davis looked at the document titled, "Alaska Industrial Development and Export Authority (AIDEA) Ambler Mining District Industrial Access Road (AMDIAR) EIS Project" (copy on file).

AIDEA's Ambler Mining District Industrial Access Road (AMDIAR) Environmental Impact Statement Project was designed to obtain a permit for the construction of transportation access to the Ambler Mining District. The State selected lands in the Ambler Mining District for their mineral resource value and negotiated for access across Gates of the Arctic National Preserve as part of the Alaska National Interest Lands Conservation Act which states that "the Secretary [of Interior] shall permit such access..." (ANILCA Sec. 201(4)(b))

Status under Administrative Order 271

- AIDEA was in the process of filing for an EIS when the Governor issued Order 271.
 - At present, the project is on hold.
 - Consistent with the Order, AIDEA has taken steps to preserve the environmental base line data that has been collected since 2010--first by DOT/PF and, since the middle of 2013, by AIDEA.
- What has been Spent
- To date, DOTandPF spent \$9.25 million on the EIS project.
 - AIDEA has spent another \$7.3 million with another \$1.7 million committed.
 - AIDEA has approximately \$8 million remaining.
 - If AIDEA does not file for an EIS, it could return between \$7 million to \$8 million to the Treasury.
 - If a decision was made to continue with the EIS, AIDEA would need \$6.8 million in additional funds to reach a Record of Decision stage on the EIS.
 - If the EIS were filed for in the current fiscal year, then additional funding would probably be needed in Fiscal year 2017.

- An EIS is needed before any project of this type can be planned or financed.
- An EIS would identify the potential benefits and environmental effects of the project and solicit comments from a variety of decision makers (the State, AIDEA, federal agencies, local communities, and private landowners) as to whether the road should be built. This would include an analysis of a "no build" alternative.

Financing Model for AMDIR After an EIS

- If an EIS was obtained, AIDEA is proposing to develop AMDIAR using a Public-Private Partnership (P3) model. No general funds would be sought for financing the road.
- AIDEA had proposed to complete the environmental review of AMDIAR with the federal agencies (develop the Environmental Impact Statement), and then work to develop a P3 entity to develop and operate the road.
- AIDEA's model is the Delong Mountain Transportation System (DMTS) the industrial road and port that support the Red Dog Mine.
- AIDEA proposes to initially construct a seasonal pioneer road that would provide needed access for exploration and development while minimizing costs of construction and maintenance. The pioneer road costs is currently estimated at \$234 million. The road would be upgraded to a year-round road only if and when the level of activity in the District is sufficient to support the additional cost.
- By statute, AIDEA would have to make a return on its investment on an industrial road.

Senator Olson wondered why the EIS process had not started. He recalled that there was an appropriation of \$8.5 million in FY 14, and another \$8 million was appropriated in FY 15 for the EIS process. Mr. Davis replied that there was a draft notice to file the EIS, and it was delivered to the Corps of Engineers. The governor delivered the administrative order at the exact moment the EIS would have occurred.

Senator Olson asked why the EIS was not begun before the administrative order. Mr. Davis replied that the field studies needed to be complete before filing for the EIS.

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Senator Olson wondered if the field study was made public. Mr. Davis replied in the affirmative.

Senator Olson queried the date of the beginning of the EIS. Mr. Davis responded that the EIS would begin, if they received permission to move forward. He remarked that there was an additional \$6.8 million to reach the record of decision. Approximately \$10 million would be paid for a third party contractor for the Corps of Engineers. He stressed that it was a necessary process of an EIS.

Senator Olson expressed frustration related to why the EIS was not started, in spite of the over \$16 million appropriation.

Senator Bishop surmised that there was a contract with the National Park Service to conduct the caribous study. Mr. Davis replied in the affirmative.

Senator Bishop recalled that the National Park Service stated that there would be no impact on the caribou herd from the road construction. Mr. Davis responded that there would be limited impact on the caribou herd.

^PRESENTATION: KNIK ARM BRIDGE AND TOLL AUTHORITY (KABATA)

[10:09:03 AM](#)

JUDY DOUGHERTY, EXECUTIVE DIRECTOR, KNIK ARM BRIDGE AND TOLL AUTHORITY, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, "Alaska Department of Transportation and Public Facilities, KABATA" (copy on file).

Ms. Dougherty looked at slide 2, "Overview":

Public Finance Plan Review

- Flow of Funds Project Development Activities
- Environmental
- Right of Way
- Utilities

- New Socioeconomic Study
- New Traffic and Toll Revenue Study
- FHWA Major Project Requirements
- TIFIA

Ms. Dougherty addressed slide 3, "Public Finance Plan":

Construction Funding

\$345M TIFIA Loan

\$275 State Bonds (dependent on TIFIA loan)

\$300 Statewide Transportation Improvement Program (STIP)

\$73 M previously appropriated

Ms. Dougherty highlighted slide 4, "'Waterfall' Flow of Funds."

Toll Revenues

Operation and Maintenance

TIFIA Debt Service

TIFIA Reserve Requirements

Bond Debt Service

Surplus Revenue

Ms. Dougherty highlighted slide 5, "Project Development."

Environmental/Permitting

- 2010 Record of Decision/challenge period is over
- All major permit applications submitted

Right of Way

- 86 percent of ROW is purchased
- All privately owned parcels purchased, remaining are ARRC, JBER, MOA and UA lands

Utilities

- Water and sewer relocation coordination

Senator Dunleavy queried the cost to purchase railroad property. Ms. Dougherty responded that the purchase cost was approximately \$2 million.

Co-Chair MacKinnon wondered when the legislature could expect any information regarding the impact on the beluga whales. Ms. Dougherty replied that the permit application was submitted in 2010, and the previous governor had written letters on the issue. She furthered that there was some statutory limits on permit application decisions. She stated that there was an intent to have a decision in early 2015. She had recently received a letter that stated that they were coordinating with the Federal Highway Administration on that decision.

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Co-Chair MacKinnon noted that it would have taken 5 years to receive one permit. She queried the timeline on the 404 permit. Ms. Dougherty replied that that the Corps of Engineers had completed their work. She furthered that every permitting agency was required to do their own National Environmental Policy Act (NEPA), so the Corps of Engineers had anticipated a favorable decision, except they were waiting for an Incidental Take Statement (ITS).

Co-Chair MacKinnon wondered if "NEPA" was National Environmental Protection Act. Ms. Dougherty replied in the affirmative. She explained that the Federal Highway Administration oversaw NEPA, and every other federal agency conducted their own NEPA. She stated that the Section 7, regarding endangered species to be complete until the National Marine Fisheries Service (NIMFS) was complete.

Co-Chair MacKinnon queried the definition of "NIMFS." Ms. Dougherty replied that NIMFS stood for the National Marine Fisheries Service. She explained that there were two branches of NIMFS.

Senator Bishop queried the cost of the dredge fill placement. Ms. Dougherty replied that there was typically a payment in fee in lieu for fill in wetlands. In this particular case, there was not a proper credit to pay fee

in lieu. The anticipated cost was approximately \$25 million.

Senator Olson queried how much of the current right-of-way was taken by Eminent Domain. Ms. Dougherty replied that none of the current right-of-way property was purchased through Eminent Domain.

Ms. Dougherty looked at slide 6, "Project Development, cont."

New Socioeconomic Study

Key Considerations include:

- MSB 2060 Futures Project
- MSB Density Build Out Study
- AMATS Anchorage Transportation System Plan Update
- 2011 Municipality of Anchorage Housing Market Analysis
- 2012 Municipality of Anchorage Commercial Lands Study
- 2014 Municipality of Anchorage Industrial Lands Study Update (in progress)

Ms. Dougherty highlighted slide 7, "Project Development, cont.":

New Traffic and Toll Revenue Study

- Uses New Socioeconomic Data
- Additional Traffic Studies
- More Robust Analysis
- Sensitivity Testing

Draft Tolling Operations Plan

- Toll Collection Plan
- Customer Service Plan
- Violation Enforcement Plan

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Ms. Dougherty highlighted slide 8, "Project Development, cont.":

FHWA Major Project Requirements

- FHWA Cost Estimate Review
- Draft Project Management Plan
- Financial Plan

TIFIA

- KAC will now meet eligibility requirements
- Current interest rate is 2.67 percent (1.68 percent blended)
- \$19B in Lending Capacity still available

[10:24:46 AM](#)

Senator Bishop queried the difference between the phrases "now meet eligibility requirements" and "should meet eligibility requirements." Ms. Dougherty required that the project was waiting on legislation. She remarked that the TIFIA website had listed all the submitted projects, and identified what was missing for eligibility. She believed that the legislation was still necessary for the bonds, but until TIFIA had a new letter of interest it was unknown if the eligibility test would be positive.

Co-Chair MacKinnon wondered if the letter had been submitted. Ms. Dougherty replied in the negative.

Co-Chair MacKinnon asked why the letter had not been submitted. She wondered if the delay was due to the administrative order or for other reasons. Ms. Dougherty replied that when the project moved from KABATA to DOT/PF, and DOR was involved with the bond sales, both DOT/PF and DOR wanted to ensure that the financing plan was successful. She stated that TIFIA was not immediately submitted. The project met with DOR and DOT/PF leadership in the summer and fall, and presented all back up documentation that TIFIA and other rating agencies expected. The documentation and plan were tightened, and she felt that the letter could be submitted. She said that the project was waiting for the administration to allow the letter to be submitted.

Ms. Dougherty addressed slide 9, "Projected Toll Revenue and Costs." She stated that the graph was a product of the traffic and revenue study, and it assumed a design and construction start in late 2016. The delay of the project

would cause the axis to shift, and the numbers would be slightly different.

10:29:02 AM

Ms. Dougherty discussed slide 10, "Sensitivity Tests." She stressed that the sensitivity testing was important in ensuring the receipt of the TIFIA loan. She shared that sensitivity testing was conducted on the seven key variables that were designed to answer the possibilities in the assumptions.

Ms. Dougherty looked at slide 11, "Effect of Sensitivities on Revenue." She noted that there were 5 percent, 25 percent, 75 percent, and 95 percent lines. She explained that the lines represented the percentage of probability that the revenue would be less than the representation in the line.

Ms. Dougherty highlighted slide 12, "TIFIA Process":

Submit Letter of Interest

- Eligibility review (1-2 month)

Eligibility Approved

- Submit \$100,000 Credit

Worthiness/Risk Assessment (3-4 months)

- Rating opinions
- Oral presentations

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Invitation to Apply

- Submit Application
- Application Completeness Review (30 days)

Advance to Credit Council (60 days)

- Approval/Denial

Approval = Obligation of Budget Authority (total of 7 to 9 months)

Another 6-8 months to close the loan = lock in interest rate

Ms. Dougherty addressed slide 13, "Preparing for Opening":

Other Considerations

- Schedule for toll rate increases
- Other fees and fines
- Commercial accounts
- Rental car companies
- Customer care issues
- Privacy issues
- Enforcement issues

[10:33:44 AM](#)

Senator Bishop wondered if there was an examination of best practices of other toll authorities in the country. Ms. Dougherty replied in the affirmative. She furthered that there also some conversations with the Division of Motor Vehicles (DMV) who faced some similar issues. She stated that there was a possibility to partner with DMV, to ensure no duplication of efforts.

Co-Chair MacKinnon wondered what would occur if the project were delayed a year. Ms. Dougherty replied that it depended on which phase would be delayed.

Co-Chair MacKinnon remarked that the state was in a waiting pattern for the federal government to act, and the administration was also determining whether the project worthy of moving forward. Ms. Dougherty agreed.

Co-Chair MacKinnon wondered if waiting would possibly eliminate a probability for the project to access the \$19 million. Ms. Dougherty responded that waiting may risk the financial plan completely falling apart. The only leg of the financial plan that grows with inflation was the TIFIA loan. The other two pieces were fixed dollar amounts.

Senator Dunleavy remarked that the state was in a deflationary period, because of the lower cost of oil. He wondered if the deflation was ever considered in the inflation calculations. Ms. Dougherty replied that the calculation was based on a 2.5 percent inflation estimate.

She furthered that construction estimates were difficult to determine in a deflationary period.

Senator Bishop queried the number of projects in the queue for TIFIA loans. Ms. Dougherty replied that she believed that there were approximately 10 to 20 projects.

Co-Chair MacKinnon wondered how long the KNIK Arm Crossing was on the books. Ms. Dougherty replied that the KNIK Arm Crossing was on the books since 2003. She stated that there was some initial planning work conducted by DOT/PF, and KABATA was created in 2006.

Co-Chair MacKinnon announced that no additional GF money was needed to advance the project. Ms. Dougherty agreed. She furthered that there was an anticipated state match for the capital budget in FY 16. She remarked that the bond proceeds may be anticipated for a state match.

10:37:52 AM

Co-Chair MacKinnon wondered if the TIFIA process would reveal whether the project's revenue stream and funding proposition was adequate to move the project forward. Ms. Dougherty agreed. She furthered that it was important for the state to demonstrate support for the project during the TIFIA project, otherwise the federal agencies were less likely to participate.

Co-Chair MacKinnon remarked that the legislature had passed a bill to support the financing of the project. She supported the project, because TIFIA would discredit the argument over traffic count. There would be an additional analysis, to evaluate without the personal connection to different issues along the corridor. Ms. Dougherty announced that there had been discussion of a Knik Arm Crossing as early as 1923. There was documentation about a possible railroad.

Co-Chair MacKinnon wondered if a Knik Arm Crossing would benefit the AKLNG project. Ms. Dougherty responded in the affirmative, because the port to port connections were positive for the AKLNG project.

Senator Dunleavy looked at a memo that stated that "all environmental permit applications from 2010 to 2013, with

free permits outstanding." He wondered if that was still the case. Ms. Dougherty agreed.

Co-Chair MacKinnon wondered if the memo Senator Dunleavy was referencing was available to the public.

[10:40:44 AM](#)

AT EASE

[10:41:37 AM](#)

RECONVENED

[10:41:51 AM](#)

Co-Chair MacKinnon discussed housekeeping.

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ADJOURNMENT

[10:42:16 AM](#)

The meeting was adjourned at 10:42 a.m.