

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

February 27, 2018

1:31 p.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Senator Anna MacKinnon
Senator Click Bishop
Senator David Wilson
Senator Dennis Egan

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

OVERVIEW: Alaska Department of Transportation and Public Facilities Southcoast Region Project Update

- HEARD

WITNESS REGISTER

LANCE MEARIG, Director-Southcoast Region
Alaska Department of Transportation and Public Facilities
Juneau, Alaska

POSITION STATEMENT: Provided an overview of transportation projects in the Southcoast Region.

ACTION NARRATIVE

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CHAIR BERT STEDMAN called the Senate Transportation Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Wilson, Bishop, MacKinnon, Eagan, and Chair Stedman.

OVERVIEW: ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES SOUTHCOAST REGION PROJECT UPDATE

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CHAIR STEDMAN announced that the committee will hear a presentation from the Alaska Department of Transportation and Public Facilities (DOT&PF) on transportation projects in the Southcoast Region as well as the questions the committee posed to the department in previous hearings.

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LANCE MEARIG, Director, Southcoast Region, Alaska Department of Transportation and Public Facilities, Juneau, Alaska, addressed slide 2 in the presentation that addressed the following topics:

- Response to committee questions.
- 2018 construction season.
- 2017 accomplishments.
- Marine Design Group.

He addressed DOT&PF responses to committee questions and referenced slide 3, Statewide Overview: New Centerline Miles Added 2006 to Present, and referenced as follows:

- 85 new centerline (CL) miles of road added, 2006-2018.
- 38 CL miles in Northern Region.
- 13 CL miles in Central Region.
- 35 CL miles in Southcoast Region.

He disclosed that the data reflects added CL miles in the Southcoast Region due to a DOT&PF regional boundary shift where a new road constructed in Southwest Alaska was noted in the Southcoast Region rather than the Central Region.

He addressed slide 4, Statewide Overview: New Centerline Miles Added 2006 to Present, and referenced as follows:

- Central Region (2008): Elmore Drive, Tudor and 68th, Anchorage, 1.3 miles.
- Central Region (2013): Trunk Road Extension, Mat-Su, 8.9 miles.
- Central Region (2014): West Dowling Extension, Anchorage, 1.0 mile.
- Central Region (2015): Aleknagik Road, 1.0 mile.
- Central Region (2017): 92nd Avenue Connector, Anchorage, 0.3 mile.
- Central Region (2017): Seward Highway: Lore Extension, Anchorage, 0.3 mile.

- Northern Region (2006): Glacier Creek Road, Nome, 3.0 miles.
- Northern Region (2016): Tanana Road, 35.0 miles.
- Southcoast Region (2007): King Cove Road, 12.0 miles.
- Southcoast Region (2009): Gravina Island Highway, Ketchikan, 3.4 miles.
- Southcoast Region (2012): Akutan Airport Access Road, 0.5 mile.
- Southcoast Region (2013): Glacier Highway Extension/Cascade Point Road, Juneau, 2.8 miles.
- Southcoast Region (2017): Vallenar Bay Road, Ketchikan, 8.5 miles.
- Southcoast Region (2018): Shelter Cove Road, Ketchikan, 7.3 miles.

CHAIR STEDMAN explained that the Vallenar Bay Road and Shelter Cove Road projects were roads to resources. He added that the Gravina Island Highway project is the road to the bridge terminus. He asked Mr. Mearig to provide additional information on the King Cove Road project.

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MR. MEARIG detailed that road from King Cove to Cold Bay was partially constructed up to the refuge boundary in two phases. He noted that slide 5 calls attention to the King Cove project.

He addressed slide 5, Southcoast Region: Employee Spotlight: King Cove/Cold Bay Reconnaissance Team, Southcoast Region Outstanding Team 2017, and referenced as follows:

- Field work in extreme conditions;
- Mitch McDonald, Martin Larsen, Greg Lockwood (Juneau), Paul Schaack (Juneau), Russell Ruta (Cold Bay), David Lyons (Cold Bay), and Harold Kremer (Cold Bay).

He disclosed that the reconnaissance team is currently doing King Cove area fieldwork in the Izembek National Wildlife Refuge to make the connection from King Cove to Cold Bay.

SENATOR WILSON asked if the new road in King Cove goes to the hovercraft station.

MR. MEARIG answered yes.

CHAIR STEDMAN asked if new CL miles are targeted in future projects.

MR. MEARIG replied that he will get back to the committee on future statewide projects. He noted that the Southcoast region has a project in Sitka for Katlian Bay Road with the hope to have permits ready for the project's bid for the coming summer. He said the Northern Region has started the environmental phase for an emergency access road for relocation project in Kivalina.

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CHAIR STEDMAN asked DOT&PF to come back to the committee with a chart to show what is expected in new CL miles for further expansion of the state's transportation system.

MR. MEARIG addressed slide 6: Statewide Overview: Results Based Alignment (RBA), Design/Construction Costs at Award, and detailed as follows:

- "Preserve" projects:
 - FY2016:
 - Northern Region: 17 percent.
 - Central Region: 9 percent.
 - Southcoast Region: 7 percent.
 - FY2017:
 - Northern Region: 11 percent.
 - Central Region: 9 percent.
 - Southcoast Region: 24 percent.
- "Modernize" projects:
 - FY2016:
 - Northern Region: 26 percent.
 - Central Region: 15 percent.
 - Southcoast Region: 11 percent.
 - FY2017:
 - Northern Region: 20 percent.
 - Central Region: 17 percent.
 - Southcoast Region: 17 percent.

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He addressed slide 7: Statewide Overview: Total Construction Contractor Payments and referenced a bar-graph chart for FY2001 through FY2017.

CHAIR STEDMAN said he was surprised to see the contractor payment levels for FY2014 through FY2017 to be equal to or above payments from FY2001 through FY2013. He asked Mr. Mearing to interpret the chart.

MR. MEARIG explained that the increased construction was attributed to additional federal funding and bond projects. He said the spike in FY2015 and FY2016 was due to a timing of projects that were in development.

CHAIR STEDMAN remarked that construction will probably adjust back down to the FY2012 era of less than \$500 million unless the state gets into a gas-line project.

MR. MEARIG replied that DOT&PF has kept its contractors busy with projects from federal programs in the \$500 million range.

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SENATOR EGAN asked if the added construction funding was due to U.S. Representative Young.

MR. MEARIG answered correct. He added that the last two highway bills provided increases to the state as well.

SENATOR MACKINNON noted that over \$1 billion has been spent per year over the past 3 years. She asked if spending is equal in the state's three regions.

MR. MEARIG replied that Southcoast is the smallest region where the Northern and Central regions have similar spending levels that are higher. He disclosed that the Southcoast Region spent approximately \$100 million out of over \$800 million spent statewide.

SENATOR MACKINNON asked Mr. Mearig if the three regions have paid the contractors on a timely basis.

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CHAIR STEDMAN said Mr. Mearig's expertise lies in the Southcoast Region and asked DOT&PF to provide a breakdown in a future meeting on regional accounts payables.

SENATOR MACKINNON specified that her interest lies in an update on accounts payable, money that is still owed to contractors, not what has already been paid.

SENATOR EGAN asked if any of the payments that Mr. Mearig showed includes the Alaska Marine Highway System (AMHS).

CHAIR STEDMAN asked DOT&PF to return with an update on AMHS spending. He noted that AMHS receives a standard annual appropriation for maintenance and terminals.

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MR. MEARIG addressed slide 8: Southcoast Region: Results Based Alignment (RBA) for CIP dollars to contracting versus in house, and referenced as follows:

- Contractor payments: \$106.6 million,
- Consultant payments: \$20.5 million,
- In-house design costs: \$7.9 million,
- In-house construction costs: \$7.0 million.

He addressed slide 9: Southcoast Region Overview:

- 96 communities,
- 12 boroughs,
- 50+ city governments,
- 47 Alaska native tribes.

He pointed out that the Southcoast Region's boundaries now includes much of Southwest Alaska.

He addressed slide 10: Southcoast Region: 2018 Construction Projects, and detail as follows:

- 32 Southcoast Region projects,
- 6 projects continuing into second year of construction,
- 5 new projects already bid,
- 21 new projects funded and will be ready to bid in time for 2018 construction season.

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CHAIR STEDMAN pointed out that Mr. Mearig listed Sitka Airport's perimeter fencing upgrades. He asked DOT&PF to brief the committee on the Sitka project and noted that a lot of material has piled up in the airport area. He disclosed that the Sitka Airport will fill an area next to the causeway to support more room for hangars and support services.

SENATOR EGAN addressed the Egan Highway project in Juneau, from 10th Street to downtown. He asked if DOT&PF has a plan to redirect traffic in the height of the tourist season.

MR. MEARIG explained that the project Senator Egan referenced has not been bid, DOT&PF is still in the process of developing a plan, securing right-of-way, working with the city of Juneau and landowners.

SENATOR EGAN pointed out that DOT&PF will have to work with the Mental Health Lands Trust as well.

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CHAIR STEDMAN asked for Mr. Mearig to provide a brief synopsis on the two ferry terminals that possibly must compensate back to the federal government: South Mitkof Ferry Terminal, Petersburg; Coffman Cove Ferry Terminal, Coffman Cove.

MR. MEARIG said he will get back to the committee because AMHS is addressing the two ferry terminals.

CHAIR STEDMAN asked DOT&PF to get back to the committee with an update. He explained that ridership for the ferry terminals did not materialize.

MR. MEARIG addressed slide 14: Southcoast Region: 2018 Construction-Airports: Haines Airport Drainage Improvements and Pavement Rehabilitation. He explained that the \$10 million project is underway and will be finished the summer of 2018.

He addressed slide 15: Southcoast Region: 2018 Construction-Bridges: Skagway-Replace Captain William Henry Moore Creek Bridge on the Klondike Highway. He detailed that the project is in its second year of construction and costs approximately \$19 million. He noted that the project is filling the canyon with roller-compacted concrete.

CHAIR STEDMAN asked who the contractor is for the project.

MR. MEARIG answered Hamilton Construction.

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He addressed slide 17: Southcoast Region: 2018 Construction-Highways: Juneau-Glacier Highway, Fritz Cove Road to Seaview Drive. He explained that the project maintained an existing culvert to continue its use for fish passage into Auke Bay and to avoid added cost. He said the project cost is \$14 million and SECON is the contractor.

CHAIR STEDMAN commended DOT&PF for the work they have done on Glacier Highway.

SENATOR EGAN concurred with Chair Stedman.

MR. MEARIG addressed slide 18: Southcoast Region: 2018 Construction-Highways: Ketchikan-Front Mill Stedman Streets Reconstruction. He said the 2-year project is starting in 2018, construction cost is approximately \$10 million, and SECON is the contractor.

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He addressed slide 20: Southcoast Region: 2018 Construction-Docks: Haines-Ferry Terminal End Berth Facility. He explained that the dock project is for the new Alaska Class ferries. He disclosed that the dock project is in the \$20 million to \$30 million range. He added that the project has not been bid.

CHAIR STEDMAN asked if the Juneau ferry terminal will have to be reworked for the Alaska Class ferries.

MR. MEARIG replied that his understanding is just the Haines Ferry Terminal will have to be reworked. He specified that Juneau will use the Fairweather berth for the Alaska Class ferries.

He addressed slide 24: Southcoast Region: 2017 Construction Season:

- 39 active construction projects in 12 communities.
- Approximately \$200 million in active construction contracts.
- \$55 million in active design contracts.

He addressed slide 25: Southcoast Region: Accomplishments-Airports: Cold Bay Airport-Main and Crosswind Runway Improvements. He disclosed that the project was approximately \$13 million.

CHAIR STEDMAN asked Mr. Mearig to address the Southcoast Region's aggregate supply.

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MR. MEARIG explained about aggregate usage as follows:

We generally try to use material locally available as a most cost-effective means. On high traffic highways statewide, DOT&PF has a policy to use hard aggregate. Years ago, our first hard aggregate project on Egan

Drive used some material from Haines, that material did not quite meet our current specifications so when we did the overlay of Egan Drive in 2016, that aggregate came from the Tacoma, Washington area. In western Alaska it's really hard to come up with good material, so material can be imported from Anchorage and other locations that have good material, a lot of material for those projects does come in on a barge. Some areas of the state we are limited in our ability to get material out to the projects.

CHAIR STEDMAN said he was concerned with sourcing out-of-state aggregate and voice his interest in sourcing aggregate within Alaska to, "Keep the dollars in the state." He asked if contractors get pre-approval for their source-rocks prior to bidding.

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MR. MEARIG explained that the department provides a materials quality specification for the bid process. He noted that the department used to specify material sources that resulted in increased risk for the state, higher project costs, and the process did not guarantee the materials' quality that was hoped for.

CHAIR STEDMAN confirmed that contractors do their own analysis that the materials meet specification and then bid versus receiving specification pre-approval from DOT&PF.

MR. MEARIG answered correct.

SENATOR BISHOP asked if DOT&PF has a good working relationship with DNR in identifying materials sites.

MR. MEARIG answered yes. He noted that DOT&PF prefers to work with DNR to have sites primarily available for maintenance, not construction. He disclosed that the department is always pushing to protect its sources from the DNR making the sites available to developers.

CHAIR STEDMAN remarked that there seems to be a challenge to get hard-rock-quality sources in Alaska. He asked if DOT&PF has any suggestions for the legislature to assist the department in sourcing aggregate. He opined that Alaska should identify rock sources within the state rather than sourcing outside of Alaska.

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MR. MEARIG disclosed that the department's Statewide Materials Section did a study to identify potential sources of material around the state. He disclosed that Alaska has an instate hard-aggregate source in Cantwell. He noted that other sites were identified, but the sites are difficult to get to and develop. He said he did not know if the committee could help with instate aggregate sourcing.

CHAIR STEDMAN replied that the materials information could be provided to the committee for future economic planning. He emphasized that he does not like the state buying material from outside of Alaska.

MR. MEARIG addressed slide 26: Southcoast Region: Accomplishments-Bridges: Haines: Klehini River Bridge Replacement. He disclosed that the contractor for the \$6.5 million project was Southeast Road Builders.

He addressed slide 27: Southcoast Region: Accomplishments-Highways: Kake: Keku Road Rehabilitation, and detailed that the paving project required equipment and materials to be barged in.

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He addressed slide 30: Southcoast Region: Accomplishments-Docks: Chignik: Public Dock. He said the contractor for the \$9 million project was Pacific Pile and Marine. He noted that the Chignik dock won a 2017 "Best Project Award" from Engineering News-Record.

SENATOR MACKINNON asked what the criteria was for the award that the Chignik dock won.

MR. MEARIG explained that the engineer for the project nominated the project for its use of an "OPEN CELL" sheet-pile design that provides high-load capacity with minimal sheet-pile-toe embedment.

SENATOR MACKINNON asked if the same sheet-pile design was used at the Anchorage Port. She noted that the same design firm for the Chignik project was used for the project at the Anchorage Port.

MR. MEARIG answered that he believed the same design was used.

SENATOR MACKINNON asked what kind of review was done on the project.

CHAIR STEDMAN pointed out that the photo for the Chignik dock appears to show the metal used was "raw iron" versus "galvanized." He asked if DOT&PF could get back to the committee on how the metal will be maintained for the Chignik dock.

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SENATOR MACKINNON disclosed that she had proposed not allowing contractors to submit the state's projects for awards. She opined that when the state allows projects to compete for awards there is an appearance that costs go up because design firms are designing some things that might not be necessary.

CHAIR STEDMAN asked Mr. Mearig to get back to the committee on the questions that Senator MacKinnon raised.

MR. MEARIG addressed slide 31: Southcoast Region: Marine Design Group, and detailed as follows:

- Diverse array of coastal and waterfront projects.
- New construction and major maintenance projects at the 42 ports served by the AMHS in 37 communities.
- Small boat harbors, seaplane facilities and related piers, docks and other coastal structures.

He noted that DOT&PF has maintained a design group since territorial days. He disclosed that the Marine Design Group is currently under the Southcoast Region that also offers its services to other regions when there is a need.

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CHAIR STEDMAN said there have been numerous discussions on trying to standardize design for the state's docks and harbors. He remarked that there is not much weather difference between Juneau, Sitka and Ketchikan. He noted that every harbor is different and opined that there should be a way to standardize harbor design.

SENATOR MACKINNON agreed that standardization would allow the state to do more with less. She addressed ferry-dock design and noted that one of the terminals that was built could not accept a certain size of ship.

CHAIR STEDMAN pointed out that the South Mitkof Island ferry terminal was designed for another vessel.

SENATOR EGAN added that the Skagway ferry terminal also has an issue with bow-and-stern loading versus side loading.

CHAIR STEDMAN noted that AMHS will address the committee in the future.

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SENATOR EGAN asked Mr. Mearing to address "Juneau Access," [Juneau Access Improvements (JAI) Project].

MR. MEARIG explained that the department is moving towards a record-of-decision which is a no-build decision. He detailed that the department has completed the Supplemental Environmental Impact Statement (SEIS) and has submitted the SEIS to the Federal Highway Administration (FHWA). He said the JAI Project has an injunction regarding additional ferry options and noted that the injunction must be lifted to complete and publish the record-of-decision, a process that should be completed by August 2018.

SENATOR EGAN asked if the money for the project would be diverted to build a school.

MR. MEARIG replied that he is not aware of diversion plans.

CHAIR STEDMAN disclosed that bridge money was reallocated out of the Southcoast Region. He opined that the legislature is the appropriating body that, "Does it to itself at times."

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SENATOR MACKINNON asked what specific criteria either DOT&PF or the administration is using in seeking a no-build on a road with the federal government.

MR. MEARIG replied that DOT&PF has been careful to prepare the document to meet FHWA's requirements. He said repaying development funds for the project is not expected.

SENATOR MACKINNON asked Mr. Mearig what criteria DOT&PF and the administration is using for its no-build decision with the federal government.

MR. MEARIG answered that the governor decided on the no-build alternative and directed DOT&PF to proceed on the no-build. He said the governor noted that the state's financial situation is one of the reasons for the no-build decision.

SENATOR MACKINNON said as the Senate Capital Budget Chairman she is supportive of the JAI Project. She pointed out that \$20

million was available to financially afford the project and expressed her disappointment in seeing a project with the magnitude of the JAI Project be sidelined for political reasons. She emphasized that she did not agree with the no-build scenario. She announced that she would put on the record that her husband's family has acreage close to the JAI Project and declared that she has never been involved in the financing.

SENATOR MACKINNON said she is disturbed when looking at DOT&PF's future for large projects to expand the state's portion of the federal match in billion-dollar capital budgets. She remarked that Alaska will see a double-digit decrease in its construction industry's value because the governor has set aside the projects that could have helped in utilizing available federal dollars. She remarked that the governor's single focus on a potential natural gas pipeline is a project that will not be able to utilize federal dollars.

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CHAIR STEDMAN asked if the JAI Project can be revived and what process would be required to revive the project. He inquired if Alaska was currently able to absorb all the available federal dollars coming to the state.

MR. MEARIG explained that the state has more projects than can be fit into the Statewide Transportation Improvement Program (STIP).

CHAIR STEDMAN asked Mr. Mearig to explain the process for reviving the JAI Project. He noted that the two big projects in Southeast Alaska are the JAI Project and the Gravina Island Bridge. He noted that the Gravina Island Project was "mortally wounded" and is likely buried.

SENATOR MACKINNON noted that there were five big projects in the state that included the Knik Arm Bridge and the Susitna-Watana Dam.

CHAIR STEDMAN explained that the two-multi-generational projects he referenced related to Southeast Alaska. He asked Mr. Mearig to detail the process to revive a project with FHWA.

MR. MEARIG explained that there must be a reason for the state to go back to FHWA. He said the department is not closing every door by proceeding to a record-of-decision on the no-build decision.

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SENATOR MACKINNON pointed out that the Knik Arm Bridge was voted on by the people of Alaska to provide \$200 million worth of support and reiterated that the Susitna-Watana Dam was another future project that was sidelined. She addressed Mr. Mearig's previous response as follows:

Back to the original question on whether we can utilize all of the federal funds that might be made available to states. We have to have engineered projects ready to go, it's not that we have a backlog of projects that would qualify for the STIP, the issue is whether those projects are ready to go into construction to utilize the dollars.

Right now we have projects that as I understand it need design and we are working on those to create a list of projects that are ready to go forward but none that consume the high-dollar value of what the governor set aside and that is the Knik Arm Crossing, which was big, the Juneau Access Road, which is big, they are in different regions across the state that would put people to work at many jobs that the administration has chosen to pause on.

She asserted that the conversation to move the capital will continue if the conversation to allow the people of Alaska to access their state capital is not advanced. She said everyone would like people to get back to work to benefit their families. She pointed out that the state's unemployment rate is the highest in the nation. She summarized that moving projects together versus sidelining them would be nice.

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CHAIR STEDMAN asked the department to address in a future meeting the STIP projects that are ready to accept money so that the money does not have to be sent back to FHWA.

SENATOR BISHOP stated that he is a big supporter of the JAI Project and opined that AMHS could use some relief. He said the JAI Project will bring down the marine highway's cost.

CHAIR STEDMAN conceded that he does not know what the future of AMHS is in 10 or 20 years. He said the state is currently struggling with getting new ferries in the water and old ferries out of the water while the legislature shrinks the match or general fund requirement. He admitted that taking care of roads

is less expensive versus a temporary asset that wears out over 50 years. He said he is concerned that he cannot stand in front of his communities and assure his constituents that no matter what happens the AMHS is going to be running; however, the intent is to keep it going.

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SENATOR EGAN agreed with Chair Stedman. He pointed out that people that use AMHS are paying for one of the few toll roads in the state. He pointed out that AMHS serves Alaskans throughout the state's coastal communities.

He suggested that the committee talk briefly about the department's "public facility" projects in addition to transportation projects.

CHAIR STEDMAN pointed out that the department has "some nice projects underway" and referenced Ketchikan's \$30 million Water Street Project.

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SENATOR MACKINNON stated that she supports AMHS and expressed her difficulty in watching the system devolve. She conceded that the risk-and-reward with AMHS is very different with the operational dollars that are being expended on a smaller group. She admitted that being the chairman for the capital budget that she seems to be "in the crosshairs" as the one who may oppose AMHS and emphasized that the assertion could not be further from the truth. She addressed Senator Egan and noted that Alaskans that drive automobiles in urban areas do not pay a fee to get on a ferry but do pay fee for every mile driven through a motor-fuel tax. She summarized as follows:

I just am very curious as to why we are so out of balance in what we are spending on individual Alaskans' transportation in our state, inside different systems whether it is the air system in the airports or whether it is the marine highway or whether it is on roads where we are getting a return for Alaska's investment to the people of Alaska, I don't want to argue over the issue of which one is better than the other, but all are important to different regions.

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CHAIR STEDMAN addressed AMHS and conceded that Southeast Alaska will go from a representation of five senators when the ferry

system was established to one-and-a-half senators when the proposed gas-line project is completed. He said the state's demographics have changed where the demand for road expansion will clearly be in the southcentral area. He opined that Southeast Alaska will be put in a more challenging environment within the legislative process as the decades go on due to the state's population changes. He added that not getting a road out of Juneau impacts Southeast Alaska's future as well. He summarized that he does not know the future of AMHS based upon the sheer politics that are moving against Southeast Alaska.

CHAIR STEDMAN asked Senator Wilson if he had any final comments.

SENATOR WILSON replied that he did not but noted that Senator MacKinnon accurately expressed his sentiments.

CHAIR STEDMAN said the committee will ask AMHS to address members in the future.

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There being no further business to come before the committee, Chair Stedman adjourned the Senate Transportation Standing Committee at 2:40 p.m.