

COMMITTEE REPORT
SENATE

FURTHER:

3/21/84

Date 5/3/84

Mr. President

The Committee on FINANCE considered HB 452

special appropriation to the Department of Transportation and Public Facilities for Phase I of the Home Port Facility; add.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for HB 452 (Transp)
- new title
- same title and recommends DO Pass
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
to FN attached
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

*FR accompanied
bill into Finance*

Revision Date: 11/16/83

I. **REQUEST** Page 1 of 5
 Bill/Resolution No.: HB 452
 Title: Nome Port Facility
 Sponsor: Fuller and Bussel
 Requestor: _____
 Date of Request: _____

II. **FISCAL DETAIL**
 Agency Affected: DOT & PF
 Program Category Affected: Buildings & Harbor
 BRU, Program of Subprogram(s) Affected: Northern Region

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	-0-					
CAPITAL	12,000.0					
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	12,000.0					
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL	12,000.0					

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						
TOTAL						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by Sponsor.

IV. **ANALYSIS:** Attach a separate page for any Analysis

Prepared By: Mim Dixon, Director Phone: 479-4281
 Division: Planning and Programming Date: 11/16/83
 Approved by Commissioner: H. Glenzer, Jr., Deputy Commissioner Date: 11/16/83
 Department: DOT & PF, Northern Region

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

9/14/83

TITLE NOME PORT FACILITY (Ph. 4)	LOCATION Nome		PROJECT CLASSIFICATION 02-631-02-02		ELECTION DISTRICT 23		START DATE 7/84	COMPLETE DATE 12/85
							PRIORITY 34	OF 49
	GENERAL FUNDS	FEDERAL FUNDS	G.O. BONDS	OTHER	POSITIONS		AGENCY REQUEST FY 85 TOTAL	GOVERNOR
					PFT	PT/SEA.		
REQUESTED FUNDING:	12,000.0						12,000.0	
SITE ACQUISITION								
PLANNING AND DESIGN								
CONSTRUCTION AND EQUIPMENT	12,000.0				0	0	12,000.0	
PREVIOUS APPROPRIATIONS (NON-ADD)			6,980.0					
OPERATING COSTS:								
FIRST YEAR OPERATING COSTS	*							
FULL ANNUAL OPERATING COSTS	*							

PROJECT DESCRIPTION AND JUSTIFICATION: *See note, page 3.

PROJECT DESCRIPTION

Construction of a 3600' rubble mound causeway or acceptable alternative, to provide either full or partial service accommodating a baseline tonnage of 30,000 tons in both liquid and dry cargo. Project is ready to advertise.

PROJECT NEED STATEMENT

The consumers of the Seward Peninsula pay approximately 25% more for bulk cargo and petroleum products because of the lightering costs from ocean-going barges to the existing dock facility.

At present, barges calling at Nome are anchored 1/2 to 3/4 miles offshore for unloading and reloading of cargo and freight. Cranes on board the ocean-going barges are used to offload containers and other cargo to lighters. These shallow draft lighters are towed through the surf and the shallow 8-foot deep entrance channel for unloading at the lighterage company's transfer facility. The lighters are unloaded over the entrance channel retaining wall by portable cranes. Empty containers and outgoing shipments are reloaded to lighters inside the harbor area for return to the oceangoing barges anchored offshore. This is an extremely costly operation.

AGENCY DOT&PF

CP-1 CAPITAL PROJECT
DESCRIPTION
FY 85

CATEGORY TRANSPORTATION

PROGRAM NORTHERN REGION PORTS & HARBORS

PROJECT TITLE NOME PORT FACILITY

HB 452

FY85

Page 2 of 5
Revised Date

PROJECT NEED STATEMENT (Cont.)

The average waterborne freight growth rate since 1969 according to Corps of Engineers' publications, has been approximately 12%. With the beginning of oil exploration already occurring offshore from Nome in 1983, (Navarin Basin, Norton Sound), the potential development of the bottomfish industry, plus the potential for Seward Peninsula area mining interests to expand dramatically, action should be implemented now to get a minimal marine terminal infrastructure in place.

Development of this project strongly supports several goal areas of this administration:

- (1) Using prior appropriations, the project has been thoroughly studied, analyzed, and designed to provide the best configuration and site location, as well as to tie into and make the best use of the existing Seward Peninsula highway system. The adjacent location of the Nome regional center airport allows excellent air logistical support.
- (2) The port development both serves a basic public service function (reducing freight lightering costs) and has the potential to stimulate economic development (mining, oil) and provide financial returns to the State.
- (3) Maintenance and operational costs have:
 - a. been minimized as much as possible through the design selected, and
 - b. will be borne by the user through the use of port tariffs.
- (4) The Nome port is being implemented as a joint venture with the private sector contributing financing and/or investment to a maximum extent and the State providing initial seed capital.

DOCUMENTATION OF ESTIMATED CAPITAL COSTS

Engineering estimates were developed by the design contractor. Figures were based on recent costs of similar construction in the Nome area and for expected construction market conditions at the time of contract award. Estimates were also based on historical costs of marine facility construction in other areas of Alaska, adjusted for the remote location of Nome, and on similar construction in other areas of the world.

CP-1 FY85	ADDITIONAL EXPLANATION FORM
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AGENCY	DOT&PF
CATEGORY	TRANSPORTATION
PROGRAM	NORTHERN REGION PORTS & HARBORS
TITLE	NOME PORT FACILITY

HB 452

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Revised Date	

FY85

ANALYSIS OF ESTIMATE OF OPERATIONAL EXPENSE

*NOTE: Operational and maintenance costs together will approach a maximum annual figure of \$700,000. This cost will be borne by the user via an approximate \$9 per ton tariff, which is substantially lower than present and projected lighterage fees. At the same time, the dredging costs of the present Nome harbor, which are projected to approach \$1 million annually and which are financed entirely by governmental appropriations, will be substantially reduced.

IDENTIFICATION OF ALTERNATIVES CONSIDERED

1. Postpone action at this time. Failure to go forward with this project will result in continuing high lighterage costs and act as a retardant to future development in oil exploration, the bottomfish industry, and regional area mining extraction.
2. Scale down the scope of the overall project. This approach has been adopted. The project as now developed is a minimal level facility designed to meet current traffic and expandable to meet increased traffic as demand warrants. In order to arrive at and agree on the present design, seven basic alternatives, plus minor variations, all of which were technically feasible, were evaluated in depth.
3. Reduce or eliminate state funding insofar as possible. This has also been done. Private investment has been sought and secured to the maximum extent.

AGENCY DOT&PF

CATEGORY TRANSPORTATION

PROGRAM NORTHERN REGION PORTS & HARBORS

TITLE NOME PORT FACILITY

HB 452

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Revised Date

FY85

CP-1
FY85

ADDITIONAL
EXPLANATION
FORM

43

TITLE **NOME PORT FACILITY** PRIORITY **34** OF **49**

OPERATING		TOTAL PREVIOUS APPROPRIATIONS	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES								
200 - 800 LINE ITEMS								
TOTAL			*					
1002 FEDERAL RECEIPTS								
1004 GENERAL FUNDS			*					
OTHER FUNDS								
FULL-TIME POSITIONS					3	3	3	3
CAPITAL		TOTAL						
		6,980.0		12,000.0				
1002 FEDERAL RECEIPTS								
1004 GENERAL FUNDS				12,000.0				
OTHER FUNDS	(G.O. Bonds)	6,980.0						
REVENUE								

EXPLAIN PREVIOUS APPROPRIATIONS (GIVE SECTION, CHAPTER, SLA) AND ASSUMPTIONS FOR COST, FUNDING SOURCE, POSITION AND REVENUE ESTIMATES:

Previous appropriations for preliminary engineering and design of this project: Ch 86/74, Ch 118/80/6/24.

*Maintenance on the completed Nome Port Facility will be the responsibility of the City of Nome. Maintenance costs will be entirely offset through port revenues collected from the users. At the same time, the dredging costs of the present Nome harbor, which are projected to approach \$1 million annually and which are financed entirely by government appropriations, will be substantially reduced.

CP-2 CAPITAL PROJECT COSTS
 FY 85

AGENCY DOT&PF
 CATEGORY TRANSPORTATION
 PROGRAM NORTHERN REGION PORTS & HARBORS
 PROJECT TITLE NOME PORT FACILITY

HB 452
 Page 5 of 5
 Revised Date

FY85

Offered: 3/21/84
Referred: Finance

Original sponsors: Fuller and Bussell

<u>Funding Information</u>	
General Fund	\$4,000,000
Other Funds	-0-
	<u>\$4,000,000</u>

1 IN THE HOUSE BY THE TRANSPORTATION COMMITTEE
2 SENATE CS FOR HOUSE BILL NO. 452 (Transportation)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Transportation and Public Facilities for
8 Phase I of the Nome Port Facility; and providing for
9 an effective date."
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
11 * Section 1. The sum of \$4,000,000 is appropriated from the general
12 fund to the Department of Transportation and Public Facilities for Phase I
13 of the Nome Port Facility.
14 * Sec. 2. The appropriation made by this Act is for a capital project
15 and is subject to AS 37.25.020.
16 * Sec. 3. This Act takes effect July 1, 1984.

Introduced: 1/9/84
Referred: Transportation and
Finance

Funding Information
General Fund \$12,000,000
Other Funds -0-
\$12,000,000

1 IN THE HOUSE

BY FULLER AND BUSSELL

2

HOUSE BILL NO. 452

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the Depart-
ment of Transportation and Public Facilities for
Phase I of the Nome Port Facility; and providing for
an effective date."

7

8

9

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The sum of \$12,000,000 is appropriated from the general
12 fund to the Department of Transportation and Public Facilities for Phase I
13 of the Nome Port Facility.

14 * Sec. 2. The appropriation made by this Act is for a capital project
15 and is subject to AS 37.25.020.

16 * Sec. 3. This Act takes effect July 1, 1984.

CITY OF NOME PORT DEVELOPMENT PROJECT
PHASE I BARGE DOCK
PROJECT SUMMARY

Project Description

The City of Nome and Alaska Department of Transportation and Public Facilities (DOT/PF) have worked together the past four years to develop a design for port facility in Nome. As a result of a detailed investigation of harbor development alternatives, and in-depth engineering analyses of potential ice, storm and other design considerations, a design has been completed for a modern, two-berth offshore barge terminal.

As shown in Figure 1, the proposed harbor will provide the moorage, offloading area, and cargo handling facilities needed to meet the long term needs of the approximately 12,000 resi-

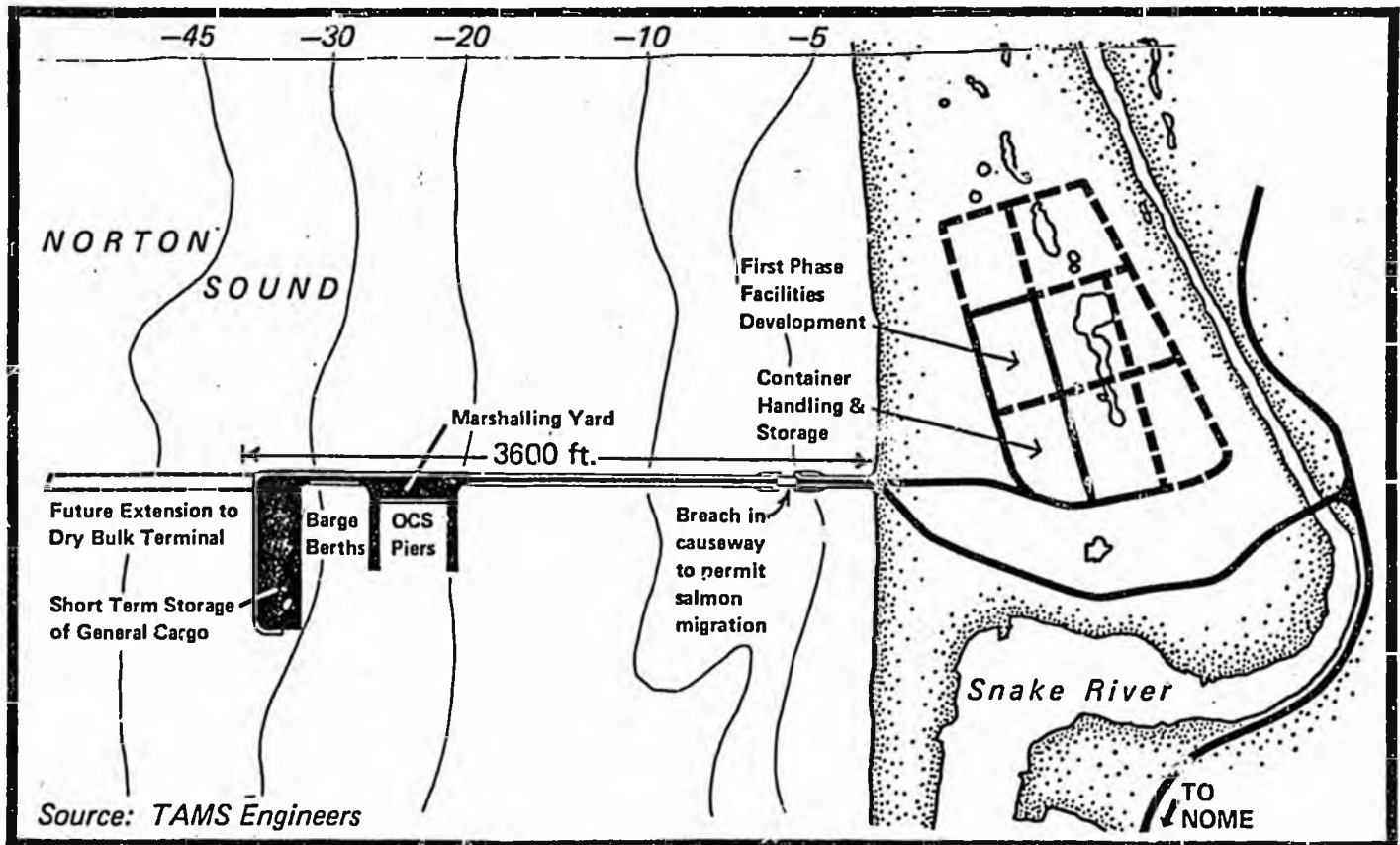


Figure 1

NOME PORT FACILITY - LONG RANGE DEVELOPMENT PLAN

dents of Nome and the surrounding villages, and will also encourage the development of resource-extraction industries to spur the economic growth of the Norton Sound and Seward Peninsula region.

Recognizing that capital funding for the entire project may not be initially available, the City of Nome and DOT/PF have prepared a cut-down version of the project to serve as the initial construction phase. Shown in Figure 2, the proposed Phase I construction will include a 3,000 foot rubble-mound causeway connecting an open onshore storage area to a floating dock moored in 20-25 feet of water. Ocean-going barges up to 400 feet long will berth alongside the floating dock (constructed from a conventional 200 foot barge); while containers and other dry cargo will be transferred to the causeway and be trucked to shore, as shown in Figure 3. A single buried pipeline will be used to offload jet fuel and diesel, which comprise about three-fourths of the bulk petroleum products delivered to Nome.

As planned, the Phase I development will serve the immediate marine transportation needs of the region. Although some operational shortcomings (such as limited draft and berthing space) may need to be corrected in future phases of construction, in the interim the facility represents a vast improvement over the current system of lightering cargoes from barges anchored up to a mile offshore.

Construction Funding

Construction costs for the Phase I facility are projected to be approximately \$19.1 million. Of that total, it is estimated that a maximum of about \$6-8 million can be generated by local funding (through revenue bonds) or by private sector participation in the project. Federal funding sources (such as the U.S. Economic Development Administration) are currently being investigated for funding assistance. However, the City has

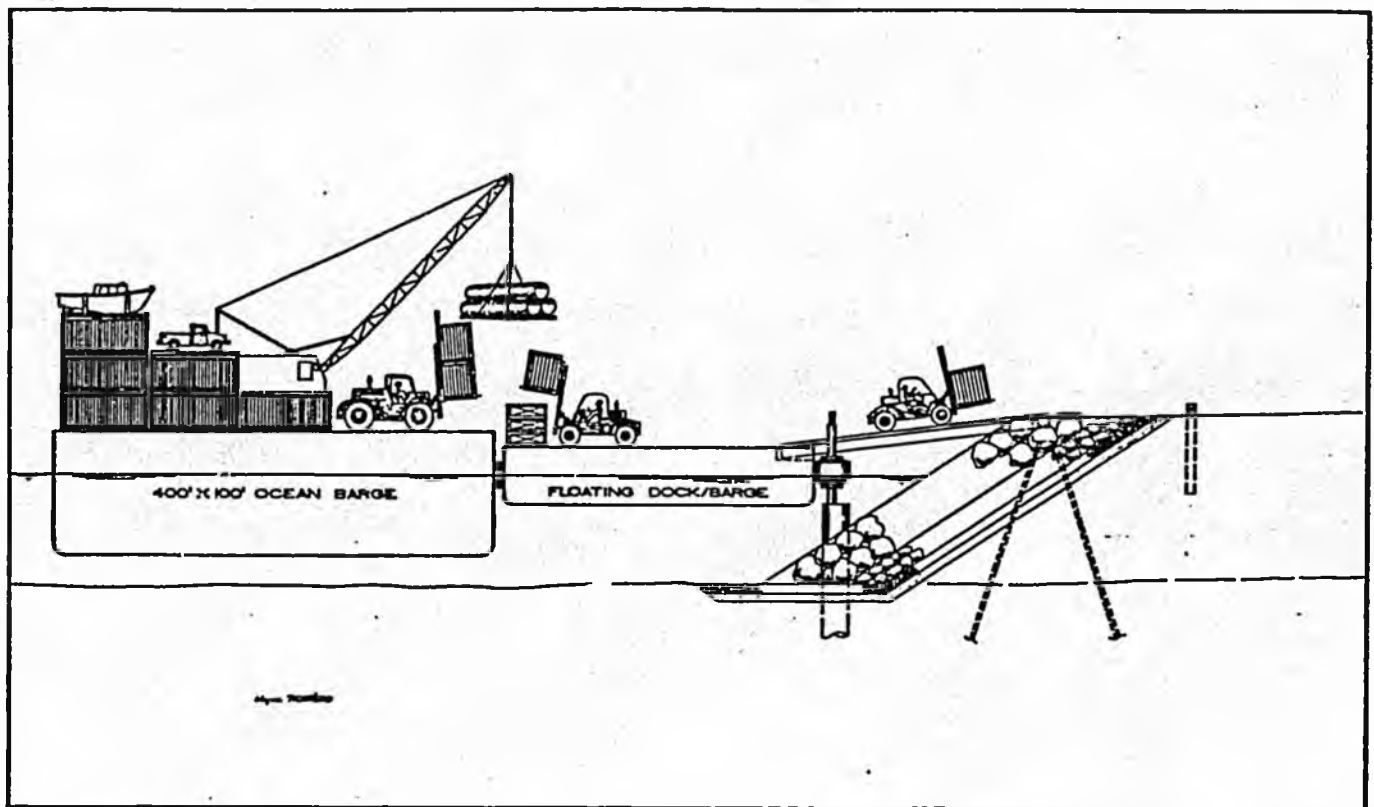


Figure 3

NOME PORT FACILITY - PHASE I BARGE DOCK CARGO UNLOADING/LOADING PROCESS

received little encouragement to date from the agencies contacted that funds would be available in 1984 or 1985. Consequently, grant support by the State of Alaska is therefore requested for approximately \$12 million.

Economic Benefits

Transportation Costs. A major benefit resulting from construction of the port facility will be the elimination of the costly and inefficient lighterage service currently used. At an average charge of about \$76 per ton of cargo lightered into Nome, the cost to the local community and region is on the order of \$3 million annually.

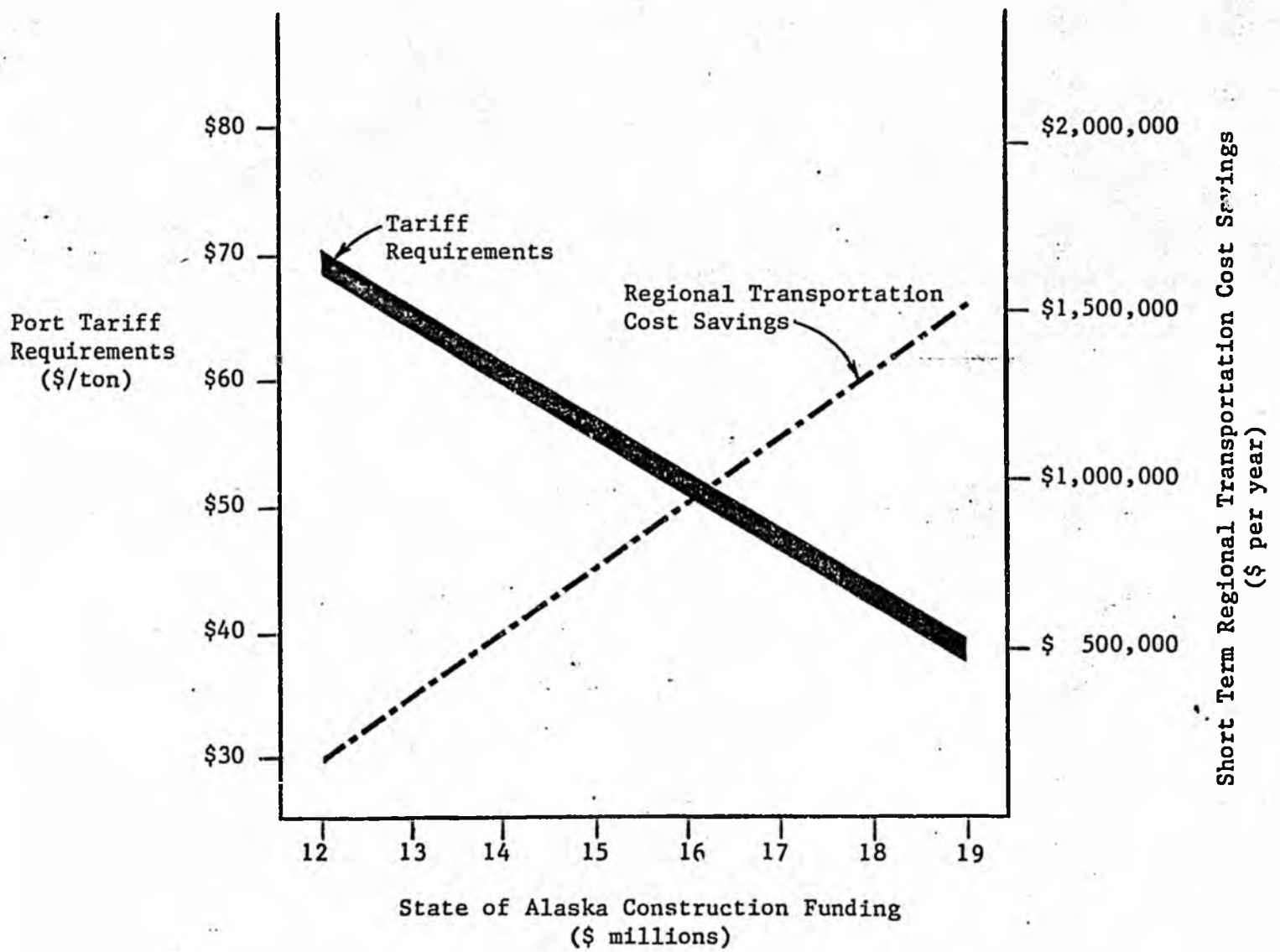
As shown in Figure 4, the transportation cost savings realized by the area residents will depend directly on the level of grant funding contributed by the State of Alaska. With total state funding for the project, port tariffs would need to be

set at approximately \$35-40 per ton, which would result in an annual savings to area residents of up to \$1.6 million. On the other hand, with a state contribution of approximately \$12 million and the remainder of the cost financed privately or by the City of Nome, port tariffs would approximate current lighterage charges and little short-term transportation cost savings would result. (Over the long-term, of course, port tariffs to recover capital investment would remain essentially stable, while lightering costs could be expected to keep pace with inflation. Thus, even with no initial cost advantage the port over the long term would result in lower transportation costs for the residents of the region.)

Regional Economic Development. Phase I of the Nome port will serve as an important first step in providing for the long term economic growth of Northwest Alaska. As described in the Port of Nome Economic Development Analysis, construction of the facility will be a major stimulus for the development and extraction of identified, recoverable tin, fluorite, and other mineral resources. It will function as a service basis for oil exploration (and possibly development) in Norton Sound, and as a corollary benefit will focus the OCS activity in the immediate Nome area, thus relieving fears of unwanted development by many of the coastal villages in the region.

Development of the port facility will play a central role in providing for stable, long-term growth in the region and will provide benefits statewide through job creation and encouraging the creation of a significant mining industry on the Seward Peninsula.

FIGURE 4
TRANSPORTATION COST SAVINGS COMPARISON



**CITY OF NOMB
PORT FACILITY PROJECT - PHASE I BARGE DOCK**

PROJECT FINANCING AND TRANSPORTATION COST IMPACTS

SUMMARY OF QUESTIONS FREQUENTLY ASKED AND THEIR RESPONSES

How are Cargoes Currently Delivered to Nome?

The City of Nome serves as a transportation and distribution center for the Norton Sound and Seward Peninsula region. Approximately 12,000 people live within the Nome service area, with a population of over 3,400 in Nome.

The existing port facility is located at the mouth of the Snake River within the Nome city limits. Due to shallow draft and limited width the existing port can only accommodate small barges and tugs. Ocean-going vessels currently anchor one-half to one mile from shore, and cargo is transferred to smaller, shallow draft barges (lightered) for delivery to the sheet pile revetments along the river that serve as a dock.

The lightering operation is an inefficient and costly means of offloading cargoes. Lighterage tariffs add an average of \$75.90 to the cost of each ton delivered, equivalent to approximately 25% of the total cost of shipping cargo from Seattle to Nome.

To eliminate the need for lightering and to provide the transportation infrastructure needed for long term economic growth in the region, the City of Nome and Alaska DOT/PP have prepared a design for a modern port. The first phase development of the facility will include a 3100 foot rubble mound causeway extending to a floating dock in about 20-25 feet of water, and an open onshore storage area for cargo handling.

How Much Will Construction of the Port Cost?

The facility as currently planned is estimated to cost about \$19-20 million.

Statewide Oil Revenues Have Been Declining in the Last Few Years, and a State Grant for the Total Cost of Constructing the Port Appears Unlikely to Occur. Can a Portion of the Construction Cost be Financed Locally?

Some local construction money can be provided through financing based on port revenues. Port operations and maintenance are projected to cost the equivalent of \$35-40 per ton. If tariffs are set higher than that amount, the facility will generate additional revenues that could be used to pay back municipal revenue bonds or other types of construction financing.

How Much Could Be Locally Financed?

Potential revenues from port tariffs are limited. It would clearly not be in the best interests of the local residents to set tariffs at a level higher than the current lighterage costs. Consequently, the maximum revenues that could be derived would be based on a system of tariffs equivalent to an average of about \$75.90 per ton (the current lighterage rate). If that tariff level is adopted, up to about \$8 million could be financed by port revenues.

If \$8 Million Can Be Financed Locally, How Much Will the State Have to Provide?

Assuming a total project cost of \$20 million, the state will need to provide \$12 million in grant funds.

Will Transportation Costs Immediately Decrease After the Port is Built?

As initially planned two years ago, construction of the Nome port was to be funded entirely through a state grant. User charges (tariffs) for the port would then need only to recover all operating and maintenance costs, which as described above

are estimated to be on the order of \$35 to \$40 per ton or about half of current lighterage charges. Consequently a significant and immediate reduction in transportation costs was foreseen.

However, with the current emphasis on local participation in construction funding port tariffs may need to be set at a level comparable to current lighterage rates. Thus, there may be no initial cost savings to area residents.

With Potentially No Initial Cost Savings, How Can It Make Sense to Spend \$20 Million for a Port?

The project will provide major benefits to the community and region even without an initial reduction in transportation costs. Such benefits will include:

- Port tariffs will be relatively stable, as a large component of the revenues required will be for a fixed payment, long term debt. On the other hand, if lighterage is continued then it is highly probable that the lighterage costs will continue to escalate with the cost of living. Thus for each year that passes the port tariff, will be increasingly less costly than lighterage.
- Steady growth in population is forecast for the region. With the increasing population will come larger demands for cargo shipped to Nome. Thus, even with no other economic development in the region (an unlikely prospect) port revenues will increase and it may be possible to retire the debt early or reduce tariffs.
- The port will provide for more efficient, faster cargo offloading and loading, which will help keep costs down and encourage additional cargoes to be shipped through Nome as a regional center.

- After the construction debt is repaid (typically 20 years) port tariffs can be adjusted downward to reflect the decreased revenue requirements.
- Perhaps the most important reason for constructing the port is that it will serve as major step in providing the transportation facilities needed for the long term economic growth of the region. The Seward Peninsula is one of the most highly mineralized areas in the country. Nome sits at the hub of a regional road network that extends near to many of the major identified ore deposits. With a port in Nome equipment and supplies can be brought in to explore and develop the deposits, and the expansion of the port to accommodate ore shipments can be readily implemented as development nears. The resulting direct and indirect employment will foster growth in the local and regional economies, and will provide benefits statewide.

COMMITTEE REPORT
SENATE

FURTHER:

FINANCE

2/10/84

Date March 20, 1984

Mr. President

The Committee on TRANSPORTATION considered HB 452

special appropriation to the Department of Transportation and Public Facilities for Phase I of the Nome Port Facility; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for HB 452 (Transp)
House Bill 452 (Senate Transportation)
- new title
- same title and recommends may do Pass
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
[Signature]

[Signature] *None*

[Signature]
 Chairman
[Signature]
 Chairman recommendation