

**1/27/11
PRESENTA-
TION:
PORT OF
ANCHORAGE**

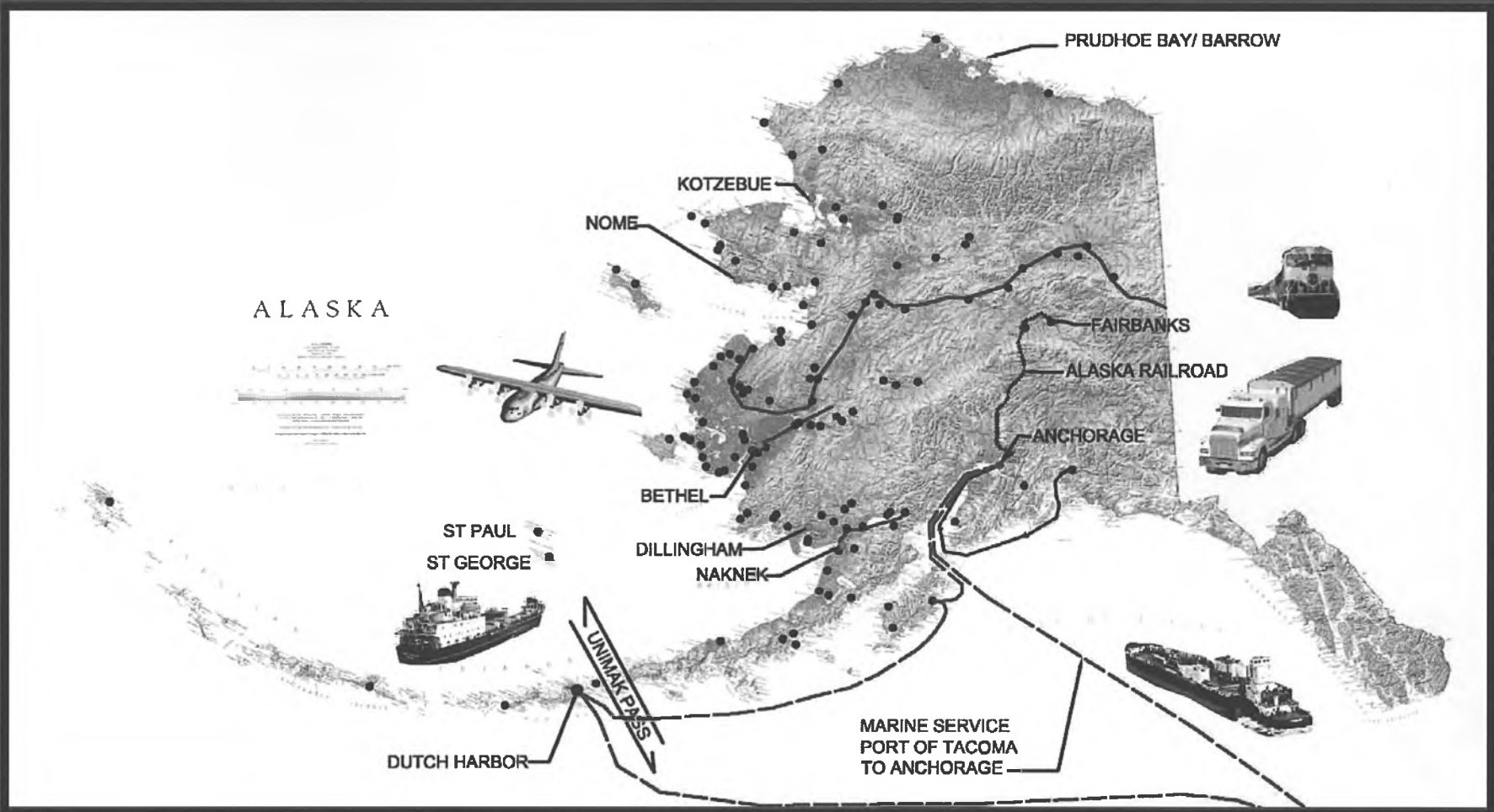
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PORT OF ANCHORAGE</SUBJECT><COMM>STRA27</COMM></TARGET>



Alaska's Port. Alaska's Future.



Cargo Distribution in Alaska



If you eat it, wear it or drive it, it probably came through here.....

➤ **120,000 containers annually**

- 90% of merchandise goods for the Railbelt and interior Alaska
- 100 million pounds of by pass mail items
- Serving over 140 villages in rural Alaska
- 90% of new automobiles
- 85% of the cement for concrete along road system



If you eat it, wear it or drive it, it probably came through here.....

- **11 million barrels of fuel annually**
 - 80% of the jet fuel for Ted Stevens Anchorage International Airport
 - 100% of the jet fuel for Elmendorf Air Force Base
 - 90% of fuel used by vehicles, water craft and general aviation in the Railbelt
 - 2/3rd of all fuel used by the military in Alaska
 - 100% of the Aviation Gasoline used in Alaska (including Southeast!)

- **1.7 million barrels of fuel are shipped from POA to rural Alaska.**



Military Support

- Designated by the Department of Defense as a **National Strategic Seaport**. Only 19 ports in the United States have this designation.
- Supported over 20 deployments since 2005 including Stryker Brigade deployments to Iraq and Afghanistan.



- The POA provides essential fuel supplies, vehicles and almost all of the goods used on a daily basis from the commissary to office supplies.

2010 in Review

- The port received over 500 ship calls in 2010, a 30% increase from 2009.
- Welcomed the first major cruise ship to make regular port calls in Anchorage.
- Created 500 jobs related to the expansion project
- Port stakeholders and the expansion project spent \$70 million on annual payroll

We expect an even busier 2011, especially at our petroleum berths which provide critical gasoline, heating oil, and jet fuel to communities throughout Alaska.

Intermodal Expansion Project

Before



After



Phasing Plan



DRAFT v2



Port Expansion Team

Federal Lead Agency

MARAD

US DOT Maritime Administration

- Responsibilities include contracting authority, oversight and quality assurance and managing funding.

Project Owner

Port of Anchorage

Municipality of Anchorage

- Responsibilities include securing funding and coordinating the construction phasing to fit the port's needs.



Project Manager

ICRC

Integrated Concepts & Research Corps.

- Responsibilities include development, project management, design, construction and permitting.

Design & Construction
Subcontractors

The Expansion Project is moving forward with clear changes in place.

- **The Port is requiring a major review of the contract between MARAD and ICRC. The new contract structure must provide clear accountability and absolute protection from faulty construction and oversight.**
- **The Port is requiring additional financial protection to assure the work is completed on time with outstanding workmanship.**
- **The Port is developing an oversight committee consisting of the Port, MARAD, ICRC, and appointees from the city, US Army Corps of Engineers and others. This will allow us to react quickly and appropriately to issues as the project moves forward.**

Thank You



For more information visit www.muni.org/departments/port



Funding

The expansion project is funded through a combination of port revenues, state and federal funds.

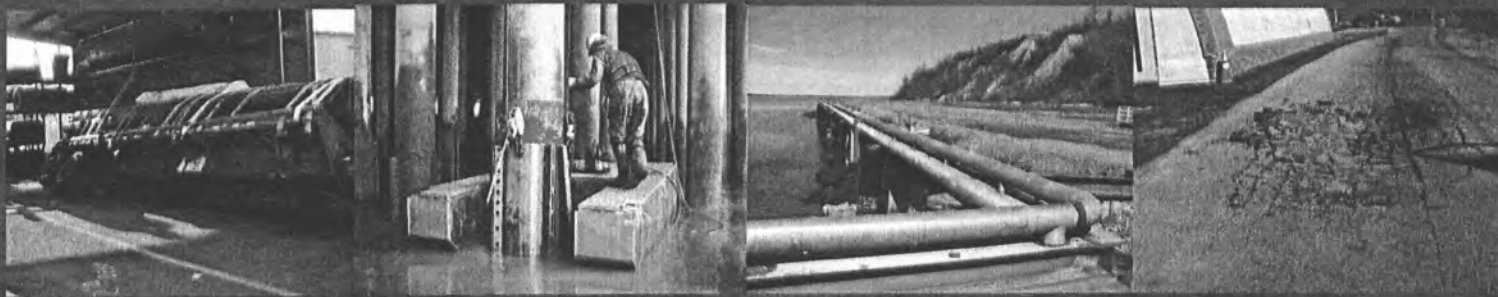
-\$279 million received to date:

Federal Funds	\$138,676,634
State Funds	\$ 91,290,164
Port of Anchorage Funds	\$ 49,109,836

- The Port of Anchorage covers all of its own operational costs and puts all of the additional revenue, \$4 - \$5 million annually, towards the expansion project.
- The Port also qualifies for a \$75 million line of credit.

In 2002 the Port began a long and expensive permitting process. Since that time the following projects have been successfully completed:

- **Filled 70 acres of new land**
- **Constructed 5 mile long road from the POA to Elmendorf to transport gravel. This road is already used for military deployments relieving congestion on public roadways.**
- **Performed road and drainage replacements**
- **Extending the rail line**
- **Installing new fuel pipeline**
- **Built a floating dock used by the Coast Guard for Emergency Response**
- **Burying and extending power lines**
- **Mitigated an environmental runoff problem for Elmendorf**



The current project cost is \$1 billion. This is much higher than the initial estimate, however there have also been many changes to the original design. The largest contributing factors are listed below:

➤ **Design Changes –**

The initial design underwent a rigorous permitting and review process that resulted in recommendations to the existing design. These changes cost money.

-Increasing tail wall length

-Addition of two essential facilities that will remain operational following a maximum contingency earthquake or other catastrophic event.

-Increased linear dock space in the North End to accommodate customer needs

➤ **Galvanized Steel –**

Using Galvanized (or coated) steel rather than the regular steel calculated in the initial estimate increased the cost of steel by about 30%. This is expensive, but it significantly prolongs the project life and is ultimately a good investment in an area that has some of the highest corrosion rates in the world.

➤ **Increased Overhead**

➤ **Increased labor, fuel & materials cost**

- 2008 Steel Prices soared 60%

➤ **Increased Dredging Costs**

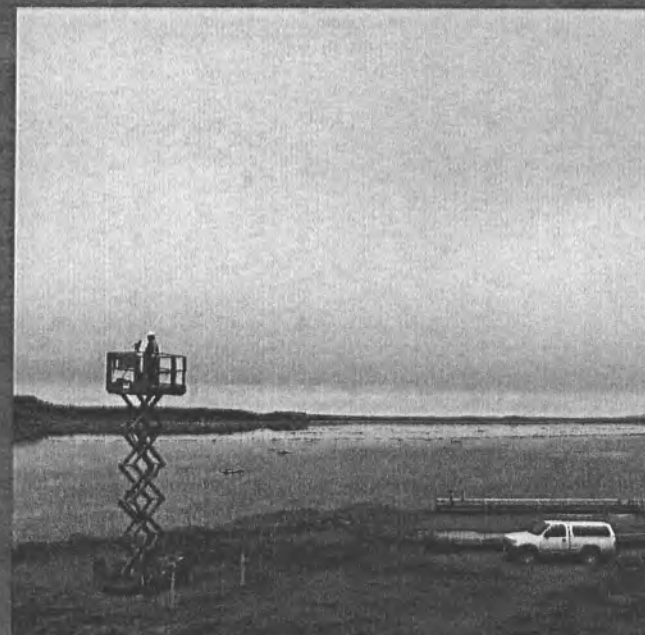
➤ **Beluga Whale & Marine Mammal Mitigation**

Beluga Whales

The Marine Mammal Mitigation aspects of our construction permit are onerous and expensive. We estimate that direct costs are \$5 million annually with substantially more indirect costs.

Mitigation measures include:

- Shutting down for two hours on either end of low tide.
- Shutting down if a whale enters our “zone”
- Shutting down if the monitors cannot observe the water (fog or sun glare)
- Restrictions on the use of vibratory hammers and impact hammers
- Until the 2010 construction season we were required to shut down for two one-week periods during the summer for fish smolt.



There are five observers stationed on rented scissor lifts every second we are under construction and there is an additional look-out on Elmendorf manned by Alaska Pacific University students. The marine mammal observes and costs associated with these activities are around \$100,000 a year.



January 21, 2011

The Honorable Albert M. Kookesh
Alaska State Senate
State Capitol, Room 11
Juneau, Alaska 99801

Dear Senator  Kookesh:

The Port of Anchorage has received some very negative press over the past few days and I wanted to address some of the issues raised regarding this important project.

The Port first became aware of the construction problems in May of 2009 and worked diligently through the 2010 construction season to identify the full extent of the problem. As a result, we had to modify the work plan for this past construction season and did not accomplish what was hoped. These setbacks are frustrating, but they are not insurmountable. The project is moving forward and we are fixing the affected areas and will finish this phase of the project as scheduled.

Going forward, we are demanding major changes by our federal lead agency, the Maritime Administration, and the contractor charged with developing the project. These changes are summarized in the attached compass piece, but they include increased protection for the Port for faulty work, the creation of an oversight committee that can respond quickly to issues as they arise, increased oversight and accountability by project managers and additional financial protection for the Port.

This is one of the largest ongoing construction projects in Alaska and far too often the integrity of the project and the Port's value to the state are lost in the accompanying debate. The Port of Anchorage is a vital economic engine for 80% of Alaska and this project alone puts nearly 500 people to work every year. This Port and this project are too important to fail.

I recognize that you may have further questions regarding this project and I take those very seriously. Please do not hesitate to contact me directly if I can address any of your concerns. Ultimately this is about economic development, it's about jobs, and it's about investing in infrastructure today that will serve generations of Alaskans tomorrow.

Sincerely,



Bill Sheffield
Port Director

rs. He wants to simplify tax rates, both individual corporate, close loopholes and provide the kind of ainty that will shake some of that \$2 trillion into the nomy.

Infrastructure investment. Begich argued there's need to get into a wrangle over another "stimulus" gram. You stimulate the economy by spending public ey on nuts-and-bolts public works as we always have ater, sewer, highways, ports, bridges. That provides k for private contractors, speeds commerce and and's opportunity. It's no secret that American infra-cture is aging, and it shouldn't be a partisan matter ebuild.

Energy policy. This is particularly key for Alaska, Begich, like his Alaska colleagues Sen. Lisa Mur-ski and Rep. Don Young, wants to see oil and gas elopment. Drilling in the Beaufort in 2011? His op-sm dims a little, but lights up again at the notion of . National Petroleum Reserve? Begich says current is-Alaska pipeline problems may provide him with a nger argument for above-ground river crossings into NPR-A — easier to maintain and repair.

Begich stressed that Arctic oil exploration would and-in-hand with close scrutiny and continued arch. He repeated what he's said before about Alas-perience — we investigate, permit, litigate and eal. That's exasperating, but in the long run good. I'd rather do it the way we do it, work our way ough a painful process," he said. In the end, we miti-risks and produce more safely than most other oil -hes on the planet.

Deficit reduction. Here's where the warning comes. re will be pain, Begich said. But for the United States restle its massive debt to ground will take from 10 to ears if we do it right — by coordinating tax reform, rgy policy and infrastructure investment, and by ecting everything to review, cutting gradually and intelligence. He favors spending caps. People are not ready," Begich said. "But we have to t talking about it."

he senator provided a pragmatist's overview. As ys, the details will be home to the devil. And Begich res Congress and the administration have about n months before the next presidential election cycle s in and makes everything harder. t's a good thing he's an optimist.

TOM LINE: Begich sees a tough but drivable road to a thriving economy.

COMPASS: *Other points of view*

Anchorage port project too vital to fail

By **BILL SHEFFIELD**

The Port of Anchorage expansion project is too important to fail. The Anchorage Daily News and I can certainly agree on that. However, I disagree with the article in Sunday's paper that implies there is a billion dollars in wasted funding and that the project is failing.

The facts are that \$265 million has been spent or obligated on the port expansion to date and the majority of those dollars were spent on successful aspects of the project. It took more than 5 years, and a hefty sum, for the port to secure its permit. During this time the port was rebuilding roads, a rail line, repairing dis-integrating pipelines and culverts, burying and extending power lines, installing a new pipeline, building a floating dock used by the Coast Guard, and mitigating a vexing runoff problem for Elmendorf.

To date, nearly 70 acres of new land in the north and south end have been filled. We have constructed a 5-mile haul road from Elmendorf Air Force Base to the port to transport gravel fill for this project. This road will be used for military deployments relieving congestion on public roadways. All of these projects have been successfully completed with little fanfare or acknowledgment.

In regard to leadership, let me clear up any ambiguity. Because federal funds are involved, the Municipality of Anchorage entered into a memorandum of understanding with the federal Maritime Administration (MARAD) to be the lead federal agency on this project. MARAD contracted with Integrated Concepts and Research Corporation (ICRC) to develop the Port. ICRC, in turn, contracted with



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design professionals and contractors. MARAD and ICRC have responsibility for quality assurance and the design professionals, PND Engineers, Inc., are responsible for providing a fully functional design for the project. The Port of Anchorage is the owner of the project, responsible for securing funding and coordinating construction phasing to fit the needs of the port and its customers.

It has become clear over the past 12 months that there are some oversight problems and protection issues not adequately addressed by this arrangement. The port has responded aggressively to these issues and has demanded that the following actions be implemented before the start of the 2011 construction season.

- The port is demanding a major review of the contract between MARAD and ICRC in anticipation of the April renewal date. The new structure must provide clear accountability and absolute protection from faulty design, construction and oversight.

- The port is ordering a forensic investigation be performed as soon as possible to establish the cause and extent of the damaged sheet pile installed prior to 2010.

- The port is requiring additional fi-

nancial protection to assure the work is completed on time with outstanding workmanship.

- The port is developing an oversight committee consisting of the port, MARAD, ICRC, and appointees from the city, U.S. Army Corps of Engineers and others.

In short, we are establishing an oversight framework with clear expectations from our project partners. We expect progress and demand change. The current construction contractor was able to successfully install sheet pile cells in areas that were discovered damaged starting in May of 2009, indicating to us that the project can be constructed as designed.

While we are frustrated with the progress to date, we remain confident in the integrity of the facility and in the need to complete its construction as soon as possible. This project is about the future of this state and the next five generations of Alaskans that will rely on it. And that's why it is simply too important to fail.

Former Gov. Bill Sheffield is director of the Port of Anchorage. He also has served as president and CEO of the Alaska Railroad, founded and owned a hotel chain and involved in various public and private enterprises.

Letters to the Editor

Pool rules infringe on students' freedom to hug and wear sandals

The state Senate will again be governed by a bipartisan coalition made up of 10 Democrats

Columnist trivializes a national tragedy in very flippant manner

California with computer sciences. We need to keep our creative young people