

**HB**

**23**

<TARGET><BILL>HB 23</BILL><SUBJECT>HB  
23</SUBJECT><COMM>HTRA28</COMM></TARGET>

# ALASKA STATE LEGISLATURE

**Member:**  
House Finance Committee

**Chair:**  
House Budget Sub Committees on:  
- Department of Health & Social Services  
- Department of Transportation & Public  
Facilities



**Session:**  
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## ***Representative Mark Neuman***

Rep.Mark.Neuman@akleg.gov

### **House Bill 23 Sponsor Statement**

House Bill 23 amends the Knik Arm Bridge and Toll Authority's enabling statute to provide for a successful procurement for the Knik Arm Crossing project and to generate the best value for the state. Passing this legislation this session is important to seeing the Knik Arm Crossing efficiently move toward a successful and low-cost procurement process and facilitate being open for traffic in 2015. The Knik Arm Crossing will be a significant addition to Alaska's infrastructure that will further facilitate the movement of goods and people in the state.

This bill was written in consultation with the Knik Arm Bridge and Toll Authority (KABATA), which was established in 2003 by the Alaska Legislature. The bill accomplishes many items KABATA has deemed necessary to have a successful public-private partnership procurement. Those items are:

- **Increase in KABATA's Bonding Authority from \$500 million to \$600 million**
  - The \$600 million number represents the same amount authorized under Private Activity Bond (PABs) allocation from FHWA
  - Lowers the cost of capital for the project and ultimately lowers the cost to end users
  - Private partner is the borrower of any PABs issued.
  
- **Clarify that the bridge and associated facilities are exempt from state and local property taxes**
  - Like any other transportation project in our State, the roads and bridges are not subject to property taxation.
  - Any private facilities developed outside the crossing will be taxable
  - Property tax exemption reduces the availability payment and reduces the toll

- **Contractual Monetary Obligations**

- Identifies the \*obligations of the State of Alaska\* under a P3 process
- The legislative language applies to “monetary liabilities” which may be incurred by KABATA under a P3 process
- Any P3 agreement needs to be approved by the KABATA Board of Directors, State AG’s office, and ADOT&PF
- Serves to lower the cost of debt and equity to finance the project
- Keeps the tolls affordable to the traveling public

**Project reserve**

- Creation of a reserve fund is to provide a backstop for toll revenue fluctuations.
- Serves to enhance the credit worthiness of the project and reduce project costs
- Will be repaid over the project life

All of the above language clarifications and additions serve to lower the cost of capital on this much needed infrastructure project and deliver the benefits in a timely and efficient manner.

Please help me by supporting this legislation so a long-term, long sought after project can be realized.

Sincerely,



Representative Mark Neuman

## **Clarifications on Common Myths about the Knik Arm Crossing Project**

### **By: Knik Arm Bridge and Toll Authority**

- KABATA's August 2012 TIFIA Letter of Interest (LOI) remains active and advancing it to the application stage is pending passage of HB23 or SB13. The Knik Arm Crossing (KAC) project is one of 28 projects in the LOI stage for a TIFIA loan. Since the passage of MAP-21 and the issuance of the TIFIA Notice of Funding Availability, none of the 28 projects have moved to the application stage at this time.

The TIFIA program is very valuable to the state and the project, resulting in lower availability payments, and it is in the state's best interest to pursue funding through the program. The private partner will be the borrower, but the value of TIFIA will come back to the state through the competitive procurement process.

- The bridge length was increased to preserve beluga whale habitat, as recommended by the National Marine Fisheries Service. The cost of the lengthened structure – from 8,200 feet to 9,200 feet - is offset by the removal of embankment and riprap material in the deepest areas of the Knik Arm Crossing alignment, resulting in a net increase of approximately \$15 million, or roughly 2 percent of the overall Phase I construction cost. There is sufficient contingency (\$82 million) included in the 2010 cost estimate to cover this change.
- Many cost estimates have been completed for the Knik Arm Crossing Project. The 2010 cost estimate includes items such as:
  - Constructing all six lanes of the tunnel under Government Hill in the initial phase of construction, to mitigate and minimize impacts to the community;
  - Constructing all fill in the intertidal zone in the initial phase of construction, to minimize impacts to fish and fish habitat;
  - Constructing roadway embankment for 4-lanes up to the top of sub grade along the Port of Anchorage and JBER, to minimize disruption to their activities.
- The Knik Arm Crossing is being delivered as a public-private partnership under a performance based contract. The design of the bridge will be finalized by the winning proposer and will be designed to the strict technical standards specified by the state. The Crossing will be constructed using time tested, standard bridge building methods.
- KABATA's base population forecast is consistent with others, including ISER's 2009 forecast, which predicted a Mat-Su population for 2010 that was 9,000 below the actual census count. KABATA's traffic forecast used socio-economic inputs for high, low, base and reduced value of time to understand a range of possible outcomes.
- Under a P3, such as the one being utilized to deliver the Crossing, there is no guarantee of a return on investment to the private partner. In fact, the private equity is the first dollar at risk, which is one of the benefits to the state of entering into a P3 contract.

**For more information or questions about the Knik Arm Crossing's project delivery method, P3s or other aspects of the project contact the KABATA offices at 907-269-6698.**

## Importance of Legislation for TIFIA Loan

What is a TIFIA Loan?

TIFIA stands for Transportation Finance and Innovation Act. The TIFIA loan program provides federal credit assistance in the form of direct loans, loan guarantees or standby lines of credit to public or private sponsors of major infrastructure projects. The program was established by Congress in 1998 to leverage federal funds by attracting substantial private and other non-federal co-investment in critical improvements to the nation's surface transportation system. It was modified by MAP-21, the most recent transportation reauthorization passed in July 2012. Most importantly, MAP-21 increased the program's lending capacity nearly ten-fold and made the application process objective and first-come, first-served.

### **TIFIA's value for the state**

- TIFIA loans have a low interest rate: the 30 year treasury rate plus 1 basis point.
  - The low rate will save the state hundreds of millions over the term of the public-private partnership.
- Teams competing for the project will consider the lowest cost financing available in their proposals.
  - TIFIA is the lowest cost financing on the market.
  - The private partner will be the borrower of the TIFIA loan – not the state.
- The state benefits by receiving lower availability payment proposals because the private partner is obtaining lower cost financing translating into a lower availability payment for the state. The competitive procurement drives the value back to the state.

### **How this session's legislation helps obtain a TIFIA loan**

- The TIFIA office is looking for the state's commitment to the project.
  - Funding of the reserve fund and passing the legislation reflects a high level of commitment.
- We've been informed by the TIFIA office that KABATA will only be allowed to proceed with its TIFIA application once the project reserve is funded or it becomes reasonably clear the issue is likely to be resolved favorably in the near future.
- The TIFIA program has limited lending capacity since there is a very high demand for this low cost financing.
  - This increases the urgency for KABATA to be able to move forward with the application process.
- TIFIA program capacity:
  - \$7 billion for federal fiscal 2013 and \$10 billion for federal fiscal 2014.
  - As of November 20, 2012:
    - 23 Letters of Interest (LOI) were submitted to the TIFIA office from projects around the U.S., including the Knik Arm Crossing, requesting between \$9.7 billion and \$14.4 billion in TIFIA loans. This represents up to 85% of the TIFIA capacity.
    - As LOIs are invited to submit applications, the loan capacity is conditionally committed and no longer available.

# Knik Arm Bridge and Toll Authority (KABATA)

- Established by Alaska Legislature in 2003 under Alaska Statute 19.75 to  
“**...develop, stimulate, and advance the economic welfare of the state** and further the development of public transportation systems in the vicinity of the Upper Cook Inlet with **construction of a bridge to span Knik Arm and connect the Municipality of Anchorage and the Matanuska-Susitna Borough.**”

# Population Statistics

Region	Actual Population 1985 <sup>1</sup>	Actual Population 2010 <sup>1</sup>	Forecast Population 2035 <sup>2</sup>	Actual Change 1985 to 2010	Forecast Change 2010 to 2035	Percent Change 1985 to 2010	Percent Change 2010 to 2035
Anchorage	226,848	291,826	354,490	64,978	62,664	28.6%	21.5%
Mat-Su	37,280	89,737	190,873	52,457	101,136	140.7%	112.7%
Region	264,128	381,563	545,363	117,435	163,800	44.5%	42.9%

1. U.S. Census Bureau July 1, 1985 estimate and April 2010 actual count.
2. ISER population forecast growth rates applied to 2010 decennial census count.

# Population Growth Drives Traffic Increases

Location	1985 Average Annual Daily Traffic	2010 Average Annual Daily Traffic	2035 Forecast Average Annual Daily Traffic *	Forecast Increase in Daily Traffic 2010-2035
Eklutna	15,682	29,664	65,000	35,336
Hiland Road	33,555	52,824	110,000	57,176

\* Forecast assumes traffic without the bridge.

# What Happens Without the Bridge?

- State has to accommodate transportation needs to maintain existing level of service:
  - 6 lane improvements on Glenn Highway from Eagle River to Wasilla
  - 8 lane improvements on Glenn Highway from South Eagle River to 5<sup>th</sup> Avenue
  - Parks Wasilla Bypass
  - Network improvements in Palmer/Wasilla corridor
- ≈\$3 billion total cost with no toll revenue \*

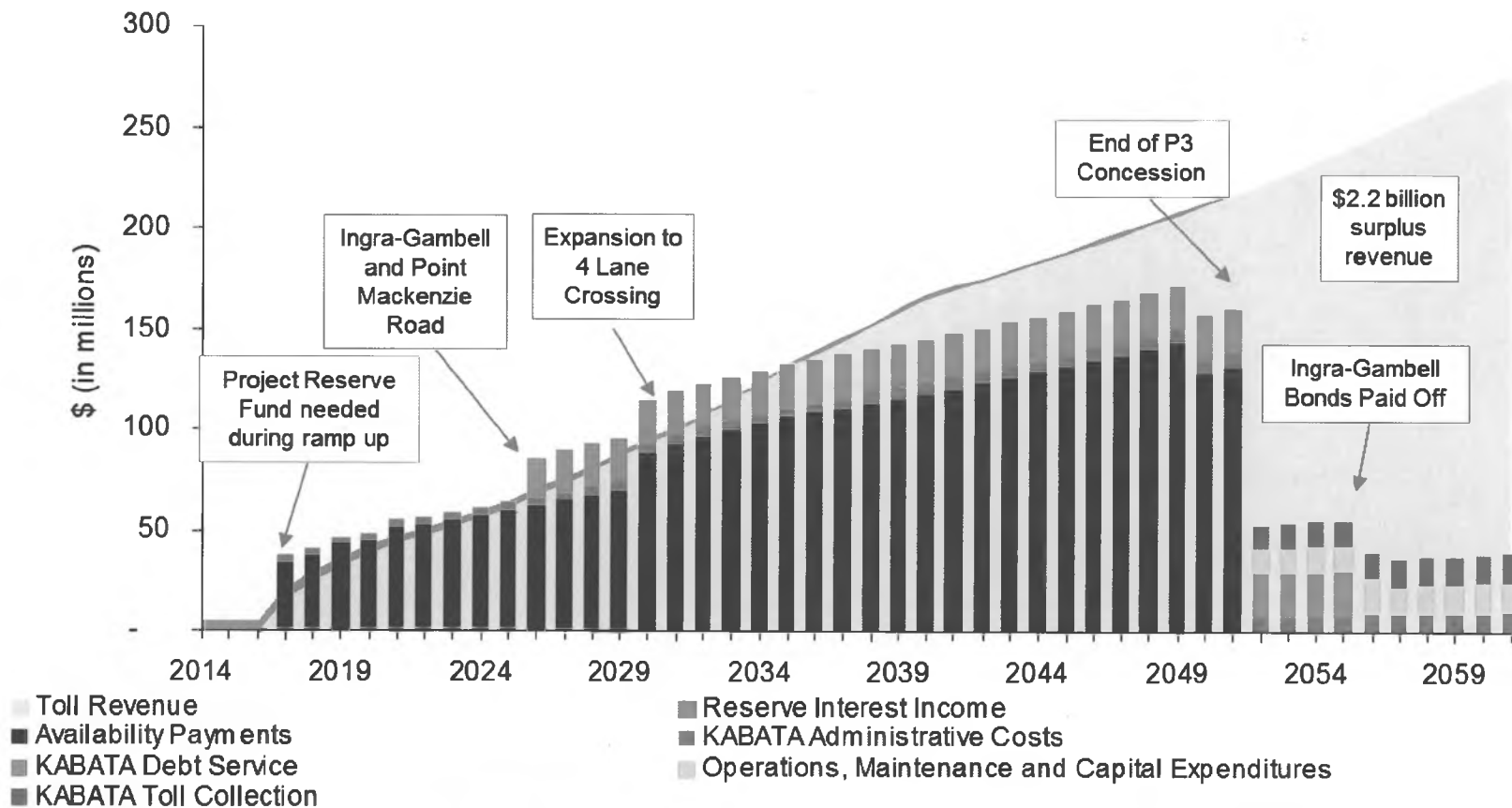
\* Estimate per 2008 Statewide LRTP prepared by ADOT&PF

# P3 Risk Allocations

	<u>State</u>	<u>Private</u>
• Financing/Refinancing		●
• Design		●
• Build		●
• Operations and Maintenance		●
• Toll Collection		●
• Toll Revenue	●	
• Capacity improvements <sup>1</sup>	●	●

1. KABATA responsible for Ingra-Gambell connection and Point Mackenzie Road upgrade to four lane. Developer responsible within concession alignment.

# KABATA Projected Obligations and Toll Revenues (33% TIFIA)



# Benefits for Alaskans

- Economic stimulus:
  - \$715 million of new infrastructure
  - 1,500 jobs for 4 years of construction
- Lowers cost for freight to Interior – \$300 million truck freight savings first 10 years
- Lowers cost for Alaskan drivers – \$300 million pocketbook savings first 10 years
- Reduced carbon emissions - Over 650,000 metric tons first 10 years

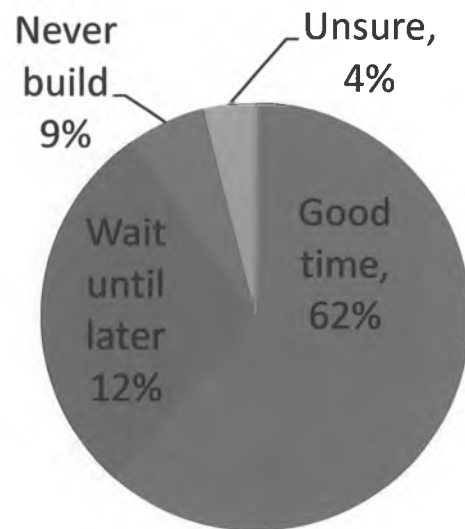
# Benefits for Alaskans (continued)

- Alternative to Glenn Highway for safety, security, emergency, and accidents
- Access to land for commercial, industrial and residential development and to support population growth
- Improved access for Goose Creek Correctional Center - \$30 million savings first 10 years
- Connects Port of Anchorage and Port MacKenzie to better serve the State
- First leg for access to western Cook Inlet resources (Coal, Oil and Gas, Geothermal, Hydroelectric)

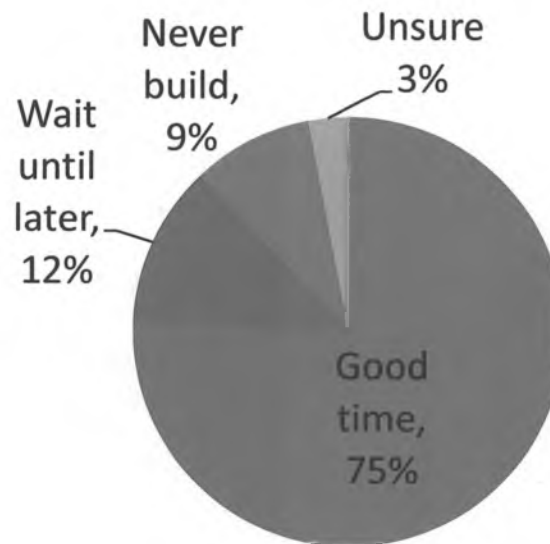
# Alaskans Recognize Bridge Value

Overall, when everything is considered, would you say now is a good time to build the Knik Arm Bridge, should we wait until later, or should it never be built?

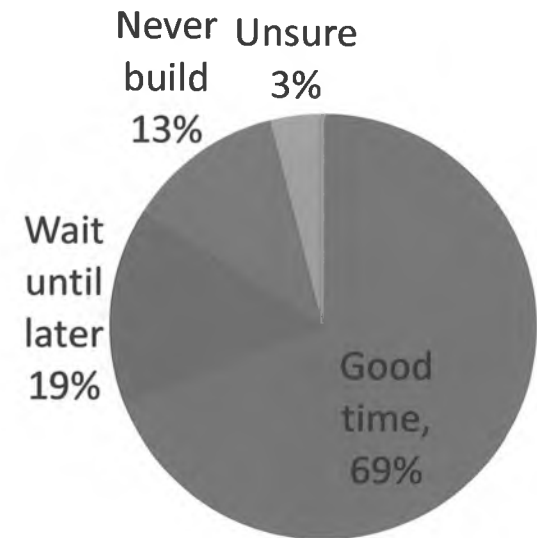
## Rural Alaska



## Interior Results



## Southcentral Results



Dittman Research and Communications Alaskan Attitudes and Perceptions Survey, November - December 2011.

## HB 23 Summary of Legislation

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The Knik Arm Crossing is a vital infrastructure project, a bridge that will connect Alaska, help create jobs, encourage smart growth, and economic development, while improving the environment and the quality of life for the people served by the project. Simply said, this is an investment in Alaska's future that will pay dividends for years to come.

HB 23 will aid the successful procurement of the Knik Arm Crossing, reduce the cost of project finance and generate the best value to the State of Alaska. The passage of this legislation will facilitate the project to be open for traffic in 2017.

### **Proposed Legislation – HB 23**

Amends Alaska Statute 19.75 with structural amendments to achieve the best value for the state of Alaska. Summarized Below:

#### **Increase in Bonding Authority to \$600 million**

- Increase to match \$600 million in federal Private Activity Bond (PABs) capacity allocated to the project.
- PABs require a public entity to act as conduit issuer for the private borrower.
- Any PABs issued are a liability of the private partner, not the State.
- Tax-exempt nature lowers the cost of capital and provides better value proposals to the State.

#### **Project Reserve Fund.**

- Used to supplement availability payments to compensate the private partner for the finance, design, construction, operations and maintenance of the facility until toll revenues build up to sufficient levels to fully cover the payments.
- Results in lower availability payment proposals, generating best value for the State.
- Serves to keep tolls affordable to the traveling public and supports the shortest possible contract term.
- As the reserve fund builds a surplus, the surplus will be used to fund other needed transportation projects that fall under the federal Title 23 and Title 49 categories.
- Establishes the Department of Revenue as the fiduciary to hold the appropriation until the public-private agreement is executed.
- Requires annual reporting to the legislature and Governor on the status of the reserve fund, and establishes the mechanism for replenishment of the fund subject to appropriation.

#### **Property Tax Clarification**

- Clarifies that the bridge and associated connectors are not subject to property taxes if operated by a private partner on behalf of the state (the facility is already exempt if operated by the state.)
- Identical to all other publicly owned transportation projects in the State.
- Any private facilities of the developer not serving the public transportation purpose remain subject to property tax.

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Governor Sean Parnell  
STATE OF ALASKA

November 15, 2012

Mr. Duane Callender  
Director  
Transportation Infrastructure Finance and Innovation Act Joint Program Office  
United States Department of Transportation  
1200 New Jersey Avenue, SE  
Room E64-302  
Washington, DC 20590

Dear Mr. Callender,

I have received a copy of your September 25, 2012 letter to the Knik Arm Bridge and Toll Authority (KABATA). In that letter, you state that the U.S. Department of Transportation (US DOT) is postponing consideration of our Transportation Infrastructure Finance and Innovation Act (TIFIA) Letter of Interest until the State appropriates, or is reasonably likely to appropriate, funding for the KABATA Project (Project).

As you know, the Alaska Legislature has previously authorized the use of federal funds and has appropriated State matching funds for the Project. The construction phase is included in the approved Statewide Transportation Improvement Program. KABATA is currently purchasing the right-of-way and acquiring the permits necessary for construction. In addition, my Capital Budget will be submitted to the Alaska State Legislature in December, and it is my intent to include funding for a Project Reserve.

KABATA will continue to work closely with your office, and the State of Alaska expects full consideration by US DOT and your office for an invitation to submit a TIFIA loan application on behalf of the successful proposer.

Best regards,

A handwritten signature in black ink that reads "Sean Parnell".

Sean Parnell  
Governor

## **“Reserve Fund” established by HB 23 and SB 13 still provides an unlimited State Guarantee**

### **What are “Availability Payments”?**

As long as the bridge is “available” for use, HB23/SB13 sets up periodic “Availability Payments” from KABATA’s “Reserve Fund” to the bridge developer/contractor. KABATA describes this financing structure in their August 2012 TIFIA application “Letter of Interest” (LOI) (available at KABATA’s website at [http://www.knikarmbridge.com/documents/KnikArmCrossingFY2013-2014TIFIALOIFINAL\\_001.pdf](http://www.knikarmbridge.com/documents/KnikArmCrossingFY2013-2014TIFIALOIFINAL_001.pdf)) with the following description on the bottom of page 11, “the private partner will design, build, finance, operate and maintain the Project under a concession of approximately 35 years after substantial completion in exchange for availability payments from KABATA and potentially a milestone payment(s) during or at completion of construction. The availability payments will be paid from a Project reserve fund that will hold in trust appropriated funds as well as toll revenues. The Project reserve fund will set forth minimum reserve requirements that, if not met, will trigger a **request for appropriation** from the State of Alaska under the mechanism set forth in the anticipated legislation.”

KABATA’s financial plans rely upon receiving TIFIA financing at 3% interest. Given \$41 billion of project costs (33 to 50% fed share) in requests ([http://www.fhwa.dot.gov/ipd/tifialoifinal/letters\\_interest\\_applications/letters\\_submitted\\_2013.htm](http://www.fhwa.dot.gov/ipd/tifialoifinal/letters_interest_applications/letters_submitted_2013.htm)) for the available \$1 billion in TIFIA loans, it is HIGHLY unlikely that HALF of the federal TIFIA loans will be given to the “Bridge to Nowhere”. KABATA’s financial plans need to be re-done to show all funding coming from non-TIFIA sources. KABATA admits on Page 13 of their LOI that TIFIA funds are **critical** to their current financial plan, and if not provided, the project may require further federal funds: “The amount of TIFIA assistance requested will optimize the Project’s capital structure, thus allowing for lower availability payments. Lower availability payments translate into an **increased probability** that toll revenues will be sufficient to meet them, especially during the early years of service, while maintaining the minimum Project reserve requirements under the Project Trust. These will also ensure a **lower probability** that federal-aid funds will be needed in the future to meet critical needs for capacity improvements and extensions within the Project and in the region. Even if federal-aid funds are ultimately needed, the amount required will be lower if the Project receives the maximum amount of TIFIA credit assistance authorized by law in its capital structure.”

On that same Page 13, KABATA admits that without the State guarantee provided by HB23/SB13, the project is so risky that it would not be deemed “creditworthy”. “Optimized TIFIA financing also reduces the potential that the availability payments will need legislative appropriations. This lower level of risk to the State will enhance the legislative package being presented to the Legislature next session. The passage of the legislative package contemplated is fundamental to Project creditworthiness under current market conditions and risk tolerance levels.”

### **Where is the “Unlimited State Guarantee”? It comes from the continually replenished “Reserve Fund”.**

If there is any question that HB23/SB13 provides a State obligation to replenish the “Reserve Fund”, which establishes the State guarantee, the following from the middle of Page 16 of the LOI makes it clear:

*“The pro forma plan of finance submitted with this LOI demonstrates the senior lien obligations of the private partner will be able to achieve investment grade because of the following (the “Credit Structure”):*

- The State of Alaska’s current appropriation credit rating of AA by Standard and Poors and Aa3 by Moodys;
- Establishment of the Project reserve fund to assure the appropriated funds and toll revenues are pledged toward monetary obligations under the PPA, including any milestone payment(s) and the availability payments;
- An assumed initial \$150 million appropriation by the State of Alaska Legislature deposited to the Project reserve;
- A **statutory trigger** for KABATA to request the Governor and State Legislature to act on **supplemental appropriations** if necessary to **replenish** the Project reserve fund to the minimum requirement, **representing an obligation** of the State;”

Page 17 of the LOI actually minimizes the importance that the Knik Arm Bridge was supposed to be entirely financed by tolls: “It is important to recognize that while there is a **tolling portion** to the Project, it is structured as an **availability payment backed by an appropriation pledged by the State of Alaska.**”

Mr. Jeff Stark, of the AG’s office was accurate in his statements on March 22, 2012 before the House Finance Committee that if the Toll Revenues fall short, the State will need to make up the difference.

### **HB23/SB13 allows KABATA to issue \$600 million in Private Activity Bonds WITHOUT any further action by the Legislature.**

KABATA projects a 3% TIFIA loan for \$500 M resulting in an overall interest rate is 5.9% because in early years the amount of principal owed actually increases because of the toll shortfall. Without TIFIA’s 3% loan for half the construction costs, the overall interest rate to jumps to at least 8.6% and project financing costs balloon. See the following from the bottom of page 22 and top of page 23 of LOI:

*If enacted, the legislation would accomplish the following:*

- Authorize KABATA to establish a Project reserve fund to hold toll revenues, appropriated funds and other KABATA revenues, and available to pay PPA monetary obligations and KABATA’s own operating costs, with surplus available to pay for capacity improvements and expansions related to the Project and other Title 23 eligible transportation improvements and transit;
- Establish for KABATA a procedure, comparable to that available to other public corporations under Alaska law, to report to the Legislature and **request further appropriations** if the Project reserve fund falls below a **minimum reserve fund** requirement;
- Increase KABATA’s bonding authority to **\$600 million**, enabling KABATA to act as conduit issuer for the **full amount of the PABs** allocation to the Project;

The following pages show annotated versions of the traffic forecast and “Pro-Forma” from KABATA’s August 2012 TIFIA application, which highlight problems with KABATA’s current financial plan.

Traffic Forecast is at: <http://www.knikarmbridge.com/documents/MemoforAugust2012TandRforecastupdated8.23.2012.pdf>

Pro-Forma is at: [http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel\\_000.pdf](http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel_000.pdf)

**Table 1**  
**Estimated Average Daily Transactions and Gross Toll Revenue**  
**Base Forecast using Probable Economic Assumptions**  
**Proposed Knik Arm Crossing**  
**Assuming Year 2017 Opening**

Year	Estimated Annual Average Daily Transactions			Estimated Annual	
	Passenger Car	Commercial Vehicle	Total	Transactions	Gross Toll Revenue
2017 (1)	5,900	800	6,700	2,445,500	16,024,000
2018(2)	8,800	1,200	10,000	3,650,000	24,543,000
2019	11,300	1,500	12,800	4,672,000	32,007,000
2020	13,100	1,800	14,900	5,438,500	38,457,000
2021	14,300	2,000	16,300	5,949,500	43,317,000
2022	15,400	2,100	17,500	6,387,500	47,428,000
2023	16,500	2,200	18,700	6,825,500	51,689,000
2024	17,600	2,300	19,900	7,263,500	56,124,000
2025	18,700	2,400	21,100	7,701,500	60,778,000
2026	19,800	2,700	22,500	8,212,500	67,251,000
2027	21,000	2,900	23,900	8,723,500	73,444,000
2028	22,200	3,100	25,300	9,234,500	79,882,000
2029	23,400	3,300	26,700	9,745,500	86,556,000
2030	24,600	3,500	28,100	10,256,500	93,560,000
2031	25,900	3,500	29,400	10,731,000	99,229,000
2032	27,100	3,700	30,800	11,242,000	106,822,000
2033	28,300	3,900	32,200	11,753,000	114,681,000
2034	29,500	4,100	33,600	12,264,000	122,930,000
2035	30,700	4,300	35,000	12,775,000	131,459,000
2036	31,700	4,300	36,000	13,140,000	137,619,000
2037	32,400	4,400	36,800	13,432,000	144,232,000
2038	33,100	4,500	37,600	13,724,000	151,137,000
2039	33,800	4,600	38,400	14,016,000	158,254,000
2040	34,500	4,700	39,200	14,308,000	165,550,000

**Ramp up Schedule:**

2017 assumes a ramp-up factor of 61.0 percent.

2018 assumes a ramp-up factor of 81.3 percent.

2019 assumes a ramp-up factor of 94.5 percent.

No ramp-up is assumed in 2020 or beyond.

<sup>(1)</sup> Bridge assumed opened to traffic on January 1, 2017 with a Passenger Car Toll of \$5.00; tolls proportionately higher for Commercial Vehicles.

<sup>(2)</sup> Assumes a Toll Schedule increased by 2.5 percent annually beginning January 1, 2018; tolls proportionately higher for Commercial Vehicles.

SOURCES AND USES

SOURCES	GOV PURPOSE	PRIVATE ACTIVITY BONDS	SHORT-TERM FINANCING	TIFIA (1)	EQUITY	TOTAL PRIVATE FINANCING	PUBLIC INVESTMENT	TOTAL
Current Interest Bonds	-	153,435,000	-	-	-	153,435,000	-	153,435,000
Capital Accretion Bonds	-	-	-	-	-	-	-	-
Short-Term Financing	-	-	-	-	-	-	-	-
TIFIA	-	-	-	500,473,670	-	500,473,670	-	500,473,670
Equity	-	-	-	-	72,787,288	72,787,288	-	72,787,288
Premium / Original Issue Discount	-	-	-	-	-	-	-	-
Public Funds Available	-	-	-	-	-	-	-	-
1) Federal	-	-	-	-	-	-	112,572,342	112,572,342
2) State Match	-	-	-	-	-	-	17,324,917	17,324,917
3) State Grant (Milestone Payment)	-	-	-	-	-	-	-	-
4) State Grant (Reserve Fund)	-	-	-	-	-	-	150,000,000	150,000,000
5) State Commerce Grant	-	-	-	-	-	-	15,000,000	15,000,000
6) TIGER-TIFIA Grant	-	-	-	-	-	-	-	-
<b>Total</b>	-	153,435,000	-	500,473,670	72,787,288	726,695,959	294,897,259	1,021,593,218
<b>USES</b>								
Deposit to Construction Fund	-	109,357,485	-	499,723,670	70,494,245	679,575,400	25,419,013	704,994,413
Right of Way	-	-	-	-	-	-	15,250,000	15,250,000
KABATA PPA Oversight	-	-	-	-	-	-	11,826,000	11,826,000
Deposit for Port MacKenzie Road Upgrade	-	-	-	-	-	-	15,000,000	15,000,000
Deposit for KABATA Development Costs	-	-	-	-	-	-	77,402,246	77,402,246
Deposit to State Reserve Fund	-	-	-	-	-	-	150,000,000	150,000,000
Repay Short-Term Financing	-	-	-	-	-	-	-	-
TIFIA Credit Subsidy (2)	-	-	-	-	-	-	-	-
Deposit to Capitalized Interest Fund	-	25,051,575	-	-	-	25,051,575	-	25,051,575
Deposit to Prepaid Interest Fund	-	-	-	-	-	-	-	-
Debt Service Reserve Fund	-	15,343,500	-	-	-	15,343,500	-	15,343,500
Bond Insurance Premium	-	-	-	-	-	-	-	-
Cost of Issuance	-	2,301,525	-	750,000	-	3,051,525	-	3,051,525
Underwriter's Discount	-	767,175	-	-	-	767,175	-	767,175
KABATA FA Success Fee	-	613,740	-	-	2,293,044	2,906,784	-	2,906,784
Concession (Shortfall)/Surplus	-	-	-	-	-	-	-	-
<b>Total</b>	-	153,435,000	-	500,473,670	72,787,288	726,695,959	294,897,259	1,021,593,218
Equity Contribution (12% IRR)					72,787,288			
Construction Fund Surplus / (Shortfall)								8,416
Equity as % of Financing, Including Public Funds								7.125%
Equity as % of Financing, Excluding Public Funds								10.016%
Delivery Date								12/1/13
Rates as of								2/1/12
Cap I Date								12/1/2016
Cap I Earnings Rate								0.50%
Bond Yield								5.846%
Arbitrage Yield								5.846%
True Interest Cost								5.895%
Minimum Coverage								2.09x
Average Coverage								2.90x
Final Maturity								12/1/2034
Total Qualified Project Costs								1,021,374,837
TIFIA 49% Limitation								500,473,670

(1) TIFIA rate assumed at 4.00% (current market + 140bps)  
 (2) For subsidy cost of credit assistance

**Knik Arm Bridge and Toll Authority**  
**Base Case: Normal Traffic Projections-TIFIA at 49%**  
**Private Model - Availability Payment Structure**

Phase I

**ASSUMPTIONS**

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**Derivation of DSRF Requirement**

Gov. Purpose	
10% of Par	-
Maximum Annual Debt Service	-
125% of Average Annual Debt Service	-
<b>Minimum of 3 tests</b>	<b>-</b>

**PABs**

10% of Par	15,343,500
Maximum Annual Debt Service	25,507,352
125% of Average Annual Debt Service	17,907,483
<b>Deposit</b>	<b>15,343,500</b>

**TIFIA Eligible Costs**

Project Costs	705,526,033
Right of Way	15,250,000
KABATA PPA Oversight	11,826,000
KABATA Debt Service Reserve Fund Deposit	15,343,500
KABATA Capitalized Interest Deposit	25,051,575
Bond Insurance	-
Cost of Issuance	2,301,525
Development Phase: Public Investment (1)	92,402,246
Underwriter's Discount	767,175
Upfront Payment	2,906,784
State Funded Reserve Fund	150,000,000
<b>Total Eligible TIFIA Costs</b>	<b>1,021,374,837</b>

Maximum Capacity Constraint	500,473,670
Actual TIFIA Loan Amount Used	500,473,670

**Percentage for proration of indirect costs**

Urban	42.4%
Rural	57.6%
<b>Total</b>	<b>100.0%</b>

<b>2017 Initial Toll Rate</b>	<b>\$5.00</b>
<b>2011 Initial Toll Rate (PV @ 2.50%)</b>	<b>\$4.53</b>
<b>Annual Toll Rate Increase After 2016</b>	<b>2.500%</b>

**Costs of Issuance**

Bonds	1.500%
TIFIA	750,000

**Underwriter's Discount**

Bonds	0.500%
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<b>Insurance (% of Total DS)</b>	<b>0.000%</b>
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(1) Includes \$15 million commerce grant for Pt Mackenzie Rd upgrade

**Knik Arm Bridge and Toll Authority**  
**Base Case: Normal Traffic Projections-TIFIA at 49%**  
**Private Model - Availability Payment Structure**

Phase I

EBITDA							
				2.50%	2.50%	2.50%	
Date	Toll Revenue	Availability Payment	Interest Income Earnings	O&M	Tolling Operations	Renewal CapEx	Cash Available for Debt Service
<b>Total</b>	-	2,332,602,885	23,628,990	(122,228,256)	(196,731,032)	(112,054,849)	1,925,217,738
12/1/14	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-
12/1/16	-	-	-	-	-	-	-
12/1/17	-	24,729,500	460,305	(1,908,268)	(1,746,600)	(889,193)	20,645,744
12/1/18	-	28,118,680	460,305	(2,219,973)	(1,952,625)	(890,084)	23,516,304
12/1/19	-	33,563,427	460,305	(2,070,627)	(2,143,275)	(898,535)	28,911,296
12/1/20	-	35,065,964	460,305	(2,198,735)	(2,319,575)	(900,343)	30,107,617
12/1/21	-	40,628,603	460,305	(2,159,774)	(2,472,300)	(901,316)	35,555,517
12/1/22	-	42,253,747	460,305	(2,457,230)	(2,616,825)	(1,216,140)	36,423,856
12/1/23	-	43,943,897	460,305	(2,330,510)	(2,766,475)	(1,217,173)	38,090,044
12/1/24	-	45,701,653	460,305	(2,630,133)	(2,924,325)	(2,464,241)	38,143,259
12/1/25	-	47,529,719	460,305	(2,472,437)	(3,089,350)	(2,464,473)	39,963,763
12/1/26	-	49,430,908	460,305	(2,774,865)	(3,289,225)	(2,465,602)	41,361,521
12/1/27	-	51,408,144	460,305	(2,623,009)	(3,496,275)	(2,458,082)	43,291,083
12/1/28	-	53,464,470	460,305	(2,840,533)	(3,713,575)	(2,459,279)	44,911,387
12/1/29	-	55,603,048	460,305	(2,782,750)	(3,940,100)	(1,206,974)	48,133,529
12/1/30	-	57,827,170	460,305	(3,223,756)	(4,178,925)	(1,208,244)	49,676,550
12/1/31	-	60,140,257	460,305	(2,848,581)	(4,407,500)	(1,209,552)	52,134,929
12/1/32	-	62,545,867	460,305	(3,197,045)	(4,634,025)	(1,962,682)	53,212,421
12/1/33	-	65,047,702	460,305	(3,132,011)	(4,870,800)	(1,964,070)	55,541,127
12/1/34	-	67,649,610	15,803,805	(3,628,366)	(5,119,875)	(1,965,499)	72,739,675
12/1/35	-	70,355,595	-	(3,322,750)	(5,379,200)	(2,055,333)	59,598,312
12/1/36	-	72,114,485	-	(3,478,155)	(5,685,675)	(3,844,095)	59,106,560
12/1/37	-	73,917,347	-	(3,525,104)	(5,955,250)	(4,944,285)	59,492,708
12/1/38	-	75,765,280	-	(4,083,758)	(6,238,150)	(4,945,894)	60,497,479
12/1/39	-	77,659,412	-	(3,739,783)	(6,534,375)	(4,947,551)	62,437,703
12/1/40	-	79,600,898	-	(4,049,921)	(6,841,875)	(4,860,896)	63,848,206
12/1/41	-	81,590,920	-	(3,828,253)	(7,165,944)	(3,075,409)	67,521,314
12/1/42	-	83,630,693	-	(4,596,306)	(7,505,363)	(2,226,345)	69,302,679
12/1/43	-	85,721,460	-	(4,209,159)	(7,860,859)	(2,340,144)	71,311,299
12/1/44	-	87,864,497	-	(4,558,221)	(8,233,192)	(2,342,065)	72,731,018
12/1/45	-	90,061,109	-	(4,465,497)	(8,623,162)	(2,344,044)	74,628,407
12/1/46	-	92,312,637	-	(5,011,714)	(9,031,603)	(2,346,082)	75,923,238
12/1/47	-	94,620,453	-	(4,737,446)	(9,459,390)	(6,626,429)	73,797,188
12/1/48	-	96,985,964	-	(5,130,318)	(9,907,439)	(9,064,843)	72,883,365
12/1/49	-	99,410,613	-	(5,025,956)	(10,376,710)	(9,067,070)	74,940,878
12/1/50	-	101,895,879	-	(5,822,461)	(10,868,208)	(9,069,363)	76,135,846
12/1/51	-	104,443,276	-	(5,144,852)	(11,382,987)	(9,213,520)	78,701,917
12/1/52	-	-	-	-	-	-	-

**Knik Arm Bridge and Toll Authority**  
**Base Case: Normal Traffic Projections-TIFIA at 49%**  
**Private Model - Availability Payment Structure**

Phase I

**COVERAGE**

Date	Cash Available for Debt Service	PABs Debt Service	Senior PABs Lien Coverage	TIFIA DS	Total Coverage	Total Coverage (inc. O&M)	Net Cashflow	PV of Net Cash Flow 12.0%
<b>Total</b>	<b>1,925,217,738</b>	<b>(274,193,572)</b>		<b>(913,116,806)</b>			<b>737,907,360</b>	<b>72,787,288</b>
12/1/14	-	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-	-
12/1/16	-	-	-	-	-	-	-	-
12/1/17	20,645,744	(8,884,049)	2.32x	-	2.32x	2.32x	11,761,695	7,379,433
12/1/18	23,516,304	(8,884,049)	2.65x	-	2.65x	2.65x	14,632,255	8,170,575
12/1/19	28,911,296	(8,884,049)	3.25x	-	3.25x	3.25x	20,027,247	9,952,928
12/1/20	30,107,617	(14,434,049)	2.09x	(8,120,768)	1.33x	1.33x	7,552,800	3,340,611
12/1/21	35,555,517	(10,500,984)	3.39x	(16,127,688)	1.34x	1.34x	8,926,845	3,514,019
12/1/22	36,423,856	(11,162,677)	3.26x	(16,124,840)	1.33x	1.33x	9,136,340	3,200,860
12/1/23	38,090,044	(12,409,621)	3.07x	(16,121,992)	1.34x	1.34x	9,558,432	2,980,364
12/1/24	38,143,259	(12,453,395)	3.06x	(16,119,144)	1.33x	1.33x	9,570,721	2,655,924
12/1/25	39,963,763	(13,814,220)	2.89x	(16,116,296)	1.34x	1.34x	10,033,248	2,477,997
12/1/26	41,361,521	(14,870,392)	2.78x	(16,113,448)	1.33x	1.33x	10,377,682	2,281,119
12/1/27	43,291,083	(16,315,907)	2.65x	(16,110,600)	1.34x	1.34x	10,864,577	2,125,439
12/1/28	44,911,387	(17,536,893)	2.56x	(16,107,751)	1.33x	1.33x	11,266,743	1,961,654
12/1/29	48,133,529	(19,951,179)	2.41x	(16,104,903)	1.33x	1.33x	12,077,447	1,871,490
12/1/30	49,676,550	(21,105,435)	2.35x	(16,102,055)	1.34x	1.34x	12,469,060	1,719,627
12/1/31	52,134,929	(22,956,606)	2.27x	(16,099,207)	1.33x	1.33x	13,079,116	1,605,341
12/1/32	53,212,421	(23,761,622)	2.24x	(16,096,359)	1.34x	1.34x	13,354,440	1,458,824
12/1/33	55,541,127	(25,507,352)	2.18x	(16,093,511)	1.34x	1.34x	13,940,264	1,355,303
12/1/34	72,739,675	(10,761,099)	6.76x	(43,725,955)	1.33x	1.33x	18,252,621	1,579,352
12/1/35	59,598,312	-	-	(44,642,930)	1.34x	1.34x	14,955,382	1,151,700
12/1/36	59,106,560	-	-	(44,274,576)	1.34x	1.34x	14,831,983	1,016,552
12/1/37	59,492,708	-	-	(44,563,826)	1.34x	1.34x	14,928,882	910,638
12/1/38	60,497,479	-	-	(45,316,463)	1.34x	1.34x	15,181,015	824,152
12/1/39	62,437,703	-	-	(46,769,815)	1.34x	1.34x	15,667,888	757,017
12/1/40	63,848,206	-	-	(47,826,371)	1.34x	1.34x	16,021,834	688,962
12/1/41	67,521,314	-	-	(50,577,763)	1.34x	1.34x	16,943,551	648,449
12/1/42	69,302,679	-	-	(51,912,119)	1.34x	1.34x	17,390,560	592,343
12/1/43	71,311,299	-	-	(53,416,703)	1.34x	1.34x	17,894,596	542,463
12/1/44	72,731,018	-	-	(54,480,163)	1.34x	1.34x	18,250,855	492,402
12/1/45	74,628,407	-	-	(55,901,428)	1.34x	1.34x	18,726,979	449,668
12/1/46	75,923,238	-	-	(56,871,340)	1.34x	1.34x	19,051,899	407,147
12/1/47	73,797,188	-	-	(55,278,790)	1.34x	1.34x	18,518,398	352,212
12/1/48	72,883,365	-	-	-	-	-	72,883,365	1,233,724
12/1/49	74,940,878	-	-	-	-	-	74,940,878	1,129,007
12/1/50	76,135,846	-	-	-	-	-	76,135,846	1,020,834
12/1/51	78,701,917	-	-	-	-	-	78,701,917	939,160

Knik Arm Bridge and Toll Authority  
 Base Case: Normal Traffic Projections-TIFIA at 49%  
 Private Model - Availability Payment Structure

Phase I

ANNUAL DEBT SERVICE

Date	GP	GP	GP	Total	PABS	Capl Interest Draws	Prepaid Interest Draws	PABS Annual DS	TIFIA Annual DS	Net Annual DS
	Tax-Exempt CIB Annual DS	Tax-Exempt CAB Annual DS	Capl Interest Draws	GP Tax-Exempt Annual DS	Tax-Exempt CIB Annual DS					
Total	-	-	-	-	300,845,719	(26,652,147)	-	274,193,572	913,116,806	1,187,310,378
12/1/14	-	-	-	-	8,884,049	(8,884,049)	-	-	-	-
12/1/15	-	-	-	-	8,884,049	(8,884,049)	-	-	-	-
12/1/16	-	-	-	-	8,884,049	(8,884,049)	-	-	-	-
12/1/17	-	-	-	-	8,884,049	-	-	8,884,049	-	8,884,049
12/1/18	-	-	-	-	8,884,049	-	-	8,884,049	-	8,884,049
12/1/19	-	-	-	-	8,884,049	-	-	8,884,049	-	8,884,049
12/1/20	-	-	-	-	14,434,049	-	-	14,434,049	8,120,768	22,554,817
12/1/21	-	-	-	-	10,500,984	-	-	10,500,984	16,127,688	26,628,672
12/1/22	-	-	-	-	11,162,677	-	-	11,162,677	16,124,840	27,287,516
12/1/23	-	-	-	-	12,409,621	-	-	12,409,621	16,121,992	28,531,612
12/1/24	-	-	-	-	12,453,395	-	-	12,453,395	16,119,144	28,572,538
12/1/25	-	-	-	-	13,814,220	-	-	13,814,220	16,116,296	29,930,515
12/1/26	-	-	-	-	14,870,392	-	-	14,870,392	16,113,448	30,983,839
12/1/27	-	-	-	-	16,315,907	-	-	16,315,907	16,110,600	32,426,506
12/1/28	-	-	-	-	17,536,893	-	-	17,536,893	16,107,751	33,644,644
12/1/29	-	-	-	-	19,951,179	-	-	19,951,179	16,104,903	36,056,082
12/1/30	-	-	-	-	21,105,435	-	-	21,105,435	16,102,055	37,207,490
12/1/31	-	-	-	-	22,956,606	-	-	22,956,606	16,099,207	39,055,813
12/1/32	-	-	-	-	23,761,622	-	-	23,761,622	16,096,359	39,857,981
12/1/33	-	-	-	-	25,507,352	-	-	25,507,352	16,093,511	41,600,863
12/1/34	-	-	-	-	10,761,099	-	-	10,761,099	43,725,955	54,487,054
12/1/35	-	-	-	-	-	-	-	-	44,642,930	44,642,930
12/1/36	-	-	-	-	-	-	-	-	44,274,576	44,274,576
12/1/37	-	-	-	-	-	-	-	-	44,563,826	44,563,826
12/1/38	-	-	-	-	-	-	-	-	45,316,463	45,316,463
12/1/39	-	-	-	-	-	-	-	-	46,769,815	46,769,815
12/1/40	-	-	-	-	-	-	-	-	47,826,371	47,826,371
12/1/41	-	-	-	-	-	-	-	-	50,577,763	50,577,763
12/1/42	-	-	-	-	-	-	-	-	51,912,119	51,912,119
12/1/43	-	-	-	-	-	-	-	-	53,416,703	53,416,703
12/1/44	-	-	-	-	-	-	-	-	54,480,163	54,480,163
12/1/45	-	-	-	-	-	-	-	-	55,901,428	55,901,428
12/1/46	-	-	-	-	-	-	-	-	56,871,340	56,871,340
12/1/47	-	-	-	-	-	-	-	-	55,278,790	55,278,790
12/1/48	-	-	-	-	-	-	-	-	-	-
12/1/49	-	-	-	-	-	-	-	-	-	-
12/1/50	-	-	-	-	-	-	-	-	-	-
12/1/51	-	-	-	-	-	-	-	-	-	-
12/1/52	-	-	-	-	-	-	-	-	-	-
12/1/53	-	-	-	-	-	-	-	-	-	-
12/1/54	-	-	-	-	-	-	-	-	-	-
12/1/55	-	-	-	-	-	-	-	-	-	-
12/1/56	-	-	-	-	-	-	-	-	-	-
12/1/57	-	-	-	-	-	-	-	-	-	-
12/1/58	-	-	-	-	-	-	-	-	-	-
12/1/59	-	-	-	-	-	-	-	-	-	-
12/1/60	-	-	-	-	-	-	-	-	-	-
12/1/61	-	-	-	-	-	-	-	-	-	-
12/1/62	-	-	-	-	-	-	-	-	-	-

**Knik Arm Bridge and Toll Authority**  
**Base Case: Normal Traffic Projections-TIFIA at 49%**  
**Private Model - Availability Payment Structure**

Phase I

**AVAILABILITY PAYMENT SURPLUS (SHORTFALL)**

Date	Toll Revenue	Availability Payment	GP Total Annual DS	KABATA Administrative Costs	Net State Surplus (Shortfall)	PV @ 5.000%	Cumulative Deficit/Return
<b>Total</b>	<b>4,232,444,723</b>	<b>(2,332,602,885)</b>	<b>-</b>	<b>(174,928,270)</b>	<b>1,724,913,568</b>	<b>436,668,726</b>	
12/1/14	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-
12/1/16	-	-	-	-	-	-	-
12/1/17	16,018,701	(24,729,500)	-	(3,019,041)	(11,729,840)	(9,627,226)	(11,729,840)
12/1/18	22,836,943	(28,118,680)	-	(3,103,849)	(8,385,586)	(6,550,806)	(20,115,426)
12/1/19	29,655,186	(33,563,427)	-	(3,191,057)	(7,099,299)	(5,278,725)	(27,214,725)
12/1/20	36,473,428	(35,065,964)	-	(3,280,734)	(1,873,270)	(1,325,764)	(29,087,995)
12/1/21	43,291,671	(40,628,603)	-	(3,372,949)	(709,881)	(478,194)	(29,797,876)
12/1/22	48,083,795	(42,253,747)	-	(3,467,776)	2,362,272	1,514,608	(27,435,604)
12/1/23	52,875,920	(43,943,897)	-	(3,565,289)	5,366,734	3,275,162	(22,068,870)
12/1/24	57,668,044	(45,701,653)	-	(3,665,563)	8,300,828	4,821,658	(13,768,041)
12/1/25	62,460,169	(47,529,719)	-	(3,768,680)	11,161,771	6,171,068	(2,606,271)
12/1/26	67,252,294	(49,430,908)	-	(3,874,718)	13,946,668	7,339,221	11,340,398
12/1/27	74,284,285	(51,408,144)	-	(3,983,762)	18,892,380	9,462,773	30,232,778
12/1/28	81,316,277	(53,464,470)	-	(4,095,897)	23,755,911	11,325,457	53,988,688
12/1/29	88,348,269	(55,603,048)	-	(4,211,212)	28,534,009	12,947,893	82,522,697
12/1/30	95,380,261	(57,827,170)	-	(4,329,797)	33,223,293	14,349,318	115,745,990
12/1/31	102,412,252	(60,140,257)	-	(4,451,746)	37,820,249	15,547,667	153,566,240
12/1/32	109,444,244	(62,545,867)	-	(4,577,155)	42,321,222	16,559,656	195,887,462
12/1/33	116,476,236	(65,047,702)	-	(4,706,122)	46,722,412	17,400,857	242,609,873
12/1/34	123,508,228	(67,649,610)	-	(4,838,750)	51,019,867	18,085,769	293,629,741
12/1/35	130,540,220	(70,355,595)	-	(4,975,143)	55,209,482	18,627,887	348,839,222
12/1/36	137,572,211	(72,114,485)	-	(5,115,408)	60,342,318	19,378,680	409,181,541
12/1/37	144,182,963	(73,917,347)	-	(5,259,657)	65,005,959	19,870,447	474,187,500
12/1/38	151,085,615	(75,765,280)	-	(5,408,003)	69,912,332	20,340,448	544,099,832
12/1/39	158,200,196	(77,659,412)	-	(5,560,563)	74,980,221	20,763,746	619,080,053
12/1/40	165,493,715	(79,600,898)	-	(5,717,458)	80,175,360	21,132,564	699,255,413
12/1/41	169,631,058	(81,590,920)	-	(5,878,811)	82,161,327	20,612,515	781,416,740
12/1/42	173,871,834	(83,630,693)	-	(6,025,781)	84,215,360	20,109,771	865,632,100
12/1/43	178,218,630	(85,721,460)	-	(6,176,426)	86,320,744	19,619,288	951,952,844
12/1/44	182,674,096	(87,864,497)	-	(6,330,837)	88,478,763	19,140,769	1,040,431,606
12/1/45	187,240,948	(90,061,109)	-	(6,489,108)	90,690,732	18,673,921	1,131,122,338
12/1/46	191,921,972	(92,312,637)	-	(6,651,335)	92,958,000	18,218,460	1,224,080,338
12/1/47	196,720,022	(94,620,453)	-	(6,817,619)	95,281,950	17,774,107	1,319,362,288
12/1/48	201,638,022	(96,985,964)	-	(6,988,059)	97,663,999	17,340,592	1,417,026,286
12/1/49	206,678,973	(99,410,613)	-	(7,162,761)	100,105,599	16,917,651	1,517,131,885
12/1/50	211,845,947	(101,895,879)	-	(7,341,830)	102,608,239	16,505,025	1,619,740,123
12/1/51	217,142,096	(104,443,276)	-	(7,525,375)	105,173,445	16,102,464	1,724,913,568
12/1/52							

**Knik Arm Bridge and Toll Authority**  
**Base Case: Normal Traffic Projections-TIFIA at 49%**  
**Private Model - Availability Payment Structure**

Phase I

**STATE RESERVE FUND**

Date	Minimum Reserve Fund Requirement	Reserve Fund Release Requirement	Beginning Balance	Excess Revenues	Interest @ 3.000%	State Replenish (1)	Draws on Reserve (2)	General Surplus Withdrawals (3)	Ending Balance
<b>Total</b>				<b>1,754,711,444</b>	<b>119,583,276</b>	<b>-</b>	<b>(29,797,876)</b>	<b>(1,994,496,844)</b>	
12/1/14	-	-	150,000,000	-	4,500,000	-	-	-	154,500,000
12/1/15	-	-	154,500,000	-	4,635,000	-	-	-	159,135,000
12/1/16	-	-	159,135,000	-	4,774,050	-	-	-	163,909,050
12/1/17	38,290,222	47,862,778	163,909,050	-	4,917,272	-	(11,729,840)	-	157,096,481
12/1/18	26,510,784	37,143,155	157,096,481	-	4,712,894	-	(8,385,586)	-	153,423,790
12/1/19	24,804,151	36,714,424	153,423,790	-	4,602,714	-	(7,099,299)	-	150,927,205
12/1/20	21,572,724	34,379,701	150,927,205	-	4,527,816	-	(1,873,270)	-	153,581,751
12/1/21	18,419,476	32,142,702	153,581,751	-	4,607,453	-	(709,881)	-	157,479,322
12/1/22	13,747,499	28,007,292	157,479,322	2,362,272	4,724,380	-	-	-	164,565,974
12/1/23	11,186,125	26,003,605	164,565,974	5,366,734	4,936,979	-	-	-	174,869,688
12/1/24	8,712,576	24,109,700	174,869,688	8,300,828	5,246,091	-	-	-	188,416,606
12/1/25	6,330,327	22,329,920	188,416,606	11,161,771	5,652,498	-	-	-	205,230,875
12/1/26	4,042,990	20,668,780	205,230,875	13,946,668	6,156,926	-	-	-	225,334,470
12/1/27	1,854,319	19,130,972	225,334,470	18,892,380	6,760,034	-	-	-	250,986,884
12/1/28	-	15,481,512	250,986,884	23,755,911	7,529,607	-	-	-	282,272,401
12/1/29	-	11,965,338	282,272,401	28,534,009	8,468,172	-	-	-	319,274,582
12/1/30	-	8,587,727	319,274,582	33,223,293	9,578,237	-	-	-	362,076,113
12/1/31	-	5,354,164	362,076,113	37,820,249	10,862,283	-	-	-	410,758,646
12/1/32	-	2,270,351	410,758,646	42,321,222	12,322,759	-	-	(463,132,276)	2,270,351
12/1/33	-	-	2,270,351	46,722,412	68,111	-	-	(49,060,873)	-
12/1/34	-	-	-	51,019,867	-	-	-	(51,019,867)	-
12/1/35	-	-	-	55,209,482	-	-	-	(55,209,482)	-
12/1/36	-	-	-	60,342,318	-	-	-	(60,342,318)	-
12/1/37	-	-	-	65,005,959	-	-	-	(65,005,959)	-
12/1/38	-	-	-	69,912,332	-	-	-	(69,912,332)	-
12/1/39	-	-	-	74,980,221	-	-	-	(74,980,221)	-
12/1/40	-	-	-	80,175,360	-	-	-	(80,175,360)	-
12/1/41	-	-	-	82,161,327	-	-	-	(82,161,327)	-
12/1/42	-	-	-	84,215,360	-	-	-	(84,215,360)	-
12/1/43	-	-	-	86,320,744	-	-	-	(86,320,744)	-
12/1/44	-	-	-	88,478,763	-	-	-	(88,478,763)	-
12/1/45	-	-	-	90,690,732	-	-	-	(90,690,732)	-
12/1/46	-	-	-	92,958,000	-	-	-	(92,958,000)	-
12/1/47	-	-	-	95,281,950	-	-	-	(95,281,950)	-
12/1/48	-	-	-	97,663,999	-	-	-	(97,663,999)	-
12/1/49	-	-	-	100,105,599	-	-	-	(100,105,599)	-
12/1/50	-	-	-	102,608,239	-	-	-	(102,608,239)	-
12/1/51	-	-	-	105,173,445	-	-	-	(105,173,445)	-
12/1/52	-	-	-	-	-	-	-	-	-

1) General Surplus Withdrawals begin once all of Phase II has been financed.

## The Real Cost of the Knik Arm Bridge \$2.6 Billion PLUS \$X

January 28, 2013, by Jamie Kenworthy and Bob French, (Revised 2-8-13 to add boxed highlights and on 2-18-13 to fix slight errors in p. 4 population box and footnotes 16 and 23.)

This 2013 update estimate of the cost to the state of the project is \$2.6 billion plus a new \$X factor.

The following recent developments add to the state's cost:

- In September 2012, the Knik Arm Bridge and Toll Authority (KABATA) was turned down for a \$500 million low cost federal loan, leaving a \$500 million hole in KABATA's latest August 2012 Financial Plan.<sup>1</sup>
- \$35 Million higher Bridge and approach costs. The original bridge design was for an 8200' span. In November 2011, KABATA agreed to a 9200' span,<sup>2</sup> slightly longer than San Francisco's Golden Gate Bridge, which would add at least \$15 million<sup>3</sup> to the cost. A Settlement with the Municipality of Anchorage for the east approach road to take less Port of Anchorage land will require a longer and larger retaining wall against the bluff, which would add roughly \$20 million.
- KABATA's current proposal includes an initial 6 lane "cut and cover" tunnel under Government Hill. KABATA's 2007 itemized cost estimate was for an initial 2 lane tunnel.
- In 2007, KABATA contracted with the Geotechnical firm Shannon and Wilson to do soil borings every 500 feet in Knik Arm and along approach roads. The first page of the 323 page document from Shannon and Wilson's 2007 Geotech Memorandum recommended that additional soil borings be done on the east side of Knik Arm to better determine the extent of the inconsistent sub-soils and to determine the depth of the unstable Bootlegger Cove Formation Clay (Bootlegger Clay) deposits once the exact route of the Bridge was known.<sup>4</sup> That additional geotechnical work was not done and in December 2012, KABATA stated that this geotechnical risk will *now be borne by the project developer*.<sup>5</sup> Presumably this would result in higher cost bids.
- Based on the Shannon and Wilson geotech work, the firm of PND in 2007 did a 35% design cost estimate that, inflation corrected to 2012, is now \$710 million. With financing costs included, Phase I of the project now totals \$1 billion. PND also did the design and cost estimate for the Port of Anchorage project. As detailed in the recent CH2MHill review of the Port project, the instability of Bootlegger Clay and presence of "boulders" are factors in the failure of the Port's sheet piles, which led to huge and ongoing cost overruns.<sup>6</sup> In regards to the Knik

TIFIA loan turn-down for 5th time, leaves KABATA with a \$500 million dollar hole in their finance plan. **Half** of their estimate! They will need to turn to Legislature in 2014 to fill that hole

KABATA has not provided an itemized, complete cost estimate since 2007! They need to provide one in the same format, so changes are clear

Arm Crossing, until the depth and the consistency of the deposit of Bootlegger Clay in Knik Arm is firmly understood, engineers cannot estimate how deep and difficult it will be to drill the pilings to engineer against clay liquefaction in a seismic event. So, added to this \$2.6 Billion cost estimate is + \$X to represent additional costs for changes in design, this incomplete investigation, and the resultant uncertainties of project costs.

- Those additional costs have not been detailed in an itemized form since 2007. KABATA needs to provide a revised cost estimate to itemize these additional costs, as well as materials and labor costs that have changed since 2007.

A third party review by CH2MHill has sharply critiqued the reliability of PND's design and cost estimate on the Port of Anchorage project and the engineering and installation failures of PND's design. The installation failures of the sheet piles in Bootlegger Clay in Knik Arm at the Port mean that 2 years work will need to be completely removed and the costs to fix this massive failure is still unknown.

PND designed the Port of Anchorage Expansion. Should we trust their bridge design?

*Should the legislature rely on a Bridge Design and Cost Estimate from PND on another public project where they also failed to complete recommended Knik Arm geotech work?*

**Still waiting on the Legislative Budget & Audit Report**

On January 16, 2012, Representative Mike Hawker requested an audit<sup>7</sup> of KABATA's finances and its toll revenue analyses "for reasonableness." HB 23 / SB 13 should not even be considered until the results of that audit are in, and the full range of possible costs to the state are known.

**Determining the Real Cost of the Knik Arm Bridge**

For comparison's sake, most base assumptions between this "Real Cost" Paper and KABATA's financial plan are the same.

Both KABATA's estimate of project cost and this realistic estimate share the following common elements:

- Passage of HB 23 and SB 13 to create an unlimited reserve fund to make up the toll shortfall and provide 36 years of guaranteed "availability payments" to a private investor that KABATA estimates will total \$2.3 Billion
- Same deal structure with \$607 million for Operations & Maintenance, Tolling Operations, capital expenditures and KABATA administrative costs until bonds and contractor obligations are retired in 2051.<sup>8</sup>
- One way tolls of \$5 for cars/pickups and ~\$18 for commercial vehicles (varying depending on the number of axles) in Year 1 with tolls rising 2.5% per year to one way tolls of \$12.16 and a \$43.79, respectively, in Year 36. So a commuter driving a car 200 days a year between Anchorage and Mat Su would pay \$2000 in Year 1 and \$4832 in Year 36.

**Four Different Assumptions between KABATA's Cost Estimate and this Realistic estimate**

KABATA's financial plan projects that a \$150 million reserve fund would be repaid and the project will pay for itself. This *Realistic* estimate details how the unlimited state guarantee in HB 23/SB 13 will end up costing the state \$2.6 Billion + \$X because of the *four following changes from KABATA's assumptions:*

**1. Loss of Federal TIFIA \$500 Million Loans and Grants, Add \$500 Million to State Cost**

On September 25, 2012 KABATA was rejected for a \$500 million federal TIFIA loan.<sup>9</sup> Since 2007 KABATA has been turned down *five times* for low cost federal TIFIA loans of \$300-500 million. TIFIA loans are low cost because they are below market interest rates and require no payments until the fifth year after a project opens.

With our national infrastructure crumbling, do you think the Feds will give HALF of the available \$1 Billion in TIFIA loans to the "Bridge to Nowhere"?

In competing for low cost TIFIA loans where requests average ten times the available TIFIA funds, the Bridge will continue to be uncompetitive against other projects that can promise to relieve existing congestion, show real private sector risk sharing, leverage more public dollars, and/or serve far larger numbers of vehicles or mass transit users. With bridges on lower 48 interstates needing immediate repairs, it's unrealistic to assume that any administration will commit half the annual TIFIA budget to the infamous "Bridge to Nowhere."<sup>10</sup>

The state now has a choice of replacing the \$500 million Federal TIFIA loan with a state appropriation, or somehow financing that amount, which would result in far more than \$500 million in additional interest costs.

*In either case, the project lacks a current project budget showing realistic financial feasibility.*

**2. Realistic Toll Forecast, Add \$2.116 Billion to State Cost**

KABATA's toll and revenue consultant CDM Smith this year lowered its cumulative revenue forecasts from \$4.8 billion over 36 years to \$4.23 billion over 37 years.<sup>11</sup> The following evidence suggests that this revenue estimate *is still approximately 50% too high.*

- The track record of KABATA consultant CDM Smith (formerly Wilbur Smith) is to *overestimate toll revenue by an average of 118 % for the first five years all US projects were open.* This data was provided by the Transportation Research Board of the National Academy of Sciences and analyzed by a former CIA economist in 2012.<sup>12</sup> Already two CDM Smith projects in California and South Carolina have gone *bankrupt* when the CDM Smith toll forecast proved woefully short.<sup>13</sup>

2 projects went bankrupt by relying on CDM Smith's projections. Should Alaska rely on them?

- Revenue forecasts are based on population and employment projections that drive trip forecasts that then result in the toll revenue projections. KABATA consultant CDM Smith projects far more population growth in Mat Su than any other source.

Source	Estimated Mat-Su Population in 2035	Includes all Borough?	Comments
AK Dept. of Labor	160,693 <sup>14</sup>	Yes	Estimate of State Demographer
ISER, Institute of Social & Economic Research	159,050 <sup>15</sup>	No	Basis of 2035 Anchorage Metropolitan Transportation Plan
CDM	191,656 <sup>16</sup>	No	Extrapolated from CDM Smith traffic zone data

- Even with a much higher growth rate for Mat Su, CDM Smith’s prediction has put almost all future growth in the western part of the Borough away from the Palmer-Wasilla core to show the traffic necessary to make their financial projection work. To show high traffic counts, CDM Smith projected more jobs in 2035 at Point MacKenzie, the western terminus of the Bridge, than exist in either the Kenai or Juneau Boroughs today.<sup>17</sup> The Mat-Su Borough has planned for the Port MacKenzie area to be dedicated to light manufacturing and industrial uses. Instead CDM Smith plunked down 1.7 million square feet of retail, or the equivalent of 2.4 Dimond Centers, the state’s largest mall, in an area being reserved by the Borough for tank farms and coal loading.<sup>18</sup>
- When CH2MHill modeled ISER’s Scott Goldsmith’s population and employment data, it projected 17,700 trips a day on the Bridge in 2035. KABATA’s estimate of toll revenue is based on a Bridge traffic forecast of 36,000 trips in 2035, or more than double the Goldsmith-CH2MHill number<sup>19</sup>.
- A two lane restricted highway Bridge can serve a maximum of about 22,500 vehicles a day<sup>20</sup> which KABATA estimates occurs in 2026.<sup>21</sup> (As a comparison, there are about 30,000 vehicles a day between Mat Su and Anchorage on the 4 lane Glenn Highway at Eklutna Flats.) But KABATA’s Financial Plan shows the revenue from over two lanes worth of traffic after 2026 but does not include of the cost of the Phase 1B expansion to 4 bridge lanes or Phase 2.

You can’t fit 4 lanes of traffic on a 2 lane bridge. KABATA’s plans rely on “Impossibly Derived Revenue”

KABATA indicates that the 4 lane expansion will happen in 2030 when it estimates 30,300 vehicles a day, but their Pro-Forma Financial plan does not show those costs. So within the 2026 to 2030 time period, the KABATA’s Financial Plan includes an extra \$70 million of impossibly derived revenue from 4 lanes of traffic crossing a two lane bridge. And

after 2030, none of the costs of the expansion from 2 lanes to 4 lanes, or the Phase 2 connection to Ingra/Gambell are included in the Financial Plan although the revenue of a 4 lane Bridge is included in the Phase 1 plan that counts on the revenue of up to 48,000 vehicles a day (6 lanes) in 2051.<sup>22</sup>

- An accurate financial plan would include one of two options:
  - Include the cost of Phase 2 which KABATA estimates at \$540 million (median Federal Highway Administration 2009 estimate \$815 million) to be on line in 2026, or
  - Not include Phase 1B and Phase 2 and cap revenue at the 2026 estimate of vehicle traffic with toll revenue only increasing with the 2.5% annual toll increase. The result is \$1.88 billion less cumulative toll

revenue than the \$4.23 billion in cumulative toll revenue to 2051 that KABATA projects.

- The final cost of expanding from 2 lanes to 4 lanes is not known, because we cannot predict interest rates in 2026, nor the exact amount of toll shortfall and the costs to finance the 2 lane to 4 lane expansion of Phase 1 and for Phase 2, which includes the connection to Ingra/Gambell. Therefore, it is not certain which of the above options would be least costly to the state. Under either option, the problem of 2 bridge lanes of cost and 4 lanes of revenue adds \$500 million to \$2 billion of additional cost to KABATA's Phase 1 budget.

To be consistent with other professional work cited above, (all from parties who have no interest in the Knik Arm Bridge project), a realistic toll estimate reduces cumulative toll revenue 2017-2051 by half from KABATA's \$4.232 billion to \$2.116 billion.

### **3. Higher Bridge Cost, *Add \$80 Million***

There are \$35 million of new costs as a result of a 1000' longer Bridge and the Anchorage Muni settlement to preserve more Port land by moving the 4 lanes into the cliff of unconsolidated and contaminated soils. Such amounts could be contained within the 15% or \$81 million in budgeted contingency funds. But it is imprudent to assess against the contingency such large ticket items before the project is even bid.

By KABATA's numbers, a billion dollar initial project results in \$2.3 billion in annual availability payments to the contractor, because the deficit between low toll revenue and high contractor payments must be financed, so interest must be paid on interest.<sup>23</sup> Using the same factor (2.3 times), a \$35 million costlier bridge results in total project costs increasing to \$80 million.

### **4. Lower Profit to Private Partner, *Subtract \$123 Million from State Cost***

KABATA's Financial Plan projects that it will pay out a total of \$738 million in net cash flow to the private investor in return for \$79 million of equity in the project or \$615 million in positive cash flow to the investor.<sup>24</sup> This 12% cumulative rate of return over 35 years is excessive given that the state guarantee (subject to annual legislative appropriations) largely removes the financing risk to the project and leaves the contractor with only the customary construction cost risk.<sup>25</sup> The state has traditionally paid no more than 10% when it has asked a contractor to front project costs. A 10% cumulative return would still be a \$615 million return or \$123 Million less than KABATA's estimate. *And why should a state with a AAA credit rating that can borrow long term around 3%, guarantee a 35 year contract paying even 10% ?*<sup>26</sup>

***The sum of these four items results in a total cost to the state of \$2,572,000,000 plus the \$X factor of geotechnical risk discussed above.***

## CONCLUSIONS

To summarize this paper to one critical question: *How will the Bridge's (\$2.6 Billion + \$X) deficit be paid for?*

Of that deficit, \$1.1 billion or an average \$58 million/year occurs between 2017 to 2035; \$1.5 billion will occur between 2036-2051. To finance these shortfalls, the legislature will have some combination of two bad choices:

1. Anchorage and Mat Su have together averaged about \$55 million a year in state and federal transportation funds for roads, trails, and mass transit through the past decade. **The Bridge deficits will dwarf that.** The State of Alaska in the past provided 18% of that transportation funding, the recently adopted 2035 Anchorage Metropolitan Transportation Plan (MTP), anticipating declining federal transportation revenues and earmarks, assumes that the state support will now jump to 54%. Because the percentage of State funding over Federal funding is anticipated to increase, competition will be fierce for Transportation money throughout the state. Before adopting the MTP Plan, the Anchorage Assembly on a 9-2 vote approved an amendment stating that Bridge deficits could not impact local transportation funding. While the amended MTP tries to fence off AMATS funds from Bridge funds, it is not clear how the MTP can guarantee that a future legislature will not cut funds to AMATS or Mat Su before they are passed on to local government. Depending on how disproportionately a future legislature might take Bridge deficits out of Southcentral transportation funding, the Anchorage and Mat Su transportation budgets will either be severely curtailed or decimated.
2. Alaska now has \$31,141 state debt per capita, the highest in the nation.<sup>27</sup> A \$2.6 billion bridge deficit totals over \$3500 for every current Alaska resident. If the legislature decides to put the estimated \$2.6 Billion + \$X deficit on the state debt service, Alaska is likely to retain our dubious #1 ranking to perennial contender Massachusetts. More importantly, future legislatures will have at least \$2.6 billion less for current needs as they dedicate that much to pay off past Bridge obligations that will be established if HB 23 and SB 13 are passed.

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<sup>1</sup> [http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel\\_000.pdf](http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel_000.pdf)

<sup>2</sup> The Army Corps of Engineers has yet to issue a permit for the Bridge. However January, 2012 comments from the State of Alaska's Department of Fish and Game and federal resource agencies express continuing concern about the effect of 230 acres of proposed Bridge causeway fill would have on beluga whales and juvenile salmon forced into deeper waters.

<http://knikbridgefacts.org/documents-relating-to-the-knik-bridge-project/#US>. So if the bridge is permitted, it's possible that the permit will be for between 9200' and 14400' with any

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resulting increase over 9200' necessitating more piers needing to be installed in Knik Arm and so resulting in higher Bridge costs.

<sup>3</sup> From December 27, 2012 letter from KABATA Exec. Director Niemiec to Sen. Ellis.

<http://knikbridgefacts.org/wp-content/uploads/2013/01/12.28.12-Response-to-Senator-Ellis-cost-estimate-inquiry.pdf>

<sup>4</sup> <http://www.knikarmbridge.com/documents/FINALMarch2007Memo.pdf>

<sup>5</sup> From December 27, 2012 letter from KABATA Exec. Director Niemiec to Sen. Ellis.

<sup>6</sup> The final CH2MHill report is scheduled for release mid-February; this conclusion comes from the draft report now being circulated.

<sup>7</sup> Audit request at: <http://www.legaudit.state.ak.us/pages/memos/30068audmemo.pdf>

<sup>8</sup> P. 1 and 4

[http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel\\_000.pdf](http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel_000.pdf)

<sup>9</sup> [http://www.knikarmbridge.com/documents/Knik\\_Arm\\_LOI\\_Response\\_9-25-12.pdf](http://www.knikarmbridge.com/documents/Knik_Arm_LOI_Response_9-25-12.pdf)

<sup>10</sup> The head of the federal TIFIA program recently wrote KABATA that even IF KABATA qualifies for a federal loan, it would be for a third of the project cost (\$300 M), not the 49% support (\$500 Million) KABATA recently unsuccessfully requested.

[http://www.knikarmbridge.com/documents/Knik\\_Arm\\_Response\\_from\\_USDOT-12-11-12.pdf](http://www.knikarmbridge.com/documents/Knik_Arm_Response_from_USDOT-12-11-12.pdf)

<sup>11</sup> KABATA's estimate on toll revenues from the project have moved \$600 million in less than a year after traffic consultant CDM Smith revised projections downward. Compare the October, 2011 project budget <http://www.knikarmbridge.com/2011TIGER/ExhibitD.pdf> with the August, 2012 budget

[http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel\\_000.pdf](http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel_000.pdf). This \$600 million difference is four times the \$150 million "reserve fund" KABATA request. This analysis suggests that the legislators should focus more on the true cost of the unlimited state guarantee in HB 23/SB 13 rather than any amount for a loan fund which this analysis shows will never be paid back.

<sup>12</sup> The report criticizes Wilbur Smith's the overly optimistic toll projections for the Dulles Toll road expansion. An Appendix on the Knik Arm bridge project details the same unorthodox and undocumented methods for Wilbur Smith's population and toll projections on the Alaska project as the author sees by the KABATA consultant in the Virginia project

<http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-amp-Revenue-Forecasts-012712>.

<sup>13</sup> <http://www.tollroadsnews.com/node/5726> and <http://www.tollroadsnews.com/node/4808>

. How is it possible that one of the nation's largest traffic and toll consulting firms can average overestimating future traffic and toll revenue by a factor of 2? CDM Smith's track record is not notably worse than the industry. Media reports make clear that the traffic projection industry serves clients who want to build tolled projects, not necessarily serve the interests of bond holders or units of government relying on the accuracy of the consultants work

[http://www.denverpost.com/tollroads/ci\\_3876477](http://www.denverpost.com/tollroads/ci_3876477). A Transportation Research Board study cites the "over optimism bias" to the industry which is even worse when the project accesses vacant land such as the north terminus of the Knik Arm project [http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp\\_syn\\_364.pdf](http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp_syn_364.pdf).

<sup>14</sup>p.46 <http://labor.alaska.gov/research/pop/projected/pub/popproj.pdf>

<sup>15</sup> Both the ISER and CDM Smith number is for the AMATS area of Mat Su Borough so directly comparable P. 5-2

[http://www.muni.org/Departments/OCPD/Planning/AMATS/2035%20MTP/AMATS%20Chapter-5\\_20120511\\_s.pdf](http://www.muni.org/Departments/OCPD/Planning/AMATS/2035%20MTP/AMATS%20Chapter-5_20120511_s.pdf)

<sup>16</sup> Remarkably, in 2011 CDM Smith *never stated a population number* for the Mat Su Borough. When the Technical Committee of AMATS, the Anchorage-state transportation planning body, urged CDM Smith to release the traffic zone data that served as the basis for their traffic forecast, those zones totaled 191,656 people. However, the TAZ zones left out the non-AMATS areas of the Borough north of Willow and east of Chickaloon. That area contained 3,823 people of the Borough's 88,995 people counted in the 2010 Census. Extrapolating that same share of population in 2010 as 2035, CDM Smith's 191,656 in 2035 for the partial area of the Borough becomes 200,259 for the full Borough. In 2007 KABATA hired Scott Goldsmith of ISER to estimate Mat Su population in 2030. Scott's number of 204,400 proved too low for KABATA purposes so KABATA then hired a small firm of Insight Research Corporation of Dallas, Texas who produced a number of 250,700.

<http://www.knikarmbridge.com/documents/IndependentEconomicOverviewandDevelopmentForecast07022007.pdf>. Since then both ISER as well as KABATA consultant CDM Smith have reduced the Borough's projected growth rate but the CDM Smith numbers have been consistently 20-30% higher than non-KABATA sources.

<sup>17</sup> <http://knikbridgefacts.org/13828-jobs-at-point-mackenzie-in-2035-release-of-traffic-analysis-zone-data-raises-more-questions-on-kabata%E2%80%99s-revenue-projections/>

<sup>18</sup> <http://knikbridgefacts.org/point-mackenzie-tank-farms-and-coal-loading-or-2-4-diamond-centers-of-retail/>

<sup>19</sup> It took extensive discussions and two rounds of Public Record Act requests for this data to be released. The authors have a map with the 17,700 Bridge trips a day in 2035 that was generated for the Highway to Highway project.

<sup>20</sup> National Transportation Research Board, [Highway Capacity Manual 2010](#)

<sup>21</sup> Table 1 from KABATA's revised Toll & Revenue Forecast from their August 2012 TIFIA LOI. <http://www.knikarmbridge.com/documents/MemoforAugust2012TandRforecastupdated8.23.2012.pdf>

<sup>22</sup> Consider what the legal consequences might be to a private business person submitting loan documents to a bank which misleadingly shows the revenue from a business being expanded to twice its size without showing the cost of doubling the firm's space to earn that extra revenue. KABATA has always been clear that Phase 1 will construct a 2 lane Bridge with the superstructure to later add 2 lanes in what they are now calling Phase 1B (The new Phase 1A and Phase 1B do not exist in KABATA's EIS or the FHWA Record of Decision). But despite pointing out to KABATA (at multiple public hearings) that showing toll revenue from traffic that will only fit on 4 lanes, while including only 2 lanes of cost is misleading at best, KABATA continues to submit a letter of interest loan applications to the Federal TIFIA loan program that includes those same errors.

<sup>23</sup> P. 3 [http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel\\_000.pdf](http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel_000.pdf). KABATA's own financial plans (p. 6) shows that bridge costs will exceed bridge revenue for the first nine years the Bridge is open, even with the annual contractor payments being held down in early years so annual payments balloon from \$25 million in year one to \$104 million in year 35. Such deals where the principal owed grows instead of declines in early years are called negative equity or negative amortization and at least in the housing market, banks wisely no longer finance those types of deals. When the state finances capital projects by selling bonds, the

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amount of principal owed each year declines over time. So why should the state get into the additional interest costs of a negative amortization deal now?

<sup>24</sup> P. 4 [http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel\\_000.pdf](http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel_000.pdf).

<sup>25</sup> Perhaps the biggest misnomer in the selling of the Knik Arm bridge project is KABATA's continual claim that the developer will "finance" the project. This is technically true but completely misleading since it is the *state that bears the full downside risk of the project*. If HB 23/ SB 13 passes, with its unlimited guarantee to cover the toll shortfalls while making 35 years of contractor payments, then the developer will take that contract with a AAA credit state to a Wall Street rating firm which will then provide the investment grade rating necessary to sell the bonds. While the developer will technically sell the bonds, in reality it is HB 23 / SB 13 and their state guarantee that allows that investment grade necessary to meet the statutory test of a market rate. So in effect, *if* the legislature passes HB 23 / SB 13, it will be substituting its own review (or lack thereof) on whether or not KABATA's traffic and toll forecasts are valid. Would it not be better to rely on the market-based judgment of a private firm to see if they are willing to risk their own capital on both the cost of the bridge and the reliability of the toll revenue forecast? CDM Smith has provided "investment grade" projections to some projects, but in 2011 Wilbur Smith submitted their Toll & Revenue forecast to KABATA with the following disclaimer, "*The results contained in this report are not intended to be used to secure or obtain project financing and should be used for planning purposes only.*" P. 48

<http://www.knikarmbridge.com/2011TIGER/T&RStudv.pdf>

***If the state is guaranteeing that the annual "availability Payments" will be paid to the developer, regardless of the amounts of Toll revenue received, and the traffic consulting firm will not allow its report to be used to obtain financing, why should the legislature substitute its judgment for the private sector's?***

Where are the results of the **2012 LB&A Audit** that was tasked with evaluating the reasonableness of KABATA's Toll and Revenue Forecasts? If HB 23 / SB 13 passes in its current form, the state takes on the full downside risk on the amount of annual payments, and the private sector has the upside of a 35 year 10-12% return.

<sup>26</sup> The KABATA Financial Plan shows the public-private partnership (P3) deal structure costs the project an extra \$665 million (\$738 million in net cash flow to contractor minus \$73 million equity). Anchorage's Mayor Sullivan supports the project but questions the more expensive P3 structure. So rather than have the state directly finance the project by selling bonds using its AAA credit at 3%, why add an extra \$300-500 million of additional cost to finance the project at 10-12% cost? One possible explanation for KABATA's preference for the higher cost P3 structure is that without the P3 structure KABATA would have to admit that the project will not pay for itself and the project's billion dollar cost must compete with other state projects in the state's transportation and capital budget.

<sup>27</sup> <http://www.statebudgetsolutions.org/publications/detail/state-debt-more-than-37000-per-private-worker-13000-per-capita>

# ALASKA STATE LEGISLATURE



SENATOR JOE THOMAS

March 8, 2011

Commissioner Bryan Butcher  
Department of Revenue  
550 W 7th Ave, Suite 1820  
Anchorage, AK 99501

Dear Commissioner Butcher,

I am writing to you in your position as a member of the board of the Knik Arm Bridge and Toll Authority as well as Commissioner of the Department of Revenue.

Before the Senate Finance Committee acts on SB 79 and SB 80, it is important that we understand the legislation's potential impact, if any, on the state's bond rating and ability to borrow for other projects.

It is my understanding that a decision by the Authority to issue bonds or enter into contracts or partnerships as authorized by the current statute, would not impact the state's credit rating or ability to take on other debt. However, if the Authority were not able to satisfy the financial obligations it makes, then the state's credit rating would be adversely affected.

Please confirm or correct my analysis of the potential impact of the existing law. Then, please explain how SB 79 and SB 80 would affect the state's financial situation. Specifically, does SB 80 increase the risk to Alaska's credit rating if toll revenue is inadequate and the state chooses not to appropriate additional money? How is the state's responsibility for ensuring the availability payment affected by the language on page 2, line 17 of SB 80 which states, "The monetary obligations incurred by the authority under the partnerships or contracts are obligations of the state, and satisfaction of those obligations from funds other than authority funds is subject to appropriation?" Would the result of the state's failure to meet its "moral obligation" to provide the annual availability payment, be an increase in the cost of borrowing money for other state activities?

Finally, as one of five voting members of the KABATA board, are you confident of the revenue projections and financial analysis in the Knik Arm Crossing Pro Forma Financial Plan and other documents the Authority submitted with its March 1 TIFIA letter of interest, and do you recommend that the legislature pass SB 79 and SB 80 as written?

Thank you for your assistance, Commissioner.

Regards,

A handwritten signature in black ink that reads "Joe J. Thomas". The signature is written in a cursive style with a large, stylized "J" and "T".

Senator Joe Thomas

Cc: Knik Arm Bridge and Toll Authority Chairman Michael Foster and Members,  
Knik Arm Bridge and Toll Authority Executive Director Andrew Niemiec,  
Senate Finance Committee



Moral obligation debt levels are monitored by rating analysts that review the state, and do go into the calculus of establishing the state's credit rating. As moral obligation debt is generally self supporting and not legal obligations of the State, it has less impact than more direct borrowing structures. A failure to fund a reserve that was established under moral obligation law and depleted due to payment deficiency would subject the state to negative credit rating action.

#### **STATE SUPPORTED**

The State Supported structure is used when the state wants to obligate its balance sheet on a subject to appropriation basis rather than a guaranteed basis. Subject to appropriation commitments are made where the State enters into leases or other contracts that obligate the state to pay on a subject to annual appropriation basis, and that lease or contract commitment is fractionalized and sold to third parties. The State of Alaska has most frequently used this structure for the construction of facilities through the issuance of State of Alaska certificates of participation (COP) or through a conduit as lease revenue bonds. The Alaska Seafood & Food Safety Lab was funded through COP and the Goose Creek Correctional Facility was funded through lease revenue bonds.

The State currently has \$1.26 billion of state supported debt that is comprised of about \$45 million of COPs, \$865 million of school debt reimbursement commitment, \$30 million of capital project reimbursement, and \$315 million of lease revenue bonds. Payments are made annually appropriated for each of these obligations.

State supported debt levels are monitored by rating analysts that review the state and directly impact the state's credit capacity and rating. A failure to appropriate on state supported debt would be viewed as a default of the State of Alaska and result in credit downgrades and significant impediment to future capital market access.

#### **SB 80**

The SB 80 Section 1(a)(5)(B) proposed revision provides that monetary obligations under the partnerships or contracts of the Knik Arm Bridge and Toll Authority (KABATA) are obligations of the state and payable on a subject to appropriation basis. This language, in conjunction with other proposed amendment in SB 80, allow up to \$600 million of KABATA bonds as well as an unlimited flexibility for private partner bonds to be issued as state supported debt based on a fractionalization of contract payments that are subject to appropriation obligations of the State of Alaska. If contracts are fractionalized and sold to third party investors, by either KABATA or their private partner, they will directly impact the state's debt capacity and credit. In this instance a failure to pay on the contract by the State of Alaska would result in credit downgrades and significant impediment to future capital market access. The current authorization in SB 80 should be further defined to eliminate the ability of a private party to securitize monetary obligations of KABATA.

Senator Joe Thomas  
March 30, 2011  
Page 3

It should be clear that SB 80 is authorizing State of Alaska debt of up to \$600 million. There can be acknowledgement of the revenue generating nature of the project and the anticipated self sufficiency that is anticipated based on expert analysis, but a firm recognition that the bill as drafted creates a direct line to the State of Alaska's balance sheet for the \$600 million of KABATA bonds and unlimited authority for a private partner's bonds is important.

Finally, you asked about my confidence in the revenue projections and financial analysis provided by KABATA in its March 1 TIFIA letter of interest. KABATA has retained CITI, one of the largest and most successful financial services firms in the world, especially as it relates to government financing of infrastructure projects, to develop its financial models. KABATA retained Wilbur Smith, a firm that has advised on many successful projects to do its traffic and toll models. I am confident that the revenue projections and financial analysis are objective and done to the highest of professional standards. This is the type of work that will be accepted and relied upon by the institutional investors that may be interested in financing this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Bryan Butcher", written in a cursive style.

Bryan Butcher  
Commissioner

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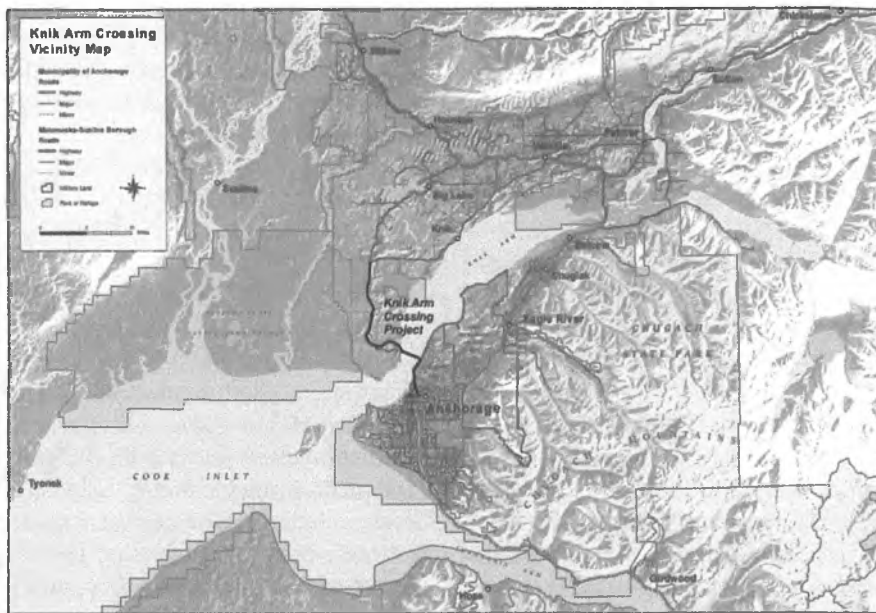
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## FROM THE EDITOR



Map: KABATA

# Build the Bridge Already

**S**top writing checks for studies and plans. Start writing checks for concrete and steel. It is time for the state to build the bridge across Knik Arm. Since the bridge will be owned by the state, the state should use its own money and build it.

Like Henry Springer told me about 10 years ago, "We're just building a simple pile-supported bridge...A half-billion dollar bridge is not a world class project anymore."

Well, then it was a \$500 million project, now that we've waited so long, probably double, including access roads. So build the bridge already before another year passes.

Take a billion dollars of state money and break ground. Put thousands of people to work. Create a new north-south transportation corridor—it's a good idea. As the bridge is built, also build a new four-lane divided highway on the Mat-Su side to create access for the thousands of daily drivers using the Glenn Highway every day. Somehow I don't see the current two-lane blacktop out that way as an ideal roadway for commuters or truckers.

Schedule delivery of the concrete and arrange extraction of the aggregates. Buy the steel, get it ordered and on its way to the ports—ship half to the Port of Anchorage and half to Port Mac. Start working from both sides and meet in the middle.

Another thing, don't just make it a two-lane bridge, do it right the first time—four lanes, with rails. Also, it was suggested to me that when the bridge is built, it should be an innovative design with a tidal power generator incorporated—another good idea.

Line up the heavy equipment and sign the project labor agreements. Make this the next great project. Do it right and do it now. Build the bridge already!

Stop writing checks for studies and plans. Start writing checks for concrete and steel.

—Susan Harrington, Managing Editor



# BRIDGES BUILDERS

## Connecting Alaska with massive projects, regular maintenance

BY GAIL WEST

**B**ridges, both large and small, are an essential part of our transportation system across the nation. They're particularly critical in a state such as Alaska where we have mind-boggling rivers, both in size and will, and even greater bodies of water that separate our "here" from our "there." Explorers and pioneers that we are, we always want to get "there" from "here."

Case in point: the Knik Arm bridge expected to transport vehicles and people from Anchorage to the Matanuska-Susitna Borough and points north. Conceived more than 50 years ago when Alaska Railroad engineers began looking for a shortened rail line between Anchorage and Fairbanks, the bridge idea has now morphed to include the Knik Arm Bridge and Toll Authority (KABATA) and an approximate \$1 billion design and construction cost.

"Costs have remained fairly stable at \$715 to \$730 million for a bridge plus 18 miles of roadway that would cost about \$300 million," says Shannon McCarthy, government and public affairs manager for KABATA.

Fourteen of a total of 80 steel girders await bridge construction near Salcha. Carlile Trucking is hauling these 165-foot-long girders to the site.

Photo by John Binkley

### Knik Arm Bridge

Funding for this massive project will come from private-sector investment, McCarthy adds.

"KABATA is a public-private partnership," McCarthy says. "The private sector will put together their funding from equity investors to private activity bonds. The private-sector partner will be repaid for building, operating and maintaining the bridge through user fees in the form of tolls once the bridge is built."

Once finished, the Knik Arm bridge would link the Port of Anchorage area with Mat-Su's Port MacKenzie area over a 1.74-mile bridge which, with approaches, makes the total crossing 2.71 miles long. The two ports are now separated by 90 miles of road. Also included in construction plans are 18 miles of road. According to KABATA, the new bridge would support the port's freight-handling capacity and improve regional operations serving the airport and military. Although the Alaska Railroad



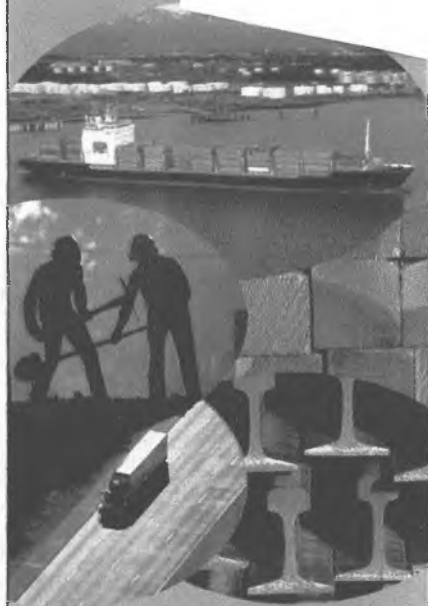
isn't a part of KABATA's current project plans, the authority says "the project would be complementary to future rail crossing and would not preclude rail approach and crossing options."

"We're actually on the cusp of going into construction now," McCarthy says. "This idea has been discussed for decades and at this point we have applied for all the key permits and we're nearly complete on right-of-way acquisition. We've already started the request-for-proposal process—we did that in 2011.

We asked for a statement of qualifications and selected three consortia to compete for the formal RFP. If the legislation we need passes (to establish a project reserve fund and clarify that the project is an infrastructure project backed by the state), we'll be going out with our RFP in May of this year."

Last October, KABATA received qualifications from six development teams and qualified three to compete in the final RFP process. Those three (Alaska Infrastructure Access

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**Above:** Piers 3 and 4 under plastic tents during construction to keep inside environment warm. **Below:** Pier 2, the first completed pier.



*Note: Pilings are driven to elevation 425, tops of piers are at elevation 605, a distance of 180 feet from the bottom of pile to top of pier. Ordinary high water of the river is at elevation 590, and with top of pier at 605 the bridge will be 15 feet above the water.*

Photos by John Binkley

Partners, Cook Inlet Passage Partners and North Star Mobility Group) each contain a combination of Alaska and Outside interests. Alaska businesses involved in the consortia include: Quality Asphalt Paving, R&M Consultants, DOWL HKM consulting group, Alaska Interstate Construction LLC and Denali Drilling.

“We had a great turnout from industry,” McCarthy says, “and we were very pleased. Now, if things go as scheduled, we anticipate making an award to one of these three groups before the end of this year. Then construction would begin in earnest in 2014 and, if all goes well, the bridge would open for business in 2018.”

McCarthy acknowledges that some of the biggest issues for bridge construction still lie ahead, but once an award is made to a bidder, that bid consortium will become a private-sector partner and much of the construction and operational risk shifts to that private partner.

“This public-private partnership is unique in Alaska, but it has been proven

effective elsewhere in the United States," McCarthy says. "It's a good way to build without using a lot of public funds. If we're successful, this model could be used for other—future—projects in Alaska."

### Tanana River Crossing

The largest bridge currently under construction is far north of Knik Arm on the Tanana River near Salcha. According to Mark Peterburs, project director for the Alaska Railroad, the 3,300-foot-long bridge is the first of a four-phase project to extend the rail line 80 miles from its current terminus near Eielson Air Force Base to a spot near Delta Junction. When finished, this bridge will be the longest bridge in Alaska, Peterburs says.

Under the direction of primary contractor Kiewit Infrastructure West Co. of Anchorage, bridge and levee construction began in 2011 and girders began arriving at the site in November 2012. Each of the 165-foot-long steel girders weighs in at approximately 70 tons and Carlile Trucking is hauling 80 of them from Valdez on the only three trucks in Alaska that could handle them, according to Peterburs.

The river itself is presenting some of the biggest challenges, Peterburs adds. In 2012, with about 25 percent of the levee built, the Tanana ice broke up in April and flooded the area.

"We survived," Peterburs says. "Luckily, nobody had any serious property damage and there was no serious problem to the project other than the delay. Now, we have completed six of the 19 piers and another seven under construction, so we'll see how it all holds up this spring."

Phase 2 of the railroad's Northern Rail Extension will make the connection of the new bridge to the current rail at Eielson. Peterburs says it's about a 13-mile rail project. Phase 3 will extend the rail about 38 miles into the Donnelly Training Area, a military Arctic training and testing ground north of Delta Junction, and Phase 4 will extend the rail the final 30 miles into Delta Junction.

"One of the features of this entire project," Peterburs says, "is that it extends local rail access so the military can get to their training ground year-round instead of relying on an ice road during the winter."

# Rockin' Western Alaska

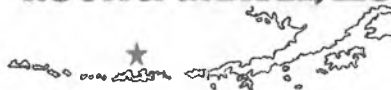
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Pictured to the left:  
Bill Shashnikov, President of Bering Shai Rock & Gravel

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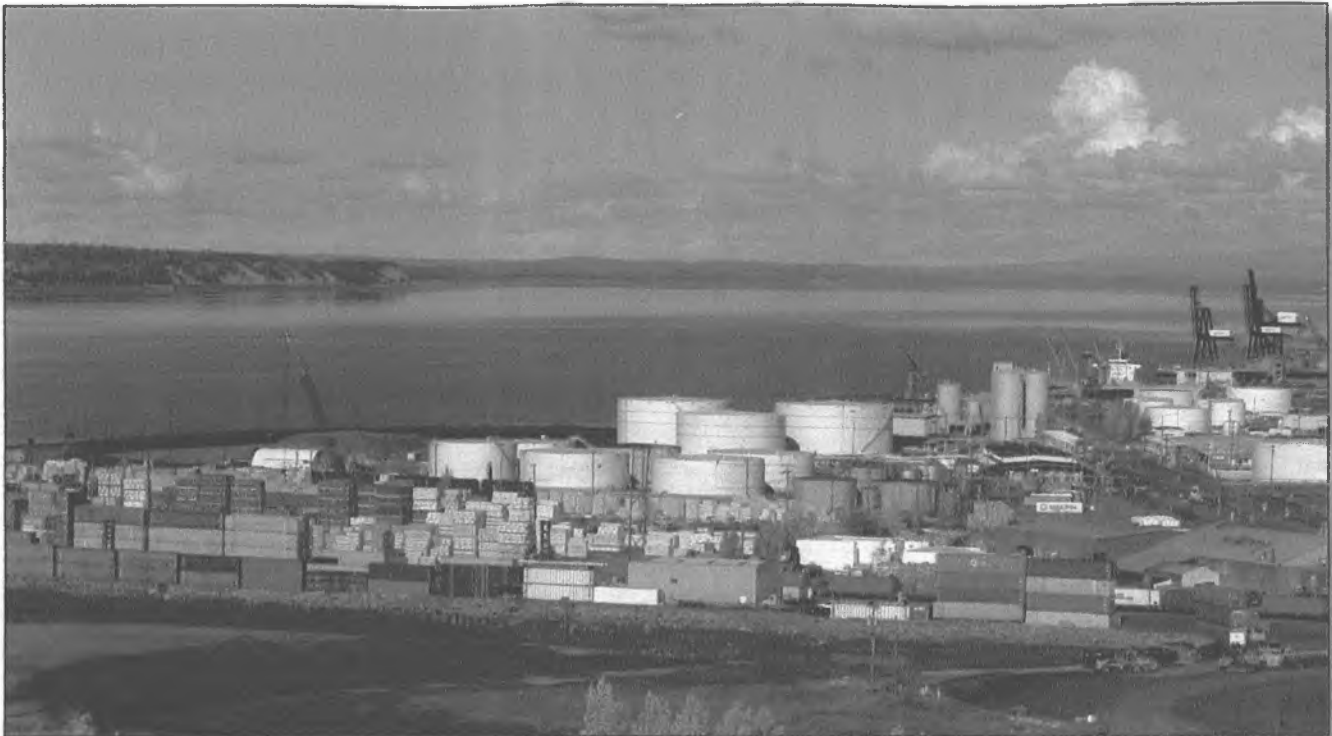
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A 1.74-mile-long bridge is scheduled to connect Anchorage to the Matanuska-Susitna Borough across Knik Arm between the Port of Anchorage and Port MacKenzie, a distance of 90 miles with current road access.

Funding for the first phase of the Northern Rail Extension, the Tanana River crossing at Salcha, consists of a \$105 million federal appropriation to the U.S. Army to ease access to its training areas on the west side of the Tanana River and \$83 million from the State of Alaska. Funding for Phase 2 (Moose Creek to Salcha), Phase 3 (Salcha crossing to Donnelly), and Phase 4 (Donnelly to Delta Junction) is still unknown.

“We hope to complete Phase 1 by August of 2014,” Peterburs adds. “So far, it’s gone well. The Railroad used the project-manager-general-contractor method with Kiewit winning the proposal process. After a year of working together, we all agreed on a specific price. That takes all the ambiguity out of the design and construction. We’re half-way done now and there really haven’t been any unknowns.”

### More Bridges

The State of Alaska also has bridge construction under way in both urban and rural locations, according to Rich Pratt, chief bridge engineer for the Alaska Department of Transportation and Public Facilities.

“Most of them are pretty routine projects,” Pratt says, “replacing highway bridges that are worn out or have fulfilled their useful life. There are some new



The bridge over Phelan Creek near Paxson carries runoff from the Gulkana River. It is scheduled to be rebuilt at an estimated cost of \$2.5 to \$5 million.

Photos courtesy of State of Alaska DOT&PF

bridges, such as the one at Broad Pass in the Cantwell area on the Parks Highway—it’s a railroad grade separation.”

After completing the design several years ago, Pratt adds, the project is almost ready to begin.

Other replacement projects include bridges between mileposts 75 and 90 on the Seward Highway. His section has been asked to get started on replacing eight bridges in that span of highway, Pratt says. Most of these bridges, he points out,

were built right after the 1964 earthquake.

"The decks have basically worn out," Pratt says. "They're fairly narrow with narrow shoulders, they ride rough and they carry a lot of traffic."

The preliminary cost estimate for the first phase of this job is \$20 million and Pratt says he believes those bridges should be under construction in 2014.

Of the 62 current bridge projects under the state's auspices, Pratt estimates most are for replacing or rehabilitating existing bridges. Other bridges scheduled for rehab include six to 10 bridges on the Parks Highway between Healy and the developed area near the entrance to Denali Park—between mileposts 239 and 263—three in the King Salmon-Naknek area and a new bridge over the Wood River near Aleknagik, which should be bid in April.

In Anchorage there will be a new bridge across the railroad and Arctic Boulevard as part of the Dowling Road extension and another, wider bridge to be built across Campbell Creek as part of the Seward Highway widening.

"There's another bridge on the Copper River Highway in Cordova that needs replacing," Pratt says. "The river has moved, scoured the soil away from the bridge foundation, so the highway had to be closed. There's a big opening now between the end of the bridge and the existing road. We're anticipating that project in 2015 and it's going to be a challenging job for someone."

Coming up on DOT&PF's calendar are a project to replace and rehab bridges on Goldstream Road in Fairbanks (advertised in February and estimated at \$10 to \$20 million) and Phelan Creek bridge on the Richardson Highway (advertised in March and estimated at \$2.5 to \$5 million).

With bridges in the planning and construction stages across the state, Alaska's infrastructure is growing and improving—moving people and goods from one place to another. Roads and bridges need continual vigilance, though, to keep current ones in operational order and new ones on the drawing boards to meet the needs of an expanding state population. ⚙

*Gail West is a freelance author living in Anchorage.*



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# Knik Arm Crossing

## Essential infrastructure for Alaska

BY MICHAEL L. FOSTER

Artist rendering courtesy of Knik Arm Bridge and Toll Authority

An artist rendering of a two-lane Knik Arm Crossing and approach from the west side of Cook Inlet looking toward Anchorage.

Alaska's infrastructure shapes our lives—from where we work to where we make our homes. Alaska's infrastructure supports our communities—allowing industry and business to flourish, providing a means of commerce, and a way home. Former U.S. Sen. Christopher Dodd said: "America's highways, roads, bridges, are an indispensable part of our lives. They link one end of our nation to the other. We use them each and every day, for every conceivable purpose."

Alaska's population is growing, but our infrastructure is not keeping pace. According to the U.S. Census Bureau, we are among the five fastest growing states in the nation. And the Alaska Department of Labor expects the area of the strongest growth to be the Anchorage and Mat-Su Borough region. However; despite our rapid growth, and more on the way, Alaska ranks 45 in the United States for public road miles. The Knik Arm Crossing will be an indispensable part of our lives—it is essential infrastructure that Alaskans need and it is ready to build.

Our design uses conventional construc-

tion methods—pipe pile substructure for the bridge piers utilizing a drilled shaft method. This type of foundation and technology is not new and, in fact, has been used in thousands of bridge projects locally, regionally and nationally.

Additionally, site conditions were considered and investigated. Extensive borings were taken along the bridge alignment to ensure that soil conditions can support the pipe pile foundation and bridge superstructure given the area's earthquakes, ice flows, tides and other aspects of the environment.

But what really sets the Knik Arm Crossing apart from other large public works projects in Alaska is the fact that the project is being delivered as a public-private partnership under a performance-based contract. The winning proposer will finance, design, build, operate and maintain the bridge for 35 years. And as a result, cost and schedule overruns will be the responsibility of the private partner. The private partner will maintain and operate the bridge to high contract standards. If it does not,

our availability payments to them will be reduced.

The Knik Arm Crossing will support Alaska's people and economy by creating a more efficient link between Anchorage and points north, lowering freight costs. The Crossing will improve access to land for commercial, industrial and residential development. It will also create a second northern link to and from Anchorage that can be used in emergencies and as an evacuation route. Quite simply, the bridge will shape our lives and become indispensable infrastructure for generations of Alaskans. To paraphrase Dodd: The bridge will be used every day for every conceivable purpose. ⚙



Michael L. Foster, Chairman of KABATA, has more than 30 years of engineering and construction experience in Alaska.

# MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100

FAX: 907-343-7180

*Mayor Dan Sullivan*

February 25, 2013

The Honorable Charlie Huggins  
Senate President  
Alaska State Capitol, Room 111

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Capitol, Room 208

Re: Support for Establishment of a Fully Funded Project Reserve for Knik Arm Crossing Project  
and Passage of either HB23 or SB13

Dear President Huggins and Speaker Chenault:

The Knik Arm Crossing is a transformative project that will shape the economy of Alaska for decades to come. With the creation of a project reserve through the passage of HB 23 or SB 13, and the reserve's full funding in the FY 2014 capital budget, the bridge will move forward quickly into construction, and guarantees that it will be delivered to Alaskans under the most competitive financial terms available.

The creation of a project reserve ensures the best value to the State of Alaska. It demonstrates the State's commitment to this project and it allows the private sector to finance the bridge at more competitive interest rates. These lower rates will be reflected in competitive proposals from the private sector. This project is being developed with private equity, and generates toll revenues. As a result, it has a mechanism to repay the project reserve, and to generate a surplus to fund future statewide transportation needs over time.

This project is important to the future of our local, regional and state economy. I urge your support of legislation and capital appropriation to establish a fully-funded Knik Arm Crossing project reserve in the FY 2014 budget. Thank you for your consideration.

Sincerely,

Dan Sullivan  
Mayor

Sponsored by: Mayor DeVilbiss  
Adopted: 01/15/13

**MATANUSKA-SUSITNA BOROUGH  
RESOLUTION SERIAL NO. 13-007**

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY SUPPORTING THE LAYOUT AND PLANNING OF A TOWN SITE IN THE COMMUNITY OF POINT MACKENZIE AND A TOWN SITE IN THE FISH CREEK MANAGEMENT AREA.

---

WHEREAS, the Matanuska-Susitna Borough and Municipality of Anchorage have over 60 percent of Alaska's population; and

WHEREAS, the Matanuska-Susitna Borough and Municipality of Anchorage comprise Alaska's largest and strongest regional economy; and

WHEREAS, to maintain a strong, growing and sustainable regional economy there is a need for additional commercial, industrial, and residential lands; and

WHEREAS, the Knik Arm Bridge is one of the Borough's legislative priorities; and

WHEREAS, the Knik Arm Bridge will provide access to developable lands within the Matanuska-Susitna Borough for commercial, industrial, and residential uses; and

WHEREAS, the immediate development pressure anticipated to result from construction of the Knik Arm Bridge will be in the community of Point MacKenzie; and

WHEREAS, the Assembly adopted Point MacKenzie Community Comprehensive Plan includes a goal to:

"Encourage development of town centers. The town centers should include sites for a library, health clinic, post office, service station, school sites, community center, grocery store, café, hotel, police station, and multi-family development;" and

WHEREAS, construction and operation of the Goose Creek Correctional Center is increasing the number of jobs in and visitors to Point MacKenzie; and

WHEREAS, there is roughly three square miles of Borough- owned land adjacent to Alsop Road, near the Goose Creek Correctional Center suitable for development of a town site as envisioned by the Point MacKenzie Community Comprehensive Plan; and

WHEREAS, the Borough-owned land off Alsop Road is adjacent to the 14 square mile industrial zoned Port District, the Port MacKenzie Rail Extension, and the Alaska Railroad Terminal Reserve Area; and

WHEREAS, the Point MacKenzie Community Council unanimously approved a motion supporting the layout, planning, and development of a town site on Borough-owned land adjacent to Alsop Road at their regularly scheduled meeting of December 13, 2012; and

WHEREAS, there will be a need for road and other infrastructure improvements including Knik Goose Bay Road,

Burma Road, and South Big Lake Road, and a bridge across the Little Susitna River, on the Borough end of the Knik Arm Crossing when the bridge is built; and

WHEREAS, the development pressure resulting from construction of the Knik Arm Bridge is anticipated to reach beyond the community of Point MacKenzie; and

WHEREAS, there is significant developable land in the Fish Creek Management Area; and

WHEREAS, the Fish Creek Management Plan, adopted by the Borough Assembly, states that land should be reserved for town center development for community services and a centralized commercial district; and

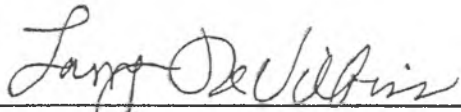
WHEREAS, the Fish Creek town center, in contrast to the town site in Point MacKenzie, could be a service center for small to mid-sized agricultural parcels characterized by less dense development and integrated into already existing summer recreation and winter trails to points far beyond; and

WHEREAS, the Fish Creek town center could become a logical junction for access to the west of the Susitna River and to the north side of the Kenai Peninsula Borough.

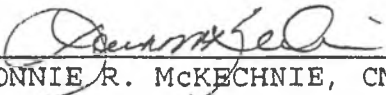
NOW, THEREFORE, BE IT RESOLVED, that the Matanuska-Susitna Borough Assembly, in anticipation of, and as a demonstration of support for a bridge across the Knik Arm and a bridge across the Little Susitna River, supports layout, planning and development

of town sites on public land adjacent to Alsop Road and in the Fish Creek Management Area.

ADOPTED by the Matanuska-Susitna Borough Assembly this 15 day of January, 2013.

  
LARRY DEVILBISS, Borough Mayor

ATTEST:

  
LONNIE R. McKECHNIE, CMC, Borough Clerk

(SEAL)

PASSED UNANIMOUSLY: Keogh, Woods, Arvin, Colligan, Salmon, Colver, and Halter

# ALASKA CONFERENCE OF MAYORS

217 Second Street, Suite 200  
Juneau, Alaska 99801  
907-586-1325  
FAX 463-5480  
AML1@ptiaalaska.net

## ALASKA CONFERENCE OF MAYORS

### RESOLUTION #2012-01

#### A RESOLUTION OF THE ALASKA CONFERENCE OF MAYORS URGING THE LEGISLATURE TO SUPPORT THE CONSTRUCTION OF THE KNIK ARM BRIDGE

**WHEREAS**, the Knik Arm Bridge has statewide economic significance; and

**WHEREAS**, the Knik Arm Bridge will provide connectivity between the region's ports, rail corridors and interior natural resources, while providing for future growth potential; and

**WHEREAS**, the United States military recognizes the necessity of an alternate route between Joint Base Elmendorf-Richardson (JBER), the Anchorage Bowl, and the Matanuska-Susitna Borough; and

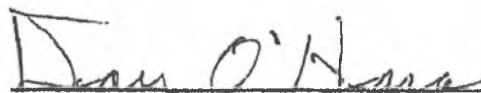
**WHEREAS**, the Knik Arm Bridge will open potential access to over 40% of the Kenai Peninsula Borough, which is at the northwest side of the Cook Inlet; and

**WHEREAS**, the Knik Arm Bridge will save nearly an hour travel time between Anchorage and Fairbanks as an alternate to the Glenn Highway, saving fuel, reducing emissions, and delaying the need for costly highway upgrades; and

**WHEREAS**, the Knik Arm Bridge will provide transportation and new service venues for Alaska's fastest growing populated area.

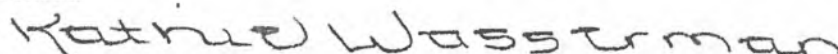
**NOW, THEREFORE BE IT RESOLVED** that the Alaska Conference of Mayors urges the Legislature to endorse the construction of the Knik Arm Bridge.

**PASSED AND APPROVED** by the Alaska Conference of Mayors on this 15<sup>th</sup> day of August, 2012.



\_\_\_\_\_  
Mayor Dan O'Hara, President, Alaska Conference of Mayors

Attest:



\_\_\_\_\_  
Kathie Wasserman, Executive Director, Alaska Municipal League

JOINT RESOLUTION OF THE MAYORS OF THE  
CITIES OF HOUSTON, PALMER AND WASILLA AND  
THE MATANUSKA-SUSITNA BOROUGH

A JOINT RESOLUTION OF THE MAYORS OF THE CITY OF HOUSTON, CITY OF PALMER AND CITY OF WASILLA AND THE MATANUSKA-SUSITNA BOROUGH ENDORSING THE CONSTRUCTION OF THE KNIK ARM BRIDGE.

---

WHEREAS, the Matanuska-Susitna Borough and the Municipality of Anchorage hold over 60 percent of Alaska's population; and

WHEREAS, the Knik Arm Bridge will provide connectivity between the region's ports, rail corridors and interior natural resources, while providing for future growth potential; and

WHEREAS, the United States military recognizes the necessity of an alternate route between Joint Base Elemendorf Richardson (JBER), the Anchorage Bowl, and the Matanuska-Susitna Borough; and

WHEREAS, the Knik Arm Bridge will open potential access to over 40 percent of the Kenai Peninsula Borough, which is at the northwest side of the Cook Inlet; and

WHEREAS, the Knik Arm Bridge will save nearly an hour travel time between Anchorage and Fairbanks as an alternate to the Glenn Highway, saving fuel, reducing emissions, and delaying the need for costly highway upgrades; and

WHEREAS, Knik Arm Bridge provides transportation and new service venues for Alaska's fastest growing populated area.

NOW THEREFORE BE IT RESOLVED, that the Mayors of the Cities of Houston, Palmer and Wasilla and the Matanuska-Susitna Borough endorse the construction of the Knik Arm Bridge.

ADOPTED jointly by the Mayors of the City of Houston, City of Palmer, and City of Wasilla and the Matanuska-Susitna Borough on this 10<sup>th</sup> day of August 2012.

*Virgie Thompson*

VIRGIE THOMPSON, Mayor  
City of Houston

*DeLena Johnson*

DELENA JOHNSON, Mayor  
City of Palmer

*Verne Rupright*

VERNE RUPRIGHT, Mayor  
City of Wasilla

*Larry Devilbiss*

LARRY DEVILBISS, Mayor  
Matanuska-Susitna Borough

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**HOUSTON, ALASKA  
RESOLUTION 12-14**

**A RESOLUTION OF THE HOUSTON CITY COUNCIL RECOGNIZING THE IMPORTANCE OF THE KNIK ARM CROSSING TO ALASKA'S ECONOMY AND SUPPORTING THE ESTABLISHMENT AND FUNDING OF A PROJECT RESERVE TO ADVANCE THE CONSTRUCTION AND LOWER THE COST OF FINANCING FOR THE BRIDGE..**

---

Whereas, the 1.74 mile bridge and connecting 18 miles of road will bridge the Knik Arm;  
and

Whereas, the Knik Arm Crossing will create 1,500 construction jobs every year for four years of construction and thousands more after bridge opening, benefitting Alaskans through good wages and good work experience; and

Whereas, the bridge will support additional activity at Port MacKenzie, the nation's northernmost deep water port, allowing export and import of bulk commodities such as base and rare earth mineral ores, coal, woodchips, gravel, cement and steel pipe; and

Whereas, the bridge will allow access to affordable land for industrial, commercial, and residential development; and

Whereas, the Knik Arm Crossing will lower costs for Alaskan households by lowering the cost of freight to the Interior and North Slope— over \$300 million truck freight savings in the first 10 years

Whereas, the bridge creates the first leg of a surface link to western Cook Inlet where over 47% of Kenai Borough lands are located, lands which are rich in natural resources such as coal, hydroelectric, oil and gas and geothermal resources; and

Whereas, the bridge will be developed using a Public Private Partnership, which leverages private equity, optimizes the life cycle cost of ownership, and pays back the cost of the bridge over time through user fees in the form of tolls; and

Whereas, the State has determined that utilizing a project reserve ensures the best value to the State by reducing the cost of financing; and

Whereas, future tolls are projected to generate \$1 billion cumulative surplus for the State of Alaska in the 35 years after opening, which can be spent on transportation infrastructure throughout the state on highways, bridges or ferries.

NOW, THEREFORE, BE IT RESOLVED THAT: the City of Houston City Council recommends the establishment and funding of a Knik Arm Crossing project reserve in order for construction to proceed rapidly and for the state to realize the full economic benefit of the bridge, through construction jobs, better access to industrial, commercial and residential land, increased

1 activity at Port MacKenzie, and the first step toward accessing the rich natural resources in the  
2 western Kenai Peninsula Borough lands across Cook Inlet.

3 **BE IT FURTHER RESOLVED THAT: the City of Houston City Council authorizes**  
4 **the Mayor to sign on behalf of the City a joint resolution with the Matanuska-Susitna**  
5 **Borough, City of Palmer, City of Wasilla. The joint resolution will be presented to the**  
6 **Governor of Alaska.**

7  
8 PASSED AND APPROVED by a duly constituted quorum of the Houston City Council, Alaska  
9 this 9<sup>th</sup> day of August, 2012.

10  
11  
12 THE CITY OF HOUSTON, ALASKA

13 *Virgie Thompson*  
14 \_\_\_\_\_  
15 Virgie Thompson, Mayor  
16

17 ATTEST:

18  
19 *Sonya Dukes*  
20 \_\_\_\_\_  
21 Sonya Dukes, City Clerk  
22

23 Sponsored by; Mayor Thompson



# **Alaska Trucking Association, Inc.**

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1946

[www.aktrucks.org](http://www.aktrucks.org)

*The authoritative voice of the trucking industry in Alaska*

---

February 28, 2013

Chair Peggy Wilson  
House Transportation Committee  
Juneau, Alaska 99801

Re: HB23

Dear Chair Wilson,

**The Alaska Trucking Association and its nearly 200 member companies, stand firmly behind the Knik Arm Crossing project and the associated needed legislation.**

We feel the Knik Arm Crossing project is a regional connectivity project that will provide a critical infrastructure link between our communities, as well as a much needed freight and services connection between Anchorage, the Matanuska-Susitna and the Interior part of our State. I have long supported the need for this project and am writing to you today to encourage the Alaska Legislature to move the project forward in a timely and beneficial manner.

The Alaska Trucking Association has been serving the needs of the state's trucking industry for over 50 years. We have continually given our support to the Knik Arm Crossing project as we understand the need for improved access to and from our ports, communities and interior Alaska from both a freight and a trucking standpoint. ATA is a leader in Alaska and nationally in promoting and projecting the interests of the transportation industry before the state legislature, congressional delegation and administrative agencies and courts. We understand that Alaska is a young state with vast infrastructure needs. We encourage you to support the Knik Arm Crossing legislative request to help us move this critical infrastructure link forward and reduce the cost to end users.

ATA supports the passage of HB23 to move this project forward.

Sincerely,



Aves D. Thompson  
Executive Director



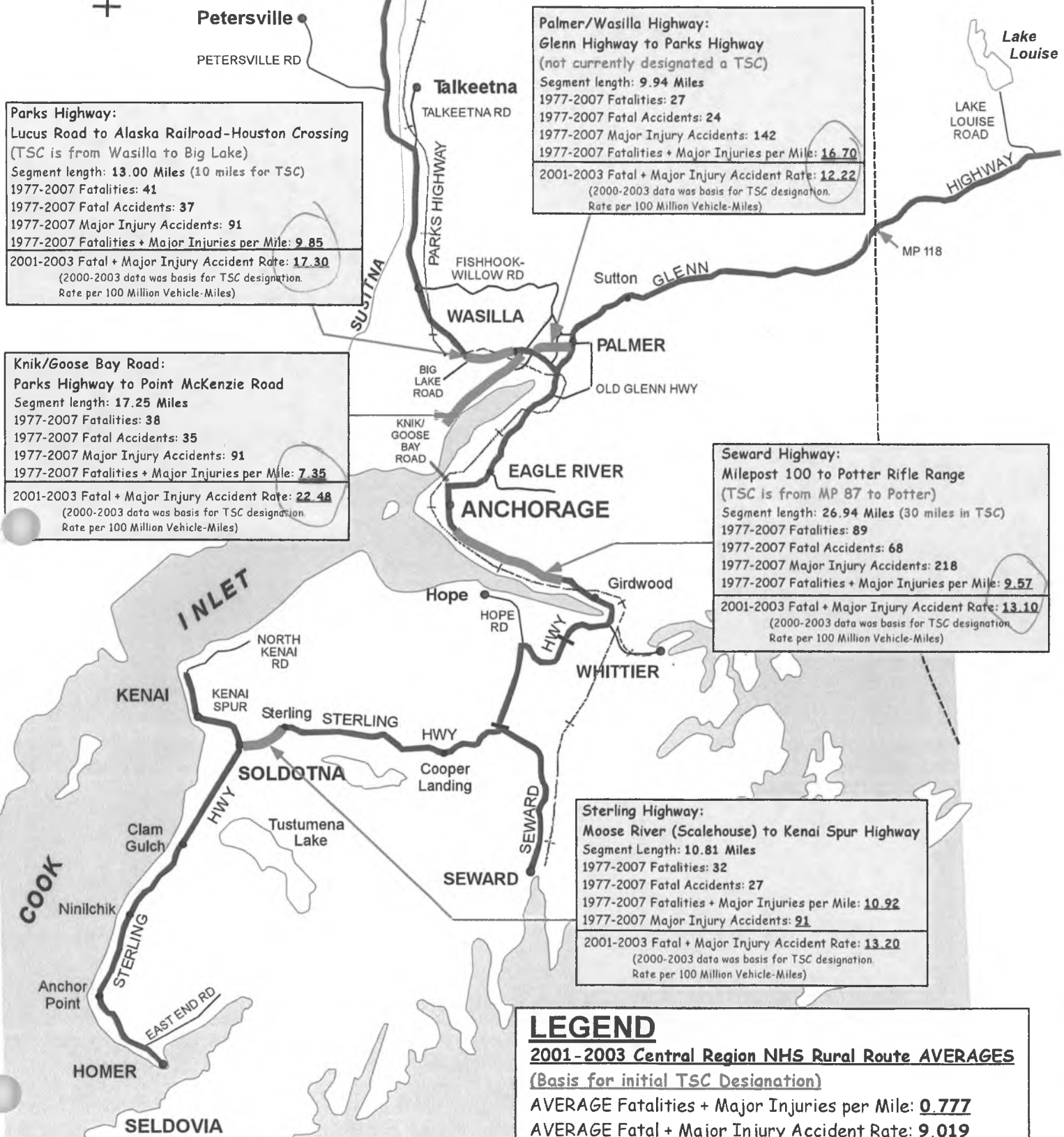
*If you got it, a truck brought it...*

# Current Traffic Safety Corridors (TSC) & Candidates as of August, 2009

Central Region (Using 1977-2007 Accident Data)



NORTHERN REGION  
CENTRAL REGION



**Parks Highway:**  
Lucus Road to Alaska Railroad-Houston Crossing  
(TSC is from Wasilla to Big Lake)  
Segment length: **13.00 Miles** (10 miles for TSC)  
1977-2007 Fatalities: **41**  
1977-2007 Fatal Accidents: **37**  
1977-2007 Major Injury Accidents: **91**  
1977-2007 Fatalities + Major Injuries per Mile: **9.85**  
2001-2003 Fatal + Major Injury Accident Rate: **17.30**  
(2000-2003 data was basis for TSC designation.  
Rate per 100 Million Vehicle-Miles)

**Knik/Goose Bay Road:**  
Parks Highway to Point McKenzie Road  
Segment length: **17.25 Miles**  
1977-2007 Fatalities: **38**  
1977-2007 Fatal Accidents: **35**  
1977-2007 Major Injury Accidents: **91**  
1977-2007 Fatalities + Major Injuries per Mile: **7.35**  
2001-2003 Fatal + Major Injury Accident Rate: **22.48**  
(2000-2003 data was basis for TSC designation.  
Rate per 100 Million Vehicle-Miles)

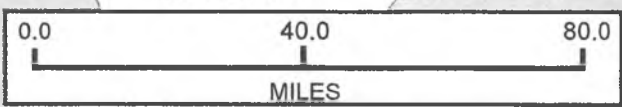
**Palmer/Wasilla Highway:**  
Glenn Highway to Parks Highway  
(not currently designated a TSC)  
Segment length: **9.94 Miles**  
1977-2007 Fatalities: **27**  
1977-2007 Fatal Accidents: **24**  
1977-2007 Major Injury Accidents: **142**  
1977-2007 Fatalities + Major Injuries per Mile: **16.70**  
2001-2003 Fatal + Major Injury Accident Rate: **12.22**  
(2000-2003 data was basis for TSC designation.  
Rate per 100 Million Vehicle-Miles)

**Seward Highway:**  
Milepost 100 to Potter Rifle Range  
(TSC is from MP 87 to Potter)  
Segment length: **26.94 Miles** (30 miles in TSC)  
1977-2007 Fatalities: **89**  
1977-2007 Fatal Accidents: **68**  
1977-2007 Major Injury Accidents: **218**  
1977-2007 Fatalities + Major Injuries per Mile: **9.57**  
2001-2003 Fatal + Major Injury Accident Rate: **13.10**  
(2000-2003 data was basis for TSC designation.  
Rate per 100 Million Vehicle-Miles)

**Sterling Highway:**  
Moose River (Scalehouse) to Kenai Spur Highway  
Segment Length: **10.81 Miles**  
1977-2007 Fatalities: **32**  
1977-2007 Fatal Accidents: **27**  
1977-2007 Fatalities + Major Injuries per Mile: **10.92**  
1977-2007 Major Injury Accidents: **91**  
2001-2003 Fatal + Major Injury Accident Rate: **13.20**  
(2000-2003 data was basis for TSC designation.  
Rate per 100 Million Vehicle-Miles)

**LEGEND**  
**2001-2003 Central Region NHS Rural Route AVERAGES**  
(Basis for initial TSC Designation)  
AVERAGE Fatalities + Major Injuries per Mile: **0.777**  
AVERAGE Fatal + Major Injury Accident Rate: **9.019**  
(Rate per 100 Million Vehicle-Miles)

- Top Rural Highway Safety Corridor Candidates (Fatal + Major Injuries per mile and Fatal + Major Injury Accident Rate)
- Existing Alaska State Highway System



## KABATA Reponses to House Transportation Committee Information Requests made by Representative Feige

- **Please Provide the Wilbur Smith Traffic and Toll Revenue Study(s).**
    - There are many elements and sub-studies that go into developing an “investment grade” traffic and toll revenue study. The information requested is available on the Knik Arm Bridge website at these links and they collectively build up to the present traffic and toll revenue projections and risk analysis. They are provided in chronological/hierarchical order from most recent to oldest. We also provide the HDR traffic study that was prepared as part of developing the environmental impact statement for a view independent of CDM Smith.
      - August 2012 update letter -  
<http://www.knikarmbridge.com/documents/MemoforAugust2012TandRforecas tupdated8.23.2012.pdf>
      - October 2011 Benefit-Cost Analysis -  
<http://www.knikarmbridge.com/2011TIGER/T&RStudy.pdf>
      - October 2011 Travel, Fuel Use, and Carbon Dioxide (CO2) Emission Impacts -  
<http://www.knikarmbridge.com/2011TIGER/Emissions.pdf>
      - August 2011 Traffic and Toll Revenue Study Update –  
<http://www.knikarmbridge.com/2011TIGER/T&RStudy.pdf>
      - 2007 Final Draft Traffic and Toll Revenue Study -  
<http://www.knikarmbridge.com/documents/10082007ProposedKnikArmBridge FinalTrafficandTollRevenueForecastDRAFT.pdf>
      - 2007 Independent Socio-Economic Overview -  
<http://www.knikarmbridge.com/documents/IndependentEconomicOverviewan dDevelopmentForecast07022007.pdf>
      - 2007 Stated preference travel survey -  
<http://www.knikarmbridge.com/documents/KnikArmStatedPreferenceTrafficSu rveyReport.pdf>
      - 2007 Origin and Destination Study -  
<http://www.knikarmbridge.com/documents/OriginandDestinationStudy091207. pdf>
      - Land Use and Transportation Forecasting Technical report HDR 2006 –  
<http://www.knikarmbridge.com/Tech Reports/Boiler%20QC/Land%20Use%20a nd%20Transportation%20Forecast/Appendix%20I/Appendix%20I%20Trans%20P lanning%20Model%20Tech%20Report%2012-2005.pdf>
- Q. How do the various population forecasts compare? Where is the population growth settling?**
- a. The attached charts provide graphical images of the historical population and a range of population forecasts for the Anchorage Metropolitan Statistical Area, the Municipality

## **KABATA Reponses to House Transportation Committee Information Requests made by Representative Feige**

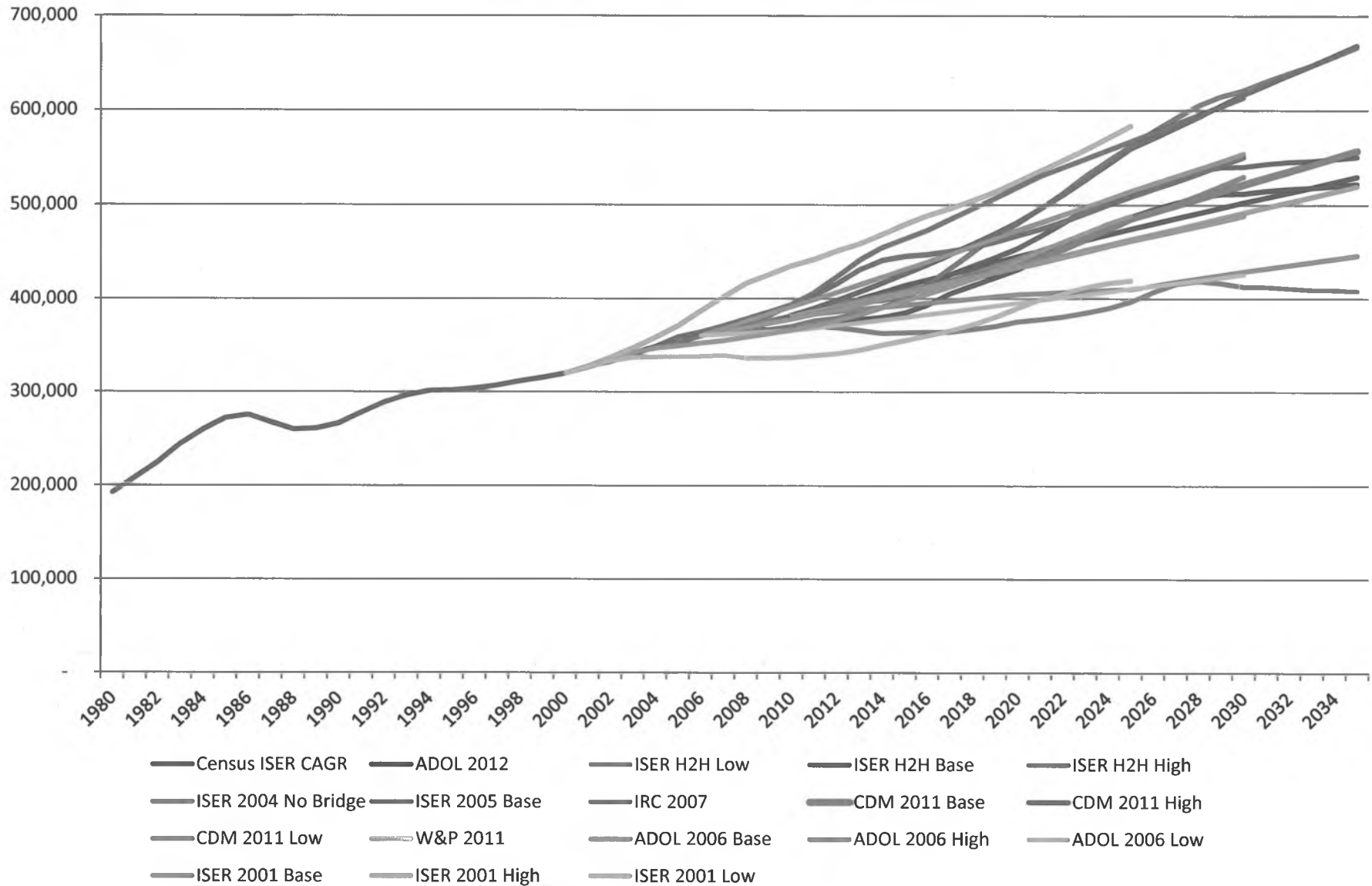
of Anchorage, and the Matanuska-Susitna Borough. The bright red line depicts CDM Smith's base case population forecast in each of the charts.

- To understand where future population growth is expected to settle with the construction of the bridge we have attached maps of the region showing population and households for 2020, 2025, 2030 and 2035 prepared by CDM Smith. The maps reflect the expected greenfield effect of the new transportation corridor opening up land closer to Anchorage. These maps did not consider the two new town sites that the Mat-Su Borough has surveyed just north of the Port MacKenzie District.

**Q. What DOT roads would be needed beyond the crossing and what category of roads does that spending get?**

- a. Please see Commissioner Luiken's response to Senator Joe Thomas' request for information made during the 1<sup>nd</sup> session of the 27<sup>th</sup> legislature, attached. Any updates would have to be provided by ADOT&PF.

## Comparison of Population Forecasts Anchorage Metropolitan Statistical Area

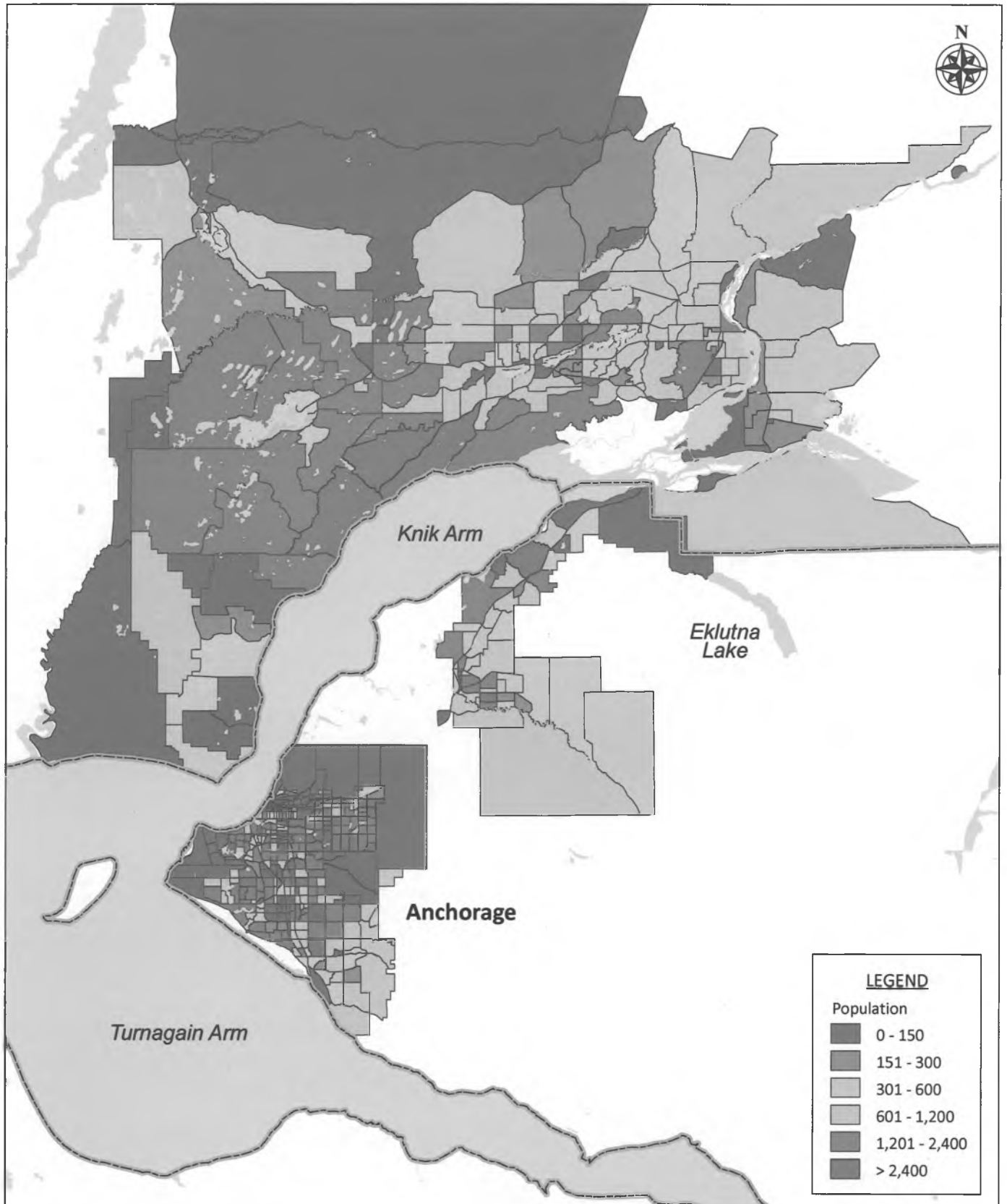






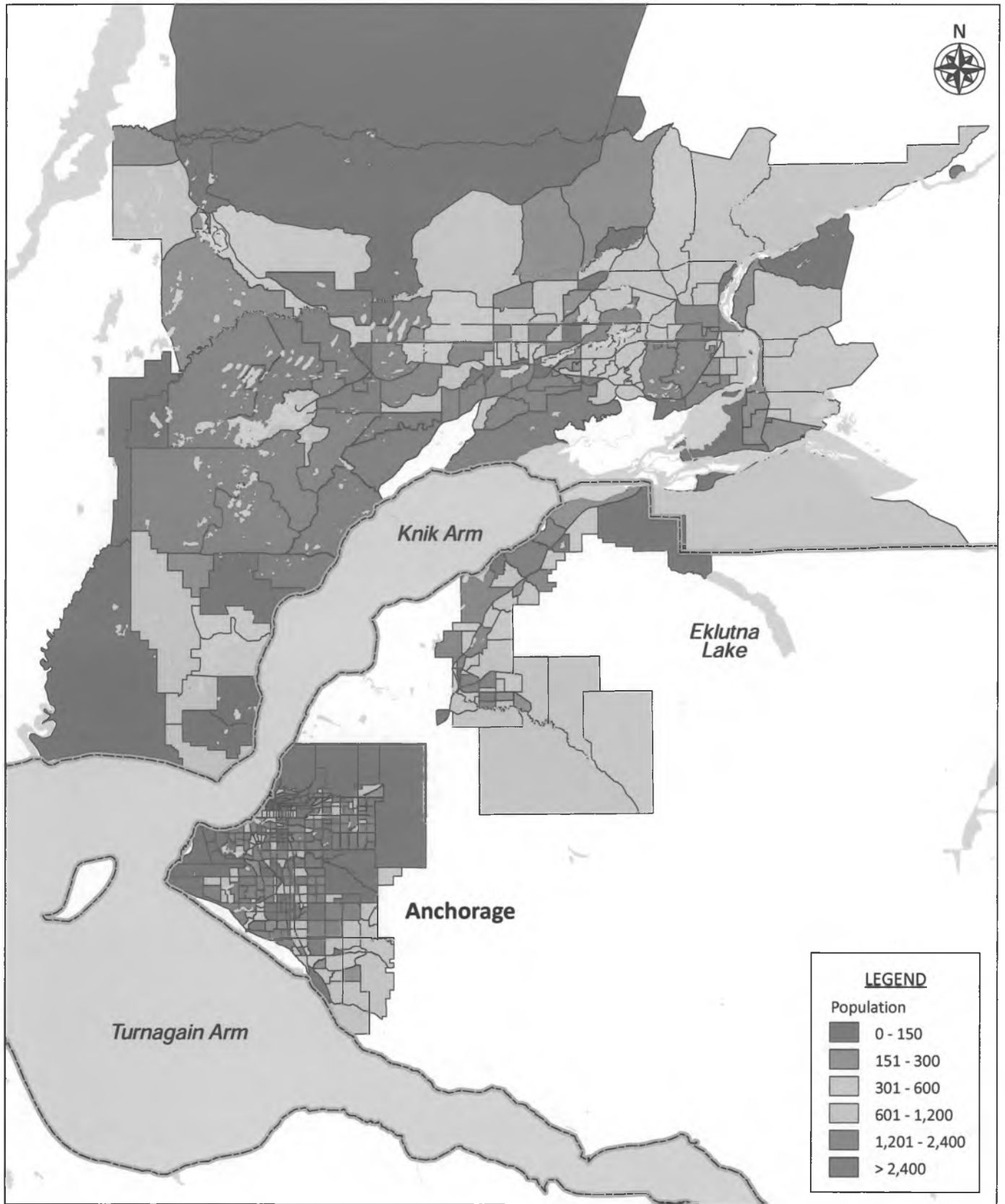
# Proposed Knik Arm Crossing Traffic and Toll Revenue Study Update

State / Job Number / Date / File Name



**POPULATION BY TRAFFIC ANALYSIS ZONES  
WITH BRIDGE - 2020**

FIGURE 1

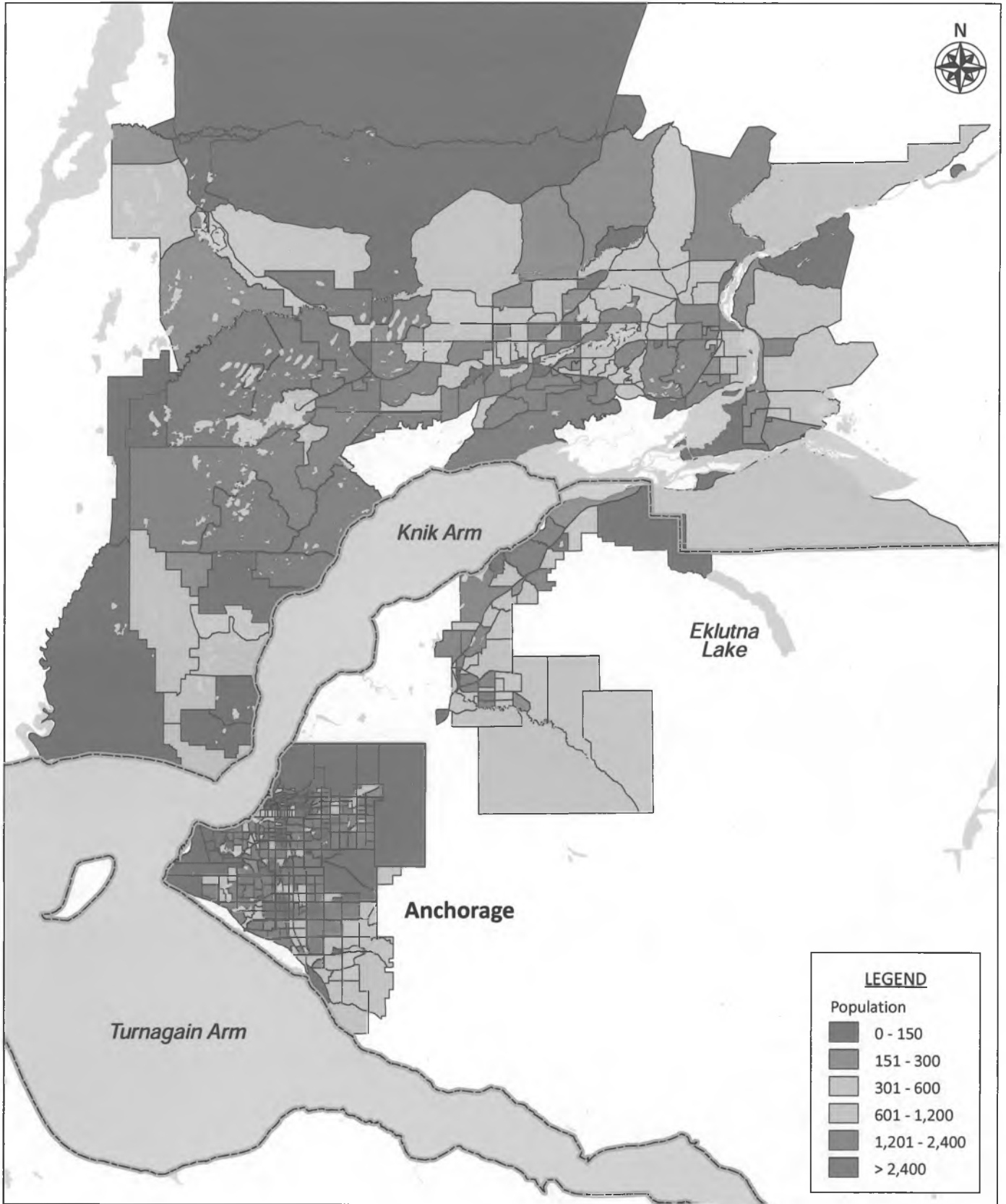


**POPULATION BY TRAFFIC ANALYSIS ZONES  
WITH BRIDGE - 2025**

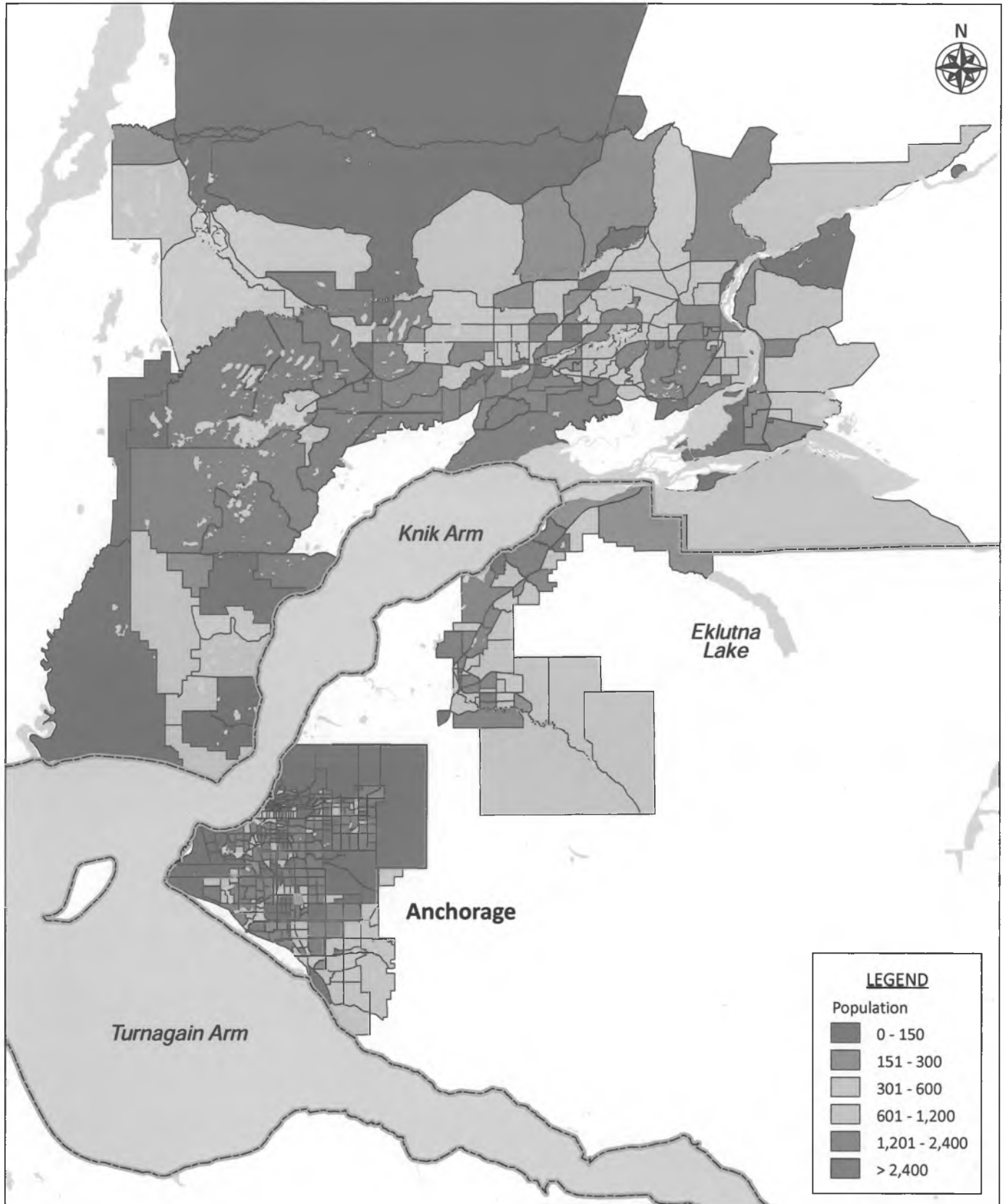
FIGURE 2

Proposed Knik Arm Crossing  
Traffic and Toll Revenue Study Update

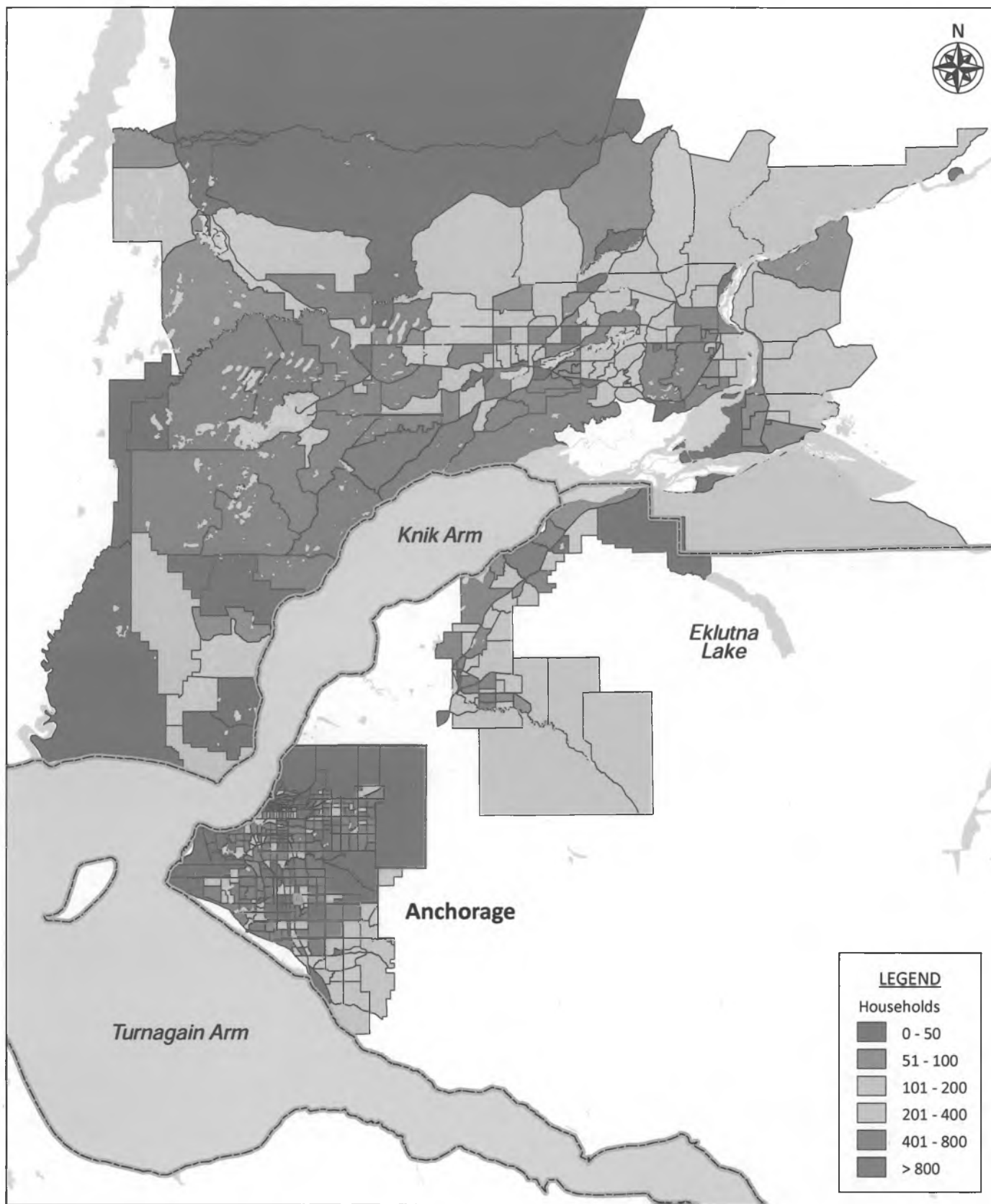
State / Job Number / Date / File Name



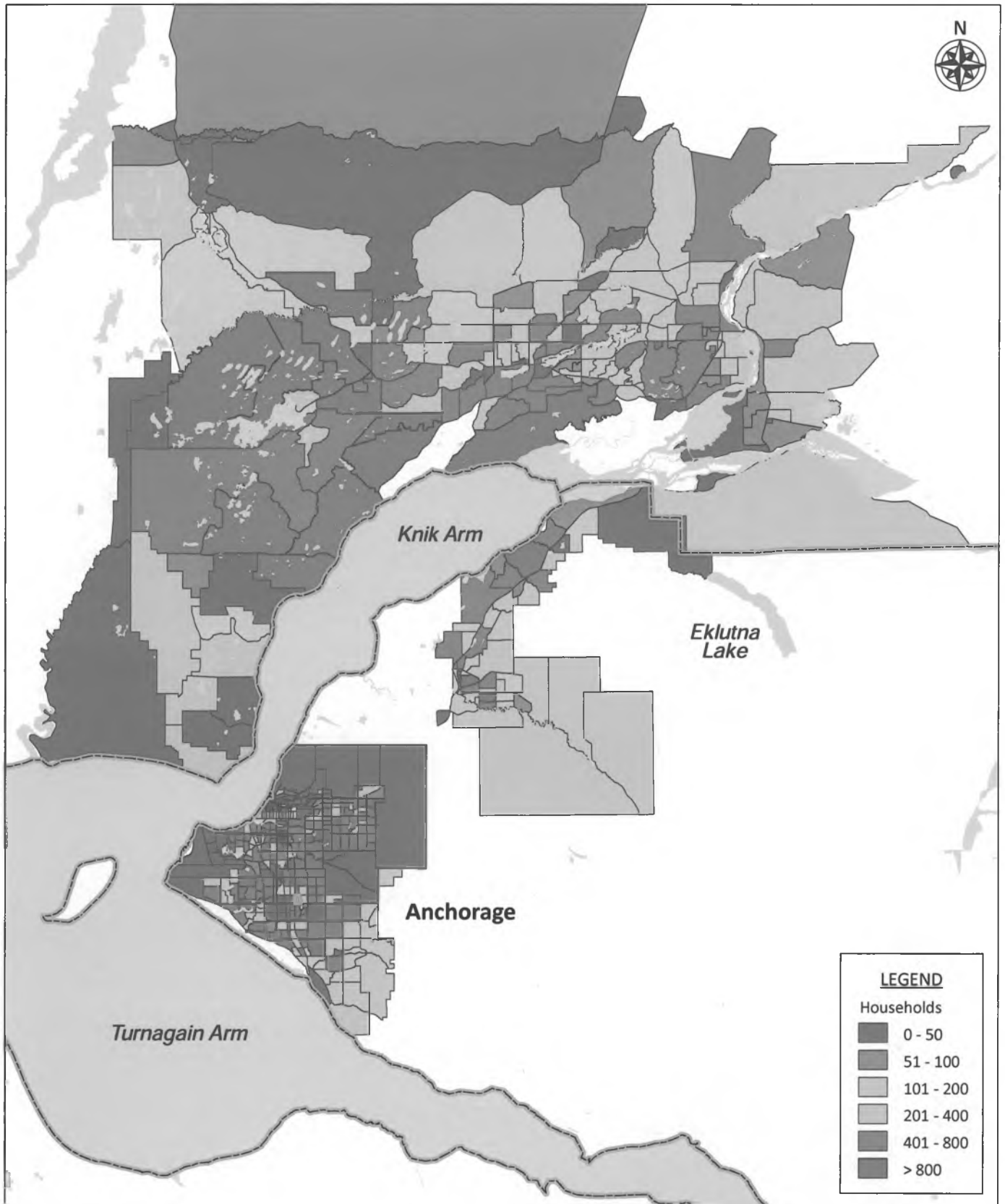
**POPULATION BY TRAFFIC ANALYSIS ZONES  
WITH BRIDGE - 2030**



POPULATION BY TRAFFIC ANALYSIS ZONES  
WITH BRIDGE - 2035

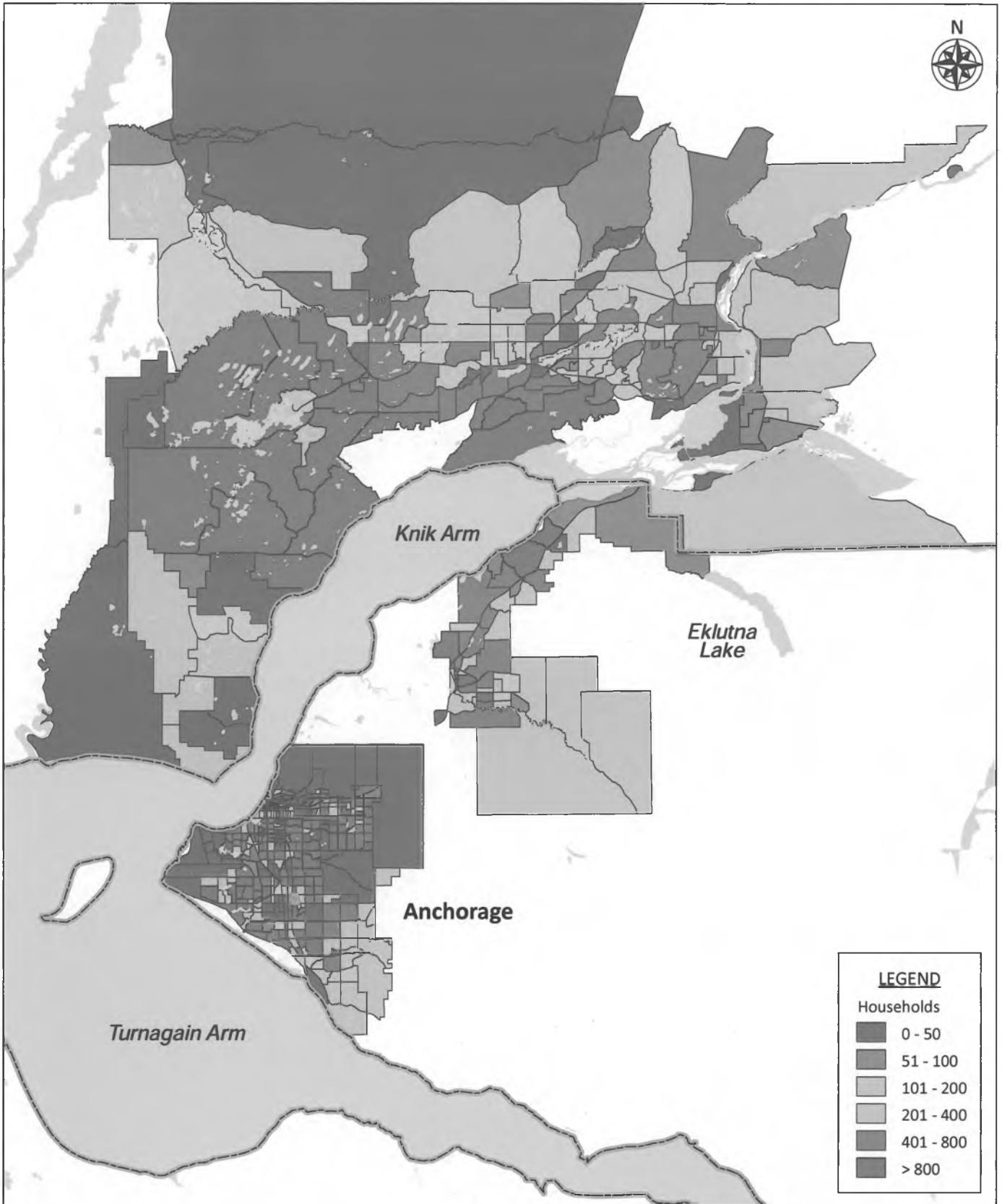


**NUMBER OF HOUSEHOLDS  
BY TRAFFIC ANALYSIS ZONES - WITH BRIDGE - 2020**

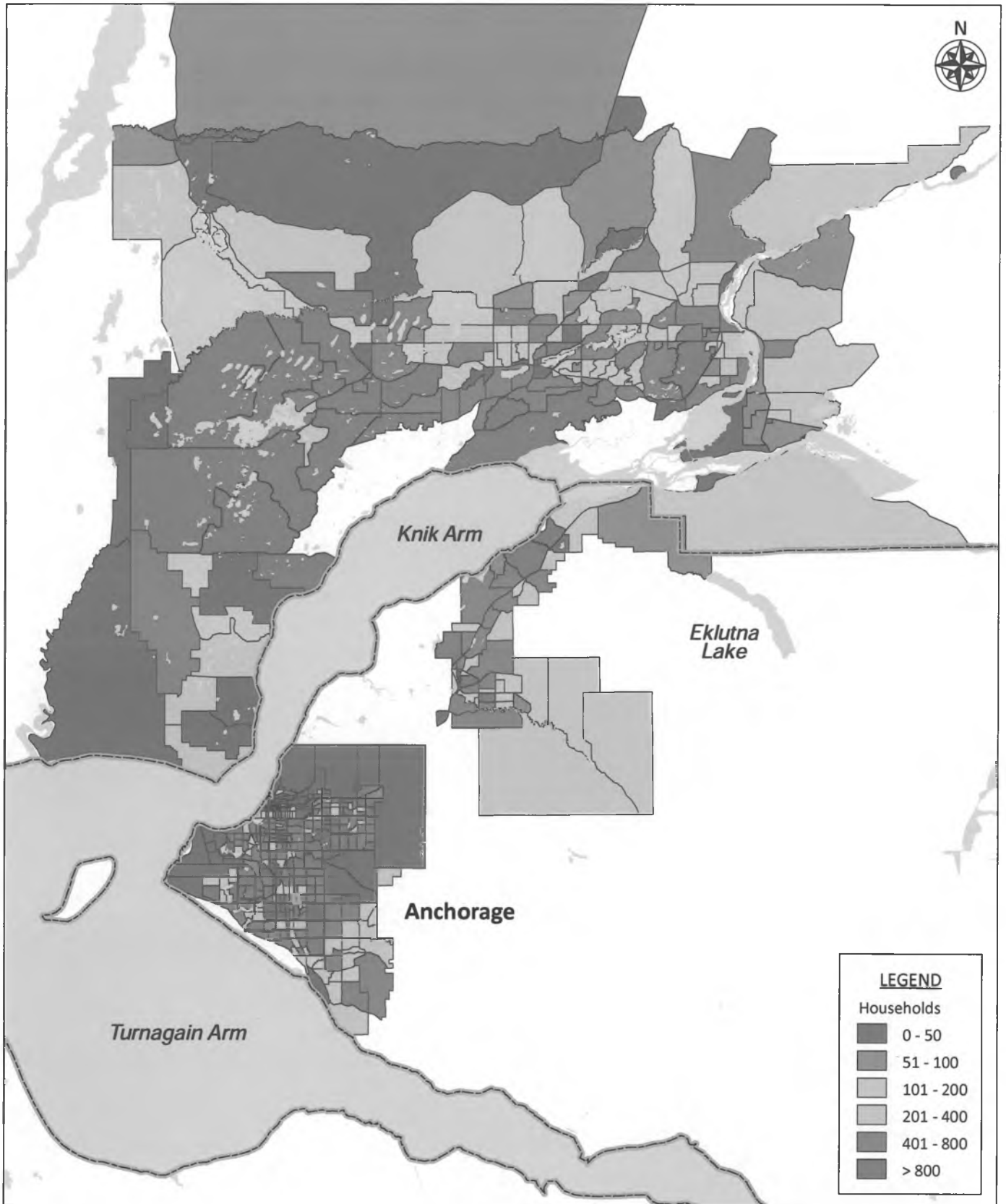


**NUMBER OF HOUSEHOLDS  
BY TRAFFIC ANALYSIS ZONES - WITH BRIDGE - 2025**

FIGURE 6



**NUMBER OF HOUSEHOLDS  
BY TRAFFIC ANALYSIS ZONES - WITH BRIDGE - 2030**



**NUMBER OF HOUSEHOLDS  
BY TRAFFIC ANALYSIS ZONES - WITH BRIDGE - 2035**

# STATE OF ALASKA

## DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

Anchorage Office: 4111 Aviation Avenue  
 Juneau Office: 3132 Channel Drive

P.O. Box 112500  
JUNEAU, ALASKA 99811-2500

PHONE: (907) 465-3901

FAX: (907) 586-8365

WEB: dot.state.ak.us

April 7, 2011

The Honorable Joe Thomas  
Alaska State Legislature  
State Capitol, Room 514  
Juneau, AK 99801-1182

Dear Senator Thomas:

In response to your letter dated March 8<sup>th</sup>, I appreciate the opportunity to provide you with information regarding the Department of Transportation and Public Facilities (DOT&PF) activities, both current and planned, for the Anchorage and Mat-Su Borough areas of the State. As you have noted in your letter, some of these projects have been included in the traffic analysis relative to the Knik Arm Crossing project. Your interest in how this project impacts the State's transportation infrastructure is evident in the thoroughness of your questions.

In response to a statement made in committee by Jeff Ottesen, you have asked which specific projects on the Glenn Highway the State could avoid (or delay) building if the Knik Arm Bridge was constructed. With the bridge predicted to carry 36,000 or more vehicles per day in 2035, at minimum the widening of the Glenn and Parks Highway by at least two lanes could be avoided. This is roughly estimated to cost \$300 to \$400 million.

You have also asked for vehicle traffic count numbers. The most recent (2009) annual average daily traffic (AADT) figures compiled by the department show 28,495 vehicles on the Glenn Highway at the Eklutna Flats location (prior to the intersection of the Glenn Highway with the Old Glenn Highway). At the bridge carrying the Glenn Highway over the Knik River, the 2009 AADT was 26,220 vehicles. Traffic projections for the Eklutna Flats location on the Glenn Highway have been done using the Highway to Highway traffic model (H2H). For the year 2035, the model predicts an AADT of 54,000 vehicles at the Eklutna location with 37,000 vehicles using the proposed Knik Arm Crossing. The modeling completed by Wilbur Smith Associates for KABATA predicts a 2035 AADT of 48,700 vehicles for the Eklutna Flats location with 36,000 vehicles using the Knik Arm Crossing.

You also ask for project information and cost estimates for the projects DOT&PF believes will be necessary to accommodate projected traffic flow for the Knik Arm Bridge. This information is set out below:

- |                                       |              |
|---------------------------------------|--------------|
| • Burma Road 2-Lanes                  | \$49 million |
| • South Big Lake Road 4-Lanes         | \$45 million |
| • Pt. MacKenzie Road (6 mile section) | \$18 million |
| • Knik-Goose Bay MP 8 to MP 17        | \$27 million |

*"Providing for the safe movement of people and goods and the delivery of state services."*

Other projects in the area, specifically upgrading Vine Road, the Parks Highway widening to Big Lake, and Knik-Goose Bay widening between Parks Highway and Vine Road are not included as they are needed urgently due to traffic volumes and population growth regardless of the bridge decision.

Maintenance costs are estimated at \$7,500 per lane mile annually. Depending on the final design of these improvements, it is estimated that approximately 100 lane miles could be added to the transportation network in this area. This would require approximately \$750,000 of additional annual maintenance expenditures.

You have asked how much it would cost the state in general funds and / or federal highway funds to pay for the construction of the projects necessary to support the estimated bridge traffic flow. The overall cost of these projects is \$139 million. It would be up to the state Legislature to decide whether to appropriate state general funds or federal funds for the projects and on what timetable.

Phase 2 of the Knik Arm Crossing project involves the bridge/viaduct connection with Ingra-Gambell. This is expected to be needed in 2025 at the earliest depending on traffic volumes. The cost estimate prepared by KABATA for this effort is currently \$248 million (in 2008 dollars). This work is part of the KABATA project commitments and it is expected to be funded from the toll receipts collected on the bridge. A toll agreement is currently being finalized between the department, KABATA and the Federal Highway Administration (FHWA). Since the Knik Arm Crossing project has been federalized (funded with Federal-aid funds through FHWA) surplus revenue generated by tolls must be used on Federal-aid eligible projects.

Some of the projects identified by Wilbur Smith as part of the planned regional network that may influence the estimated bridge traffic flow and their costs are:

- International Airport Road Extension           \$34.9 Million
- Abbott Loop Extension                           \$37.5 Million
- Dowling Road Extension                       \$115.0 Million

The full list of almost 40 projects can be found at: [www.knikarmbridge.com/TIFIA.html#traffic](http://www.knikarmbridge.com/TIFIA.html#traffic)

KABATA's Traffic and Toll Revenue Update Study prepared by Wilbur Smith Associates included many projects from the AMATS Transportation Improvement Plan and Long Range Transportation Plan. These selected projects were segregated based on expected timeframe for delivery. There were 12 projects listed in the study with 2012 date. All of those projects are complete except for two projects that are still active and under development. There were 18 projects that were included with a date of 2015. Cost estimates developed by AMATS for these 18 projects totaled \$486.5 million with \$419.8 of that identified as likely to be funded through their Federal Transportation Improvement Program, \$46.7 million from bonds and \$20 million from State general Funds. Finally, there were 13 projects listed with a date of 2030. Ten of these projects were from the AMATS LRTP with an estimated cost of \$749 million. One of those projects, the Glenn Highway Seward Highway Connection project was estimated at \$581 million. Three of the projects listed in the Wilbur Smith Associates study for 2030 were from the Mat-Su LRTP and did not include estimated costs.

It is difficult (and potentially inaccurate) to make a statement regarding how much funding will be needed each year from the Legislature since these projects listed in the AMATS LRTP do not carry a schedule nor is the cost estimate provided compiled at a precise enough detail. The information contained in the LRTP is designed to be a best estimate of priorities in the future and demonstrate a level of fiscal constraint based on a system-level estimate of costs and revenue sources that are reasonably expected to be available. The LRTP is intended to be strictly a planning document and not an accounting document. Nor did Wilbur Smith do any modeling that confirms whether each of these network improvements facilitate bridge traffic, have no effect, or in fact reduce bridge traffic. Such modeling is a significant undertaking, and was not part of their scope of work. Wilbur Smith Associates simply assumed that most of the planned network in the AMATS and Mat-Su long range transportation plans consistent with the network ADOT&PF used for the H2H traffic model.

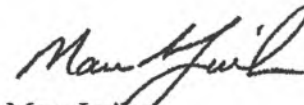
In state fiscal year 2009 the department spent in excess of \$108 million dollars (Federal and State funds) in the Anchorage area on transportation improvements. In state fiscal year 2010 the expenditures exceeded \$127 million for the Anchorage area. The projects prioritized by the AMATS LRTP in 2007 that Wilbur Smith Associates identified as influencing the viability of the Knik Arm Crossing project total about \$1.4 billion through 2030. That equates to approximately \$69 million a year. It must be recognized that some of those projects will be funded and delivered by the Municipality as historically they have been proactive in identifying local funding. The projects discussed for the Mat-Su Borough total approximately \$330-390 million over 20 years which comes to \$16.5-19.5 million a year. Neither of those figures seems unreasonable or disproportionate considering the population growth, current congestion and safety issues or historic appropriations levels. Currently the Federal-aid funds received by the State exceed \$400 million annually.

Your final question is how much and what percentage of federal funding it would take to pay for the projects needed to support the bridge traffic flow. The total cost of the projects not covered by toll revenue that influence bridge and general network traffic flow is \$1,800 million (\$1,400 million in Anchorage and \$400 million in Mat-Su) to be constructed over a period of 20 years. Regular federal highway aid funding requires a 10% state match. This leaves \$1,620 million that could be funded from regular highway aid dollars. Dividing \$1,620 over a period of 20 years results in a hypothetical annual federal highway funding need for these projects of \$81 million per year. The State currently receives \$400 million in regular federal highway aid funding per year. Allocating \$81 million per year for the regional network projects would amount to 20.25% a year of the overall amount.

The Knik Arm Crossing project and the transportation infrastructure improvements currently being considered by the department are not only about passenger vehicles traveling between Anchorage and the Mat-Su Borough. Multi-modal services for the Port of Anchorage and Port MacKenzie are also important links in this equation. Improved connectivity between these two ports and the interior regions of the State will reduce freight movement times and potentially drive increased economic development and job creation. The Knik Arm Crossing project is unique in the sense that it has the potential to generate a large enough revenue stream to pay its own way. No other public transportation system has that expectation yet the Knik Arm Crossing project will possibly exceed that expectation and generate additional revenue that could be used to fund other unrelated transportation projects.

In conclusion, the department feels that the current slate of potential projects for the region holds merit regardless of the disposition of the Knik Arm Crossing. They address identified needs in an environment of continued growth and do not appear to represent an unreasonable or disproportionate cost to the State. I trust that this provides satisfactory answers to your questions and I would be happy to discuss further if you desire.

Sincerely,



Marc Luiken  
Commissioner

cc: Andrew Nierniec, Executive Director, Knik Arm Bridge and Toll Authority  
Pat Kemp, Deputy Commissioner for Highways and Public Facilities, DOT&PF  
Rob Campbell, Regional Director, Central Region, DOT&PF  
Brenda Hewitt, Legislative Liaison, DOT&PF

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HB 23  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB023-DOT-KABATA-2-23-13  
Title: KNIK ARM BRIDGE AND TOLL AUTHORITY  
Sponsor: NEUMAN, HUGHES  
Requester: House Transportation Committee

Department: Department of Transportation and Public Facilities  
Appropriation: Design, Engineering and Construction  
Allocation: Knik Arm Bridge/Toll Authority  
OMB Component Number: 2715

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>								
---------------------------	--	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

This is the initial version of the bill.

Prepared By: Andrew Niemiec, Executive Director  
Division: KABATA  
Approved By: Andrew Niemiec, Executive Director  
KABATA

Phone: (907)269-6698  
Date: 02/23/2013 04:00 PM  
Date: 02/23/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB 23

**Analysis**

The Knik Arm Bridge and Toll Authority's budget will not be affected by the development of the project as long as projections for ridership on the bridge and related financial solvency are fulfilled.

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HB 23  
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			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>	<b>FY 2014</b>	<b>FY 2014</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
---------------------------	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

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STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB 23

**Analysis**

The Knik Arm Bridge and Toll Authority's budget will not be affected by the development of the project as long as projections for ridership on the bridge and related financial solvency are fulfilled.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 20, 2013

**SUBJECT:** Sectional Summary for HB 23 (Work Order No. 28-LS0141\A)

**TO:** Representative Peggy Wilson  
Attn: Becky Rooney

**FROM:** Hilary Martin *Hilary Martin*  
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill; the bill itself is the best statement of its contents.

**Section 1** repeals and reenacts AS 19.75.211(a). Authorizes the authority to borrow money and issue refund bonds on which the principal and interest are paid out of and secured by (1) the gross revenue derived from fees, rents, tolls, rates, charges, and other revenue; (2) revenue received by a private person or enterprise that has entered into a public-private partnership agreement with the authority; or (3) any revenue or money appropriated to the authority for that purpose, except a state tax or license.

**Section 2** raises the limit on the amount of aggregate bonds the authority may issue to \$600,000,000.

**Section 3** adds a new subsection to AS 19.75.211 that requires the authority to submit to the state bond committee a description of the bond issue before issuing bonds. The bonds may not be issued unless the state bond committee finds that the revenue can reasonably be expected to be adequate for payment of principle and interest on the bonds.

**Section 4** amends AS 19.75.221(h) to specify what must be deposited in the reserve fund, which includes revenue derived by the authority from fees, rents, tolls, rates, charges, or other revenue; appropriations for that purpose; and other revenue available to the authority.

**Section 5** adds new subsections to AS 19.75.221. Subsection (i) specifies the specific purposes for which the money in the reserve fund can be used. Subsection (j) allows the authority to transfer income or interest earned by the reserve fund to other funds or accounts of the authority as long as the transfer does not reduce the reserve fund to less

Representative Peggy Wilson

March 20, 2013

Page 2

than the reserve fund requirement. Subsection (k) specifies how to value securities the fund is invested in to compute the amount of the reserve fund. Subsection (l) requires the chair of the board to notify the governor annually of the amount required to restore the reserve fund to the reserve fund requirement. Subsection (m) defines "reserve fund requirement."

**Section 6** amends AS 19.75.261 to exempt any real and personal property, assets, income, or other interests held by a private person or enterprise under a public-private partnership from all ad valorem taxes on real or personal property and special tax assessments of the state or a political subdivision of the state.

**Section 7** adds a new section, AS 19.75.345, that establishes the Knik Arm Crossing fund.

HVM:ljw  
13-188.ljw

## Rebecca Rooney

---

**From:** Oliver S Goldsmith <osgoldsmith@uaa.alaska.edu>  
**Sent:** Wednesday, February 27, 2013 5:10 PM  
**To:** Sen. Dennis Egan; Rep. Peggy Wilson  
**Subject:** Matanuska-Susitna Borough Population Projections for KABATA analysis  
**Attachments:** Request to Foster to stop misrepresentation of ISER.docx

Senator Egan and Representative Wilson—

I would like to reiterate for the record that the most recent ISER (Institute of Social and Economic Research) population projection for the Matanuska-Susitna Borough, completed in 2009 for the ADOT as part of the analysis of the Highway to Highway project, is not, as has been asserted, essentially the same as the KABATA population projection. The ISER projection for 2035 is at least 12% or 20 thousand less—equivalent to the population of several Palmers.

Furthermore, KABATA has made a unilateral upward adjustment to the 2009 ISER population projection and has, without the consent of ISER, continued in public statements to characterize this higher projection as an ISER projection of population. It is not an ISER projection and it is incorrect to suggest by calling it an ISER projection that ISER generated it or supports it.

I have attached a memo written two years ago to ask KABATA to stop suggesting that the KABATA population projections were essentially the same as the ISER projections.

Scott Goldsmith

Emeritus Professor of Economics

Institute of Social and Economic Research (ISER)

University of Alaska Anchorage

3211 Providence Drive

Anchorage, Alaska 99508

[osgoldsmith@uaa.alaska.edu](mailto:osgoldsmith@uaa.alaska.edu)

[www.iser.uaa.edu/people/goldsmith/](http://www.iser.uaa.edu/people/goldsmith/)

Phone: 907-786-7720

Fax: 907-786-7739

Office Location: 4500 Diplomacy Drive, Suite 501

ISER: [www.iser.uaa.alaska.edu/](http://www.iser.uaa.alaska.edu/)

UNDERSTANDING ALASKA: [www.alaskaneconomy.uaa.alaska.edu](http://www.alaskaneconomy.uaa.alaska.edu)

CITIZENS GUIDE TO THE BUDGET: <http://citizensguide.uaa.alaska.edu>

## Memo

Date: March 22, 2011.

To: Michael Foster, Knik Arm Bridge and Toll Authority

CC. Governor Sean Parnell, Commissioner Marc Luiken, Randall Ruaro

From: Professor Scott Goldsmith, Institute of Social and Economic Research, University of Alaska Anchorage

**Subject: Distribution of Misinformation Regarding KABATA Population Predictions**

Mr. Foster

Please stop implying that the KABATA population projections for the Matsu Borough, whatever they are, are "in line with other forecasts" including those of the Institute of Social and Economic Research (ISER). Also please stop characterizing the KABATA population prediction as essentially equal to the ISER projections as you did in the Anchorage Daily News (ADN) Compass piece published on November 2, 2011 and in a recent e-mail to Anchorage community council presidents.

THE KABATA PREDICTION IS NOT WITHIN 1% OF THE ISER PROJECTION, as you have stated. THE ISER 2035 PROJECTION OF 170 THOUSAND IS 12% LOWER THAN YOUR STATED KABATA PREDICTION OF 191 THOUSAND.

I have compiled all the population projections for the Matsu Borough that I can find published since 2005 (see graph). They show a dramatic variation in population projected for the Borough for 2030. In fact the range is from about 130 thousand to 250 thousand—a difference of nearly 100 %. Clearly there has not been consensus among the experts on the expected growth of the Borough. So to say that the KABATA projections are "in line with other forecasts" is not correct.

Curiously, there are two projections missing from the graph because, although you mention them, they can not be found. One is the population projections used in the most recent Wilber Smith Update of the Traffic and Toll Revenues Study (2011) done for KABATA. Whatever those projections may be, to the best of my knowledge, they have never been made public. They certainly are not in the published report. As I have indicated elsewhere, it is impossible to assess the validity of the Wilber Smith analysis of traffic and tolls without even this basic information about what is driving their analysis.

The other missing projection is the Woods & Poole projection that you mention on the KABATA website on March 12 of this year, implying that it is "in line" with the KABATA projection. However that projection does not, to the best of my knowledge, appear on your website nor can it be found

elsewhere in the public domain. Again it is impossible to judge the quality of that projection or even what it is without being able to see it.

The graph also shows that the ISER projection of Matsu Borough population for 2035 is 170 thousand. This is 12% or 20 thousand less than the KABATA prediction of 191 thousand reported in the ADN article (but not to be found anywhere in the Wilber Smith report, or as far as I can tell, on the KABATA website. So it is impossible to say if this prediction is for the entire Matsu Borough, or for the AMATS planning region which excludes a portion of the Borough area and population.). THE KABATA PREDICTION IS NOT, as you have stated, WITHIN 1% OF THE ISER PROJECTION. The difference between 170 and 191 thousand is not insignificant but rather equal to several Palmers.

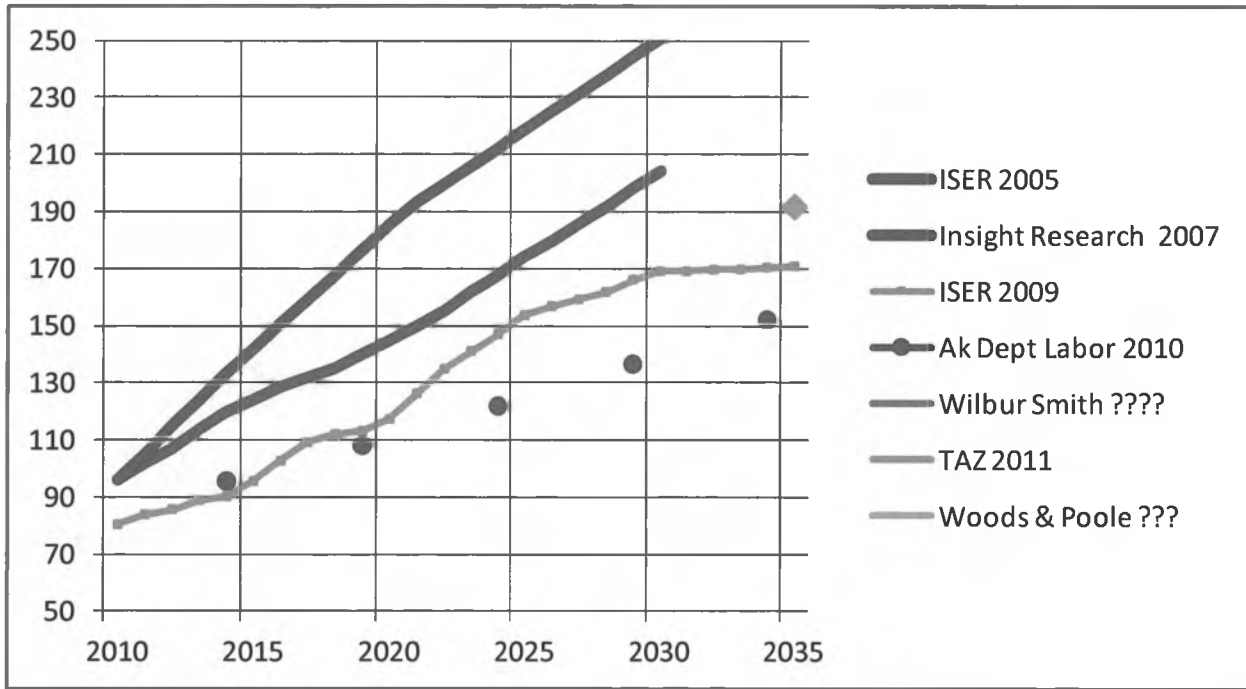
As the author of the ISER report, I stand by the ISER projection based on the assumptions, all publicly available in the written report, which drive the analysis. Although the ISER projection came in low compared to the 2010 census, I do not believe an upward shift in the entire projection is warranted for reasons I recently made clear to the AMATS technical staff. Further evidence that an arbitrary 11% upward adjustment is not warranted is the 2011 Alaska Department of Labor population figure for the Borough which indicates a SLOWER growth rate than the ISER projection.

You of course are free to use any numbers you want in the KABATA analyses. But do not hide the numbers and imply that they are the essentially the same as the ISER projection. Let people see and judge for themselves.

Finally, your statement in the March 2012 KABATA website that "these independent forecasts show that the Matsu borough population will double in the next 25 years" is incorrect. The Alaska Department of Labor projects an increase of only 76% (86 thousand in 2009 to 152 thousand in 2034).

Scott Goldsmith

## Matanuska Susitna Borough Population Projections



## Clarifications on Common Myths about the Knik Arm Crossing Project

### By: Knik Arm Bridge and Toll Authority

- KABATA's August 2012 TIFIA Letter of Interest (LOI) remains active and advancing it to the application stage is pending passage of HB23 or SB13. The Knik Arm Crossing (KAC) project is one of 28 projects in the LOI stage for a TIFIA loan. Since the passage of MAP-21 and the issuance of the TIFIA Notice of Funding Availability, none of the 28 projects have moved to the application stage at this time.

The TIFIA program is very valuable to the state and the project, resulting in lower availability payments, and it is in the state's best interest to pursue funding through the program. The private partner will be the borrower, but the value of TIFIA will come back to the state through the competitive procurement process.

- The bridge length was increased to preserve beluga whale habitat, as recommended by the National Marine Fisheries Service. The cost of the lengthened structure – from 8,200 feet to 9,200 feet - is offset by the removal of embankment and riprap material in the deepest areas of the Knik Arm Crossing alignment, resulting in a net increase of approximately \$15 million, or roughly 2 percent of the overall Phase I construction cost. There is sufficient contingency (\$82 million) included in the 2010 cost estimate to cover this change.
- Many cost estimates have been completed for the Knik Arm Crossing Project. The 2010 cost estimate includes items such as:
  - Constructing all six lanes of the tunnel under Government Hill in the initial phase of construction, to mitigate and minimize impacts to the community;
  - Constructing all fill in the intertidal zone in the initial phase of construction, to minimize impacts to fish and fish habitat;
  - Constructing roadway embankment for 4-lanes up to the top of sub grade along the Port of Anchorage and JBER, to minimize disruption to their activities.
- The Knik Arm Crossing is being delivered as a public-private partnership under a performance based contract. The design of the bridge will be finalized by the winning proposer and will be designed to the strict technical standards specified by the state. The Crossing will be constructed using time tested, standard bridge building methods.
- KABATA's base population forecast is consistent with others, including ISER's 2009 forecast, which predicted a Mat-Su population for 2010 that was 9,000 below the actual census count. KABATA's traffic forecast used socio-economic inputs for high, low, base and reduced value of time to understand a range of possible outcomes.
- Under a P3, such as the one being utilized to deliver the Crossing, there is no guarantee of a return on investment to the private partner. In fact, the private equity is the first dollar at risk, which is one of the benefits to the state of entering into a P3 contract.

**For more information or questions about the Knik Arm Crossing's project delivery method, P3s or other aspects of the project contact the KABATA offices at 907-269-6698.**

AMENDMENT

OFFERED IN THE HOUSE  
TO: HB 23

BY REPRESENTATIVE FEIGE

1 Page 2, line 6:

2 Delete "a new subsection"

3 Insert "new subsection"

4

5 Page 2, following line 23:

6 Insert a new subsection to read:

7 "(f) The authority may not issue any bonds under this section or enter into an  
8 agreement under AS 19.75.111(a)(5) for design or construction of the Knik Arm  
9 bridge until the authority or its partner has received a loan for at least 49 percent of the  
10 cost of the design and construction of the Knik Arm bridge from the federal  
11 government under 23 U.S.C. 601 - 609 (Transportation Infrastructure Finance and  
12 Innovation Act of 1998)."

AMENDMENT

OFFERED IN THE HOUSE  
TO: HB 23

BY REPRESENTATIVE FEIGE

1 Page 1, line 1, following "An Act":

2 Insert "relating to construction of a tollway from the Knik Arm bridge to the  
3 Parks Highway;"

4  
5 Page 1, following line 5:

6 Insert new bill sections to read:

7 **\*\* Section 1.** AS 19.75.011 is amended to read:

8 **Sec. 19.75.011. Purpose.** The purpose of the authority created by this chapter  
9 is to develop, stimulate, and advance the economic welfare of the state and further the  
10 development of public transportation systems in the vicinity of the Upper Cook Inlet  
11 with construction of a bridge to span Knik Arm and a tollway and related  
12 infrastructure from the bridge to the Parks Highway to [AND] connect the  
13 Municipality of Anchorage and the Matanuska-Susitna Borough.

14 **\* Sec. 2.** AS 19.75.111 is amended to read:

15 **Sec. 19.75.111. Powers and duties of the authority.** (a) Except as otherwise  
16 explicitly made applicable to the authority, the performance of the authority's duties  
17 and the exercise of its powers, including its powers to issue bonds and otherwise incur  
18 debt, shall be governed exclusively by this chapter. In furtherance of its purposes, the  
19 authority may

20 (1) own, acquire, construct, develop, create, reconstruct, equip,  
21 operate, maintain, extend, and improve the Knik Arm bridge, [AND] its appurtenant  
22 facilities, and the tollway access road;

23 (2) sue and be sued;

- 1 (3) adopt a seal;
- 2 (4) adopt, amend, and repeal regulations under AS 44.62 and establish  
3 bylaws;
- 4 (5) make and execute agreements, contracts, and all other instruments  
5 with any public or private person, governmental unit or agency, corporation, or other  
6 business entity lawfully conducting business in the United States for the exercise of its  
7 powers and functions under this chapter and for the financing, design, construction,  
8 maintenance, improvement, or operation of facilities, properties, or projects of the  
9 authority, including making and executing contracts with any person, firm,  
10 corporation, governmental agency, or other entity for the purpose of
- 11 (A) incurring indebtedness, obtaining investments in the  
12 authority's projects, acquiring or granting lump sum payments for services in  
13 advance or in arrears, grants, and other financing; and
- 14 (B) entering into public-private partnerships or service  
15 contracts in any form;
- 16 (6) in its own name acquire, lease, rent, sell, or convey real and  
17 personal property;
- 18 (7) issue and refund bonds in accordance with this chapter, in order to  
19 pay the cost of the Knik Arm bridge, [AND] its appurtenant facilities, **and the tollway**  
20 **access road**; the authority may also secure payment of the bonds as provided in this  
21 chapter;
- 22 (8) incur other indebtedness, including lines of credit and indebtedness  
23 to the Federal Highway Administration, United States Department of Transportation,  
24 under 23 U.S.C. 601 - 610 (Transportation Infrastructure Finance and Innovation Act  
25 of 1998), as amended, and secure that indebtedness as provided in this chapter;
- 26 (9) apply for and accept gifts, grants, or loans from a federal agency or  
27 an agency or instrumentality of the state, or from a municipality, private organization,  
28 or other source, including obtaining title to state, local government, or privately owned  
29 land, directly or through a department of the state having jurisdiction of the land;
- 30 (10) fix and collect fees, rents, tolls, rates, or other charges for the use  
31 of the Knik Arm bridge, [AND] appurtenant facilities, **and tollway access road**, or for

1 a service developed, operated, or provided by the authority; notwithstanding  
2 AS 37.10.050(a), fees, rents, tolls, rates, and other charges fixed and collected under  
3 this paragraph may exceed the actual operating cost of the use of the bridge, facility,  
4 **tollway access road**, or service;

5 (11) bring civil actions, refer criminal actions to the appropriate  
6 authority, and take other actions or enter into agreements with law enforcement and  
7 collection agencies to enforce the collection of its fees, rents, tolls, rates, other  
8 charges, penalties, and other obligations;

9 (12) pledge, encumber, transfer, or otherwise obligate revenue derived  
10 by the authority from the ownership, use, or operation of toll facilities, including fees,  
11 rents, tolls, rates, charges, or other revenue of the authority or money that the  
12 legislature may appropriate, except a state tax or license, as security for bonds or other  
13 indebtedness or agreements of the authority;

14 (13) deposit or invest its funds, subject to agreements with  
15 bondholders;

16 (14) procure insurance against any loss in connection with its  
17 operation;

18 (15) contract for and engage the services of consultants, experts, and  
19 financial and technical advisors that the authority considers necessary for the exercise  
20 of its powers and functions under this chapter;

21 (16) apply for, obtain, hold, and use permits, licenses, or approvals  
22 from appropriate agencies of the state, the United States, a foreign country, and any  
23 other proper agency in the same manner as any other person;

24 (17) perform reconnaissance studies and engineering, survey, and  
25 design studies with respect to the Knik Arm bridge, [AND] its appurtenant facilities  
26 **and the tollway access road**;

27 (18) exercise powers of eminent domain or file a declaration of taking  
28 as necessary for the Knik Arm bridge, [AND] appurtenant facilities, **and tollway**  
29 **access road** under AS 09.55.240 - 09.55.460 to acquire land or an interest in land; the  
30 authority's exercise of powers under this paragraph may not exceed the permissible  
31 exercise of those powers by the state;

1                   (19) confer with municipal and other governments, metropolitan  
2 planning organizations, and the department, concerning the Knik Arm bridge or  
3 tollway access road;

4                   (20) do all acts and things necessary to carry out the powers expressly  
5 granted or necessarily implied in this chapter; nothing in this chapter limits the powers  
6 of the authority that are expressly granted or necessarily implied.

7                   (b) The authority shall

8                   (1) prepare an annual report of its operations to include a balance  
9 sheet, an income statement, a statement of changes in financial position, a  
10 reconciliation of changes in equity accounts, a summary of significant accounting  
11 principles, an auditor's report, comments regarding the year's business, and prospects  
12 for the next year; the report shall be completed by the third day of each regular session  
13 of the legislature, and the authority shall notify the governor, the commissioner of the  
14 department, the presiding officers of each house of the legislature, and the Legislative  
15 Budget and Audit Committee that the report is available;

16                   (2) comply with the provisions of AS 37.07 (Executive Budget Act),  
17 except that AS 37.07 does not apply to the activities of the authority that relate to the  
18 authority's borrowing of money as provided in this chapter, including the issuing of its  
19 obligations or evidence of that borrowing and the repayment of the debt obligation;

20                   (3) establish a personnel management system for hiring employees and  
21 setting employee-benefit packages;

22                   (4) establish procedures, rules, and rates governing per diem and travel  
23 expenses of the employees of the authority in substantial conformity to statutes,  
24 procedures, rules, and rates applicable to state employees of similar state entities;

25                   (5) coordinate the exercise of its powers to plan, design, construct,  
26 operate, and maintain the Knik Arm bridge and tollway access road with the  
27 department, and with the mayors of the Municipality of Anchorage and the  
28 Matanuska-Susitna Borough;

29                   (6) have the exclusive authority to determine and fix fees, rents, tolls,  
30 rates, and other charges, including the tolls for the use of the bridge, [AND]  
31 appurtenant facilities, and tollway access road and for the use of all other properties

1 under the control of or owned or managed by the authority.

2 \* **Sec. 3.** AS 19.75 is amended by adding a new section to read:

3 **Sec. 19.75.112. Conditions required to build Knik Arm bridge.** (a) The  
4 authority may not construct the Knik Arm bridge, or enter into a public-private  
5 partnership or service contract to construct the Knik Arm bridge unless

6 (1) the authority designs, constructs, and operates, or enters into a  
7 public-private partnership or service contract to design, construct, and operate, a  
8 tollway from the Knik Arm bridge to the Parks Highway;

9 (2) the authority prepares a financial report showing preliminary costs  
10 to design, construct, and operate a tollway from the Knik Arm bridge to the Parks  
11 Highway; and

12 (3) the legislature approves by law the financial report prepared under  
13 (2) of this subsection.

14 (b) The tollway access road constructed under (a) of this section shall

15 (1) be operated as a limited access toll road;

16 (2) allow for a speed limit at least equal to the speed limit on the  
17 bridge; and

18 (3) be designed as a two-lane highway that may be expanded to a four-  
19 lane divided highway.

20 (c) The authority may enter into an agreement with the department for use of  
21 the rights-of-way necessary for construction of the tollway under (a) of this section.

22 (d) Notwithstanding another provision of this title, the tollway constructed  
23 under (a) of this section may not be part of the state highway system."  
24

25 Page 1, line 6:

26 Delete "**Section 1**"

27 Insert "**Sec. 4**"

28

29 Renumber the following bill sections accordingly.

30

31 Page 2, following line 23:

1 Insert new bill sections to read:

2 **"\* Sec. 7.** AS 19.75.221(a) is amended to read:

3 (a) In the discretion of the authority, an issue of bonds may be secured by a  
4 trust indenture or trust agreement between the authority and a corporate trustee, by a  
5 secured loan agreement or other instrument, or by a resolution giving powers to a  
6 corporate trustee, by means of which the authority may

7 (1) make agreements with the trustee or the holders of the bonds that  
8 the authority determines to be necessary or desirable, including agreements as to the

9 (A) application, investment, deposit, use, and disposition of

10 (i) the proceeds of bonds of the authority;

11 (ii) money or other property of the authority; or

12 (iii) money or other property in which the authority has

13 an interest;

14 (B) fixing and collecting of fees, rents, tolls, rates, or other  
15 charges;

16 (C) assignment by the authority of its rights in any contract  
17 with respect to the Knik Arm bridge or tollway access road or in a mortgage  
18 or other security interest created with respect to the Knik Arm bridge or  
19 tollway access road to a trustee for the benefit of bondholders;

20 (D) terms and conditions under which the authority may issue  
21 additional bonds;

22 (E) vesting in a trustee of rights, powers, duties, money, or  
23 property in trust for the benefit of bondholders, including the right to enforce  
24 payment, performance, and all other rights of the authority or of the  
25 bondholders, under a lease, power of contract, contract of sale, mortgage,  
26 security agreement, or trust by injunction or other proceeding or by taking  
27 possession by agent or otherwise, and operating the Knik Arm bridge and  
28 tollway access road and collecting rents or other consideration and applying  
29 the same in accordance with the trust agreement;

30 (2) pledge, mortgage, or assign money, leases, agreements, property,  
31 or other rights or assets of the authority either presently in hand or to be received in

1 the future, or both; and

2 (3) provide for any other matters that affect the security or protection  
3 of the bonds.

4 \* **Sec. 8.** AS 19.75.221(b) is amended to read:

5 (b) Notwithstanding any other provisions of this chapter, the trust agreement  
6 must contain an agreement by the authority that the authority will at all times maintain  
7 fees, rents, tolls, rates, or other charges sufficient to

8 (1) pay the costs of operation and maintenance of the Knik Arm  
9 bridge, [AND] its appurtenant facilities, and the tollway access road and the  
10 principal of and interest on bonds issued under the trust agreement as the bonds  
11 severally become due and payable;

12 (2) provide for debt service coverage as considered necessary by the  
13 authority for the marketing of its bonds; and

14 (3) provide for renewals, replacements, and improvements of the Knik  
15 Arm bridge and tollway access road, and to maintain reserves required by the terms  
16 of the trust agreement."

17  
18 Renumber the following bill sections accordingly.

19  
20 Page 4, following line 13:

21 Insert a new bill section to read:

22 **\*\* Sec. 11.** AS 19.75.251 is amended to read:

23 **Sec. 19.75.251. Pledge of the state.** The state pledges to and agrees with the  
24 holders of bonds issued under this chapter and with a federal agency that loans or  
25 contributes money with [IN] respect to the Knik Arm bridge and tollway access road  
26 that the state will not limit or alter the rights and powers vested in the authority under  
27 this chapter to fulfill the terms of a contract made by the authority with the holders or  
28 federal agency or in any way impair the rights and remedies of the holders until the  
29 bonds, together with the interest on them, with interest on unpaid installments of  
30 interest, and all costs and expenses in connection with an action or proceeding by or  
31 on behalf of the holders, are fully met and discharged. The authority may include this

1 pledge and agreement of the state, insofar as it refers to holders of bonds of the  
2 authority, in a contract with the holders and, insofar as it relates to a federal agency, in  
3 a contract with the federal agency."  
4

5 Renumber the following bill sections accordingly.  
6

7 Page 5, following line 8:

8 Insert a new section to read:

9 "\* **Sec. 13.** AS 19.75.291 is amended to read:

10 **Sec. 19.75.291. State appropriations for Knik Arm bridge, [AND]**  
11 **appurtenant facilities, and tollway not affected.** This chapter does not prevent the  
12 state from making appropriations for or in aid of the acquisition, design, construction,  
13 or operation of the Knik Arm bridge, [AND] its appurtenant facilities, **and the tollway**  
14 **access road.**"  
15

16 Renumber the following bill section accordingly.  
17

18 Page 5, line 25:

19 Delete "Crossing"

20 Insert "bridge and tollway access road"

AMENDMENT

OFFERED IN THE HOUSE  
TO: HB 23

BY REPRESENTATIVE FEIGE

1 Page 1, line 1:

2 Following "Act"

3 Insert "**relating to membership on the board of directors of the Knik Arm Bridge**  
4 **and Toll Authority;**"

5  
6 Page 1, following line 5:

7 Insert a new bill section to read:

8 **\*\* Section 1.** AS 19.75.031(a) is amended to read:

9 (a) The authority shall be governed by a board of directors consisting of the  
10 following:

11 (1) the commissioner of transportation and public facilities or the  
12 commissioner's designee;

13 (2) the commissioner of revenue or the commissioner's designee;

14 (3) one public member, appointed by the governor, who is a state  
15 resident and United States citizen, and who is not a resident of and does not have a  
16 business interest in the Municipality of Anchorage or the Matanuska-Susitna  
17 Borough;

18 (4) one public member, appointed by the governor, who is a resident of  
19 the Municipality of Anchorage and who has knowledge of local transportation issues;

20 (5) one public member, appointed by the governor, who is a resident of  
21 the Matanuska-Susitna Borough and who has knowledge of local transportation issues;

22 (6) one nonvoting member who is a member of the state house of  
23 representatives appointed by the speaker of the house and who serves at the pleasure

1 of the speaker of the house; the speaker of the house shall consider the appointment of  
 2 a legislator elected from a house district that lies entirely or partially within the  
 3 Municipality of Anchorage or the Matanuska-Susitna Borough for appointment under  
 4 this paragraph; and

5 (7) one nonvoting member who is a member of the state senate  
 6 appointed by the president of the senate and who serves at the pleasure of the president  
 7 of the senate; the president of the senate shall consider the appointment of a senator  
 8 elected from a senate district that lies entirely or partially within the Municipality of  
 9 Anchorage or the Matanuska-Susitna Borough for appointment under this paragraph."  
 10

11 Page 1, line 6:

12 Delete "**Section 1**"

13 Insert "**Sec. 2**"

14  
 15 Renumber the following bill sections accordingly.

16  
 17 Page 5, following line 27:

18 Insert a new bill section to read:

19 "**\* Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to  
 20 read:

21 TRANSITION. (a) The amendment to AS 19.75.031(a) in sec. 1 of this Act applies to  
 22 appointments made to the board of directors of the Knik Arm Bridge and Toll Authority when  
 23 the member currently occupying the seat under AS 19.75.031(a)(3) leaves the board or at the  
 24 end of the member's term, whichever comes first.

25 (b) A member appointed under AS 19.75.031(a)(3) may not be reappointed unless the  
 26 member meets the requirements of AS 19.75.031(a)(3), as amended by sec 1 of this Act."

A M E N D M E N T

OFFERED IN THE HOUSE  
TO: HB 23

BY REPRESENTATIVE FEIGE

1 Page 2, line 17:

2 Following "that":

3 Insert

4 "(1) the bonds are rated in one of the two highest rating categories of at  
5 least one nationally recognized rating agency without taking into consideration any  
6 further appropriations of state money to the authority;

7 (2)"

8 Delete "other revenue available to"

9 Insert "funds held in the name of"

10

11 Page 2, line 21:

12 Delete "and that"

13 Insert "; and"

14 (3)"

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE FEIGE

TO: HB 23

- 1 Page 1, lines 1 - 2:
- 2 Delete "relating to reserve funds of the authority;"
- 3
- 4 Page 2, line 24, through page 4, line 13:
- 5 Delete all material.
- 6
- 7 Renumber the following bill sections accordingly.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE FEIGE

TO: HB 23

- 1 Page 4, line 14, through page 5, line 8:
- 2       Delete all material.
- 3
- 4 Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE FEIGE

TO: HB 23

1 Page 1, line 2, following "**Authority**";:

2 Insert "**requiring legislative approval of a financial plan before the authority may**  
3 **issue bonds or enter into a public-private agreement for construction of the Knik Arm**  
4 **bridge or appurtenant facilities**;"

5

6 Page 1, following line 5:

7 Insert new bill sections to read:

8 **"\* Section 1.** AS 19.75.111(a) is amended to read:

9 (a) Except as otherwise explicitly made applicable to the authority, the  
10 performance of the authority's duties and the exercise of its powers, including its  
11 powers to issue bonds and otherwise incur debt, shall be governed exclusively by this  
12 chapter. In furtherance of its purposes, the authority may

13 (1) own, acquire, construct, develop, create, reconstruct, equip,  
14 operate, maintain, extend, and improve the Knik Arm bridge and its appurtenant  
15 facilities;

16 (2) sue and be sued;

17 (3) adopt a seal;

18 (4) adopt, amend, and repeal regulations under AS 44.62 and establish  
19 bylaws;

20 (5) make and execute agreements, contracts, and all other instruments  
21 with any public or private person, governmental unit or agency, corporation, or other  
22 business entity lawfully conducting business in the United States for the exercise of its  
23 powers and functions under this chapter and for the financing, design, construction,

1 maintenance, improvement, or operation of facilities, properties, or projects of the  
2 authority, including making and executing contracts with any person, firm,  
3 corporation, governmental agency, or other entity for the purpose of

4 (A) incurring indebtedness, obtaining investments in the  
5 authority's projects, acquiring or granting lump sum payments for services in  
6 advance or in arrears, grants, and other financing; and

7 (B) entering into public-private partnerships or service  
8 contracts in any form; **the authority may not enter into a partnership or**  
9 **contract for construction of the Knik Arm bridge unless the authority has**  
10 **obtained the approval of the legislature of a financial plan as provided in**  
11 **(c) of this section;**

12 (6) in its own name acquire, lease, rent, sell, or convey real and  
13 personal property;

14 (7) issue and refund bonds in accordance with this chapter, in order to  
15 pay the cost of the Knik Arm bridge and its appurtenant facilities; the authority may  
16 also secure payment of the bonds as provided in this chapter;

17 (8) incur other indebtedness, including lines of credit and indebtedness  
18 to the Federal Highway Administration, United States Department of Transportation,  
19 under 23 U.S.C. 601 - 610 (Transportation Infrastructure Finance and Innovation Act  
20 of 1998), as amended, and secure that indebtedness as provided in this chapter;

21 (9) apply for and accept gifts, grants, or loans from a federal agency or  
22 an agency or instrumentality of the state, or from a municipality, private organization,  
23 or other source, including obtaining title to state, local government, or privately owned  
24 land, directly or through a department of the state having jurisdiction of the land;

25 (10) fix and collect fees, rents, tolls, rates, or other charges for the use  
26 of the Knik Arm bridge and appurtenant facilities, or for a service developed,  
27 operated, or provided by the authority; notwithstanding AS 37.10.050(a), fees, rents,  
28 tolls, rates, and other charges fixed and collected under this paragraph may exceed the  
29 actual operating cost of the use of the bridge, facility, or service;

30 (11) bring civil actions, refer criminal actions to the appropriate  
31 authority, and take other actions or enter into agreements with law enforcement and

1 collection agencies to enforce the collection of its fees, rents, tolls, rates, other  
2 charges, penalties, and other obligations;

3 (12) pledge, encumber, transfer, or otherwise obligate revenue derived  
4 by the authority from the ownership, use, or operation of toll facilities, including fees,  
5 rents, tolls, rates, charges, or other revenue of the authority or money that the  
6 legislature may appropriate, except a state tax or license, as security for bonds or other  
7 indebtedness or agreements of the authority;

8 (13) deposit or invest its funds, subject to agreements with  
9 bondholders;

10 (14) procure insurance against any loss in connection with its  
11 operation;

12 (15) contract for and engage the services of consultants, experts, and  
13 financial and technical advisors that the authority considers necessary for the exercise  
14 of its powers and functions under this chapter;

15 (16) apply for, obtain, hold, and use permits, licenses, or approvals  
16 from appropriate agencies of the state, the United States, a foreign country, and any  
17 other proper agency in the same manner as any other person;

18 (17) perform reconnaissance studies and engineering, survey, and  
19 design studies with respect to the Knik Arm bridge and its appurtenant facilities;

20 (18) exercise powers of eminent domain or file a declaration of taking  
21 as necessary for the Knik Arm bridge and appurtenant facilities under AS 09.55.240 -  
22 09.55.460 to acquire land or an interest in land; the authority's exercise of powers  
23 under this paragraph may not exceed the permissible exercise of those powers by the  
24 state;

25 (19) confer with municipal and other governments, metropolitan  
26 planning organizations, and the department, concerning the Knik Arm bridge;

27 (20) do all acts and things necessary to carry out the powers expressly  
28 granted or necessarily implied in this chapter; nothing in this chapter limits the powers  
29 of the authority that are expressly granted or necessarily implied.

30 \* **Sec. 2.** AS 19.75.111 is amended by adding a new subsection to read:

31 (c) The authority may not enter into a public-private partnership or service

1 contract for construction of the Knik Arm bridge or appurtenant facilities unless the  
2 authority submits to the legislature a financial plan including all projected  
3 construction, maintenance, and operation costs for the first 40 years of the project and  
4 the financial plan has been approved by the legislature by law."

5

6 Page 1, line 6:

7 Delete "**Section 1**"

8 Insert "**Sec. 3**"

9

10 Renumber the following bill sections accordingly.

11

12 Page 2, line 6:

13 Delete "a new subsection"

14 Insert "new subsections"

15

16 Page 2, lines 6 - 23:

17 Delete all material and insert:

18 "**\* Sec. 5.** AS 19.75.211 is amended by adding new subsections to read:

19 (e) Before issuing bonds for the Knik Arm bridge under this section, the  
20 authority shall submit to the state bond committee a description of the bond issue, a  
21 copy of the resolution of the board of directors of the authority supporting the bond  
22 issue, a report setting out the sources and amounts of revenue that will be used for  
23 payment of the principal of and interest on the bonds and the effect the issuance of the  
24 bonds by the authority would have on the ability of the state or political subdivision of  
25 the state to market bonds, and a preliminary prospectus, offering circular, or official  
26 statement relating to the bond issue.

27 (f) Bonds may not be issued unless

28 (1) the state bond committee finds, based on the information submitted  
29 by the authority under this section and other information that is reasonably available to  
30 or requested by the committee, that either the Knik Arm bridge revenue and other  
31 revenue available to the authority or the revenue of the private person or enterprise

1 under a public-private partnership agreement entered into by the authority under  
2 AS 19.75.111(a) can be reasonably expected to be adequate for payment of the  
3 principal of and interest on the bonds to be issued and that issuance of the bonds by  
4 the authority would not be expected adversely to affect the ability of the state or its  
5 political subdivisions to market bonds; and

6 (2) the authority submits to the legislature a financial plan including all  
7 projected construction, maintenance, and operation costs for the first 40 years of the  
8 project and the financial plan has been approved by the legislature by law."

Possible amendments for HB 23

Amendment 1

- 1. Add a new section that states, "the authority shall not issue any bonds or proceed with any agreements that commit to construction of the project until a loan is made available to the authority or its partner under AS 19.75.111(a) under the Transportation Infrastructure Finance and Improvement Act that accounts for 49% of the project costs."

*At legal Bill*

*current plan*

*33% - change if it is lowered.*

Amendment 2

- 1. Expands the title of the bill as necessary.
- 2. Amends AS 19.75.011 Purpose. To include in the purpose of KABATA "and to construct related roadway infrastructure to support access to a bridge to span Kink Arm"
- 3. Add a new section that requires KABATA to include in its financial plan a separate section showing preliminary costs to design, construct, and operate a connector from the Mat-Su termination of the bridge structure to the existing Parks Highway near the City of Houston that
  - a. Is to be operated as a toll road;
  - b. Is a limited access highway;
  - c. allows for continuous speed equal to the bridge speed design and;
  - d. contains design standards suitable for construction of a two lane highway with design standards for expansion to a four lane divided highway;
- 4. The plan must be presented to the legislature for approval before KABATA proceeds with awarding of any public-private partnership, final design, financing, or construction of a bridge across Kink Arm and before an appropriation request is made to fund availability payments.

*doesn't go to Bill*

Amendment 3

- 1. Amend AS 19.75.031(a)(3) to add "and is not a resident of or have business interests in the Municipality of Anchorage or the Mat-Su Borough."

*members on Board*

Amendment 4

- 1. Sec. 3 Page 2 Line 17 delete the words "other revenue available to the authority" and insert the words "funds held in the name of the authority."
- 2. Sec. 3 Page 2 Line 17 insert the following language following the word "committee"
  - (1) The bonds are rated in one of the two highest rating categories of at least one nationally recognized rating agency without taking into consideration any further appropriations of state money to the authority; (2)"
- 3. Sec. 3 Page 2 Line 21, start a new paragraph after the words "bonds to be issued and"
  - 2 sub Hs.

*Kabata determine how much they need*

*Bill Pledging fund*

*- no gmt. as to quality of Bonds*

Amendment 5

- 1. Sec. 4 On Page 2 Line 30, change the word "may" to "must?"

*Bond rates are confident in financial*

Amendment 6

- 1. Sec. 5 Delete in its entirety. *section 221(c) is done in c why needed.*

Amendment 7

- 1. Sec. 6 Delete in its entirety.

*KABATA not taxed but private parties should be*

Amendment 8

1. KABATA must submit to the legislature for acceptance a financial plan that includes all construction costs and projected maintenance and operating costs for the first 30 years of the project before executing a public-private partnership agreement or issuing bonds for the project.

*and revenue projections*