

ALPHA LISTS - 7/98

3207 HB - 294 ST HB 295

#### LEGISLATIVE ASSIGNMENT

Highway Crossing of Knik Arm with connections to Parks & Glenn Highways. Construction will involve both bridge, 2½ miles, and highway, 30-35 miles.

- Design Criteria
- Environmental Assessment
- Right-of-Way Studies
- Location Selection
- Preliminary Design & Cost Estimates

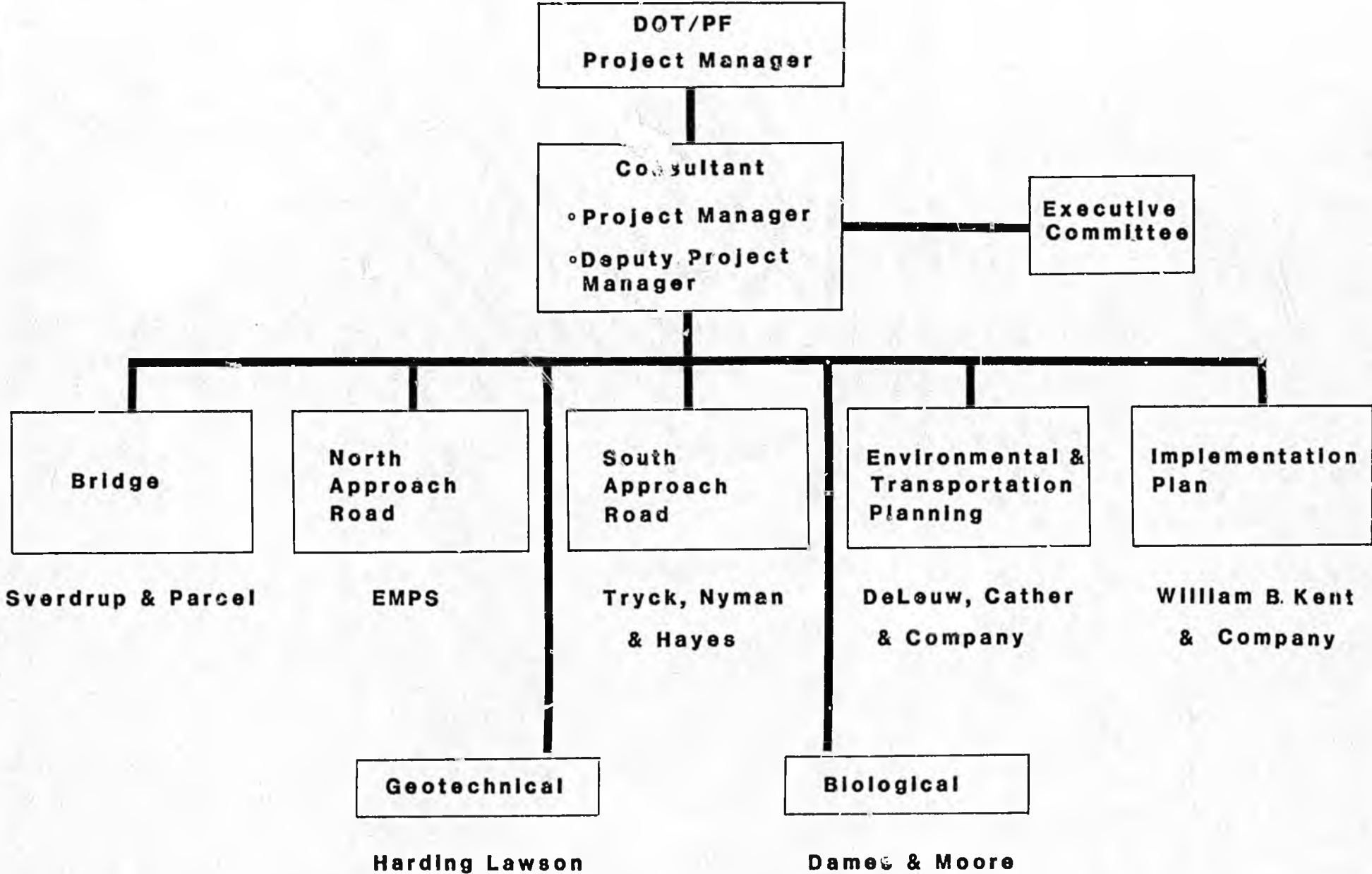
#### BUDGET

- 1981 Appropriation \$5.5 million
- Consultant Contract \$4.5 million
- Balance (April 1984) \$2.0 million
- FY 85 Funding
  - Highway Matching Funds \$5.022 million
  - State Appropriation \$5.0 million

#### PROJECT RESOURCES (DOT/PF)

- Total Department Resources
  - Contract Administration & Accounting
  - Planning
  - Environmental Coordination
  - Surveys
  - Right-of-Way
  - Utilities
  - Materials & Geology
  - Legislative Liaison
- Director
  - Major Projects Management Division
  - Single Point Responsibility for Project
- Project Manager
  - Reports to Project Director
  - Leads Department & Consulting Team

# Consultant Resources



## AGENCIES/PRIMARY INTERESTS

- Steering Committee
  - ADOT/PF (Project Development and Financing)
  - Municipality of Anchorage (Traffic & Community Planning)
  - Matanuska-Susitna Borough (Community & Regional Planning)
  - Military-Air Force, Army, Navy (Minimize Mission & Operational Impacts)
  
- Federal Agencies
  - Alaska Railroad (Rail Crossing of Knik Arm; Effects on Operations)
  - Federal Highway Administration (Lead Agency for Environmental Impact Investigation)
  - Environmental Protection Agency (Air Quality & Wetlands)
  - Bureau of Land Management (Federal Land Disposal)
  - Department of Agriculture (Soil Conservation)
  - Air Force (Mission & Operational Impacts)
  - Corps of Engineers (Wetlands and Dredging)
  - Coast Guard (Shipping and Navigation)
  - Federal Aviation Administration (Air Traffic Navigation)
  - National Park Service (Cultural Resources)
  - Fish & Wildlife (Biological Impacts and Mitigation)
  
- State Agencies
  - Department of Commerce & Economic Development (Energy and Power Development)
  - Department of Community & Regional Affairs (Socioeconomic Planning)
  - Department of Environmental Conservation (Air & Water Quality Impacts)
  - Department of Fish & Game (Biological Impacts and Mitigation)
  - Department of Natural Resources (Forestry, Land & Water Management, Minerals & Energy Development, Historic Preservation, Parks)
  - Office of Management and Budget (Coastal and Strategic Planning)
  - University of Alaska (Socioeconomic Planning (ISER) and Biophysical & Geophysical Interpretations (Geophysical Institute-Fbx))

WORK COMPLETED

- Scoping (Began Public Participation & Agency Consultation)
- Economic Feasibility Report (Demonstrated Economic Feasibility)
- Corridor Alternatives Analysis (Eliminated Unreasonable Corridors)
- Alignments Definition (Established Bridge & Road Locations to be featured in DEIS)

CROSSING ALTERNATIVES (see attached Figure)

Downtown Project

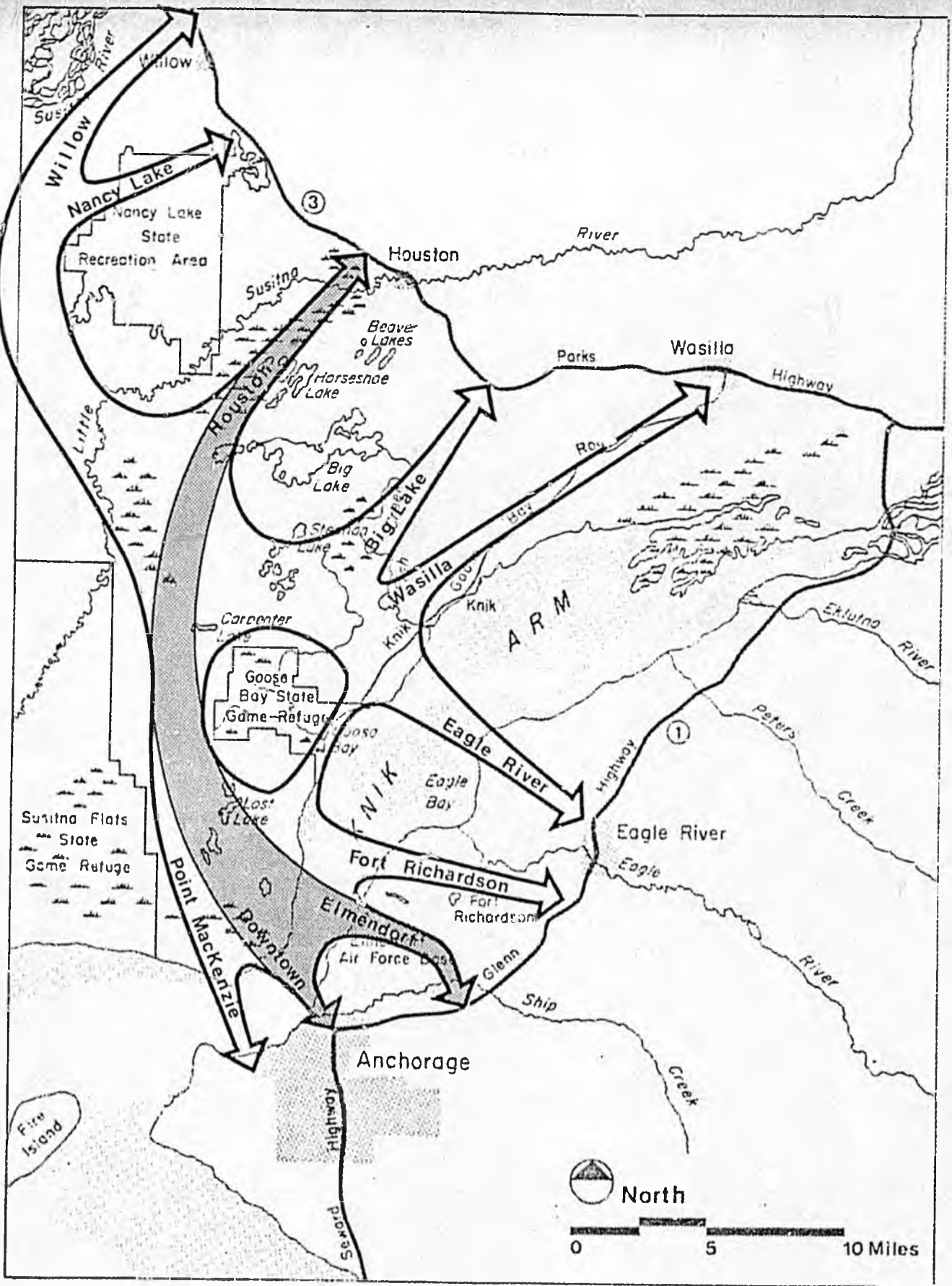
- Downtown Crossing
- Houston Connector  
Segment 1  
Segment 2
- Seward Connector

Elmendorf Project

- Elmendorf Crossing
- Houston Connector  
Segment 1  
Segment 2

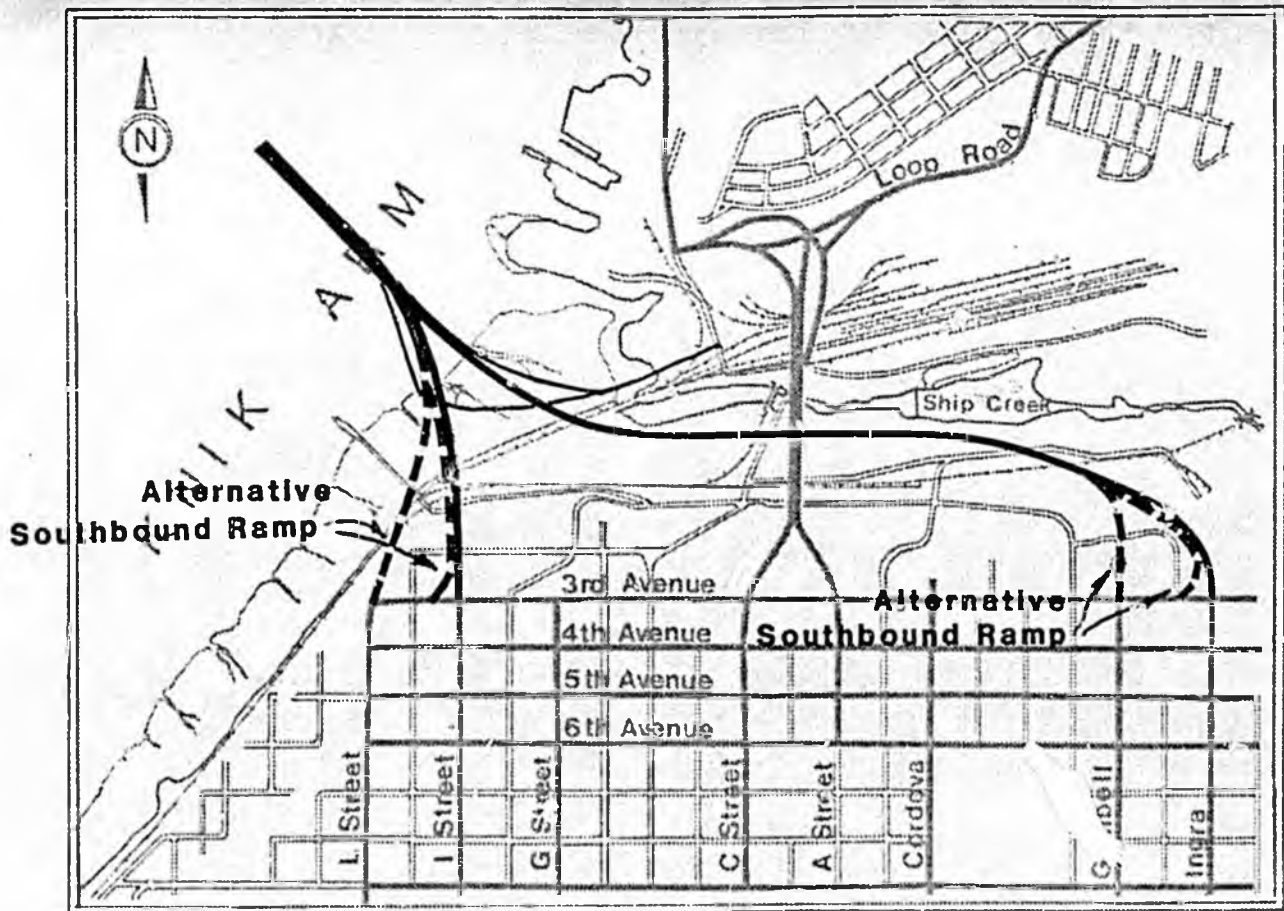
NO-CROSSING ALTERNATIVES

- No Action Option  
(Other Transportation Plans of DOT, AMATS, & Mat-Su)
- Transit Option  
(2 Hovercraft)
- Low Capital Investment Option  
(Additional Glenn & Parks Highway Improvements)

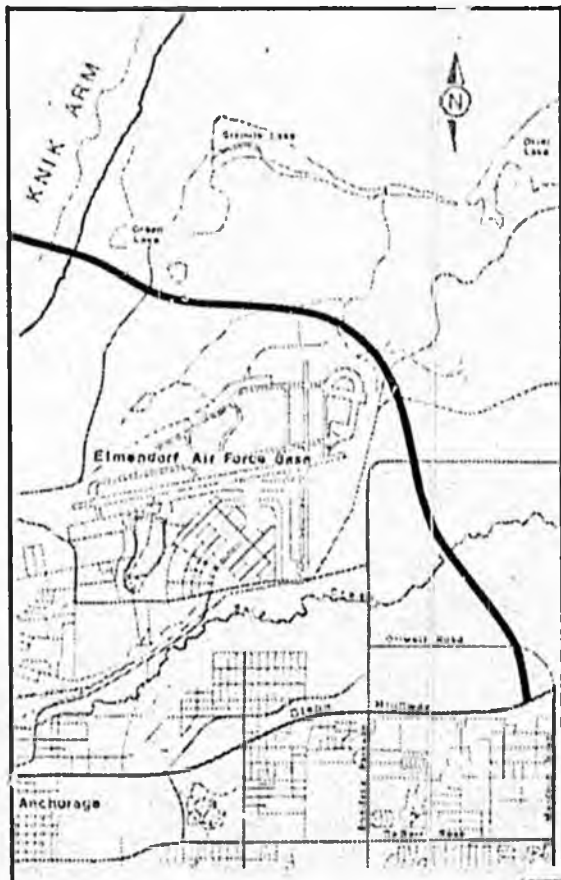


SELECTED CORRIDORS

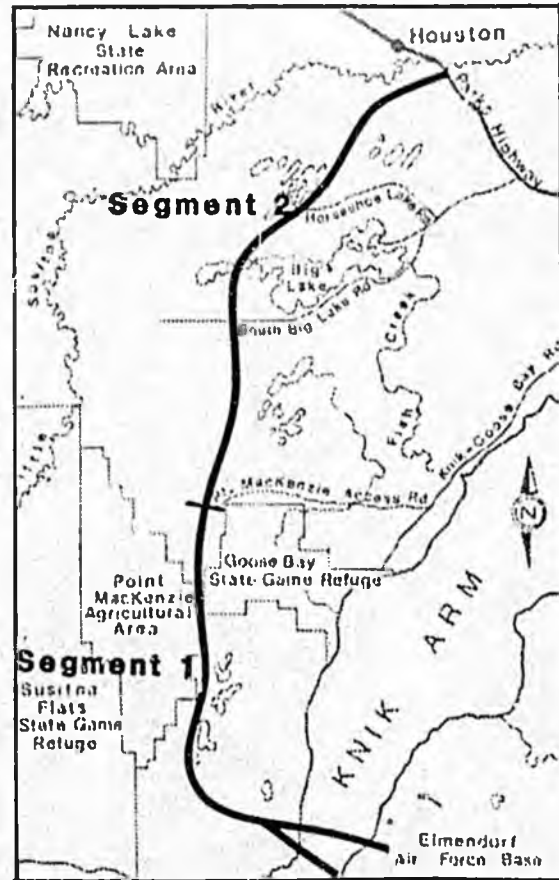
# Crossing Alternatives



**Downtown Crossing/Seward Connector**



**Elmendorf Crossing**



**Houston Connector**

WORK UNDERWAY (See Attached List of Key Dates)

- Environmental Impact Statement (For Bridge and approximately 35 miles of approach highways)
  - Conceptual Design
  - Geotechnical Investigations
  - Traffic Analysis
  - Environmental Assessments
- Implementation Plan (For bridge and Highway Connectors to first intersection on each shore.)
  - Finance, Design, Build & Operate Methods
  - Cost Estimates (R/W, Construction, M&O, Mitigation)
  - Construction Schedule
  - Traffic & Revenue Projections
  - Financial Instruments
  - Enabling Legislation
  - Insurance Requirements
  - Procedures for Ownership
  - Method of Bid Analysis & Contract Award
  - Bid Documents

WORK TO BE ACCOMPLISHED (see attached Bar Chart)

- Right-of-Way Acquisition
  - Crossing
  - Houston Connector
- Utilities Coordination
  - Crossing
  - Houston Connector
- Crossing
  - Legislative Action
  - Bidding and Contracting
  - Design (Contractor)
  - Bridge Construction
  - Approaches Construction
- Houston Connector
  - Engineering
  - Design
  - Construction
- Seward Connector
  - After 1991 as crossing usage demands

## RAILROAD CROSSING

- o CONCEPTUAL DESIGN-Includes potential to add railroad to highway crossing at both Elmendorf and Downtown alignments.
- o EIS ADDRESSES RAILROAD CROSSING-The EIS will address the configuration of the bridge to receive a railroad structure.
- o TECHNICAL COORDINATION WITH THE ALASKA RAILROAD-Railroad staff is involved in cost estimating, approach alignments, and preliminary right-of-way studies.
- o LEGISLATIVE DIRECTION-The option to include a rail crossing on the highway structure will be presented to the legislature with the implementation plan next session.

## RAILROAD-DECISION AGENDA

- o FUNCTION/PLANNING
  - Operations: The Alaska Railroad will be asked to provide operational planning and functions served by a rail crossing.
  - Development: Plans of the Matanuska-Susitna Borough, Alaska Railroad and other agencies in the region will be considered in decision documents for the crossing.
- o ALTERNATIVES
  - Strengthen highway bridge for the railroad crossing. This will cost \$50 to \$100 million; additional costs will be incurred when rail is installed and connected to Alaska Railroad system.
  - Separate bridge farther up the Knik Arm.
  - Timing and location considerations will generate other alternatives if a separate bridge concept is chosen by the legislature next year.
- o EVALUATION CRITERIA
  - ARR project priorities
  - Financing Methods
  - Economics: Regional and Statewide

KEY DATES  
1984

- DEIS June
- Public Hearings July
- Geotechnical Exploration  
- Drilling August-September
- Implementation Plan October
- FEIS Published November
- FEIS Review & Record of Decision December

1985

- Presentation to Legislature  
- Implementation January

SCHEDULE

	1985	1986	1987	1988	1989	1990	1991
<u>ROW ACQUISITION</u>							
Crossing	XXXXXXXXXXXX						
Houston Connector		XXXXXXXXXXXX	XXXXXXXXXXXX				
<u>UTILITIES COORDINATION</u>							
Crossing	XXXXXXXXXXXX						
Houston Connector			XXXXXXXXXXXX	XXXXXXXXXXXX			
<u>CROSSING</u>							
Legislative Action	XXX						
Bidding and Contracting	XXXX						
Design (Contractor)	XXXX	XXXXXXXXXXXX	XX XX XX	XX XX XX XX			
Bridge Construction		XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
Approaches Construction					XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
<u>HOUSTON CONNECTOR</u>							
Engineering		XXXXXXXXXXXX					
Design <sup>1</sup>			XXXXXXXXXXXX	XX XX XX XX	XX XX XX XX	XX XX XX XX	XX XX XX XX
Construction <sup>1</sup>				XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
<u>SEWARD CONNECTOR<sup>2</sup></u>							

Notes

<sup>1</sup> Segments 1 and 2 of the Houston Connector may be further phased in the annual Federal Aid Highway Program in competition with other highway projects.

<sup>2</sup> Seward Connector to be built after 1991 as crossing usage demands.

ESTIMATED COSTS

Millions of 1983 Dollars

Downtown Project

	<u>Design</u>	<u>ROW</u>	<u>Constr.</u>	<u>Constr. Admin.</u>	<u>Totals</u>
Bridge Crossing	9.0	1.0	516.0	24.0	550.0
Houston Connector	1.0	4.5	47.5	2.0	55.0
Seward Connector	2.0	8.0	80.0	10.0	100.0
<u>Totals</u>	12.0	13.5	643.5	36.0	705.0

Elmendorf Project

	<u>Design</u>	<u>ROW</u>	<u>Constr.</u>	<u>Constr. Admin.</u>	<u>Totals</u>
Bridge Crossing	7.0	1.0 <sup>1</sup>	348.0	18.0	374.0
Houston Connector	1.0	4.5	47.5	2.0	55.0
Seward Connector	-	-	-	-	-
<u>Totals</u>	8.0	5.5 <sup>1</sup>	395.5	20.0	429.0 <sup>1</sup>

Notes

1. Does not include facility relocations and mission/operational impacts yet to be identified by the Air Force.
2. Table does not include cost of strengthening bridge to add a railroad crossing (\$50 to \$100 million).

## FINANCING ALTERNATIVES

- Connectors
  - Federal Aid Highway Program
- Crossing
  - Pay Cash
  - Borrow
  - Save
  - Get Equity Partner
  - Combination of Above
- Pay Cash
  - Appropriation
    - Lump Sum
    - By Component
  - Raise Cash
    - Land Sales/Exchange
- Borrow
  - General Obligation Bond
    - Full Faith and Credit Pledge
    - Lowest Cost Borrowing
  - Revenue Bonds (CSHB 661)
    - DOT/PF to Collect Tolls
    - Tolls Pledged to Retire Debt
  - Private Lending Sources
    - Available Through Equity Partnerships
- Save
  - Allows Cash Payments
  - Major Projects Fund (Or Other "Savings Account" Approach)
    - Toll Revenues Returned to Fund
    - O&M From Account in Major Projects Fund or General Fund
  - General Fund (G.F.)
    - Annual Appropriation to G.F. Account
    - Build By Components
    - Toll Revenues Flow to G.F.
- Equity Partnership
  - Local Government (Unlikely Equity Partner for Knik Arm Crossing)
  - Private Enterprise (Several Expressions of Interest Received)
    - Service Contract, Lease
    - Full faith and Credit Pledge (Often Requested to Minimize Risk/Borrowing Cost; Requires Statewide Vote)

Constitutional Constraints

- State Debt
- Annual Appropriation
- Direction of Funds
- Contract Negotiation

Source of Funds

- Tax-Exempt Borrowing
- Non-Exempt Borrowing (Expensive)

Federal Legislation

- Industrial Revenue Bond (Per Capita Limits Could be Imposed)
- Accelerated Depreciation in Question

° CSHB 661

Model: Airport Revenue Fund

Desired This Year

- Known Entity of Implementation Plan
- Likely to be Used

The CS is a Reasonable Bill

- Responds to Concerns for Framework Concept
- Timely for the Knik Arm Crossing Project

## BACKGROUND

The original HB 661 was submitted to accomplish two purposes:

1. Provide DOT&PF the authority to sell revenue bonds to finance toll bridges and highways; and
2. Authorize DOT&PF to collect tolls on bridges and highways to make principal and interest payments on the revenue bonds.

The bill was introduced to provide a financing mechanism for the Knik Arm Crossing. A framework approach was taken on advice of the Attorney General's office, recognizing the State Constitution's requirements to avoid legislation specific to a location or region. We also wanted to preserve the option to recommend the mechanism for future revenue producing highway or bridge projects.

The bill is modeled after the revenue bond provisions of the Airport Revenue Fund. The model was used because it is known to the legislature, and has a good track record to present to bond underwriters and rating organizations.

## DEPARTMENT POSITION ON CSHB 661

The DOT&PF continues to recommend a framework concept for bills like HB 661. However, we recognize the committee substitute to be a reasonable bill that addresses concerns expressed by legislators. We, therefore, support the committee substitute and recommend its passage.

## APPLICATION TO KNIK ARM CROSSING

The bill provides a mechanism for applying the toll revenue stream expected from the Knik Arm Crossing to the construction of the facility. This mechanism will be considered, along with other financing approaches, in an implementation plan to be presented to the legislature next year. We expect the implementation plan will lead to the legislative direction needed to construct the crossing. No sales of revenue bonds or other related action will be taken before the next legislative session. DOT&PF staff will be working with legislators to exchange information prior to finalizing our recommendations and presenting the implementation package to the legislature.

## APPLICATION TO OTHER PROJECTS

If the Knik Arm Crossing uses the revenue bond sales concept outlined in CSHB 661, the mechanism will be available for other projects. (The bill requires application to the Knik Arm Crossing before any other project.) It should be recognized that bridge and highway projects that can generate revenues in excess of their operations and maintenance costs are quite unique in Alaska. To the extent such projects are identified in the future (we have none to suggest at this time) the legislature would play an active role in their development and financing.

Comments on the applicability of CSHB 661 to financing the Knik Arm Crossing.

1. DOT&PF Position and Perspectives on CSHB 661
2. Summary of Briefing Materials
3. Correspondence from private firms that have expressed interest in financing the Knik Arm Crossing (These letters were requested by the House Transportation Committee on March 28, 1984).

Presented to House Transportation Committee  
April 5, 1984  
John B. Olson  
Telephone 266-1447

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## KNIK ARM CROSSING - FINANCING

1. Financing Choices
  - Pay Cash
  - Borrow
  - Save
  - Get Equity Partner
  - Combination of Above
  
2. Pay Cash
  - Appropriation
    - Lump Sum
    - By Component
  
  - Federal Funds
    - Highway Matching Funds
    - Connecting Roads Only
  
  - Raise Cash
    - Land Sales/Exchanges
  
3. Borrow
  - General Obligation Bond
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    - Lowest Cost Borrowing
  
  - Revenue Bonds (CSfB 661)
    - DOT&PF to Collect Tolls
    - Tolls Pledged to Retire Debt
  
  - Private Lending Sources
    - Available Through Equity Partnerships

4. Save

- Allows Cash Payments
- Major Projects Fund (Or Other "Savings Account" Approach)
  - Toll Revenues Returned to Fund
  - O&M From Account in Major Projects Fund or General Fund
- General Fund (G.F.)
  - Annual Appropriation to G.F. Account
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5. Equity Partnership

- Local Government (Unlikely Equity Partner for Knik Arm Crossing)
- Private Enterprise (Several Expressions of Interest Received)
  - Service Contract, Lease
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- Model: Airport Revenue Fund
- Desired This Year
  - Known Entity of Implementation Plan
  - Likely to be Used
- The CS is a Reasonable Bill
  - Responds to Concerns for Framework Concept
  - Timely for the Knik Arm Crossing Project

Correspondence From Firms Interested In Financing Or Constructing The  
Knik Arm Crossing.

WILLIAM KENT AND COMPANY

900 WEST FIFTH AVENUE, SUITE 610

ANCHORAGE, ALASKA 99501

(907) 276-0660

March 16, 1984

Mr. Jack Allen, P.E.  
Project Manager, Knik Arm Crossing  
Sverdrup & Parcel and Associates, Inc.  
430 C Street, Suite 200  
Anchorage, AK 99511

Dear Mr. Allen:

On March 14, John Olson and I met with Mr. Gopinath, Vice President of Corporate Affairs, Calista Corporation and Mr. Denji, Vice President of Calista International Corporation.

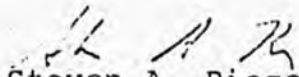
Calista has been dealing with Mitsui Shipbuilding and Engineering regarding the Knik Arm Crossing. Mitsui has done some work on design for the bridge, and has talked to their partners at the Mitsui Bank. Calista offered to meet with us to discuss engineering and financing in more detail, and offered to have Mitsui people come over.

We explained some of the more important constraints in state financing or other state participation, and our timetable for the project, and we offered to meet with them to discuss financing. We did not encourage them to bring any engineers over from Japan, at least not yet. I will arrange a meeting with Calista regarding financing in the next few weeks -- probably during the week of March 26.

Calista seemed interested in getting the following messages to us:

1. Confidentiality of their work is important to them. They believe that they have an advantage in their ability to bring financing into a package deal, and they do not want their concept, or their own engineering, to be public information before the bid.
2. They want the full faith and credit of the state behind the financing.
3. They were interested in seeing the project go forward, whether they were involved in the construction or not.

Sincerely,

  
Steven A. Rieger  
Vice President

SAR/bsb

cc: ADOT/PF

**Brown & Root, Inc.**

200 Porter Drive, San Ramon, California, 94583

W. D. Arnold  
Manager - Business Development  
Marine Services

(415) 838-6149



March 19, 1984

John B. Olson  
Director, Division of Major Project Management  
State of Alaska  
Department of Transportation and Public Affairs  
Pouch 6900  
4111 Aviation Avenue  
Anchorage, Alaska 99502

SUBJECT: Knik Arm Crossing

Dear Mr. Olson:

It was a pleasure to have visited with you in your offices in Anchorage on February 21st. The time you spent with us in explaining the situation regarding the Knik Arm Crossing was very much appreciated.

As discussed in our meeting, Brown & Root is very interested in bidding the Engineering/Construction of the Knik Arm Crossing and has had three consortia approach us about possible financing of portions of this project.

During our discussions you indicated that it would be difficult for the Department of Transportation or the State to negotiate an unsolicited bid for the overall package. Therefore, we would like to prequalify for the work in the routine manner that you plan to use later this year. Brown & Root has been involved in several major water crossings in the United States and has the expertise and the equipment available, including derrick barges that might be required for some of the heavy lifts.

Thanks again for the time that you allowed us back in February. We are looking forward to working with you on this project as it develops.

Kind Regards,

*Bill*

W. D. Arnold  
Manager, Business Development  
West Coast and Alaska

WDA/1mw

RECEIVED

MAR 27 1984

DOT & PF  
Major Projects MGMT.

SAMWHAH CORPORATION

ARCHITECTS, ENGINEERS & CONTRACTORS

38-20, WOONI-DONG, CHONGRO-KU, C.P.O. BOX 12, SEOUL, KOREA

HEAD OFFICE:  
TELEX: SAMWHAN K22912  
SAMWHAN K24509  
SAMWHAN K26117  
CABLE: GREENLIGHT SEOUL  
PHONE: 765 9151 0

February 20, 1984

John B. Olson  
Director  
Division of Major Projects Development  
Dept. of Transportation &  
Public Facilities

Dear Sir,

I would like to express my sincere gratitude for your warm hospitality rendered during my visit to your office on February 10, 1984, sharing time from your busy schedule.

You were very kind and helpful in conducting my successful survey on future Alaska construction market prospective for our business activities. Our technical engineering Dept. has just begun reviewing the draft of tender documents regarding Nome Harbour Project furnished to me in anticipation of your invitation.

Meanwhile, I sincerely hope that we would be invited to the tenders for the Knit Arm Bridge Project and other various projects planned for the five years ahead according as you promised that our Corporation would be registered with prospective bidder list applicable for your esteemed State Government's projects.

We assure you of our best service to highest standard if an opportunity be given to us. Wishing the ever-lasting prosperity of your esteemed Department.

Yours Sincerely,

SAMWHAH CORPORATION

Young Ju Moon  
Director

RECEIVED

FEB 27 1984

DOT & PF  
Major Projects MGMT.

- OVERSEAS BRANCH
- JEDDAH BRANCH
- London, South Africa P.O. Box 1111
- Telex: SAMWHAN K22912
- Cable: SAMWHAN K24509
- Phone: 01 097 0256, 2217, 3101
- RIYADH BRANCH
- Ampere, Saudi Arabia, P.O. Box 2118
- St. J. P.O. Box 1111
- Telex: SAMWHAN K22912
- Phone: 076 2447 7014
- DAMMAM BRANCH
- Neeraj P.O. Box 1111
- Telex: SAMWHAN K22912
- Phone: 84 275 0, 84 214 0, 84 211 0
- AL-SHARAH Arab Culture Main St.
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- 2nd Floor, Artina, Bldg. 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100
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- KLUALA BRANCH
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- Phone: 31 7 1 9, 31 0 4 1
- HO CHI MINH BRANCH
- 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 32nd, 33rd, 34th, 35th, 36th, 37th, 38th, 39th, 40th, 41st, 42nd, 43rd, 44th, 45th, 46th, 47th, 48th, 49th, 50th, 51st, 52nd, 53rd, 54th, 55th, 56th, 57th, 58th, 59th, 60th, 61st, 62nd, 63rd, 64th, 65th, 66th, 67th, 68th, 69th, 70th, 71st, 72nd, 73rd, 74th, 75th, 76th, 77th, 78th, 79th, 80th, 81st, 82nd, 83rd, 84th, 85th, 86th, 87th, 88th, 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th, 97th, 98th, 99th, 100th
- Telex: SAMWHAN K22912
- Phone: 31 7 1 9, 31 0 4 1



# NIPPON KOKAN K.K.

1-1-2, MARUNOUCHI, CHIYODA-KI, TOKYO 100

PHONE: (03) 212-7111

TELEX: 222-2811 NKK J

CABLE ADDRESS: KOKANNK TOKYO

January 27, 1984

Alaska Department of Transportation  
and Public Facilities  
State of Alaska  
4111, Aviation Drive  
Anchorage Alaska, 99502

Attn : Mr. J. B. Olson

Gentlemen,

Re : Knik Arm Crossing

We, NIPPON KOKAN K.K. (hereinafter called NKK), have the honour to express out keen interest in participating in the captioned project and to submit herewith our company brochures, experience record and technical documents in which you will find activities and performance of our company.

As you may see from the above documents, NKK is now ranked as the third largest steelmaker in the world and in terms of all around technical expertise, NKK holds an unrivaled position because it is simultaneously a world leader in three major industrial fields - Steelmaking, Heavy Industries and Shipbuilding - allowing it to supply a comprehensive range of products and services to you.

In the field of bridge construction, NKK has considerable experience about supply and erection of steel superstructure of various type of bridge and has enjoyed good reputation in our achievement abroad as well as domestic.

Furthermore NKK has remarkable speciality of steel structures for low temperature service and has executed structural steel works in your esteemed province, such as Kenai Bridge, Sagavaiktok River Crossing,

Alyeska Pipe Support Bridge, Gulkana Bridge and Pipe Support structures for Trans Alaska Pipeline Project, etc.

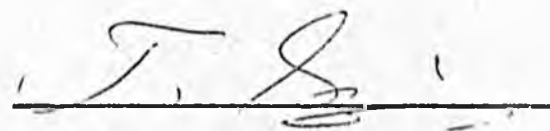
Judging from the foregoing, we are confident that NKK is capable enough in undertaking and proceeding this bridge construction project meeting with your expectation and requirements of price, engineering service, performance and quality.

We would highly appreciate it if you could invite us to the forthcoming qualification and tender and let us have a chance to work together with you toward successful construction of this bridge.

Thank you for your attention and we are looking forward to serving you in the near future.

6

Very truly yours,



T. Suganami  
Deputy General Manager  
Steel Structures &  
Construction Dept.

MITSUBISHI BANK, LIMITED

7-1, MARUNOUCHI 2-CHOME, CHIYODA-KU,  
TOKYO 100, JAPAN

August 6, 1983

Mr. Mead Treadwell  
Executive Director  
Governor's Economic Committee  
On North Slope Natural Gas  
P.O. Box 1700  
Anchorage, Alaska 99510

Dear Mr. Treadwell,

Mr. Norio Yamamoto of Mitsubishi Research Institute kindly forwarded to us your Economic Feasibility Report on the Knik Arm Crossing dated April 15, 1983 for our reference.

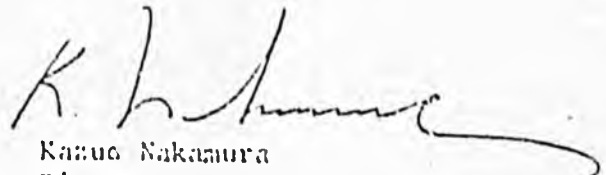
After a brief review, we have found the project interesting and wish to cooperate with you for the promotion of the project.

Accordingly, we appreciate it if you could let us know the area in which we shall be of assistance to you as a member of the Mitsubishi group which is the largest industrial groups in Japan. At the same time, it will be most helpful to us if you could provide us with a detailed financial plan for the project so that we shall be able to better analyze the project from the financial point of view.

It will be a great pleasure for us to exchange ideas with you how to promote the project and we wish to continue a dialogue on the development of the project. Please contact us at any time when you need our assistance.

Looking forward to hearing from you soon, and please give my best regards to Mr. Walter J. Mickel.

Very truly yours,

  
Kazuo Nakamura  
Director

KN/ri

P.S.

For your reference we enclosed herewith a memorandum in regards to the Yen-Financing market.



# YUKON PACIFIC CORPORATION

C: (copy) - Jerry Hamel (Res.)  
(Keep original here - give to me) JGD

12/15  
Approved J. Allen

November 4, 1983

Mr. John Olsen  
Major Projects Management  
Department of Transportation and Public Facilities  
4111 Aviation Drive  
Pouch 6900  
Anchorage, Alaska 99502

Dear John,

Enclosed is the letter I received from Mr. Kazuo Nakamura at the Mitsubishi Bank. Governor Mickel and I have had dinner with Mr. Nakamura twice before in Japan and he shares a strong interest in Alaska.

Either his bank, or some other part of the Mitsubitshi Group could be called upon to play a role in the Knik Arm Project. I'd keep chumming the waters by providing information his way so that they can respond when the time comes.

Congratulations on your appointment. We should be working together as time passes.

With best wishes,

Sincerely,  
*Mead Treadwell*  
Mead Treadwell  
Secretary

/Enclosure

RECEIVED  
Project Development

NOV 7 '83

Project Dev. Engr.	0	Copy Act
Recon. Engr.		
Consultant		
Hamel w/s. Knick		
Locations		
Other		
FILE		

RECEIVED  
NOV 07 1983  
DOT & PF  
Major Projects MGMT.

*Jack (Don) - Carefully consider his ideas & accept all suggestions.*

*action 6420*



RECEIVED

June 2, 1983

'83

Mr. Richard S. Armstrong, P.E.  
Director, Central Region  
Design and Construction  
State of Alaska  
Dept. of Transportation and Public Facilities  
4111 Aviation Avenue, Pouch 6900  
Anchorage, Alaska 99502

Re: Knik Arm Crossing

Dear Mr. Armstrong:

Thank you for your letter of May 18 and the Economic Feasibility Report on the Knik Arm Crossing. We are strongly interested in financing, design, construction and operation of the toll bridge.

Handwritten notes and signatures in a grid box:  
Dore Hagen  
Tom Singer  
John Allen

Based on our experience in similar projects in Greece and Kuwait, we imagine that a possible scenario may look as follows:

1. Project will be formulated by the State. Bridge design criteria will be set; evaluation criteria for prequalification and final contract award will be laid out; and the terms of the eventual contract between the State and Contractor will be spelled out.
2. State will prequalify bidders (typically consortia of banks, engineering consultants and general contractors) on their financial, engineering and management strengths.
3. The prequalified bidders will submit their final designs, construction schedules and operation plans. State will select a successful bidder according to the preset criteria.

(continued)

Mr. Richard S. Armstrong

June 2, 1983

Page Two

4. Contractor will construct, operate and maintain the toll bridge.
5. After a certain number of years, State will purchase the bridge from Contractor for a predetermined price, and take over the operational responsibilities.

It appears from your report that most work necessary for establishment of design criteria has already been done. You could easily prepare a final design with State's funds and let bidders bid for it. This approach will simplify your task of bid evaluation, but you may miss an opportunity to take advantage of bidders' design ingenuity and particular strengths in performing certain types of construction.

Simple and loosely written design criteria helped the Government of Kuwait to get an ingeniously designed bridge (Bubiyan Bridge) inexpensively while the same approach muddled everything in the case of Rion-Antirion Crossing in Greece. My personal preference for the Knik Arm Crossing is to have relatively tight design specifications--at the level of your Conceptual Details--and permit the bidders to design only the details and construction methods to suit their capabilities.

Even with tight design specifications, the task of bid evaluation will not be simple. The fundamental question is what variable should be used as the main determinant of the bid when the construction cost is not a visible factor. One possibility would be the "Sell-back Price" if it is allowed to be bid on. All others being equal (or meeting the minimum criteria), State could pick up the bidder who offers the lowest sell-back price for a given target year.

As a part of the Contract terms, we expect the State to stipulate the maximum tolls chargeable to each type of vehicle for each period of years. We also expect the State to guaranty the minimum revenue traffic, and subsidize the Contractor if the traffic volume does not reach it. It will be a formidable task to devise a subsidy formula that will satisfy both the State and the Contractor. However, it is essential that it will be spelled out before bidding.

(continued)

Mr. Richard S. Armstrong  
June 2, 1983  
Page Three

Finally, because of Alaska's proximity to Japan, we expect Japanese consortia, and perhaps some Koreans, to offer very competitive bid packages. We also work closely with Japanese companies. We therefore urge you to keep the competition open to all international bidders and eliminate any and all Buy-American and U.S.-Flag requirements and penalties from this project, except that the local labor should be used for construction and operation, and that the operating company should be an Alaskan corporation.

If you wish, we will be happy to provide more detailed input as a potential bidder. Please feel free to call me anytime for informal discussion.

We wish you a great success in this challenging project.

Sincerely,

A handwritten signature in black ink that reads "Tito". The signature is written in a cursive style with a long horizontal stroke at the top.

Y. Tito Sasaki  
President

KNIK ARM CROSSING - PROGRESS SUMMARY  
PRESENTED TO THE ALASKA STATE LEGISLATURE  
SENATE COMMITTEE ON TRANSPORTATION

April 1984

In 1981, the Legislature appropriated \$5.5 Million for the Department of Transportation and Public Facilities to develop location and design criteria, to include traffic, environmental and right-of-way studies, and to estimate right-of-way and construction costs for a Knik Arm Crossing and connections to the Parks and Glenn Highways. In August 1981, Expressions of Interest were solicited from engineering consultants. Because of the size and complexity of the project, three of the fifteen respondents were requested to submit detailed proposals which were received in December. In January, 1982, EMPS/Sverdrup was selected and requested to submit a project Work Plan. After review by department staff and the Knik Arm Crossing Steering Committee (consisting of representatives each from the military, Municipality of Anchorage and the Mat-Su Borough), the work plan was accepted in July, followed by negotiations which were finalized in September 1982 with a contract issued to EMPS/Sverdrup.

Concurrent with consultant negotiations, during the period January thru June 1982, the Department, with Bomhoff Associates, Air Photo Technology, and North Pacific Aerial Survey, conducted photographic reconnaissance of the north side of the Knik Arm and potential crossing sites. In August 1982, the Department also executed an agreement with the University of Alaska Geophysical Institute to provide technical review and analysis of existing site conditions, to include hydraulics, seismic, ice and geotechnical.

Because construction permits required from federal agencies (notably the Coast Guard and the Corps of Engineers) mandate an environmental investigation in accordance with the National Environmental Protection Act (NEPA), the Department requested the Federal Highway Administration (FHWA) to participate in the project as the Federal "Lead Agency" in accordance with regulations which implement NEPA. FHWA accepted the responsibility on November 1, 1982 and our current environmental investigation is proceeding in line with FHWA procedures.

Expected declines in State revenues caused Governor Sheffield to be concerned for the potentially high cost of the project. He decided that the State should conduct a preliminary analysis to determine if the project was economically feasible. In February 1983, the project's consultant was directed to temporarily suspend scheduled work and to focus all efforts on an economic evaluation of the crossing. The consultant defined a representative alignment and bridge crossing and determined that the project was indeed economically feasible considering the projected construction costs. Results were presented in an April 15, 1983 Economic Feasibility Report. Consequently, Governor Sheffield directed the Department to proceed with the project through preparation of bid documents for the crossing facility.

A milestone in project development occurred with publication of the Knik Arm Crossing Scoping Report on March 12, 1983 after public and agency scoping meetings which were held in Anchorage and Wasilla the preceding January. "Scoping" is the formal process to establish lines of communication with Federal, State, and local agencies, organizations and private citizens with interest in the project; and to identify project alternatives to be evaluated, impact assessment procedures, and a schedule for environmental document preparation.

Another milestone was publication of the Final Corridor Alternatives Analysis in December, 1983. Several agency and public meetings to discuss the Draft Corridor Alternatives Analysis report were held in Anchorage and in Wasilla in September, 1983. The Final Corridor Alternatives Analysis report documents the deletion of unreasonable corridors and identifies the remaining corridors to be evaluated in detail for the environmental impact statement. These corridors are shown in Figure 1. In April 1983, alignments (routes) within the corridors were selected. These are described in the attached copy of Newsletter #5.

Conceptual designs and detailed environmental analysis for the preferred alignments will be presented in a Draft Environmental Impact Statement (DEIS) which is announced in the Federal Register and presented at public hearings for the project. The DEIS is scheduled for release in June. Following public and agency review and comment, the DEIS will be revised, published in final form (FEIS) and again announced in the Federal Register. When a Record of Decision is published in the Register, (estimated for December 1984) the EIS will be approved, final design can be completed, and construction may begin.

Concurrent with development of the EIS, a Project Implementation Plan will be developed which will address costs, financing, legal considerations, special legislation (if any), and the possibility to involve private investors in financing the project. The possibilities for federal and/or a combination of public and private funding for the project will also be investigated. The Implementation Plan, a followup to the April 15, 1983 Economic Feasibility report, will be completed in October 1984.

Geotechnical field investigations will be conducted during the Summer of 1984, to include three borings in the Knik Arm. Cost for the borings alone will exceed \$600,000 and consequently will be made at the most likely locations for the bridge footings. Delay could result from adverse geotechnical findings. Once test holes are drilled, it is possible that unstable subsurface conditions could be found which might require selecting a new alignment.

Potential delays also exist in the environmental review process. For example, if archeological finds were made on the selected corridor, or if rare or endangered wildlife species are found that would be adversely impacted, court challenges by environmental or other groups could cause significant delays. The Department is doing everything possible to prevent delays.

Barring unforeseen problems a detailed presentation of construction and financing options will be presented to the legislature at the beginning of its CY 1985 session. With approval from the legislature, and after bidding and bid analysis, a contract for design/construction of the crossing facility will be awarded for initial design during the winter of 1985-86 and construction beginning in the Spring of 1986, with completion by 1990 or 1991.

Separate design and construction projects would be established for the Anchorage and Mat-Su Connector roads to the crossing, and because of the longer time needed to construct the crossing, these could be phased for construction and integrated in the annual Federal Aid Highway Program where they would be in competition with other State highway projects.

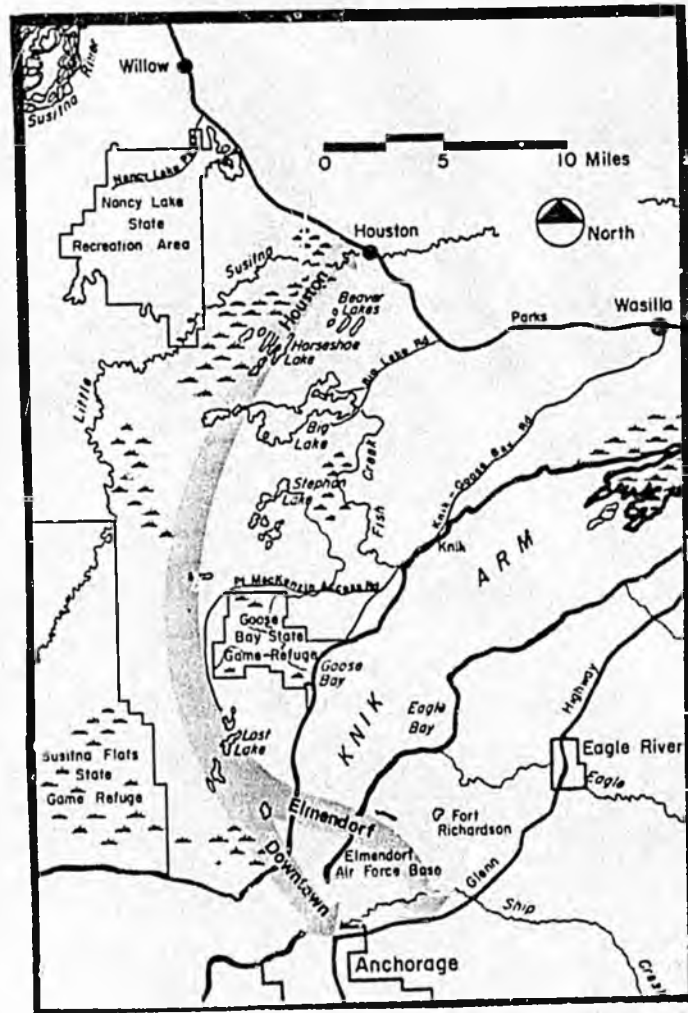
KNIK ARM CROSSING

KEY DATES

1984

DEIS	JUNE
PUBLIC HEARINGS	JULY
GEOECHANICAL EXPLORATION DRILLING	AUGUST - SEPTEMBER
IMPLEMENTATION PLAN	OCTOBER
FEIS PUBLISHED	NOVEMBER
FEIS REVIEW & RECORD OF DECISION	DECEMBER
PRESENTATION TO LEGISLATURE: IMPLEMENTATION	JANUARY

FIGURE 1 RECOMMENDED CORRIDORS



# KNIK ARM CROSSING

## Newsletter

### CROSSING ALIGNMENTS IDENTIFIED

The corridor alternatives analysis, completed in November 1983, identified two reasonable corridors for the location of a Knik Arm Crossing and its approach roads—Downtown/Houston and Elmendorf/Houston. Alignments within these corridors have now been developed for analysis in the Environmental Impact Statement (EIS). These alignments are based on additional engineering work and public comment on the "representative" alignments used for corridor analysis.

Each alignment is divided into three parts including a "Crossing," an Anchorage "Connector," and a Mat-Su "Connector." This has been done to reflect possible project staging and different financing schemes. The "Crossing" includes a bridge structure over the Arm and short roadways to bring bridge traffic to the existing road system in Anchorage and to a planned road in the Mat-Su Borough. The "Connectors" are roads which provide additional crossing access.

#### THE DOWNTOWN PROJECT INCLUDES THE FOLLOWING:

- Crossing (access ramps from I and L Streets in downtown Anchorage, a bridge across Knik Arm, and a road connecting to a planned extension of the Point McKenzie Access Road).
- Seward Connector (road connecting the crossing with the Seward Highway and access ramps for the Port of Anchorage).
- Houston Connector
  - Segment 1 (road between crossing and east-west segment of Point McKenzie Access Road).
  - Segment 2 (road between end of Segment 1 and Parks Highway at Houston).

#### Downtown Crossing

The crossing, about 5.5 miles long, would begin at the intersection of I Street and 3rd Avenue, cross the Arm, and proceed north for about two miles to Lake Lorraine. Its central feature would be the 2.9-mile-long bridge over Knik Arm, which would include a single level four-lane stayed-girder structure. The bridge would accommodate installation of utilities, but there would be no provisions for use by non-motorized vehicles or pedestrians.

Navigation clearance 1,000 feet wide and 140 feet above MHHW (Mean Higher High Water) would be provided under the main span for vessels entering or leaving the Port of Anchorage. The two towers supporting the stayed-girder spans would project about 30 feet into the aviation clear zone for Merrill Field.

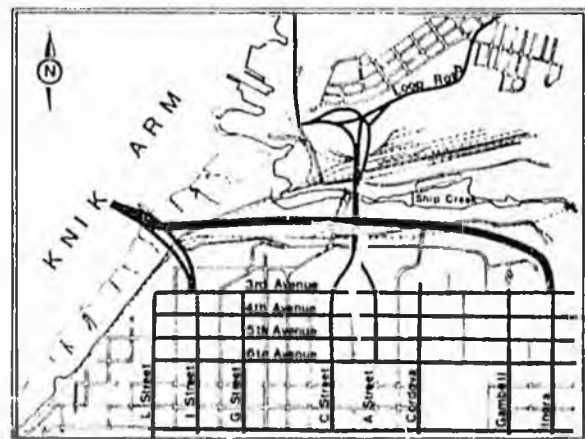
The estimated initial cost for the Crossing is \$549.7 million and annual maintenance cost is estimated to be \$1.1 million. Construction of the Crossing would take six years, including design time; the at-grade roadway can be built independently of the bridge and would take less time.

#### Seward Connector

This portion of the Downtown Project would be a 1.5-mile four-lane bridge connecting the Crossing to the Ingra-Gambell couplet at 3rd Avenue. Vehicular access to the Port of Anchorage would be provided from the Crossing by means of two ramps on the west side of the Alaska Railroad mainline track. The bridge would be high enough to allow clearance underneath for railroad traffic, but low enough to pass under the existing C Street viaduct.

The estimated initial cost of the Seward Connector is \$94.0 million and annual maintenance cost is estimated to be \$40,000. It is anticipated that construction would be completed in two years with much of the work continuing through the winter.

(continued)



**Downtown Crossing  
& Seward Connector**

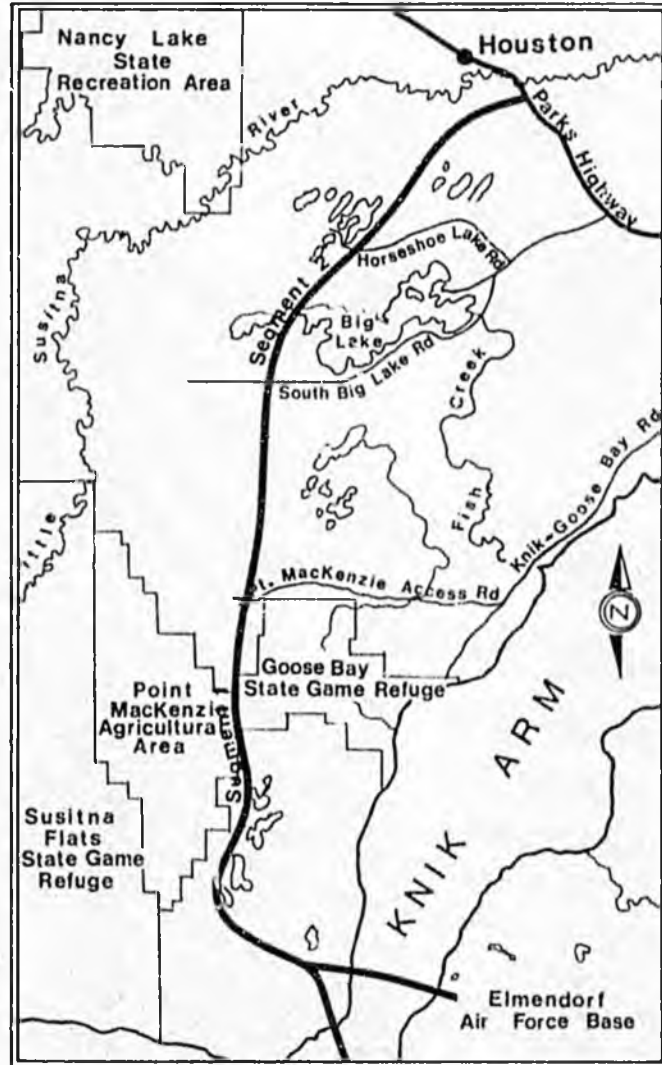
## Houston Connector

This Connector joins either the Downtown or Elmendorf Crossing to the Parks Highway.

Segment 1 of the Houston Connector, a four-lane road within a 400-ft. right-of-way, starts at the north terminus of the Crossing south of Lake Lorraine and ends where the Point MacKenzie Access Road turns east. Segment 2 of the Connector, a two-lane road within a 400-ft. right-of-way, would continue north and terminate at the Parks Highway about .25 miles south of the Alaska Railroad grade crossing near Houston. A bridge would be required for the water crossing of the narrows between Mirror Lake and Big Lake.

Access to the Connector would be limited to intersections at two- to five-mile intervals along the route. There would be no provisions for use by non-motorized vehicles or pedestrians except crossing of the road by users of the Iditarod Trail.

The estimated initial costs for the Connector are: Segment 1, \$25.8 million; Segment 2, \$27.0 million. Annual



Houston Connector

maintenance costs are estimated to be \$400,000 for Segment 1 and \$300,000 for Segment 2. Construction would occur during the final four years of project construction.

## THE ELMENDORF PROJECT INCLUDES THE FOLLOWING:

- Crossing (road in Anchorage, a bridge across Knik Arm, and a road connecting to a planned extension of the Point MacKenzie Access Road).
- Glenn Connector (additional interchange ramps at Muldoon Road and Glenn Highway).
- Houston Connector (same as with Downtown Project).

## Elmendorf Crossing

The Crossing, approximately 10 miles long, would begin at the Glenn Highway near Muldoon Road, cross Elmendorf AFB and Fort Richardson, cross Knik Arm, and reach the Mat-Su bluff about four miles northeast of the tip of Point MacKenzie. The Crossing would proceed west for about one mile before ending near Lake Lorraine.

The portion of the Crossing passing through Elmendorf AFB and Fort Richardson would be a fully access-controlled four-lane divided highway; 16 bridges would be needed including two over the Alaska Railroad. Except for Ship Creek, this portion of the highway would not cross any major streams or lakes.

A 300-foot-wide right-of-way would be required through military property, approximately 2,200 acres. The Air Force is preparing to commission an independent study to determine their best location for an Elmendorf Crossing segment from the perspective of the military's mission and operating requirements.

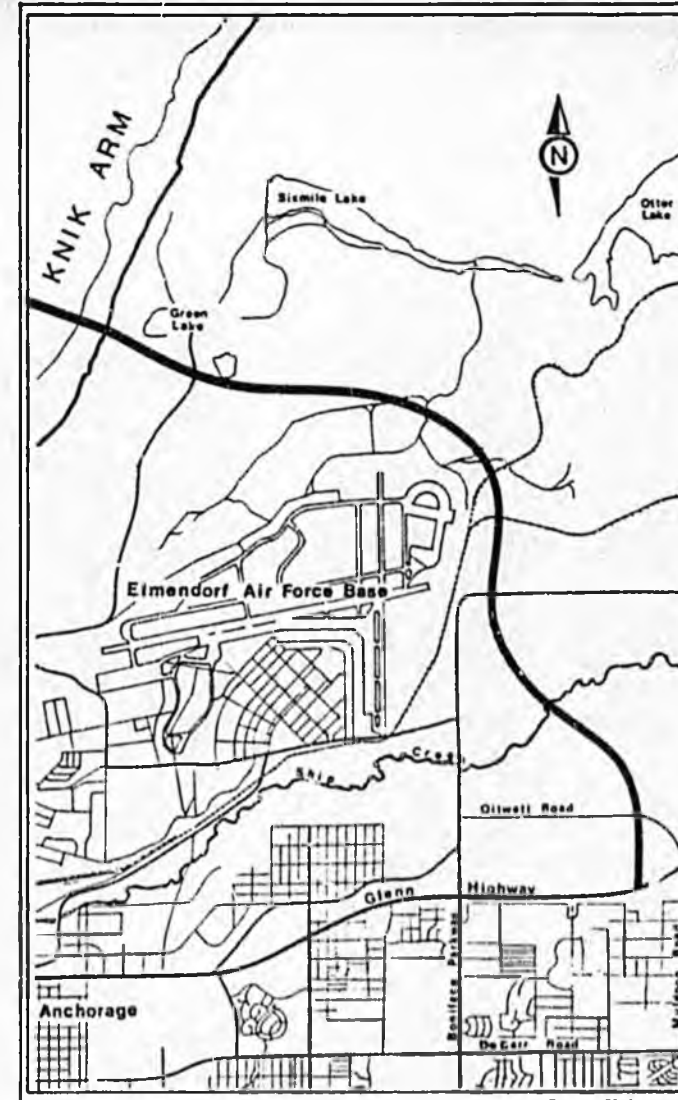
A four-lane double-level bridge, 2.5 miles long, would cross Knik Arm. Navigation clearance for large boats would not be provided. However, there would be clearance for small craft. Provisions could be made to allow for the installation of utility lines.

On the Mat-Su side of the Arm, the Crossing would be a four-lane at-grade roadway within a 400-foot right-of-way. No provisions would be made for use by pedestrians or non-motorized vehicles.

The estimated initial cost for the Crossing is \$373.8 million and annual maintenance cost is estimated to be \$1.1 million. Construction would take five years, taking into account design time, the effects of site conditions, and winter shutdown. The at-grade roadway can be built independently of the Arm bridge and would take about two years.

## Glenn Connector

The Connector consists solely of the two one-way ramps connecting to the east on the Glenn Highway. The estimated initial cost for the Connector is \$17.3 million and



## Elmendorf Crossing & Glenn Connector

annual maintenance cost is estimated to be \$20,000. Construction of the Connector can be delayed until traffic exceeds the capacity of a half-diamond interchange at Oilwell Road.

## RAILROAD ON THE CROSSING

An option to be considered is modifying the crossing bridge design to accommodate the railroad at some future time. Conceptual designs, costs, and impacts of option are yet to be identified.

## BUS SERVICE IMPROVEMENTS

Bus service improvements are being evaluated as part of both the Crossing Alternatives and the No-Crossing Alternatives.

## OTHER ALIGNMENTS EXAMINED BUT DETERMINED TO BE UNREASONABLE

The alignments to be analyzed in the EIS achieve project transportation objectives while minimizing environ-

mental impacts. Several other alignments within the reasonable corridors identified in the corridor alternatives analysis were examined and dropped from further consideration early in the EIS preparation process and include:

## Downtown Crossing and Seward Connector

- Connect the Southbound Ramp in the Vicinity of the Ingra/Gambell Couplet Directly to Gambell Street. This alignment would pass through the Alaska Native Medical Center complex.
- Ramps Serving Downtown Anchorage on the "C" Street Viaduct. This route would cause congestion on the A/C couplet and throughout downtown.
- Ramps Connecting to "E" and "G" Streets. This route would not connect to a through street and would interfere with plans for a historic park.
- Connect the Southbound Ramp at the I/L Couplet Directly to "L" Street at 3rd Avenue. This alignment would encroach on Resolution Park.
- Connect the Southbound Ramp at the I/L Couplet to "L" Street at 6th Avenue. This route would disrupt the Bootlegger's Cove neighborhood.

Elmendorf Crossing and Glenn Connector with the alignment beginning at Boniface Parkway and crossing the Arm further north. This alignment would disrupt Elmendorf AFB access, buildings, hazardous waste disposal, munitions storage, and a costly antenna field.

Houston Connector with the northern part of the alignment further west. This route costs more and disrupts more wetlands and wildlife habitat.

## NO-CROSSING ALTERNATIVES

No-Crossing Alternatives will also be examined in the EIS. They include No-Action, Hovercraft, and Glenn/Parks Improvements.

## No-Action

The No-Action Alternative is defined as the existing road network in the Knik Arm crossing analysis area plus several improvements scheduled for completion with or without the proposed Crossing project.

## Hovercraft (Air-Cushion Vehicle)

This alternative is the purchase of two 60-vehicle/418 passenger Hovercraft which have the ability to travel over

(continued)

BULK RATE  
US POSTAGE PAID  
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ANCHORAGE, AK

430 "C" Street, Suite 200 Anchorage, Alaska 99501  
**KNIK ARM CROSSING**

either water or land. Docking facilities would consist of large on-shore pads on each side of the Arm. Hovercraft are relatively unconstrained by ice and tides and would have greater operating speed, flexibility, and reliability than conventional ferry boats. Departures from one side of the Arm or the other would occur every 30 to 40 minutes. Hovercraft, access roads, and terminals would cost about \$156.0 million; the annual operating cost would be about \$7.0 million.

### Glenn/Parks Improvement

This alternative would widen the Glenn Highway to six lanes between Eagle River and the Parks Highway near Palmer, and widen the Parks Highway to four lanes between the Glenn Highway and Big Lake Road costing approximately \$65 million. These improvements would increase the efficiency of future vehicle operations between outlying communities and Anchorage.

### PROJECT STATUS

Progress continues toward completion of a Draft EIS for presentation at public hearings this summer. The transportation and other benefits of each alternative as well as adverse transportation, social and economic, natural resource, and cultural resource impacts are now being determined and compared.

**KNIK ARM CROSSING PROJECT SPONSOR:** Alaska Department of Transportation & Public Facilities.  
**PROJECT CONSULTANTS:** EMPS-Sverdrup, Prime Consultant; De Leuw Cather & Company, Associate Consultant; Tryck, Nyman & Hayes, Associate Consultant.

MEMORANDUM

Date: April 24, 1984

Subject: CSHB 294

To: All Committee Members

From: Senator Pappy Moss, Chairman

Attached please find a suggested committee substitute for CSHB 294 "An Act establishing an Alaska Toll Bridge and Causeway Authority; and providing for an effective date." The suggested committee substitute is the body of CSHB 661 "An Act authorizing the construction of the Knik Arm Crossing and relating to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority." You will also find attached a DOT&PF position paper on CSHB 661 which is also applicable to Senate CS for CS for House Bill No. 294 (Transportation).

Mr. John Olson will be present at this afternoon's meeting to discuss the Knik Arm crossing project.

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH 2  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

March 29, 1984

Re: DOT&PF Position and  
Perspectives on CSHB 661

The Honorable Joe Hayes  
Representative  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Representative Hayes:

In response to a March 28, 1984 request from Mr. Neil Phelps-Munson of your office, following is a brief summary of the DOT&PF position and perspectives on CSHB 661. I have discussed this information with Commissioner Knapp to assure accurate presentation of our Department's position.

## BACKGROUND

The original HB 661 was submitted to accomplish two purposes:

1. Provide DOT&PF the authority to sell revenue bonds to finance toll bridges and highways; and
2. Authorize DOT&PF to collect tolls on bridges and highways to make principal and interest payments on the revenue bonds.

The purpose of the bill was to provide a financing mechanism for the Knik Arm Crossing. A framework approach was taken on advice of the Attorney General, recognizing the State Constitution's requirements to avoid legislation specific to a location or region. We also wanted to preserve the option to recommend the mechanism for future revenue producing highway or bridge projects.

The bill is modeled after the revenue bond provisions of the Airport Revenue Fund. The model was used because it is known to the legislature, and has a good track record to present to bond underwriters and rating organizations.

DEPARTMENT POSITION ON CSHB 661

The DOT&PF continues to recommend a framework concept for bills like HB 661. However, we recognize the committee substitute to be a reasonable compromise recognizing concerns expressed by legislators. We, therefore, support the committee substitute and recommend its passage.

APPLICATION TO KNIK ARM CROSSING

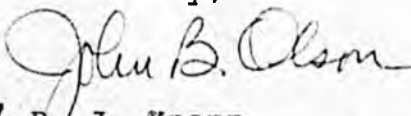
The bill provides a mechanism for applying the toll revenue stream expected from the Knik Arm Crossing to the construction of the facility. This mechanism will be considered, along with other financing approaches, in an implementation plan to be presented to the legislature next year. We expect the implementation plan will lead to the legislative direction needed to construct the crossing. No sales of revenue bonds or other related action will be taken before the next legislative session. I and other DOT&PF staff will be working with legislators to exchange information prior to finalizing our recommendations and presenting the implementation package to the legislature.

APPLICATION TO OTHER PROJECTS

If the Knik Arm Crossing uses the revenue bond sales concept outlined in CSHB 661, the mechanism will be available for other projects. (The bill requires application to the Knik Arm Crossing before any other project.) It should be recognized that bridge and highway projects that can generate revenues in excess of their operation and maintenance costs are quite unique in Alaska. To the extent such projects are identified in the future (we have none to suggest at this time) the legislature would play an active role in their development and financing.

Please contact me if you have any questions regarding our position on CSHB 661 or the Knik Arm Crossing.

Sincerely,

  
FOR R. J. Knapp  
Commissioner

ajh

cc: Ray Gillispie, Legislative Assistant, Governor's Office  
Jerry Hamel, Project Manager, Knik Arm Crossing  
David Haugen, Deputy Commissioner, Central Region  
Paula Ramsey, Budget Analyst/Legislative Liaison  
William R. Snell, Director Planning & Programming, Central



# **KNIK ARM CROSSING**

**Presentation**  
to the  
**Governor**  
and the  
**Legislature**

**March 1984**

LEGISLATIVE ASSIGNMENT

Highway Crossing of Knik Arm with Connections to Parks & Glenn  
Highways

- Design Criteria
- Environmental Assessment
- Right-of Way Studies
- Location Selection
- Preliminary Design & Cost Estimates

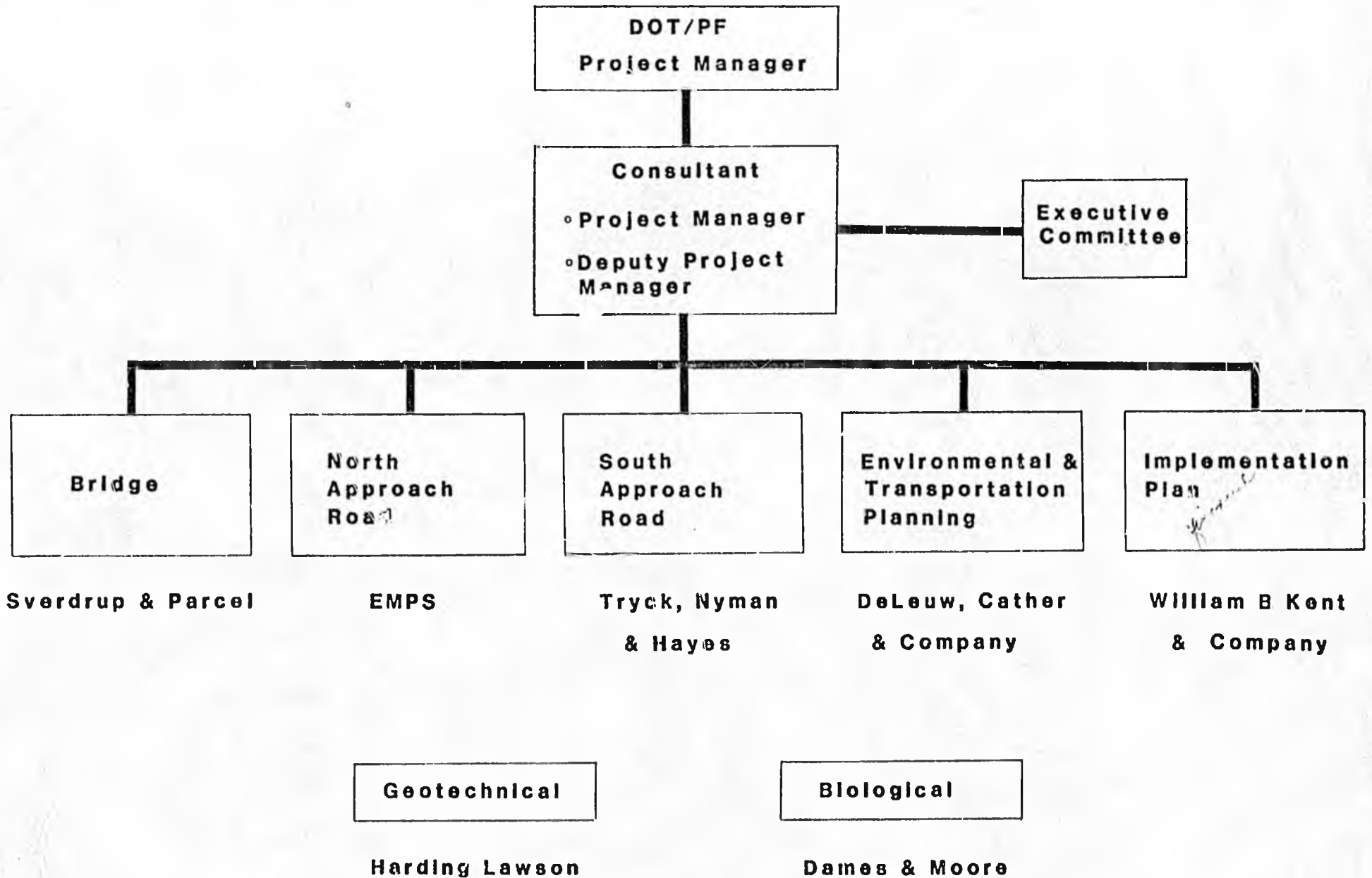
BUDGET

- |                          |               |
|--------------------------|---------------|
| ◦ 1981 Appropriation     | \$5.5 million |
| ◦ Consultant Contract    | \$4.5 million |
| ◦ Balance (January 1984) | \$3.0 million |
| ◦ FY 85 Request          | \$5.4 million |

PROJECT RESOURCES (DOT/PF)

- Total Department Resources
  - Contract Administration & Accounting
  - Planning
  - Environmental Coordination
  - Surveys
  - Right-of Way
  - Utilities
  - Materials & Geology
  - Legislative Liaison
- Director
  - Major Projects Management Division
- Project Manager
  - Leads Department & Consulting Team

# Consultant Resources



## AGENCIES

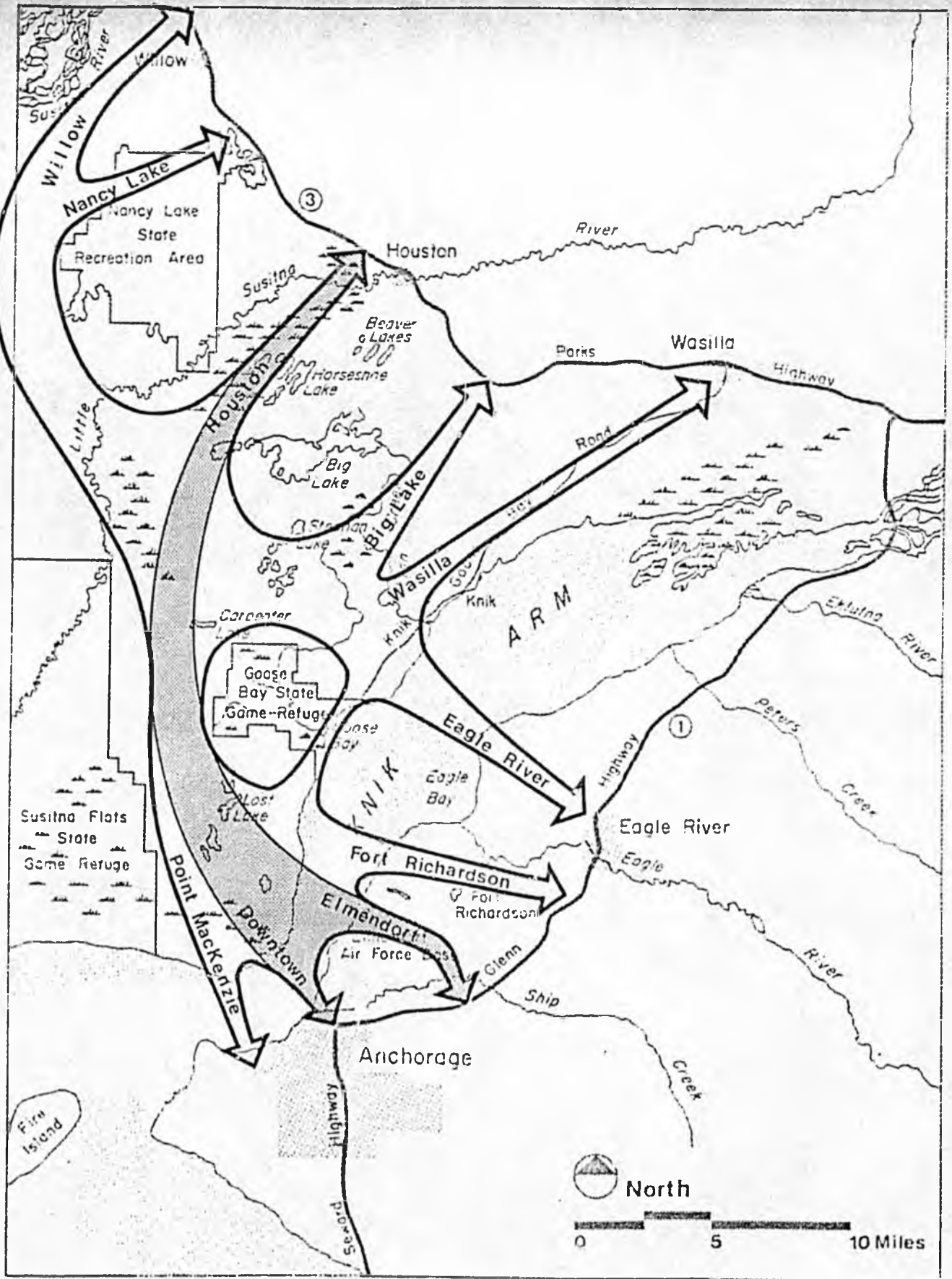
- Steering Committee
  - ADOT/PF
  - Municipality of Anchorage
  - Matanuska-Susitna Borough
  - Military (Air Force, Army, Navy)
  - Alaska Railroad
- Federal Agencies
  - ARR            FHWA            EPA
  - BLM            DOA            USAF
  - COE            DOC            USCG
  - FAA            DOI            USF&W
- State Agencies
  - Dept. of Comm. & Reg. Affairs
  - Dept. of Envir. Conservation
  - Dept. of Fish & Game
  - Dept. of Natural Resources
  - OMB - Div. of Strategic Planning
  - UAA - Inst. of Soc. & Eco. Research

## WORK COMPLETED

- Scoping *Public Participation*  
*Environmental*
- Economic Feasibility Report
- Corridor Alternatives Analysis - *Final*
- Alignments Definition-

## WORK UNDERWAY

- Conceptual Design
- Environmental Impact Statement *Late May*
- Geotechnical Investigations *Site's resources*
- Implementation Plan *Need resources for one plan*
- Right-of-Way Evaluation
- Bid Documents - Crossing *On bid preparation*



Willow River  
 Nancy Lake  
 Nancy Lake State Recreation Area  
 Susitna  
 Houston  
 Beaver Lakes  
 Horseshoe Lake  
 Big Lake  
 Wasilla  
 Knik  
 Eagle River  
 Fort Richardson  
 Elmendorf  
 Ship  
 Anchorage  
 Highway 1  
 Highway 2  
 Parks  
 Wasilla Highway  
 Eagle River  
 Peters Creek  
 Elmendorf River  
 Ship Creek  
 Goose Bay  
 Goose Bay State Game Refuge  
 Lost Lake  
 Susitna Flats State Game Refuge  
 Point MacKenzie  
 Fire Island  
 North  
 0 5 10 Miles

CROSSING ALTERNATIVES

Downtown Project

- Seward Connector
- Downtown Crossing
- Houston Connector
  - Segment 1
  - Segment 2

Elmendorf Project

- Glenn Connector
- Elmendorf Crossing
- Houston Connector
  - Segment 1
  - Segment 2

NO-CROSSING ALTERNATIVES *EIS requires no-c alt.*

- No Action Option
- Other Transportation Plans of DOT, AMATS, & Mat-Su
- Transit Option
  - 2 Hovercraft
- Low Capital Option
  - Additional Glenn & Parks Highway Improvements

ALASKA RAILROAD

- Possible for either Downtown or Elmendorf
- Costs to Accomodate Future Rail on Highway Bridge
  - \$50 million to \$100 million *Bridge along in upper RR 15-20 yrs. from now*
- Railroad Related Activities in Progress
  - Conceptual Design & Cost Estimates
  - Environmental Assessment
  - Right-of-Way Studies
- Railroad Financing
- Separate Bridge - *Concept design for consideration*
- Decision Timing
- Finance/Design/Build RR Crossing
  - Separate Project of Alaska Railroad

ESTIMATED COSTS  
Millions of 1983 Dollars

DOES NOT  
INC. MILITARY  
RESEARCH  
COSTS.

	Downtown Project				Period	Elmendorf Project			
	Design	ROW	Constr.	Total		Design	ROW	Constr.	Total
Anchorage Connector	12.0	2.0	80.0	94.0	2000- 2001	2.1	1.0	14.3	17.3
<i>Bridge</i> Highway Crossing	18.4	1.0	530.3	549.7	1986- 1990	15.0	0.3	358.5	373.8
Mat-Su Connector <i>2/10 Viaduct</i>									
* Segment 1	1.3	0.0	24.5	25.8	1989-	1.3	0.0	24.5	25.8
* Segment 2	1.6	2.3	23.0	27.0	1990	1.6	2.3	23.0	27.0
Total	33.3	5.3	657.8	696.5	1986- 2001	20.0	3.6	420.3	443.9

Note: Does not include cost of strengthening bridge for Alaska Railroad (\$50 to \$100 million).

FINANCING ALTERNATIVES

- Connectors
  - 90% Federal
  - 10% State
  
- Crossing
  - Toll Revenue Bonds
  - Private Venture
  - Land Sales
  - Local Improvement District
  - State Appropriation
  - Combination

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: CSHB 661  
 Title: DOT&PF Toll Facilities  
Financing Bill  
 Sponsor: Office of the Governor  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: \_\_\_\_\_  
 Program Category Affected: \_\_\_\_\_  
Transportation  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Major Projects Management

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		0 (1)*				
<b>CAPITAL</b>		0 (2)*				
<b>REVENUE</b>		0 (3)*				

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS		0 (4)*				
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME		0 (5)*				
PART-TIME						
TEMPORARY						

\*See attached notes

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

Costs of issuing revenue bonds will be recovered in the bond sale and liquidated from project revenues. There is, therefore, no fiscal impact from the bill. Fiscal impacts from specific projects will be considered if and when legislation is introduced to contribute capital or operating funds to the projects.

**ANALYSIS:** Attach a separate page for analysis

Prepared By: John B. Olson *Johnson* Phone: 266-1447  
 Division: Major Projects Management Date: March 29, 1984  
 Approved by Commissioner: *Don Malick* Date: 3/29/84  
 Agency: DOT&PF R. J. Knapp

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

March 29, 1984

FISCAL NOTE BACKUP

TOLL FACILITIES FINANCING

(CS HB 661)

- (1) The bill will allow DOT&PF to sell revenue bonds to finance toll producing transportation facilities. The first project to be financed will be the Knik Arm Crossing near Anchorage. Costs associated with the bond issues will be recovered with the issue and paid from revenues. Operating and other costs will also be paid from toll revenues. As a result, no net operating costs will accrue from the bill. Any legislated contributions to operating costs for specific facilities, (such as Knik Arm Crossing) would be the subject of separate legislation and the fiscal impact would be considered with such legislation.
- (2) The bill seeks to construct capital facilities through the sale of revenue bonds. Any legislated contributions to capital, if required, would be the subject of separate legislation and the fiscal impact would be considered with such legislation.
- (3) Facilities constructed under the bill will be revenue producing. The revenues will contribute to capital and operating costs as explained in notes (1) and (2) above.
- (4) Federal Fund eligibility will be determined on a project by project basis.
- (5) Employee costs and positions arising from facility operation will be paid from project revenues.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

April 4, 1984

MEMORANDUM

TO: Representative Bette Cato  
Attention: Rhonda Cargill

FROM: David Teal *Teal*  
Legislative Analyst

RE: HB 661-Knik Arm Crossing  
Research Request 84-080

You requested a brief analysis of HB 661, which authorizes the construction of the Knik Arm crossing. We offer the following comments on the draft committee substitute dated March 15, 1984.

Explanation of HB 661

The bill is a framework for the sale of revenue bonds for the purpose of constructing, acquiring, equipping and maintaining toll facilities such as bridges and highways. The emphasis (in the bill title) on the Knik Arm crossing is therefore somewhat misleading; the bill authorizes the sale of bonds for any toll facility "found to be necessary by the commissioner of transportation and public facilities." Note, however, that Sec. 37.15.730 specifies that the Knik Arm crossing will be the first toll facility to be constructed under the proposed law.<sup>1</sup>

As you may know, the State issues three types of bonds. Each of the three types is briefly described below.

General Obligation Bonds (G.O. Bonds) are backed by the full faith, credit and resources of the State. This means that annual debt

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<sup>1</sup>The present language specifies that the Knik Arm crossing is to be the first toll facility constructed with the proceeds of the revenue bonds authorized by HB 661. The language does not preclude use of the construction fund for other means of acquiring toll facilities or for converting existing state roads, highways, bridges, causeways or crossings to toll facilities. Once a facility is designated as a toll facility, the tolls can be used to pay the cost of operating, maintaining, renewing, replacing and repairing the facility.

service requirements (that is, payment of both principal and interest) have the first claim on all revenues of the State. General Obligation Bonds must be authorized by legislation for capital improvements and be ratified by the voters of the state.

International Airport Revenue Bonds are special obligations of the State. They are payable from and secured by a first lien on gross operating revenues derived from operations of the Anchorage and Fairbanks International Airports. The resolution authorizing sale of the airport bonds requires that rentals, fees and other airport charges be set at a level sufficient to provide annual net revenues at least 30 percent higher than annual debt service requirements. In practice, the net revenue of the airports has been more than five times the amount required for debt service.

Agency Bonds are issued by a number of agencies that have a legal existence independent of the State. The Alaska Housing Finance Corporation is responsible for about 90 percent of bonded debt held by State agencies. Like revenue bonds, agency debt is self-liquidating. That is, principal and interest are payable from earnings derived from user charges.

HB 661 is nearly identical to current statutes related to revenue bonds for international airports (AS 37.15.410-.550). The maximum amount of airport bonds which can be sold is \$62.8 million and the amount of airport revenue bonds outstanding on June 30, 1983 was \$17.4 million. Similarly, the authorization to issue \$500 million in revenue bonds for toll facilities does not mean that the entire amount will be sold and certainly does not imply that the entire amount would be used to construct the Knik Arm crossing.

#### Analysis of the Knik Arm Crossing

The following analysis of the Knik Arm crossing is based on information contained in a feasibility study of the project.<sup>2</sup> The analysis is highly simplified and is intended to emphasize issues and options rather than to project actual circumstances. The attached tables were prepared by the agency to aid the analysis. Table A shows projected revenues and debt service in a "no inflation" scenario. Table B assumes that tolls increase by five percent per year to offset inflation. The columns in the tables are discussed below.

---

<sup>2</sup>Knik Arm Crossing: Economic Feasibility, prepared for the Alaska Department of Transportation and Public Facilities by EMPS-Sverdrup, April 15, 1983.

- Crossings are based on the projections in the feasibility study. Note that the expected traffic in the first year of operation is equivalent to one vehicle every four seconds throughout the year. Projected traffic nearly doubles by 2031. Although these figures appear somewhat optimistic, I have no suggested alternative projections. Optimistic traffic counts will overstate revenue from tolls.
- Revenue is computed by multiplying annual traffic by the amount of the toll. Table A is a "no inflation" scenario and assumes that tolls remain at \$2 per crossing throughout the life of the project. Table B shows higher revenues because tolls are assumed to increase by five percent per year, which is the rate of inflation used in the feasibility study.
- Debt Service is based on the following assumptions:
  - 1) Bonds are sold to finance only the crossing itself; the approaches and other requirements of the project are assumed to receive funding from other sources.
  - 2) The crossing is expected to cost \$334.6 million, which is about 65 percent of the total cost of the project. All costs are in 1983 dollars.
  - 3) The bonds have a maturity of 20 years and carry an interest rate of 10.5 percent. Debt service is based on standard amortization schedules. If the bonds were sold at a lower interest rate, annual and total debt service costs would be lower. If the maturity were extended, annual debt service would be lower but total interest costs would be higher.
  - 4) The total amount of bonds sold to finance the crossing is 15 percent above the anticipated cost of the crossing. The 15 percent cushion is typical of revenue bond sales. The excess is used to cover the costs of the bond issue and to set up reserve accounts.
  - 5) The bonds are sold as required to meet the construction cost schedule on page III-5 of the feasibility study. Although this schedule of sales is unlikely to occur--interim financing is often used while a project is under construction and bonds are often sold as a large issue after a project is completed--it is used because it provides an approximation of interim financing requirements.

- Debt Service - Revenue is self-explanatory. The figures would change if either debt service or revenues were altered.
- Cumulative Cash Shortage is the cumulative amount by which debt service exceeds anticipated revenue from tolls. The amount does not include the costs of operating or maintaining the project.

The analysis shows that expected revenues from tolls exceeds cumulative debt service by the year 2030. However, there is a cash shortage throughout the life of the 20-year bond issue. Three options to cover the cash shortages are discussed below.

- The debt service can be capitalized, which means that more bonds are sold than are required to construct the crossing. The proceeds of the "excess bond" sale are then used to pay the difference between toll revenues and debt service on the bond package. If the revenue bonds are a tax free issue, the interest cost of the bonds is likely to be less than the interest that can be earned by investing the bond proceeds. Investing money at a higher interest rate than the cost of funds is called "arbitrage" and is generally discouraged by the Internal Revenue Service. In addition, bond purchasers might be wary of an issue which required capitalization of large portions of total debt service costs. Capitalization of interest could increase the interest rate on the bond issue, thereby raising the total cost of the project.
- The legislature could annually appropriate funds to pay debt service costs that exceeded annual revenue from the crossing. This situation would not be attractive to potential bond purchasers, especially because one legislature cannot bind future legislatures to a course of action.
- The bond issue could be reduced so that only a portion of the cost of the crossing is borrowed in the bond market. This would mean that all costs in excess of the bond proceeds would have to come from another source. The proposed Major Projects Fund is one potential source of funds for the crossing. Under current law, the capital budget is the most likely source of the funds necessary to reduce the level of bonding required to construct the crossing.

A reduced bond issue is the most likely scenario. John Olson, director of major projects for the Department of Transportation, expects that borrowing would be limited to about \$200 million for a downtown crossing and to no more than \$125 million if the access is through the Elmendorf Air Force Base. Debt service on a \$200 million bond issue would be about \$24 million per year under the assumptions listed earlier in this

Representative Cato

April 4, 1984

Page 5

memorandum. Debt service on \$125 million would be about \$15 million per year. The Department of Transportation expects toll revenues from the Elmendorf crossing to be sufficient to pay the debt service costs of a \$125 million bond issue.

\* \* \*

If you have questions on the material in this memorandum or would like us to provide additional information, please call the agency.

DT

Attachments

**TABLE A**  
**ANALYSIS OF THE KNIK ARM CROSSING**  
(DOLLARS ARE IN MILLIONS)

YEAR	CROSSINGS	REVENUE*	DEBT SERVICE	DEBT SERVICE CUMULATIVE	
				- REVENUE	CASH SHORTAGE
1985	0	\$ 0.00	\$ 0.43	\$ 0.43	\$ 0.43
1986	0	0.00	13.51	13.51	13.94
1987	0	0.00	27.54	27.54	41.48
1988	0	0.00	38.17	38.17	79.65
1989	0	0.00	46.75	46.75	126.40
1990	23,500	17.16	46.75	29.60	156.00
1991	23,895	17.44	46.75	29.31	185.30
1992	24,297	17.74	46.75	29.01	214.31
1993	24,706	18.04	46.75	28.71	243.03
1994	25,122	18.34	46.75	28.41	271.44
1995	25,544	18.65	46.75	28.10	299.54
1996	25,974	18.96	46.75	27.79	327.33
1997	26,411	19.28	46.75	27.47	354.80
1998	26,855	19.60	46.75	27.15	381.95
1999	27,307	19.93	46.75	26.82	408.76
2000	27,766	20.27	46.75	26.48	435.24
2001	28,233	20.61	46.75	26.14	461.38
2002	28,708	20.96	46.75	25.79	487.18
2003	29,191	21.31	46.75	25.44	512.62
2004	29,682	21.67	46.75	25.08	537.70
2005	30,182	22.03	46.32	24.29	561.99
2006	30,689	22.40	33.24	10.84	572.82
2007	31,206	22.78	19.21	-3.57	569.25
2008	31,730	23.16	8.58	-14.58	554.67
2009	32,264	23.55	0.00	-23.55	531.12
2010	32,807	23.95	0.00	-23.95	507.17
2011	33,359	24.35	0.00	-24.35	482.82
2012	33,920	24.76	0.00	-24.76	458.05
2013	34,491	25.18	0.00	-25.18	432.88
2014	35,071	25.60	0.00	-25.60	407.28
2015	35,661	26.03	0.00	-26.03	381.24
2016	36,261	26.47	0.00	-26.47	354.77
2017	36,871	26.92	0.00	-26.92	327.86
2018	37,491	27.37	0.00	-27.37	300.49
2019	38,122	27.83	0.00	-27.83	272.66
2020	38,763	28.30	0.00	-28.30	244.36
2021	39,415	28.77	0.00	-28.77	215.59
2022	40,078	29.26	0.00	-29.26	186.33
2023	40,752	29.75	0.00	-29.75	156.58
2024	41,438	30.25	0.00	-30.25	126.33
2025	42,135	30.76	0.00	-30.76	95.58
2026	42,844	31.29	0.00	-31.29	64.30
2027	43,564	31.80	0.00	-31.80	32.50
2028	44,297	32.34	0.00	-32.34	0.16
2029	45,042	32.88	0.00	-32.88	-32.72
2030	45,800	33.43	0.00	-33.43	-66.15

\* assumes 0.0% per year inflation

**TABLE B**  
**ANALYSIS OF THE KNIK ARM CROSSING**  
(DOLLARS ARE IN MILLIONS)

YEAR	CROSSINGS	REVENUE*	DEBT SERVICE	DEBT SERVICE CUMULATIVE	
				- REVENUE	CASH SHORTAGE
1985	0	\$ 0.00	\$ 0.43	\$ 0.43	\$ 0.43
1986	0	0.00	13.51	13.51	13.94
1987	0	0.00	27.54	27.54	41.48
1988	0	0.00	38.17	38.17	79.65
1989	0	0.00	46.75	46.75	126.40
1990	23,500	17.16	46.75	29.60	156.00
1991	23,895	18.32	46.75	28.43	184.43
1992	24,297	19.56	46.75	27.19	211.62
1993	24,706	20.88	46.75	25.87	237.50
1994	25,122	22.29	46.75	24.46	261.96
1995	25,544	23.80	46.75	22.95	284.91
1996	25,974	25.41	46.75	21.34	306.25
1997	26,411	27.13	46.75	19.62	325.87
1998	26,855	28.96	46.75	17.79	343.65
1999	27,307	30.92	46.75	15.83	359.48
2000	27,766	33.02	46.75	13.73	373.21
2001	28,233	35.25	46.75	11.50	384.71
2002	28,708	37.64	46.75	9.11	393.83
2003	29,191	40.18	46.75	6.57	400.39
2004	29,682	42.90	46.75	3.85	404.24
2005	30,182	45.80	46.32	0.52	404.76
2006	30,689	48.90	33.24	-15.66	389.10
2007	31,206	52.21	19.21	-33.00	356.09
2008	31,730	55.75	8.58	-47.17	308.93
2009	32,264	59.52	0.00	-59.52	249.41
2010	32,807	63.54	0.00	-63.54	185.87
2011	33,359	67.84	0.00	-67.84	118.02
2012	33,920	72.43	0.00	-72.43	45.59
2013	34,491	77.34	0.00	-77.34	-31.75
2014	35,071	82.57	0.00	-82.57	-114.31
2015	35,661	88.15	0.00	-88.15	-202.47
2016	36,261	94.12	0.00	-94.12	-296.59
2017	36,871	100.49	0.00	-100.49	-397.08
2018	37,491	107.29	0.00	-107.29	-504.36
2019	38,122	114.55	0.00	-114.55	-618.91
2020	38,763	122.30	0.00	-122.30	-741.21
2021	39,415	130.57	0.00	-130.57	-871.78
2022	40,078	139.41	0.00	-139.41	-1,011.19
2023	40,752	148.84	0.00	-148.84	-1,160.03
2024	41,438	158.91	0.00	-158.91	-1,318.94
2025	42,135	169.66	0.00	-169.66	-1,488.60
2026	42,844	181.14	0.00	-181.14	-1,669.74
2027	43,564	193.40	0.00	-193.40	-1,863.14
2028	44,297	206.49	0.00	-206.49	-2,069.63
2029	45,042	220.46	0.00	-220.46	-2,290.08
2030	45,800	235.37	0.00	-235.37	-2,525.46

\* assumes 5.0% per year inflation

For Representative Hayes

Regarding CSHB 661...authorizing construction of Knik Arm Crossing and relating to acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority.

The language in the bill specifies that the Knik Arm Crossing is to be the first toll facility constructed with the proceeds of revenue bonds authorized. How does it preclude use of construction fund for other means of acquiring toll facilities or converting existing state roads, highways, bridges, causeways or crossings to toll facilities?

Does the language in this bill restrict the use of money for special projects or is the money discretionary?

If not restricted, what language could be used to do so?

We have been told that CSHB 661 is based on the international airport revenue bonds but the difference we wonder about is:

The maximum amount of airport bonds that can be sold is \$62.8 million; the resolution authorizing the sale of airport bonds requires rentals, fees and other airport charges be set at a level sufficient to provide annual net revenues at least 30 percent higher than annual debt service requirements.

CSHB 661 authorizes sell of \$500 million in revenue bonds and does not imply that the entire amount will be sold or would be used to construct the Knik Arm crossing.

Thus, the question being that what happens if there is a cash shortage throughout the life of the 20 year bond issue, which option will be taken to cover these cash shortages?

~~ROUGH~~  
~~ROUGH~~  
~~DRAFT~~

- Anchorage Caucus - Knik Arm Crossing Presentation by John Olsen, LOT

Started off with a historical chronology and small amount of philosophy.

1972 study made of Knik Arm Crossing and proposed a bridge crossing that would cost about \$120 million. It pays to remember that when start to talk about the other numbers that are bigger today, but in 1972, \$120 million was a very, very large figure as the numbers are still today.

1984 is much of a narrower focused picture showing Anchorage with its current state of development. If you look and compare here, you will see that the Chugach Mountains on the East, the military reservation, reserved blocks of lands at the airport and other locations of the town, and what we know to be the zoning practices within various areas of the city, shows the city to be very nearly full.

- A planning municipality study, shows that within 3 years, 3000 acres of available land is diminished to about 300 or 400. So the northeast quadrant of the city is growing very rapidly, as we know other areas of the city to be growing.

From there we can see that there is alot to be said for the quality of life in Anchorage, as we grow, from the 1972 population to the now doubled from \$120-130 to \$250. In another 10 years, about the time the Knik Arm Crossing is going to be in use, we can see another 50% growth, about 380,000 people. That's a rather large land use imposed on the land everyone is already near full. So quality of life in Anchorage will be enhanced ...Knik Arm Crossing.

The Mat-Su Borough would also anticipate a ...they have their own interest and we're working with them to incorporate them in our studies.

Referred to map and pointed out that from Sheep's Creek Channel down to Tudor and out to Lake Otis, you can see the enormous amount of land that's available on the Mat-Su side of the Knik Arm. Too recognize the central business district proximity to this new land and consider the type of development that would be occurring just on the other side - I believe it will be high value commercial development corresponding to the general population growth that's occurring in this town.

Last item of philosophy is you'll see in some of the right-of-way costs, engineering development cost that I'm showing you. Right-of-way costs now are very small. If we wait another 10 years alot of development will be developing, to put a bridge across at that time will still be expensive. (Remember in 1972 \$120; 1984 something over \$500 million, large numbers) The ROW costs and other ...costs of putting a project in would be quite high. Also if we wait there will, it takes along time to build a bridge like this, there will be continuous development, higher density in ANchorage, and I think that it would probably be harmful for the Anchorage area to wait for that high density and then sell, this area. It happened in an area I'm familiar with in L.A. the L.A. - Orange County shift was not good generally to L.A. It would have happened a little bit more orderly as I think the finding would indicate

here, both areas have probably been alot better off. So that essentially sets the stage for what I want to work my flip charts.

The Legislative assignment that DOT received was to develop a highway crossing of Knik Arm with Connections to the Parks and Glenn Highways. Realize that this assignment includes both a bridge and highway; we're looking at quite a large number of miles of connecting roads to make access to the bridge, to make a functional utility. So we're looking at both a highway and bridge project.

We are well within the State of the Arts from an engineering stand point for building a bridge, but it is a .... of the art we do have to develop a design criteria for which to base our design on. We're going to be using some federal monies for the approach roads and for other reasons, producing an environmental assessment and impact statement; right-of-way studies and alot of ROW to identify and move on so that it's obtained timely way for the bridge, we want to accelerate and move this schedule as fast as we can. We have done location, selection and preliminary design and cost estimates. This in summary is our scope of work.

We address the scope of work in two ways with our department own resources and with consultant resources. The department is handling the contract administration and planning; planning being the ... to integrate the bridge within the Mat-Su planning area and the Anchorage planning area for the road connections primarily and for other reasons. Surveys, ROW's, the other things that the, where the rubber meets the road on developing a major capital project like this. I'm the Director of the Major Projects Management Division, this provides a single point, accountability, responsibility, authority for the project, that is my job. I have a full time project manager who works with me to lead the in-house and consultant resources.

Consultants, there are a number of them, each with their own speciality and purpose. Working under our project manager and myself, is a Prime Project Manager from Sverdrup and Parcel who has responsibility for design development on the bridge; EMPS, Tryck, Nyman and Hayes have the approach road responsibility; DeLew, Cather, & Co. have responsibility for environmental and transportation planning; Bill Kent & Co., I'll be getting to this in a little awhile, is the financial planner, will be working up an implementation plan, that's very important for the Legislature in the first quarter of next year. We plan to bring that plan to you. Harding Lawson doing a lot of geotechnical work that will be completed this summer; and Biological work for the environmental studies and other reasons is Dames & Moore. A conventional day to day man power loading on the project will be about 25-30 people.

QUESTION: Were these contracts out for bidding?

ANSWER: Yes, they were

QUESTION: You referred earlier to legislative assignment, could you give us the reference in statutes I'd like to look up and read that assignment.

ANSWER: I don't have them, let me respond to you, I'll get back to you this afternoon with that.

We have a real good <sup>pluralistic</sup> (pluristic) decision development here. Many agencies influence the way this bridge is developed and its timing.

Some federal agencies, the state agencies, have if not the authority to kill the project, or not to give permits, some of them have that authority, many of them have a prerogative if they will to delay the project. It's our responsibility to try and keep with these agencies, and keep them moving on our schedule. We understand they have other work to do, but we try to like trying for them to accomplish their role, but we have a Steering Committee that has the most involved agencies, Municipality of Anchorage, Mat-Su Borough, Air Force, Army, Navy, Alaska Railroad participate on that Steering Committee. But I've only just written down a few of the acronyms for the various federal agencies that we are working with and the State agencies that appear also. Just by the number of people to keep communications open with when we need something from them, they know it and have time to respond.

We have completed several items of work, a coping required by the environmental process, also part of the public participation involvement process; an economic feasibility report that shows the project to be quite economic. Economically valuable project. Corridor Alternative Analysis, is a report that I believe all of you have sent a copy of a final corridor alternatives analysis and the alignments definition which narrowed the corridors down from, I'm sure you've seen this octopus drawing; we're looking at essentially one road corridor two bridge corridors and we have those alignments refined. I might point out to you on the strip map, is a part of the alignment that they did in Anchorage, it heads out towards your left over Knik Arm in the downtown crossing alignment....beginning at Sheep Creek ... and ending out at the other side. The second alignment which is the Elmendorf Crossing which would run through Elmendorf Air Force Base. (Referred to a different strip map)

The work we have underway is conception of the design with a bridge, an environment impact assessment statement will be out in late May, and that I guess is important for you people to know that we will be back to give you a presentation on that. Geotechnical Investigations this summer; we don't want to do geotechnical investigations too far in advance of the alignment selection because we want to drill these very expensive holes where we expect the bridge to be located, so those will be done this summer, it's an expensive activity. Implementation planning is what we want to bring back you next session for how to finance and carry forward this project. Right-of-Way Evaluation is in process and we have some preliminary reading on that. Bid Documents for the Crossing will be prepared and we'll be ready to go to the street by the time I'm back here next year.

The budget from our original appropriation is \$5.5 million. Our contracts with our consultant team is a total of about \$4.5 million and our balance in January was \$3 million. Balance in June will be about \$1.9 million and through the summer as we drill the holes and get into the first quarter of next year, all of those funds will be consumed because we will produce what we were assigned to produce in the form of (business? bidding?) documents.

This year there was a Senate appropriation of \$5 million for north and south approach roads and highway matching funds of \$5 million also for a north and south approach roads. I'm sure many of you understand the (distinct) difference between the authority that we receive and expend this appropriation so I won't draw that distinction, I'll try to answer questions.

QUESTION: Once that environmental impact statement is released, (late in May) will you come back to us and give us an accelerated road project plan? Expound on it?

ANSWER: Yes

QUESTION: What I'm trying to do is step up the ...What I'm asking, is how much of a time line do you give us that information?

ANSWER: Let me speak to the schedule of the ...and I'll show you what we have to accomplish before the first quarter of next year.

CROSSING ALTERNATIVES are the downtown and Elmendorf project, they include several components, we've broken them into forms because of the very large expense, so that we can schedule and program these expenses or to mitigate the one time chance for them.

(Referring to map) On the downtown project the Seward Connector, the downtown crossing is the bridge from the intersection at almost the water's edge, will be the bridge crossing itself would be defined to begin and runs up to the Spruce interchange on the Mat-Su side. Then segment one of the Mat-Su connector goes ...up to Pt. McKenzie access road. Segment 2 runs from that point up to the Parks Hwy, again to decree our legislative assignment. The Elmendorf project has a Glenn connector which connected with the Glenn Hwy. The crossing which the is the bridge itself and identically the same approach road on the Mat-Su side of the arm.

The environmental impact statement clauses requires that we consider some no crossing alternatives, a no-action option is fundamental, we have to have it in there. It would be essentially continue to construct AMATS, Mat-Su, and DOT plans without the bridge. The transit option would be couple ...which is we certainly .....and a little capital option which would be essential to expand the existing highways as they run around Knik Arm.

QUESTION: The chart shows highway crossing in 1986-1990, what is the highway crossing?

ANSWER: That's the bridge.

QUESTION: Then Anchorage connector 2000-2001, that's

ANSWER: That is east-west viaduct if you will that runs over the Seward Highway, and I'll explain why that is shown in that schedule.

Let me explain right now, we want to identify what is the minimum cost to get a bridge crossing, highway crossing across the Knik Arm. Then, because the first year utilization won't be its ultimate utilization, how long can we defer the connecting road costs until there are needed. I think the key thing to know, is that by 1991 when we open the bridge, we'll certainly not know a awful lot better, what the demand will be for that Seward connector and we want to identify that decision that can be deferred so that they don't overwhelm the project cost.

An important consideration that the bridge crossing is the Alaska Railroad. In the final corridor alternatives analysis report we gave to you indicated the downtown alignment could not receive the railroad crossing causes....that was incorrect. The ...will make that correction.

Both crossings can receive a rail in combination with the highway. It will cost \$50-100 million more to strengthen the bridge so that it would support a railroad crossing. That does not get you the crossing, that just gives you the bridge strong enough to install the railroad later on.

We are carrying along with this process, for the benefit of the legislature to make a determination, the conceptual design cost estimates, environmental assessment, right-of-way studies for a railroad crossing. The financing will be broken out. The concept of a separate bridge will be considered. I think that's because the points in decision timing. We are looking at the bridge or a rail crossing, maybe 15 years from now. \$50-100 million expense now for a bridge that might be used 15-20 years from now is a substantial commitment of funds. We want to make sure that that's identified and broken out and analyzed very carefully.

QUESTION: Could you clarify strengthening the rail? Is that a decision that has to be made now? Or can the design be such that we can add the strengthen components at any time. In other words we have to spend the \$100 million or whatever up-front? Or is that going to be the cost of the additional support which we can add 5 years from now or 10 years from now?

ANSWER: No, it's a decision that this is on the advise of our bridge engineers, it will have to be made when the bridge is released for bid. Consider for example that the bridge on the downtown alignment would probably run down the middle of the bridge. It would come up at a different grade from the highway approaches, more gradual slope and merge with the bridge, it needs to be in the middle, so the piers have to be set farther apart for the east and west traffic lane.

QUESTION: If I may then, when we make the financing plan we have to make that decision at that time with the finance; it's going to roll into the financing package at that time we'll have to make the railroad decision.

QUESTION: Could you provide us at a time that is convenient the cost of such a reinforcement now ....

ANSWER: Well, the railroad says gee we don't know, but we think 15-20 years from now is there input. We will know an awful lot more about the disposition of the railroad after this legislative session, conclusion of next year. We're working with the railroad to develop that. We want to bring to you much more facts than I can present right now. We're not completed with our work. We want to consider, because of the very large expense, the project as a separate project. It can be built with this project. We want to make sure that we identify not add without clarifying clearly to you that \$50-100 million more would be needed. We're going to show that on a different breakout.

QUESTION: There's been a lot of legislation that we've had before that is providing for revenue bonds. And if I understand my revenue bonds, being different from general obligation bonds where the voters must vote, revenue bonds is something we have to deal with as the legislature. If we deal with revenue bonds this legislature and we have your toll bridge concept how does this impact your timing. We may want to pass in this legislature our authority and our bonding mechanism which would put the finances with the financial mechanism into place to do the project. Do you feel that you're sufficiently coordinated with that timing mechanism?

ANSWER: Yes, as a matter of fact, on the CSHB 661, it'll be beneficial to have that legislation pass this session, cause in our implementation we would be dealing with a known mechanism. We're not present to the legislature which I think could be best described as a menu. We're going to make a recommendation, maybe one or two recommendations on how best to finance this. But, it would be very nice to have known to us that we can't have the authority to sell revenue bonds ... toll collection capability.

Let me talk to that financing plan just a minute. The downtown crossing to get the highway across the arm connected into a road system properly, about \$500 million; the Elmendorf is about \$375 million. The Elmendorf crossing, that includes relocating military facilities on Elmendorf (refer to strip map) there's a lot of different things we have to dodge. The military has a lot of secret missions, they're going to be coming back to us with what their relocation costs are, but it could be somewhat more; they could run this cost up considerably. But those are key numbers to keep in mind. About \$550 million for downtown, \$375 million for Elmendorf. That east-west viaduct is \$100 million, that's why we've broken it out separately; it's not essential to the bridge to get into operation and be useful for some time before this bill.

QUESTION: Is the military prepared to give up the ROW across the land? How are we protected against cost overrun? What's our protection, are you talking hard money contract?

ANSWER: The military is not at this time prepared to give that ROW up. They want to do a study, they have their ... consultant on board to do that. The cost overrun protection. Well, when we complete our study and have our bidding documents we will have a conservative cost estimate, our engineers will be preparing that for us. We should be taking a look at the potential for sensitivity in some of those costs. I think

the best encouragement you would have there is if we had an estimate, put it out to bid, the bids will come back, and that bid is a construction bid and there are always ...contingency money, but it should be very close to what we get back to the bid.

Very quickly, and this gets, and I could spend quite a bit of time with this, but again our menu, to the legislature would involve several potential mechanisms. The revenue bonds, private design built finance concept, maybe the sell of some resource to raise money, that's a possibility. Line the local improvement district or portion of the bridge, state appropriation, or combination of these and other mechanisms.

Important chart shows the benefit and cost as they crew to the project. Conservative estimate requires an investment from the State. Our toll revenues can essentially support a certain amount of borrowing. Federal funds are available for the connecting roads. This would speak to Senator Pestinger questions about why move these investments down later on, is essentially so we don't have just an enormous 3-5 year appropriation.

QUESTION: It looks to me like there's about 20,000 acres of land here that in all likelihood would be developed and I don't know if some of this is swamp (alot of it is pretty good) but 20,000 acres ...let's say that the depreciation in value of those 20,000 acres would pay the \$10,000 an acre would that be fair? Is the day the bridge..more than it is now.

ANSWER: (Ward) The day the bridge is done it worths \$10,000 more an acre, yes.

QUESTION: That's \$200 million in net increase of the value of that property.

ANSWER: (Ward) That is one of his planning scenarios that will be presented to the Legislature next year, the land acquisition into the base which the, under the International Airport bonding mechanism, they can accept the land injection or money injection. So that is one of the scenarios that should be coming back in the menu that he is speaking. Where we will not use money we will land which is the same as money, but it will have a land base such as maybe mental health or the U of A does it at present time.

Very quickly responding to that, keep in mind that alot of that land was in State ownership has been claimed by the Mat-Su Borough. The land status is owned by the Mat-Su borough, the value capture which is a term often used for that delta, value depreciation is also owned by Mat-Su because...the land. The State does own some land there, but not as much as you might think.

QUESTION: The ROW corridor that goes all the way up to Houston, that should have equal appreciation in...I'm sure there's alot of State land that's owned ...

ANSWER: That land is more of what we'll be looking at, we can't sell land the State doesn't own. But also, the real appreciation is remember the ....there is going to be on the land ...opposite the downtown development of Anchorage, I think we'll see a Twin City type development package and that will be very high value land. Much more.....

We have a number of activities that have to be completed and we can talk a little bit more in detail when I have a little more time about what those things are, but the conclusion is that we will need authority, probably funding from the Legislature and that's why we're targeting even though we're going to be done a little bit early. We're on schedule and we want to stay that way, but we want to work with the Legislature as we develop some of these ...the EIS, and various other things to be able to respond to questions, and this group is very important to that process, so that when we come back in the next legislative session, we will have some exchange of information, everybody will be reading off the same sheet of music, but we will then have a chance to communicate.

QUESTION: Last year the House passed a bill for the Knik Arm authority, and that was on the advise of the commissioner who said that, at least to the... the department felt no legislation...this has changed now.

ANSWER: The bill CSHB 661 would be our recommendation that that be passed, give DOT the authority to ...and use those tolls to make principal interest payments on revenue bonds.

QUESTION: So it's not the ..concept....

Ward: Speak towards HB 294 and HB 295 which passed the House. Last year speaking to Commissioner Casey and the House felt that we wanted to take this project out of the Department of Transportation and Public Facilities planning and put it into an authority. This apparently was too the Governor came and lobbies along with the Commissioner saying that they did not need legislation to build the Knik Arm Crossing, so these two bills sponsored by Speaker Hayes died in the Senate, or are still in the Senate.

House Bill 661 was introduced this year at the request of the Governor and by Mr. Olsen who has gone through and found that there does need to be some legislation, you can't build large things without the legislature approving them. We found a small oversight on HB 661 and we've corrected that a put a CS in and so that they forgot to put the word Knik Arm in there, that was an oversight and that has been taken care of. So the CS now reflects....I told the Governor about the oversight and he looked very astonished that it had fallen out through the cracks like that, so here I am carrying his water once again...it is in there now it's in the CS and it was an oversight and incidentally there is no objection from the Department of Transportation and Public Facilities for it being place in there. They wanted a framework one and we, some of the people involved, that there could be a misunderstanding since the Gastineau Channel wanted a bridge too, we wanted to be sure that Knik got first, so that's why the CS reads the way it is.

Asked for Sub-committee for purpose of adopting a resolution to support the KNik Arm crossing for next week's agenda.

Made motion that form a subcommittee for the purpose of creating a resolution from the Anchorage Caucus for supporting the KNik ARM Crossing in conjunction with the legislation that's before us now as supporting the project.

Brief discussion

Sub-Committee Members: Representatives Lindauer, Liska, Ward; Senators Pettyjohn, Josephs, Halford

QUESTION: I don't quite understand, we have two concepts here the downtown bridge and an Elmendorf bridge, it appears to me the DOT feels the Elmendorf crossing is the best way to go. Has that decision been made.

ANSWER: I think the key to note is they're very different projects in the way that they approach Anchorage ...

QUESTION: But the decision has not yet been made.

ANSWER: We are carrying both alternative to the environmental impact statement process, the decision is made after that.

QUESTION: The downtown crossing requires no military lands ROW?

ANSWER: Yes,

Further questions/answers couldn't understand as several people talking at once.

We can not, we don't have enough information to eliminate the Elmendorf Crossing.....we have (not) completed our studies for official rule on that....

Bussell: ...haven't spoken about the enterprise fund or this inclusion of land into the fund, the enterprise fund as you know holds the Anchorage Airport as well as the Fairbanks Airport and a great deal of State land is involved in that enterprise fund. When they talk about adding land to the crossing fund, the thoughts were that that fund could be expanded and possibly renamed to include the crossing authority. By adding additional land to the enterprise, it then would be able to collect its own fees and tariffs much as the, same way the International Airport does right now. In conjunction with those other two sources, would become a viable source to sell its own bonds and build its own bridge and collect possibly its own accesses. Those of you who have talked to Mr. Olsen, incidentally, I'm awfully glad that MR. Olsen's on board, it's the first indication that I've had that the Dept. of Hwys is serious and it's going to respond to the legislature in building this bridge. Up until the time he came, I absolutely believe that all we got was rhetoric and run around at the continued expense for nothing. And I am very happy to see him here.

I think the enterprise fund, even though the DOT doesn't think its worth considering, I think it is definitely worth considering and probably the most viable way of getting that bridge built and having it control its own destiny and getting it done on time.

Brief thank yous, end of meeting.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

MAJOR PROJECTS MANAGEMENT

CENTRAL REGION

APR 23 1984  
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(TELEX 25-185)

(907) 266-1448

April 20, 1984

Re: CSHB 661 - April 12, 1984 Inquiry  
From Representative Bette Cato,  
House Transportation Committee

Honorable Joe Hayes  
Speaker of the House  
Pouch V  
State Capitol  
Juneau, Alaska 99811

Dear Representative Hayes:

In response to a request from Mr. Neil Phelps-Munson of your office, following are answers to questions raised in an April 12, 1984 letter from Representative Betty Cato on CSHB 661.

QUESTION - "The language in the bill specifies that the Knik Arm Crossing is to be the first toll facility constructed with the proceeds of revenue bonds authorized. How does it preclude use of construction fund for other means of acquiring toll facilities or converting existing State roads, highways, bridges, causeways or crossings to toll facilities."

ANSWER - There are three forms of protection against abuses of borrowing authority created by CSHB 661.

1. State Constitution - The constitution allows funds to be created (such as the construction fund, revenue fund and bond redemption funds in CSHB 661) to collect moneys associated with revenue bond payments. The constitution will not allow DOT&PF to charge tolls on a facility and pledge those funds to another facility. If DOT&PF collects tolls on any project for which revenue bonds have not been sold the money would go directly to the general fund. In fact, after the revenue bonds for the Knik Arm Crossing (or any other facility) are paid off, toll revenues will flow to the general fund.
2. Bond market requirements - The bond resolution and other representations associated with selling revenue bonds will assure bond buyers that funds obtained from the bond sale will only be used for the project identified in the offering. No way could any proceeds of a bond sale be used for another project. The "bond test" is probably the best assurance of realistic revenue forecasting and appropriate fund utilization that can be offered to the legislature.

3. Revenue constraints - Toll bridge or highway projects in Alaska characteristically have traffic volumes that are too low to recover even a portion of capital costs from toll revenues. At present the Knik Arm Crossing is the only project we can identify that can generate toll revenues sufficiently in excess of operation and maintenance costs to warrant sale of toll revenue bonds. Even so, action from the legislature will be needed next year to implement the project. We can foresee no Alaska bridge or highway project that will be so lucrative in toll revenue that the DOT&PF would be able to implement the project without discretionary review and support from the legislature.

QUESTION - "Does the language in this bill restrict the use of money for special projects or is the money discretionary? If not restricted, what language could be used to do so?"

ANSWER - The bill allows the sale of revenue bonds first for the Knik Arm Crossing, and then for other projects that can produce toll revenues sufficient to make debt service payments. There is no discretion to use the revenue bond money for anything but toll bridges and highways for which revenue bonds have been sold. Language in the CSHB 661, combined with the State constitution, bond market requirements, and revenue constraints for toll bridges and highways (as discussed above) are adequate restrictions to assure the legislature that the bill will be used in the manner intended by the legislature.

QUESTION - "We have been told that CSHB 661 is based on the international airport revenue bonds but the difference we wonder about is:

The maximum amount of airport bonds that can be sold is \$62.8 million; the resolution authorizing the sale of airport bonds requires rentals, fees and other airport charges be set at a level sufficient to provide annual net revenues at least 30 percent higher than annual debt service requirements."

ANSWER - The bond market will require a revenue-to-debt service ratio of 1.2 to 1.5. Rather than fix this ratio in law, we would prefer to establish the ratio as a bond covenant in the offering along with other variables such as revenue forecast, debt retirement schedule, term of bonds, and reserve amounts. In other words, the revenue-to-debt service ratio should be set at the time of sale as part of the marketing mix offered to bond buyers.

QUESTION - "CSHB 661 authorizes sell of \$500 million in revenue bonds and does not imply that the entire amount will be sold or would be used to construct the Knik Arm Crossing."

ANSWER - That is correct. At the present time it appears the project will support about \$200 million in revenue bond borrowing. If interest rates are lower at the time of the sale we could borrow more. The balance of bond

authority remaining after the bond sale for the Knik Arm Crossing would be available for other projects under the framework legislation concept. Again, the authority to sell bonds for other projects will only be used if the project withstands a bond test, which means it must demonstrate sufficient toll revenues to repay the bonds.

The legislature is definitely not offering carte blanche to other toll bridge and highway projects. The legislature will continue to have funding discretion over every project even before it goes to a bond test. At the risk of being repetitious, this is primarily because toll bridges and highways in this State will not produce sufficient revenues to fully repay capital costs over annual operation and maintenance.

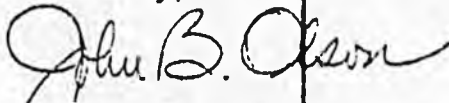
QUESTION - "Thus, the question being that what happens if there is a cash shortage throughout the life of the 20 year bond issue, which option will be taken to cover these cash shortages?"

ANSWER - As mentioned earlier, revenues will be programmed to exceed debt service by 20 to 50 percent. There will also be a reserve fund to hold a percentage of bond proceeds to pay debt service. If, however, revenue shortages begin to materialize, DOT&PF could act to increase revenues by toll enhancement (i.e. encourage additional user volume; raise tolls). If these precautions and remedies fail it would be necessary to seek state aid to avoid a default. The bonds are not a general obligation of the State so the legislature could decline to give aid. Not aiding a state bonded project would, of course, have an adverse effect on other state bond issues. The tendency for a state to "rescue" lenders from default on state bonds is often referred to as a "moral obligation" that attaches to all bond issues in the state. Revenue bonds issued by State authorities typically prescribe a procedure whereby the legislature will be notified of an impending shortage, in time for action to be taken. Adding this procedure serves to improve the bond rating.

Realize that there is considerable conservatism in a revenue bond issue to avoid the need for a rescue effort by the legislature. Bond holders demand this conservatism which also works to protect the state from failing revenue bonded facilities.

If you have further questions, please let me know.

Sincerely,



John B. Olson  
Director

Major Projects Management

csb

cc: Ray Gillispie, Legislative Ass't, Office of the Governor  
Paula Ramsey, Budget Analyst/Legislative Liaison, Statewide Programs

APR 12 1984

# Alaska State Legislature



## House of Representatives

### Committee on Transportation

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4858

Rep. Bette Cato, Chairman

TO: REPRESENTATIVE JOE HAYES  
SPEAKER OF THE HOUSE

FROM: Representative Bette Cato  
Chairman, House Transportation Committee

RE: CSHB 661

The language in the bill specifies that the Knik Arm Crossing is to be the first toll facility constructed with the proceeds of revenue bonds authorized. How does it preclude use of construction fund for other means of acquiring toll facilities or converting existing state roads, highways, bridges, causeways or crossings to toll facilities?

Does the language in this bill restrict the use of money for special projects or is the money discretionary?

If not restricted, what language could be used to do so?

We have been told that CSHB 661 is based on the international airport revenue bonds but the difference we wonder about is:

The maximum amount of airport bonds that can be sold is \$62.8 million; the resolution authorizing the sale of airport bonds requires rentals, fees and other airport charges be set at a level sufficient to provide annual net revenues at least 30 percent higher than annual debt service requirements.

CSHB 661 authorizes sell of \$500 million in revenue bonds and does not imply that the entire amount will be sold or would be used to construct the Knik Arm crossing.

Thus, the question being that what happens if there is a cash shortage throughout the life of the 20 year bond issue, which option will be taken to cover these cash shortages?

*John,  
These may be legitimate concerns.  
If you can provide answers ASAP it  
will facilitate final passage. The CS  
you have in the extant version.  
Neil*

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

MAJOR PROJECTS MANAGEMENT

CENTRAL REGION

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APR 23 1984

April 20, 1984

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House Transportation Committee

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Speaker of the House  
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QUESTION - "The language in the bill specifies that the Knik Arm Crossing is to be the first toll facility constructed with the proceeds of revenue bonds authorized. How does it preclude use of construction fund for other means of acquiring toll facilities or converting existing State roads, highways, bridges, causeways or crossings to toll facilities."

ANSWER - There are three forms of protection against abuses of borrowing authority created by CSHB 661.

1. State Constitution - The constitution allows funds to be created (such as the construction fund, revenue fund and bond redemption funds in CSHB 661) to collect moneys associated with revenue bond payments. The constitution will not allow DOT&PF to charge tolls on a facility and pledge those funds to another facility. If DOT&PF collects tolls on any project for which revenue bonds have not been sold the money would go directly to the general fund. In fact, after the revenue bonds for the Knik Arm Crossing (or any other facility) are paid off, toll revenues will flow to the general fund.
2. Bond market requirements - The bond resolution and other representations associated with selling revenue bonds will assure bond buyers that funds obtained from the bond sale will only be used for the project identified in the offering. No way could any proceeds of a bond sale be used for another project. The "bond test" is probably the best assurance of realistic revenue forecasting and appropriate fund utilization that can be offered to the legislature.

3. Revenue constraints - Toll bridge or highway projects in Alaska characteristically have traffic volumes that are too low to recover even a portion of capital costs from toll revenues. At present the Knik Arm Crossing is the only project we can identify that can generate toll revenues sufficiently in excess of operation and maintenance costs to warrant sale of toll revenue bonds. Even so, action from the legislature will be needed next year to implement the project. We can foresee no Alaska bridge or highway project that will be so lucrative in toll revenue that the DOT&PF would be able to implement the project without discretionary review and support from the legislature.

QUESTION - "Does the language in this bill restrict the use of money for special projects or is the money discretionary? If not restricted, what language could be used to do so?"

ANSWER - The bill allows the sale of revenue bonds first for the Knik Arm Crossing, and then for other projects that can produce toll revenues sufficient to make debt service payments. There is no discretion to use the revenue bond money for anything but toll bridges and highways for which revenue bonds have been sold. Language in the CSHB 661, combined with the State constitution, bond market requirements, and revenue constraints for toll bridges and highways (as discussed above) are adequate restrictions to assure the legislature that the bill will be used in the manner intended by the legislature.

QUESTION - "We have been told that CSHB 661 is based on the international airport revenue bonds but the difference we wonder about is:

The maximum amount of airport bonds that can be sold is \$62.8 million; the resolution authorizing the sale of airport bonds requires rentals, fees and other airport charges be set at a level sufficient to provide annual net revenues at least 30 percent higher than annual debt service requirements."

ANSWER - The bond market will require a revenue-to-debt service ratio of 1.2 to 1.5. Rather than fix this ratio in law, we would prefer to establish the ratio as a bond covenant in the offering along with other variables such as revenue forecast, debt retirement schedule, term of bonds, and reserve amounts. In other words, the revenue-to-debt service ratio should be set at the time of sale as part of the marketing mix offered to bond buyers.

QUESTION - "CSHB 661 authorizes sell of \$500 million in revenue bonds and does not imply that the entire amount will be sold or would be used to construct the Knik Arm Crossing."

ANSWER - That is correct. At the present time it appears the project will support about \$200 million in revenue bond borrowing. If interest rates are lower at the time of the sale we could borrow more. The balance of bond

April 20, 1984

authority remaining after the bond sale for the Knik Arm Crossing would be available for other projects under the framework legislation concept. Again, the authority to sell bonds for other projects will only be used if the project withstands a bond test, which means it must demonstrate sufficient toll revenues to repay the bonds.

The legislature is definitely not offering carte blanche to other toll bridge and highway projects. The legislature will continue to have funding discretion over every project even before it goes to a bond test. At the risk of being repetitious, this is primarily because toll bridges and highways in this State will not produce sufficient revenues to fully repay capital costs over annual operation and maintenance.

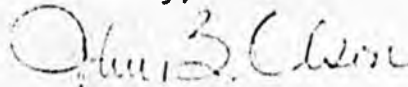
QUESTION - "Thus, the question being that what happens if there is a cash shortage throughout the life of the 20 year bond issue, which option will be taken to cover these cash shortages?"

ANSWER - As mentioned earlier, revenues will be programmed to exceed debt service by 20 to 50 percent. There will also be a reserve fund to hold a percentage of bond proceeds to pay debt service. If, however, revenue shortages begin to materialize, DOT&PF could act to increase revenues by toll enhancement (i.e. encourage additional user volume; raise tolls). If these precautions and remedies fail it would be necessary to seek state aid to avoid a default. The bonds are not a general obligation of the State so the legislature could decline to give aid. Not aiding a state bonded project would, of course, have an adverse effect on other state bond issues. The tendency for a state to "rescue" lenders from default on state bonds is often referred to as a "moral obligation" that attaches to all bond issues in the state. Revenue bonds issued by State authorities typically prescribe a procedure whereby the legislature will be notified of an impending shortage, in time for action to be taken. Adding this procedure serves to improve the bond rating.

Realize that there is considerable conservatism in a revenue bond issue to avoid the need for a rescue effort by the legislature. Bond holders demand this conservatism which also works to protect the state from failing revenue bonded facilities.

If you have further questions, please let me know.

Sincerely,



John B. Olson  
Director  
Major Projects Management

csb

cc: Ray Gillispie, Legislative Ass't, Office of the Governor  
Paula Ramsey, Budget Analyst/Legislative Liaison, Statewide Programs

H B

295

# Alaska State Legislature



SENATOR  
H. PAPPY MOSS  
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## State Senate

### SENATE TRANSPORTATION COMMITTEE SCHEDULE

For the Week of

June 20 - 26, 1983

<u>DATE</u>	<u>TIME</u>	<u>CALENDAR</u>
Thursday, June 23rd	1:30 - 3:00 p.m.	CSHB 295 (Fin)

CSHB 295 (Fin) "An Act making special appropriations to the Alaska Toll Bridge And Causeway Authority for the design of Knik Arm crossing and for the operating expenses of the Authority; and providing for an effective date."

Meeting will be held in the Butrovich Room, Capitol.

Bill Sheffield, Governor

DEPARTMENT OF TRANSPORTATION  
and PUBLIC FACILITIES

DEPUTY COMMISSIONER

4111 AVIATION AVENUE, POUCH 6900  
ANCHORAGE 99502 (TELEX 25-185)  
PHONE: 266-1440

May 3, 1983

The Honorable Bette Cato  
Representative  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

MAY 11 1983

Dear Representative Cato:

The following analysis gives a breakdown of the costs associated with the Knik Arm Crossing project. The Department anticipates that all of appropriated funds (\$5.5 million) will be required to complete the project. The amount of funding actually spent or from the project account as of March 23, 1983 was \$931,445.

	<u>Total</u>	<u>Item Allocation</u>	<u>Amount spent as of 3/23/81</u>
Amount Appropriated	\$5,500,000		
Funding Allocation	\$5,500,000		
1. Overhead, RSA & Contingency	\$ 600,000		
a) DOT&PF Overhead		\$ 86,575	\$ 86,575
b) RSA with University of Alaska for Geotechnical Analysis		70,000	-0-
c) Contingency		443,425	-0-
Sub-Total	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 86,575</u>
2. Design & Construction Division			
Authorization	\$4,900,000		
a) Consultant Work Plan		\$ 30,000	\$ 30,000
b) Consultant Contract for EIS and Preliminary Design (thru Invoice #5)		4,200,000	330,763
c) Department Personnel, Expenses and Other Contracts		670,000	484,107*
Sub-Total	<u>\$4,900,000</u>	<u>\$4,900,000</u>	<u>\$844,870</u>
Total	<u>\$5,500,000</u>	<u>\$5,500,000</u>	<u>\$931,445</u>

\* Of this amount approximately \$208,431 was for contractual services to provide aerial photography.

May 3, 1983

Our current consultant contract with Engineering Manpower Services/Sverdrup and Parcel may be summarized as follows:

	<u>Cost Allowance</u>
Cycle 1 - Corridor Identification	\$ 1,300,000.00
Cycle 2 - Environmental Investigation	2,400,000.00
Cycle 3 - Preliminary Design	<u>500,000.00</u>
	\$ 4,200,000.00

Cycles 1 and 2 involve determining specific location and alignments for the crossing and highway approaches; and obtaining an approved Environmental Impact Statement which is necessary for obtaining required construction permits.

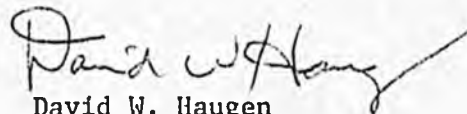
In February, the consultant was directed to temporarily suspend the project work plan, and to focus all efforts on an evaluation of the economics of the crossing. The consultant has completed that evaluation, and its results are included in a report titled, "Economic Feasibility" (April 15, 1983), in which costs, benefits, and environmental impacts are estimated based on conceptual design of a representative alignment. The report concludes that building the Knik Arm Crossing and approach roads is economically feasible.

In light of the report, the Department has directed the consultant to proceed with Cycles 1 and 2 (Corridor Identification and Environmental Investigation) of the original work program. Cycle 3 (Preliminary Design) will be modified to include bid documents for private financing, design, construction and operation. Negotiations for the contract changes are underway and will take several months to complete.

Although some Cycle 3 tasks may be deleted, the requirements for bid documents are essentially an increase in work effort. Additional costs which cannot be absorbed through changes to the current contract will be funded from the contingency allocation of \$443,425.00.

If you have additional questions on this matter, please contact me.

Sincerely,



David W. Haugen  
Deputy Commissioner  
Central Region

WRS/11M/RM/JH/ey/bpa

cc: Dick Armstrong, Director  
Design and Construction, DOT&PF

Jerry Hamel, Project Manager  
DOT&PF



# Alaska State Legislature

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## House of Representatives

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REPRESENTATIVE JERRY WARD  
DISTRICT 13

MEMBER FINANCE COMMITTEE  
CHAIRMAN OF SUBCOMMITTEE ON  
COMMERCE & ECONOMIC DEVELOPMENT  
CHAIRMAN OF SUBCOMMITTEE ON LABOR  
MEMBER OF SUBCOMMITTEE ON STATE LOANS

### MEMORANDUM

DATE: March 30, 1983

TO: All Legislators

FROM: Representative ~~Jerry Ward~~ *JW*

RE: HB 294 and HB 295, prime sponsor Rep. Hayes  
SB 211 and SB 212, prime sponsor Sen. Kerttula

A teleconference has been scheduled to discuss ~~HB 294 and HB 295~~ with members of the Knik Arm Boosters. The teleconference will be held on Wednesday, April 13, 1983 at 9:00p in the House Finance Committee Room, C-519.

# Knik Arm crossing

IN A PERIOD when state revenues are decreasing and the byword is conserve rather than spend, the Knik Arm crossing could easily be one of those forgotten dreams of yesterday, not to see the light of day again for decades. State officials several years ago pronounced the project dead.

The fact is that the crossing makes more sense now than it ever has. So it was encouraging to hear that the president of the Senate and the speaker of the House were offering it once again for consideration in the legislature.

A causeway from Anchorage across Knik Arm to the Matanuska Valley has been talked about since the 1950s. Two years ago, the legislature appropriated \$5 million to finance a preliminary study. That study is still under way.

THERE ARE obvious reasons that make a crossing desirable. More and more people who work in the Anchorage area are making their homes in the valley. The weekend exodus to Palmer and beyond is heavy in the summertime, when the city folks go that direction to enjoy the natural

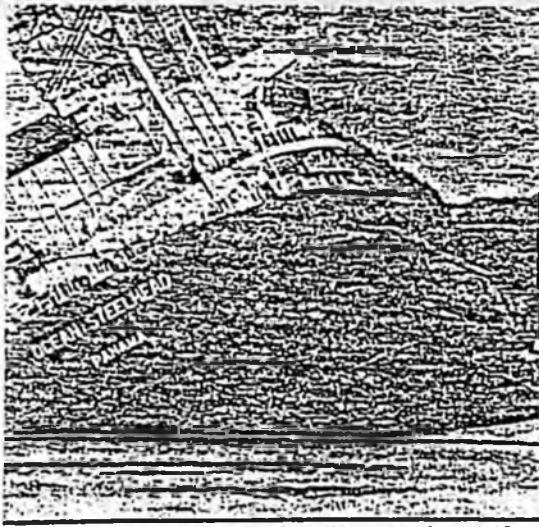
wonders the valleys offer. Anchorage is running out of space, and the Point MacKenzie area across the arm is the logical area to accommodate future growth both in population and industry. A bridge across the arm would drastically reduce travel time between the two points.

But there are many grounds other than recreational and living opportunities across the arm that make the bridge attractive. There are rich coal deposits at Beluga and there is significant farming at Point MacKenzie, which also has been discussed as the tidewater terminus for an all-Alaska natural gas pipeline.

THE TWO LAWMAKERS who introduced the Knik Arm crossing bills this year would create an Alaska Toll Bridge and Causeway Authority with a \$50 million budget. The legislation would have the authority oversee the construction of the Knik span as well as one later across Turnagain Arm southward to the Kenai Peninsula.

If nothing else, the bills introduced in the 1983 session are keeping the matter alive.

Anchorage Times 3-29-83



Boats in Tacoma's industrial area Thursday as a fireboat stands by



Log chains hold tons of logs in place as the boat lists at the dock

## claims troops th invaders

... soldiers were involved  
... fighting on each side.  
... scale of the fighting was  
... in and no reporters were  
... into the fighting zone to  
... rival claims.  
... Honduran Foreign Minis-  
... Thursday night. At the  
... is the Honduran army at  
... Nicaraguan terri-



... Foreign Minister

# seek knik bridge funds

by Bill White  
Times Journal Bureau

Jumeau — The top two legisla-  
tive leaders today proposed  
spending \$50 million as seed  
money to build the long-awaited  
bridges across Knik and Turna-  
gain arms near Anchorage.

"The project has been stud-  
ied for years and the re-  
sources to go through these  
projects now will benefit  
all of Southcentral Alaska," said  
Senate President Jay Kertula,  
D-Palmer, and House Speaker  
Joe Hayes, R-Anchorage, in a  
statement released jointly.

"The major emphasis would  
be, first, on the Knik Arm cross-  
ing, with the Turnagain crossing  
to follow as soon as possible,"  
they said.

Two bills were introduced in  
each house on the crossings.

One bill would create an eight-  
member Alaska Toll Bridge and  
Causeway Authority. This  
agency would fund and oversee  
construction of the crossings.

The other bill would give the  
authority \$50 million once it's  
created.

The bills will overcome formi-  
dable obstacles if they pass be-  
fore the end of next year's ses-  
sion.

Lawmakers are wary of  
creating any independent "au-  
thorities" that might start pro-  
jects they can't afford, and then  
require a state bailout.

And dwindling oil revenue is  
putting a squeeze on the money  
available for state spending.  
Bush lawmakers especially are  
uneasy about funding huge pro-  
jects for the Anchorage area be-  
cause of the hundreds of millions  
of dollars already spent or pro-  
posed for the Project 60s develop-  
ment effort and the Susitna  
dams energy project.

Under the proposal, the cause-  
way authority would be empow-  
ered to sell bonds, which would  
be paid off from tolls placed on  
vehicles using the bridges.

Proposals for the 2.9 mile  
Knik Arm crossing that would  
link Anchorage and the Susitna  
and Matunuska valleys have  
been debated by lawmakers for  
two decades.

Anchorage-area leaders look  
to Point MacKenzie area as the  
logical site to handle the boom-  
ing growth in Anchorage.

Kertula this week compared  
the Knik Arm crossing with the  
bridges in San Francisco that  
link bay-area communities.

This crossing would provide  
access to the Deluge coal fields,  
the MacKenzie farm develop-  
ment and residential areas, the  
two legislators said. The Turna-  
gain crossing would provide a  
shortcut to popular recreation  
areas.

Lawmakers appropriated \$4.2  
million two years ago for prelim-

inary design and environmental  
studies for the Knik Arm cross-  
ing. Those studies should be done  
next year.

"The completion of these pro-  
jects would be one of the great-  
est economic factors for the fu-  
ture of all Southcentral Alaska,"  
Kertula and Hayes said in their  
statement.

"The entire state would benef-  
it as well from the resources  
which would be developed by im-  
proving access to these areas.  
The likely acquisition of the  
Alaska Railroad by the state  
gives the projects even greater  
urgency than previously, as does  
the continuing effort to build the  
Susitna hydro project."

## Judge says Exxon must repay public

Associated Press

Washington — A federal judge  
ruled today that Exxon Corp.  
overcharged the public \$395.5  
million for crude oil produced  
from a Texas field and ordered  
the company to reimburse the  
public through state-run energy  
conservation programs.

U.S. District Judge Thomas  
Flannery ordered the money put  
into an escrow account in the  
Treasury Department. From  
there it will be distributed to the  
governments of all 50 states.

"Each state must then use the  
funds under one or more of its  
existing federal energy con-  
servation programs," Flannery  
said in the 90-page ruling.

One program that  
denial weatherization  
come and elderly peo-  
second assists them in  
ergy bills.

The other program  
states money to dev-  
conservation program  
energy consumption  
and hospitals and pro-  
servation in small bus-

"The broad scatter-  
ing effects of Exxon's  
renders impossible the  
the overcharges to the  
victims and the calcu-  
lation of damages is

**YOU CAN HELP  
BUILD THE BRIDGE!  
KNIK ARM BRIDGE**

**JOIN THE  
KNIK BOOSTER'S CLUB**

**AT CENTRAL JUNIOR HIGH  
7 P.M. WED., MARCH 30  
BAND ROOM (USE GYM DOOR)**

**FOR MORE INFORMATION  
CALL DAVE RING 243-4005**

*TIMES 3/28/83*