

**ANCHORAGE METROPOLITAN AREA TRANSPORTATION SOLUTIONS
POLICY COMMITTEE MEETING**

**Mayor's Conference Room, 8th Floor
632 West 6th Avenue
Anchorage, Alaska**

**March 25, 2010
10:00 a.m.**

Policy Committee members Present:

Name	Representing
Patrick Flynn	MOA/Municipal Assembly
Lance Wilber	Alaska Dept. of Transportation & Public Facilities, Regional Director (ADOT&PF)
Alice Edwards	Alaska Dept. of Environmental Conservation (ADEC), Air Quality
Dan Sullivan	Municipal Mayor
Sheila Selkregg	MOA/Municipal Assembly

Also in attendance

Name	Representing
Craig Lyon	MOA/Traffic Department
Robert Kniefel*	MOA/TD
Vivian Underwood	MOA/TD
Van Le	MOA/TD
Anne Schlapia	MOA/Dept. of Health & Human Services
George Vakalis	MOA/Office of the Municipal Manager
Jennifer Witt*	ADOT&PF, Central Region, Planning
David Post	ADOT&PF
Jeff Ottesen	ADOT&PF
Pete Christianson	ADOT&PF
Cindy Heil*	Alaska Dept. of Environmental Conservation
Mike Foster	Knik Arm Bridge and Toll Authority (KABATA)
Andrew Niemiec	KABATA
Mary Ann Pease	KABATA
Kevin Hemenway	KABATA
Walt Parker	ACC
Toni Jones	Planning & Zoning Commission/AMATS Citizens' Advisory Committee
Lois Epstein*	Alaska Transportation Priorities Project
Toby Smith	Alaska Center for the Environment
Stephenie Kessler	Government Hill
Susan DiPietro	Government Hill
Bobbi Wells	Chugiak
Duane Hippe	HDR
Sandra Cook	HDR

*AMATS Technical Advisory Committee members

1. CALL TO ORDER

CHAIR WILBER called the meeting to order at 10:03 a.m. All Policy Committee members were present and a quorum was established.

2. PUBLIC INVOLVEMENT ANNOUNCEMENT

CHAIR WILBER encouraged public involvement in this meeting of the AMATS Policy Committee. He explained staff would first make their presentation, followed by any comments from Committee members, and the floor would then be open to public comment.

3. APPROVAL OF AGENDA

MR. FLYNN moved to approve the agenda. MAYOR SULLIVAN seconded. *Hearing no objections, the agenda was approved unanimously.*

4. APPROVAL OF MEETING MINUTES – None

5. BUSINESS ITEMS

a. Long-Range Transportation Plan, Air Quality Conformity Determination

MR. LYON reported the federal government requires an Air Quality Conformity Determination before approving the Long-Range Transportation Plan (LRTP) Amendment. The Air Quality Conformity Interagency Consultation Group met and reviewed the LRTP amendment and found it met the requirements, conformed and was under the allowed budget. The AMATS Technical Advisory Committee (TAC) approved the recommendation from AMATS Air Quality Committee and from the Air Quality Consultation Group as well.

MR. FLYNN moved to approve the Long-Range Transportation Plan Air Quality Conformity Determination. MAYOR SULLIVAN seconded. *Hearing no objections, the motion was passed unanimously.*

b. Long-Range Transportation Plan, Knik Arm Crossing Amendment

CHAIR WILBER advised the Policy Committee the Knik Arm Bridge and Toll Authority (KABATA) passed out additional information, which was not new data, but data in a similar format. DR. SELKREGG asked if a cost benefit analysis had been received from KABATA as

KABATA indicated at the Assembly meeting would be provided. CHAIR WILBER noted it had not been received.

MR. LYON provided a summary of the actions to date by the Planning and Zoning Commission (PZC), the TAC and the Anchorage Municipal Assembly. He reviewed the handouts including an appendix with answers from AMATS Staff to the questions KABATA has asked. He noted the following actions:

January 14, 2010 – The TAC was asked to review and make recommendations to the Anchorage Assembly for a revised Anchorage Bowl LRTP Major Amendment to delay rather than to delete the Knik Arm Crossing (KAC) project and that included the Policy Committee recommendation to delete references to rail and pedestrian elements.

November 9, 2009 – The PZC, acting in their capacity as the AMATS Citizens' Advisory Committee, considered the proposed LRTP Amendment and offered 36 recommendations, which included removal of the KAC from the plan in its entirety, and those recommendations were then considered by the TAC.

The TAC met and concurred with some of the PZC's recommendations and those were included in the proposed amendment. However, the TAC recommended the KAC be moved to the long-term.

March 16, 2010 – The Assembly held a public hearing and offered their recommendations on the LRTP Amendment, which included moving the KAC to the long-term.

March 18, 2010 – The proposed Amendment came back to the TAC for review. The TAC agreed with all the changes made to date, recommended the project be moved into the long-term, and forwarded the proposed Amendment to the Policy Committee.

MR. LYON stated the TAC requested two items be pointed out to the Policy Committee. First, with regard to the population figures for the Mat-Su Borough 20 years out, the original ISER projection in 2005 for the year 2030 showed 203,760, the IRC study done by KABATA showed 250,700, and the latest 2009 ISER projection shows the population dropping to 169,000. In addition, the TAC wanted the Policy Committee to be aware Condition G related to the negotiated Public-Private Partnership was discussed at the TAC, there were differing opinions among the TAC members, and it was added to the proposed amendment based on a recommendation from the PZC.

In response to DR. SELKREGG, MR. LYON confirmed the environmental impact analysis done by ISER assumes a fixed cost in terms of the cost of gasoline.

JEFF OTTESEN, Director of the Alaska Department of Transportation and Public Facilities (DOT), Division of Program Development, and responsible for planning, programming and management of federal highway funds, testified on the issue of why the DOT objected to the proposed LRTP Amendment and believes the Knik Arm Bridge should remain in the short-term portion of the LRTP. He was speaking on behalf of DEPUTY COMMISSIONER FRANK RICHARDS, the designated Commission for the project. He stated both COMMISSIONER RICHARDS and GOVERNOR PARNELL had previously communicated their support for the project to continue to the Record of Decision (ROD). MR. OTTESEN discussed how most of the investment to date, \$46.6 million in federal funds and state match, would be lost if the project were delayed until 2018. He talked about the aspects of this project being the first user-supported highway project for Alaska relying on user fees and limited sources of other funds with most of the initial capital costs being self-financed, as well as ongoing maintenance and operating costs. He noted once creditors were repaid, it could serve as a permanent source of funds for future transportation projects. He discussed concerns with regard to the credibility of the process if, after AMATS had previously given a green light to the project, and funds were expended, only to change direction would not inspire the confidence of state elected officials. MR. OTTESEN noted State regulations governing the STIP process address the scenario when a community first supports a project, and then changes their mind, leaving the State stuck with the costs. He stated the penalty is to lose access to federal funding for a period of 6 years, and although this regulatory penalty does not apply to an MPO, it does point out there are consequences to AMATS decision that others must bear. He suggested another consequence would be the loss of credibility for this Policy Board, which would ironically occur at the same time the largest single project in State history, the Highway to Highway (H2H) project is being pursued that you will be asking for funding for from the legislature to help build that project. Another impact he pointed out would be the real possibility that federal funds would have to be repaid if the federal government were to find this decision to be arbitrary and capricious noting nearly \$45 million in federal funds have been spent on the project. If those funds had to be repaid under Title 23 time trap rule, then nearly \$45 million in State fund would need to be appropriated. He clarified the ten year clock on time traps begins on the date the EIS was authorized by Federal Highways in August 2003 and would end at the end of 2013.

MR. OTTESEN noted State law supports this project, and established the KABATA organization for construction of the Knik Arm Crossing. In particular, he noted the KAC is part of the statewide long-range transportation plan known as 2030, and has been supported continuously by three governors and the legislature since 2003. He talked about the value of the project regionally and statewide, detailed Anchorage's role as the center of commerce and primary goods import and export center for Alaska, and the importance of highway access to and from Anchorage being key to its role in the State economy. He noted the project is more than a commuter project and discussed the impacts to industry including the new prison on Knik Goose Bay Road, freight movement from the Port of Anchorage north and on to North Slope oil and gas development, sand and gravel movement into Anchorage, and recreational traffic. MR. OTTESEN discussed the need for overcoming the natural resistance big projects generate. He

closed by encouraging the Committee to vote against the proposed amendment and retain the Knik Arm Project in the short-term phase of the Long-Range Plan.

The Policy Committee discussed the following topics/issues with MR. OTTESEN:

- Whittier Tunnel usage lower than traffic projections, and he thought if they had been as high as predicted, the State would not be subsidizing operations at about \$2 million per year for the tunnel.
- A lot of gravel comes into town by rail, the volume has dropped since the new pit at Eklutna opened, and truck traffic on the Glenn Highway has grown, but trucks are measured by axles, not product.
- KABATA's assumption \$8.8 million will be generated annually by the toll bridge and concern with regard to the revenue analysis and budget to pay down the debt and where that resource would come from.
- Different financial models that could be followed range from private financing with risk to private entities to almost all risk on the State. The more the State sheds risk, and puts it on the other party, the more the State would have to give up in future benefits from surplus revenue. DR. SELKREGG noted KABATA has indicated a public guarantee may be needed in order to bring in a private party.
- MR. OTTESEN indicated the financial scenario chosen will be a decision that occurs with ebb and flow of things like interest rates and the construction market as the project gets closer to the construction fund point. In response to DR. SELKREGG, MR. OTTESEN is not concerned at this point about the State's risk based on the numbers he has seen noting this is an essential governmental function, and they want to take this project at least to the Record of Decision (ROD).
- MR. OTTESEN explained the decision made at the ROD is to pick the preferred alternative which can range from any of the possible build alternatives to a "no build" alternative, which means the project is not proceeding. If this alternative is chosen, you are immune or relieved of payback responsibilities. If one of the build alternatives is picked, then the State is on the hook to proceed with construction.
- MR. OTTESEN noted the risk is really in the first few years, and even if there was a need to backstop the project in its early years because all projects like this start slow and ramp up, as the project proceeds, has a full line of traffic and becomes a money maker, there is the opportunity even if the State were to put money into the project for the State to be paid back with interest. He noted if it became necessary for the State to pay the difference between what the toll provides and the rest, it then becomes a debt of the toll authority to pay back to the State. It is not a gift, but a loan.

- MR. OTTESEN stated commuter traffic is one fraction of the total goal of the project, and even if you pick the lowest number for population estimates it doubles the Mat-Su's population by the year 2030.

MAYOR SULLIVAN noted the Committee has heard testimony in the past moving the project into the long-term plan really does not affect the need for an EIS because those have to be updated periodically anyway. MR. OTTESEN clarified once the ROD has been issued, the EIS is a completed document, and there is no obligation to go back and keep updating it. Full design, right-of-way acquisition and construction can then be allowed to proceed, and ultimately the project can be built without having to refresh the ROD continuously. However, if the project is stopped now and the EIS becomes stale, he noted all the steps and public process would have to be gone through again, and then most of the money invested to date in things like geotechnical information, economic demographics, data and cost statements would all have to be redone.

In response to MAYOR SULLIVAN, MR. OTTESEN stated he was not aware of any other community in the United States with a project like the KAC that would even take a bridge back from even getting built. MR. OTTESEN noted this project will become a signature bridge Anchorage will be recognized by and will be an icon to the community.

MAYOR SULLIVAN agreed an advantage of the project is the ability to move truck traffic north without having to come through downtown, but expressed concern about gravel trucks coming back into town and why as Mayor would he want a bunch of gravel trucks coming through his town. MR. OTTESEN indicated another way should be found to move the gravel such as keeping it on rail. DR. SELKREGG noted that would reduce tolls from the bridge.

LOIS EPSTEIN, Director of the Alaska Transportation Priorities Project, an engineer and a member of the TAC, testified. She has participated for the past few years in all these discussions and questioning of KABATA and the unanswered questions. She laid out what she felt were some of the key issues important to the Policy Committee's decision-making that have not been fully addressed or answered by KABATA. She felt commuters are an important part of the equation, and even using KABATA's own population estimates, the vast majority of the toll revenues are going to come from commuters, not commercial traffic. Population numbers developed for KABATA by Incite Research Corporation predicted in the year 2030 there would be 250,000 people in the Mat-Su Borough, whereas ISER's updated December 2009 predict about 169,000. KABATA needs to rerun the traffic model using the best available data to come up with new bridge traffic numbers. Commuters will have a longer distance to travel, 44.77 miles, 69.85 minutes, plus pay the toll, than if they did not take the bridge, and she thought people in Wasilla and Palmer would not take the bridge, and only people in the lightly populated areas of the Mat-Su Borough would take the bridge. She indicated additional evidence showed future bridge traffic was not likely to grow very quickly until the population grows, and the growth estimates are going down. MS. EPSTEIN felt MR. OTTESEN's testimony was based on extremely shaky financial information noting they have not seen a spreadsheet from KABATA

even though the PZC, the Assembly and the TAC asked for that. She noted last year each of those committees were unanimous in their position that the bridge should be moved out of short-term because the information on the financials was not there. She challenged KABATA and MR. OTTESEN to produce the debt service numbers, which has been asked for but not produced. She expressed concern with the amount of borrowing that will need to take place in the range of \$44 million a year. She indicated the independent cost analysis noted there would have to be State sharing of the risk in order for the project to go forward as no private contractor would entirely accept the risk, no matter how it is structured. As to the money spent and the creditability, she referred to the staff who have participated in each of the advisory committees, noting those are the people who have voted unanimously in the past to move this project out of the short-term, whereas the folks in Juneau have not been fully engaged.

MS. EPSTEIN indicated the information carried forward in this process was developed by KABATA, and shows there are actually some real problems with the project that were unexpected when it was first advanced. She did not feel just because a lot of money has been spent, means we should continue to spend an additional enormous amount of money when there are better uses for those funds in the future. She asked the Mayor and others to consider the long-term impacts. MS. EPSTEIN stated there would be an opportunity next year if the project is moved to the long-term right now to move it back to the short-term should these questions get answered. In that scenario, she noted the money that has been spent would not be lost, so it is possible to change direction once again because we are not cancelling the project by moving it to long-term, we are just asking KABATA to develop credible, intellectually rigorous answers to the financial questions and the population estimate questions, and items that are going to cost the State or the Municipality lots and lots of money in future if the right decision is not made.

TONI JONES, Chair of the PZC who acts as the Citizens' Advisory Committee to AMATS, noted the PZC has dealt with this issue a number of times over the past few years. When the matter came before the PZC, it came with the question being should the KAC be in the LRTP or should it be out. The decision of the PZC was it should be removed. She noted this project would add capacity, particularly in the downtown area. However, from her point of view, when she thinks about this project and the timing, if the Policy Committee is considering the bridge in either the short-term or long-term, she thought a good question would be whether it makes more sense to complete the Highway to Highway (H2H) project first, so there is something to do with that capacity as it comes in, and before our existing system is really clogged up. MS. JONES referred to Title 49 of the U.S. Code noting its provisions about transportation planning take precedence over State statutes, and the purpose of having this MPO is to have a coordinated effort between the local government and the state government. However, she felt the State has a different agenda than local decision-makers. She expressed concern about future funding and obligating future legislatures. MS. JONES concluded by asking the Policy Committee to think about our total transportation system in Anchorage and the impacts particularly in downtown.

TOBY SMITH spoke as the Director for the Alaska Center for the Environment, a non-profit organization promoting a healthy community in the development and preservation of our natural

resources, and representing about 6,000 members. He supports economic development as it is critical for keeping the community vibrant and health. When it comes to large expenditures of money he supports fiscally responsible policy level decisions that make economic sense, and despite the controversy surrounding this, he believes building this would make sense for our communities. He thinks the need to make a revenue generating project is a great one potentially, but based on the figures, he is concerned the estimates may be based on inaccurate population growth. He believes we need smart transportation projects that are intelligently designed, financed and constructed. If revenues needed fall short from tolls and the deficit, he is concerned about what the impacts to our communities could be, and whether state and federal transportation dollars for other necessary services or projects in the Anchorage and Mat-Su area would be decreased or eliminated as a result. MR. SMITH was concerned about a project costing in excess of \$700 million, and yet we are struggling to meet our municipal budgets and pay for basic needs. He noted we are talking about toll revenues and private investment for the Knik Arm Bridge, but his point was that with uncertain financing and potential risks to our existing transportation dollars, not to mention risks to other municipal and borough services should something go wrong with the project, it seemed clear that additional information is needed to insure that those risks are mitigated. He discussed maintaining financial constraint based on Chapter 12 of the Anchorage Bowl 2027 LRTP, and his understanding if additional state or federal transportations funds were needed beyond what was currently authorized, another amendment to the LRTP would be needed in order to not violate the plan. He stated even if there was a demonstrated need for the bridge at this time, the need would not justify the financial risk in his eyes, and the financial risk is not adequately offset by the proposed financing. MR. SMITH believes the Policy Committee has an obligation and a responsibility to respect and follow the opinions of the Anchorage Assembly and the AMATS Technical Advisory Committee and insure the project is fiscally sound, and putting the Knik Arm Bridge in the short-term plan in my opinion would constitute an unwise investment.

STEPHANIE KESSLER'S comments focused on fiscal responsibility and the theory of throwing good money after bad. She indicated almost \$50 million had been spent to date, and that was bad money, and did not want \$700 million of good money thrown after the bad money. She noted last week the Mayor stated if the tolls covered the cost of the project, or backed the cost of the bond, it would be a win-win. She reviewed the numbers noting annual toll revenue is optimistically projected at \$8 million, and the projected debt service on the bridge is \$44 million, resulting in \$36 million annually that would not be covered by tolls. She felt this sounded like a lose-lose. She indicated the \$8 million annual toll revenue was based on the Incite population projection of 250,000 residents in Mat-Su by the year 2030, which was 50% greater than the latest ISER estimate. Based on the current Mat-Su population of 80,000, she thought to reach 250,000 by the year 2030, Mat-Su would have to grow at the rate of 8,000 people per year to make those projections. She noted all of the advisory committees to the AMATS Policy Committee voted not to keep the bridge in the short-term and move it to the long-term, and PZC voted to recommend the bridge be removed entirely from the LRTP. The LRTP will be up for review again next year, and she felt KABATA should be given a year to come up with a financial plan and private partners who are willing to accept the risk of inadequate toll revenues.

SUSAN DiPIETRO, a resident of Government Hill, discussed how she has been following this project closely since 2003 when everything got underway, and she has read the draft and final Environmental Impact Statement. She commented on Government Hill residents concerns about the bridge coming through their neighborhood, and support for moving the bridge to the long-term of the transportation plan. She talked about the history of the project which began as a \$231 million earmark for Alaska from Congress, but then there was a backlash, and Congress stripped the bridge portion from the earmark. At that time, she indicated then Governor Murkowski decided to keep some of the earmarked money for regular DOT projects, and put about \$94 million into the KAC project, and then that \$94 million was matched by a formula with State funds putting the money at just over \$100 million. She stated it was at that point the KABATA staff and leadership came out with the idea of the public/private partnership, even though the assurance had been that with the toll the project would be paid for with private funds, and no public funds would be expended to support the project. She referred to a clause in the LRTP about no further public money being spent on this project which she indicated was based on KABATA's representation the project would be funded by a public-private partnership. Based on MR. OTTESEN'S comments, she feels it is certain the State will need to put money into this project which is very different from where this project started. She expressed worry about a continued slide since 2004 towards public funding for this project. She thinks the proponents of this project have been accommodated to let them come forward with proposals, but did not feel there was really a concrete spreadsheet or expense revenue balance sheet that has been asked for, but not received. She thinks this project has got to be put towards the long-term because we are not ready, and it would be unfortunate to have the ROD issued, and then to be on the hook for repaying funds if the financing falls apart.

WALT PARKER, who has been involved in transportation planning in Alaska for 64 years, commented on how it has been pointed out the funding for this project makes no sense, and the funding is not there. He thought if this project were to go forward, it would probably be paid for out of the Permanent Fund or from surplus monies available to the State. He felt the demographics used to justify this project were ridiculous. He did not think there would be any funding from tolls because it will take longer to drive from Wasilla to downtown Anchorage using the bridge, and there would be a \$10 to \$15 toll to cross the bridge. Although he is in favor of the amendment, he was really in favor of dumping the project out of the transportation plan completely and moving forward with some real transportation planning in this community which needs to be done. MR. PARKER supported MS. EPSTEIN'S testimony. He noted this is the fourth time out for him on this project, and it was cancelled in 1975 when he was Highway Commissioner because the money was needed for the overpasses on the Glenn Highway and because it did not make sense then either. He thought if Mat-Su wanted to do something, it should get its ferry going, which it has not done. He did not see Port McKenzie having anything to do with justifying the bridge noting Port McKenzie is going to be for exporting coal. He supported putting the KAC in the long-term portion of the LRTP, or dumping it entirely.

MICHAEL FOSTER, Chair of KABATA, spoke in support of the KAC. MR. FOSTER noted there had been statements discussing the purpose and need or the financial viability of this project, and he thought MR. OTTESEN addressed the State's position on the project. He noted since conception in 2003 all three Governors have supported the KAC, and GOVERNOR PARNELL supports the current process. He is waiting to obtain a ROD. He spent time this week in Juneau with the Department of Revenue and the Department of Administration going over the project. He noted KABATA does have financial plans, which basically range from a private-public partnership with a State backstop related to obtaining lower interest rates from the private sector to a revenue type bond process that would allow the project to be financed through KABATA, and then capture that revenue back into a foreseeable transportation fund. He indicated the reason why people in Juneau and DEPUTY COMMISSIONER RICHARDS are weighing into project is because it is a statewide project. When looking at new transportation models coming out of congress and the potential for Alaska to see less and less highway money, he felt the benefits from this project are very real, and it was a new way of looking at transportation going forward. He felt KABATA adequately addressed the traffic counts and model, and the revenue generated from this project, whether it is a P3 or a revenue bond type process, is proportional to the risk the State puts into the project. He noted the revenue could be used for any Title 23 projects. He thinks this is the future of transportation in Alaska, and the future of transportation needs for Anchorage. The money that comes into what he described as a transportation fund, which has not been established yet by the legislature, can be used from Barrow to Dutch to the Marine Highway for anything from boardwalks and airport improvements to highway improvements. He noted this kind of project could help fund H2H going forward, and how this highway would help relieve traffic at a time when H2H is being constructed. He felt the connectivity statewide of this is overwhelmingly important to the State as a whole, and noted it was ironic the decisions this body is trying to make that impacts our neighbors to the west, to the interior, throughout the State is overwhelming. He stated this is an NHS type project. He indicated the importance of this project to the State is significant, and that is why it is elevated to the highest levels in Juneau, and why KABATA is currently reviewing their financial plans or financial options with the State administration, and when the Governor makes his decision and the legislature makes their decision, then that will determine what is premature until a ROD and some of the risks are actually addressed. He felt once a ROD was in place, it would be easy on the P3 side to look at the best financial option for the State, and if KABATA goes to a revenue backed project to look at how the State wants to participate.

DR. SELKREGG expressed disappointment in not having before the Policy Committee a spreadsheet of cost revenues actually demonstrating a variety of options MR. FOSTER discussed, but was pleased KABATA has begun to put them on paper. She asked MR. FOSTER to explain, based on KABATA'S numbers for projects costs, financing, revenue estimates and debt projections, the revenue generating aspect of the bridge, or to provide an example of how it would make money, or at least recover money on the project.

MR. FOSTER explained some broad numbers based on KABATA'S 56 year model for the bridge. If it is 100% backed by revenue bonds or other similar type State backing, after debt

reduction, O&M and R&R and concession costs over the course of the model, \$8.6 billion would be generated back to the State for Title 23 transportation projects. He indicated like any project in the beginning stages it will operate in the red, and the bridge will not actually start building reserve until year 7 and 8. He did not see this project as any different than the Sullivan Arena or the PAC, which the Municipality has invested in. He also noted as the bridge starts to build reserves, part of the reserve would be used for the Ingra-Gambell connection for the bridge which will initially be built as a two-lane, and then as traffic demands increase be expanded to a four-lane to include the Ingra-Gambell connection which will ultimately tie to H2H. He noted if the P3 type model is used and the State has less risk, then revenue generation to the State over the course of the model would be less as well. He emphasized in the very beginning of the project there would not be enough revenue generated there would not be enough revenue generated to pay for the debt reduction and costs in year one, and this would not happen until the project reached what the financial world calls the "sweet point." He noted KABATA has a financial plan they have addressed with potential P3 investments, and in the past year has had ongoing discussions with the Administration on what the financial plans should include and what the viable financial options are. He indicated when the Governor has made his decision, then those plans will be finalized. Until then, KABATA is still in the discussion process with the Administration and the Department of Revenue and Department of Law.

DR. SELKREGG felt KABATA had not in any way demonstrated the bridge could meet the debt associated with it, nor how the bridge would pay for itself. She asked MR. FOSTER to explain how the bridge would pay for itself when the cost to pay for it is \$44 million a year in terms of debt, and it generates \$8.6 million dollars.

In response, KEVIN HEMENWAY, CFO of KABATA, explained the base case traffic and revenue forecast was developed by independent traffic and revenue consultants Wilber Smith for KABATA. He referred to the first chart provided by KABATA describing their base case traffic forecast which starts at about 8,000 total trips, about 4,000 trips a day in year one, and grows over time to about 46,000 by around year 2040. He noted there is a very long, slow growth rate, and then capacity caps out because that is the capacity of a 4-lane bridge. It assumes as demand increases that additional capacity is built, and one of the things about a toll bridge is when capacity demand requires additional capacity, the traffic demand, the money, is there because the revenue goes up commensurate with traffic. With regard to the second page of the handout, he discussed the assumptions of a \$5 initial toll for passenger vehicles, higher for commercial vehicles, and that growth of traffic on the base case, which could be high or low. He stated KABATA'S independent traffic and revenue consultants have run high-low probable reduce value of time and a lot of different scenarios that will generate about \$12.1 billion just in freighting that toll rate annually at the rate of CPI (Consumer Price Index) which has been about 2-1/2% growth a year in the Anchorage area. He noted between traffic growth and inflating, the toll rate to CPI to stand real dollars, a \$12.1 billion gross. He thought it likely tolls would increase in constant real dollars and increasing nominal dollars based on actual CPI, but KABATA modeled 2-1/2% because it is about what Anchorage has averaged for the last 10 or 15 years. He indicated the year one toll increase would be about 25 cents increasing the toll to

\$5.25, and would generate \$12.1 billion on the base case. He noted whether this was high or low, and based on population or the amount of commercial traffic, etc., the bridge is a 100 year asset.

Responding to DR. SELKREGG'S concerns, MR. HEMENWAY explained \$12.1 billion in revenue would be generated over 56 years, which would be close to \$200 million a year. In year one opening that would be about \$18 or \$19 million, which are 4,000 round trips a day. He stated what KABATA provided to the Policy Committee was an availability payment model, which is a form of public-private partnership, and this is the payment to the private sector. He explained in that type of model the private sector does the borrowing of the funds, repays the debt, and operates and maintains the facility over the term of the agreement, and the toll revenues generated are sufficient to meet that. Referring to the chart, he indicated if the bridge did not meet the volume and only got half of the traffic, that the availability payment can be met over the life of this project. With regard to Phase 2 of the project, he noted if the bridge does not have the traffic, the additional capacity will not be needed, or its need would be deferred into the future, which is a natural self-governing mechanism in a toll project.

MR. HEMENWAY discussed the financial plans and modeling KABATA has done on this project from the beginning, and noted those plans are evaluated by the Federal Highway Administration periodically under their major projects requirements for any project over \$100 million, and they look at that at least annually. He noted in 2007 KABATA, on behalf of private developers, applied for a TIFIA loan, a federal loan program subordinated that will only loan up to one-third of project cost, and they recommended loaning \$261 million to this project in 2008. Those funds would be available to either the private sector or to KABATA as the government agency if KABATA ended up doing this as a revenue deal. He indicated TIFIA will not loan subordinated debt unless they are very confident in the senior debt. He felt financial modeling is all pro-forma at this point, in other words, it is looking at current market conditions and different scenarios that are policy decisions of the State, the Administration, the legislature and KABATA'S Board of Directors.

In response to DR. SELKREGG'S question on whether KABATA had done models on what the impact would be from increased cost for gasoline, MR. HEMENWAY stated a model that looks purely at that had not been done, but what KABATA had looked at is the gasoline savings for users in year one with just those 4,000 round trips, and including the gasoline, wear and tear, value of time, that saves about \$80 million a year for the public. DR. SELKREGG asked whether KABATA had revisited these models based on the ISER estimate for population and the assessment of distribution of trips. MR. HEMENWAY indicated the models would be reassessed as they move to the market place, independent traffic and revenue consultants would hire the socio-economic consultants that do the work, and stressed the importance of their independence noting KABATA did not hire ISER or IRC. They are hired by the traffic and revenue consultants to maintain their independence and integrity.

MR. HEMENWAY stated he developed the graphs provided by KABATA, but the numbers behind the graphs were developed by City Group and Wilber Smith, and the independent engineers for the cost estimates and operation and maintenance costs. In response to MR. FLYNN, MR. HEMENWAY indicated as a financial professional, and based on the experts he is relying on, his degree of confidence in the graph numbers is higher than 50%. He noted this is a 50% probability model, which means there is 50% probability traffic and revenue could be higher or lower. MR. FLYNN asked, given the conditions laid out in the current LRTP where our support for the KAC is based on no additional public dollars, what MR. HEMENWAY's recommendation would be to an individual if he were investing his private money in this project. MR. HEMENWAY thinks it is a very attractive project, and under this structure KABATA will have a lot of private sector interest beyond the two parties involved today, and he would recommend the project.

MAYOR SULLIVAN stated the main issue before the Policy Committee is simply to move the KAC out of the short-term portion of the plan to the long-term portion. He noted people have testified by doing that at some later date, it could always be moved back into the short-term portion. His question, which he did not feel had been answered, was what the harm would be in keeping the project in short-term plan, and then if at some date in next few years it just simply could not happen, then at that point it could be moved into the long-term, or out of the plan all together.

MR. FOSTER does not believe there is harm in keeping the KAC in the short term. He believes most of the effort to move the project to the long-term is to delay or kill the project. He sees no harm in keeping it in the short-term and obtaining a ROD. He noted, after the ROD, we may get to a point that it may be chosen to do the right-of-way and build the project in the future, but there is no harm in obtaining a ROD under short-term.

In response to DR. SELKREGG with regard to whether KABATA'S EIS assumes H2H is constructed, MR. FOSTER stated "no, it is a total utility between the two projects, which means the projects are not connected." He indicated Federal Highways would confirm the projects are not connected in the EIS. He noted the EIS does suggest when the Ingra-Gambell connection is constructed it may connect to H2H, but it is not a H2H first and then the bridge, and it is not a bridge first and then a H2H, it just shows in the EIS that there may be a connection for Ingra-Gambell.

MR. FOSTER confirmed the EIS does assume Ingra-Gambell; it does not assume the H2H as part of that cumulative project. DR. SELKREGG indicated she was given the impression this was not correct. MR. FOSTER noted his staff had looked up this information, and he has reams of reference to tabs where it states that they are not.

MR. FLYNN moved to approve. DR. SELKREGG seconded.

DR. SELKREGG asked MR. KNIEFEL, based on his understanding of the relationship between the Knik Arm Bridge, the Ingra-Gambell connection and the H2H and in terms of the information presented in the EIS, whether the projects were linked together, or if there were a relationship. MR. KNIEFEL noted he had read through the EIS documents to determine what was included with regard to assumptions. He thinks he found a number of locations where the documents referenced the connection to Ingra-Gambell, and the connection to the north side corridor, and the fact it says without the connection to Ingra-Gambell and north-side corridor, the KABATA would not work beyond 2018 according to traffic projections, that it would have to be connected with the north side corridor.

It was DR. SELKREGG'S understanding as well that actually the Ingra-Gambell Project and the H2H and the Knik Arm Bridge are really partner projects, and the bridge at a certain point cannot be successful without those two other projects, and it is closely linked in terms of the numbers in their presentation. She asked MR. OTTESEN if the State had done an assessment of the overall cost of all three of those projects, and the capacity for the State to be a guarantor or participant to provide the necessary resources to make sure that those projects are in place in order to make the Knik Arm Bridge work. In response, MR. OTTESEN noted he had testified at the Policy Committee's joint work session last fall the State is working through a review of all their NHS needs. He pointed out this project is not using the same dollars that H2H is proposed to be built from, nor is the connection to Ingra-Gambell. He noted both of those projects are going to come from the tolls on the project, and the timing of the Ingra-Gambell connection is really a question of how successful the bridge is in attracting traffic. If it attracts traffic quickly, it has more revenue, and at the same time it has a need to build that connection. If it is a little bit slower, then it is longer. He indicated they predicted 2018, but noted that was built upon a construction year of about 2010, roughly 8 years after the opening of the bridge.

DR. SELKREGG asked MR. OTTESEN if he had reviewed the EIS commitments in terms of those relationships, and whether he had a sense for how the cost of these three projects will impact this statewide system in terms of their research to meet the transportation needs of the State. MR. OTTESEN asked if DR. SELKREGG'S question was whether the State could afford all the projects. DR. SELKREGG wanted to know if anything would be left for anyone else. MR. OTTESEN noted 2 of the 3 projects listed are not trying to attract funding from sources that the H2H or other NHS needs in the State are. In addition, he noted there is the remaining NHS money Governor Murkowski allocated in 2006, and the remaining earmark money that was reserved for the project.

DR. SELKREGG asked whether it would exhaust the State's bond capacity to do other projects. MR. OTTESEN noted the Commissioner of the Department of Revenue or his designee is a member of the KABATA board, and 2 members of the legislature sit on the board, and they are the people that really have that responsibility. However, when he talked with Senator Stedman, co-chair of the Senate Finance Committee, about our NHS needs in general, and the possibility of needing \$200 or \$300 million a year going forward to really build out what people expect the

State to build, he indicated to MR. OTTESEN the State has an awful lot of money, talked about the savings account and the permanent fund account, and did not see that to be an issue.

DR. SELKREGG followed-up on what MR. PARKER said, which is we will be looking at using the permanent fund and other revenues. She noted she just wanted to know if there was strategy, and thought MR. PARKER addressed that and the need to go into other accounts in order to meet those needs. She stated it is a State decision.

The Chair requested MR. FLYNN to fully state his motion. MR. FLYNN stated his motion is to move the Knik Arm Crossing from the short-term list of projects to the long-term list of projects to include the new planning factors in the revised financial plan as developed by the Technical Advisory Committee, and further, to add Condition G the Technical Advisory Committee recommended to the Policy Committee that will provide an opportunity for the Municipality of Anchorage to participate in the development of the public-private partnership. DR. SELKREGG confirmed her second of the motion.

MR. FLYNN noted getting to the ROD is a major issue, and asked if the project were in the long-term project list, whether it could still get a ROD from the Federal Highway Administration. Based on the information from Federal Highways, MR. LYON indicated as long as all the steps or the phases of the project occur in the life of the plan and are shown in the plan, Federal Highways can issue a ROD. His understanding is whether it is short-term or long-term, it does not make any difference.

MR. FLYNN noted since the Governor's stated goal is to receive a ROD, it is his interpretation the Policy Committee does not harm that effort whatever action is taken. With regard to gravel traffic, he noted when a new facility opens in the boundaries of Anchorage rail traffic drops and truck traffic increases, and with or without the McKenzie rail spur, if this bridge is in place, truck traffic of gravel is going to increase to downtown Anchorage because it is going to be cheaper.

MR. FLYNN discussed the topic of credibility. He noted the gentleman MR. OTTESEN is representing and he spoke on this exact topic last spring, and he and MR. FLYNN agreed that moving this project to the long-term project list was an acceptable compromise between the position of removing it or leaving it in the short-term. As such, he is not concerned about his creditability, and is a little concerned about DOT's creditability.

MR. FLYNN hoped he was wrong about how the vote on this issue was going to turn out, and hoped the motion would be approved. However, if he is wrong, he further hoped he was wrong that the Federal Highway Administration would issue a ROD without a solid financial plan. Further, he noted if he is wrong on that, that when the financial responsibility for this project is put back on us, state and local taxpayers, and we either decide we cannot build this project and have to pay back the federal monies expended to date, or we have to come up with money to finance this project, that we do not have to explain to our constituents where we went wrong.

DR. SELKREGG provided for the record her list associated with the reason why she is voting to move the project into the long-range portion of the LRTP. First, she does not think there has been a creditable presentation of the debt service-cost revenue spreadsheet. She does not think the Policy Committee has any real clear ideas. She thinks we have thoughts about how this is going to be done. She is further concerned about what is done, and what we have not seen has a 50/50 chance of panning out the way it is anticipated. She thinks the figures are, from KABATA'S perspective, clearly over-stated. She noted the Policy Committee got more than one analysis that indicates the population numbers are too high, and also has an analysis that shows the trip numbers are too high. She noted MR. FLYNN pointed out the options that there is a fair amount of gravel moving on the railroad, and she thinks it is a very difficult thing to assess, or even believe these numbers presented to the Policy Committee by KABATA. She does believe the EIS indicates the H2H and the Ingra-Gambell connections will be in place as a partner to this bridge. She does not think the timing is in place right now to be able to do those three projects. She thinks there should be more work done on Ingra-Gambell and H2H before moving forward on this bridge. There is a big movement nationally to make monies available for sustainable communities that have to do with reducing the urban sprawl, reducing the use of automobiles, and DR. SELKREGG noted there is no indication with this bridge that there are any visions of the future along those lines. She noted there is also no consideration of the fact the choice to travel is elastic based on the cost of gas, the choice to live in Wasilla is elastic, and the fact is we saw a drop in cars on the Glenn Highway because people carpooled when gas got more expensive. People began to look for houses in Anchorage rather than the Mat-Su. She noted that has not been taken into consideration. She thinks probably one of the things that has been most difficult for her as a public servant is there is a continued sense on her part that there are some ethical breaches that are kind of ongoing in this review process. She indicated there have been questions from the beginning about the ownership of the land on the other side of the Knik Arm Bridge. There have been concerns, innuendos and suggestions they had to do with Congressman Young and his family, or people who had donated to his campaign. She does not have any details, but noted there was a Daily News article that implied concerns in that area. She has continuing concerns about the amount of money KABATA has used to lobby for this bridge. She noted she was told by GORDON KEITH that the State provided KABATA'S money to lobby at a federal level, and wondered who was providing KABATA'S money to lobby at a State level. Referring to the first time she met with MR. FOSTER, DR. SELKREGG noted he had told her he had been in working with the Governor on the bridge as soon as the new governor was in place. She noted KABATA spent public dollars to go back and forth, and spent public dollars to send a shiny brochure. She noted KABATA spent public dollars over and over again to advocate for this bridge rather than to assess it. Finally, DR. SELKREGG thinks it is genuinely not in the best interest of our community, or ultimately Mat-Su in terms of the cost of extending services on the other side. She noted the debt, the drawdown of our industrial lands, the impact on residential values in town, and the fact people who live 5 minutes across the bridge use Anchorage's services and pay nothing into our community. She believes it is kind of a nightmare and noted places have dealt with this in other parts of country, urban and suburbs that use the city and do not pay for it. Ultimately, she stated it is not in our best interest, and like MR. FLYNN, hoped she was wrong that this Committee will not support this. She expressed

concern about and hoped she is wrong that there are ethical breaches here. Also, she hoped she was wrong that it does not look to her like the State is honestly evaluating this bridge in terms of the facts.

MAYOR SULLIVAN noted there were some good counterpoints on this discussion, and he appreciated all the information. He stated he has always looked at this from a long-term perspective, and when you build a piece of infrastructure like this, you are thinking not 10 years or 20 years, literally you are thinking 50 to 100 years down the road, and trying to get a snapshot in your mind of what this region is going to like 50 to 100 years from now, and whether we will be prepared with the critical infrastructure to meet what we know is going to be a vastly different area 50 to 100 years from now. He thinks it will be vastly different because this is a darn great place to live. He noted people are moving here for that very reason. He noted Anchorage is rated the number one city in America now for new job opportunities in this economy, and rated one of the top 10 place for seniors to retire. He noted Anchorage has all these different aspects of living here that people just love, and they are moving here. He asked if we are going to be prepared for that, or are we going to delay again. He noted one thing we have become really good at in this State is delaying, and it is time to have that vision of 50 to 100 years and what infrastructure will be needed, and he thinks this is a critical piece. He indicated some of the key bullet points that were mentioned:

- Truck traffic heading north instead of coming through downtown.
- Access when the Glenn Highway is closed noting it is ridiculous to think that for hours, even days there could be no access to the northern communities if the Glenn Highway were to be closed down.
- Access to industrial staging and manufacturing areas. He noted he does not particularly want to see Anchorage be some industrial smokestack manufacturing center, but many towns have that dual system where across the way you have a more of an industrial town, here you have more of an urban center. He sees that developing. With the commodities they have over there with the export port of the infrastructure they are building, he thinks it is a perfect dual city arrangement that is seen developing.
- Anchorage economic woes noted by TOBY SMITH from the Center for the Environment. Although he thought it had nothing to do with the bridge, MAYOR SULLIVAN followed-up on it noting Anchorage's economic woes are caused by decisions to dramatically increase expenses during known times of declining revenue. He noted how to get out of that sort of situation is economic development, jobs, construction jobs, to build things, and to build critical infrastructure. He indicated that is what creates high paying jobs, what gets people to buy houses and pay taxes, and is what helps this economy recover. He noted it is projects like the KAC that will lead Anchorage out of the recession it is in, which is mild compared to elsewhere, but still at least at the local government level there are some big challenges.
- If the KAC is moved to the long-term portion of the plan, it can always be moved back again. MAYOR SULLIVAN noted the opposite is equally true. Keeping it in the short-term plan, if KABATA does not perform, if after the ROD there are certain benchmarks

that are not met, then it can be moved into the long-term, or moved out all together. Moving the KAC one way and then back to the other seemed to him like poor policy, and that you work it in the system it is in now. He indicated if KABATA does not perform, the project either goes away or moves out, and to him that is a more rational way to approach this issue. As a regional project, he noted the Mat-Su leadership supports the project and the Governor supports the project because he thinks they look at the big picture, the regional picture, the long-term picture, and not just short-term challenges, which he thinks could be met.

- He noted, as was mentioned, if the traffic counts get high enough revenue will be generated for the Ingra-Gambell connection. If they are low enough, then the revenue is not needed and the expenditure does not need to be made.

MAYOR SULLIVAN noted, in terms of the main questions on his mind, what is the harm of keeping it in the short-term, he had no good answer. With regard to gravel trucks, he noted if it is in the short-term or the long-term, if it gets built, the traffic is going to be there one way or the other, and short-term or long-term makes no difference on that. Finally, his key question again is more of a rhetorical one, what community would ever take back a bridge they ever built. He never found one. He wants us to move forward, get this project moving, and to think about the development of our economy and our infrastructure for the long-term.

CHAIR WILBER repeated the motion before the body included three parts and the motion was to move the Knik Arm Crossing project into the long-term, which would also include the inclusion of revisions to the plan that would incorporate the revised requirements for SAFETEA-LU and then some financial updates of the financial plan.

The motion failed with two in favor and three opposed. Voting in favor were Flynn and Selkregg, and opposed were Edwards, Sullivan and Wilber.

FAILED

- c. AMATS Air Quality Advisory Committee Appointments**

This item was postponed to the next meeting.

- d. Other Business Items - None**

6. INFORMATION ITEMS

- a. Revised Draft CO Maintenance Plan**

MR. LYON noted this was an information item only to advise the Policy Committee the revised Draft CO Maintenance Plan had been released.

b. Jobs Bill Funding

PETE CHRISTIANSON, ADOT, provided an update on the Job Hires funding. He reported Congress had passed the bill last week calling it the HIRES Act, Hiring Incentives to Restore Employment Act. The bill extended SAFETEA-LU funding through December 31, 2010, returned to the states the rescission money taken from them in 2009, increased AMATS CTP allocation by \$4.285 million, and increased AMATS TRAAK allocation by \$220,000.

He noted there were really no fund requirements as it is Surface Transportation Program (STP) funds which are the most flexible money the State receives and provides to AMATS, and it can be virtually spent on any project. The money will have to be obligated by the end of August. When Congress passed this money, they did not require it be spread among the MPOs. So Anchorage and Fairbanks will be the only MPOs in the nation, most likely, receiving any allocation from this money. Alaska is exempt from the allocation formula.

c. Other Information Items

DR. SELKREGG noted this was her last AMATS meeting. She trusts this body will continue to be concerned about welfare of this community, and stated it had been an honor to serve. She also recognized we can respect one another even though we do not agree with each other. She noted she teaches at the University, and she always says it is always important to have more than one opinion to get it right. She stated it had been a pleasure.

MR. FLYNN indicated it may or may not be his last meeting, and if it is, it has been a lot of fun and he appreciated the opportunity.

MAYOR SULLIVAN thanked DR. SELKREGG for her service stating he would miss her both on the Assembly and on this Committee. He noted she is not afraid to ask questions and he really likes public servants who are not afraid to ask questions.

MS. EDWARDS stated it had been a pleasure serving with her on this committee.

CHAIR WILBER noted he has worked with DR. SELKREGG through all levels of the AMATS organization and at the Assembly and expressed appreciation for her efforts and dedication. He stated she asks the tough questions, he respects her comments and representation, and thinks East Anchorage is going to miss her. He thanked her for her service.

7. SCHEDULED AMATS MEETINGS

Technical Advisory Committee, April 8, 2010

Policy Committee, April 22, 2010

8. ADJOURNMENT

The meeting adjourned at 11:56 a.m.