



July 10, 2020

Sent via US Mail and Electronic Mail

Christopher Constant
Chair – Enterprise and Utility Oversight Committee
Municipal Clerk's Office
632 W. 6th Avenue – Ste. 250
Anchorage, AK 99501

Christopher.Constant@AnchorageAK.Gov

Subject: TOTE Maritime Alaska response to Port of Alaska Modernization draft plan of finance

Dear Assembly Member Constant:

TOTE Maritime Alaska, LLC ("TOTE") has served the State of Alaska since 1975, using the Port of Alaska in Anchorage as the base of operations for our vessels and Alaskan employees. TOTE needs a port that is safe, reliable, and efficient to support the delivery of critical goods to Alaska. The Port of Alaska's infrastructure needs immediate attention to remedy deteriorating structures and improve its ability to survive a major seismic event. As one example, TOTE's berth at Terminal 3 is approximately 46% corroded and lacks technology to minimize further corrosion. Further delays will jeopardize Port of Alaska infrastructure and the primary Alaska supply chain.

TOTE not only supports the Administration's draft Plan of Finance but also sees the plan of finance as a critical and foundational step to move port modernization forward. The plan creates economic certainty for port users to finalize designs. The plan's financial model is in the best interest of the public. Further, the plan is consistent with the historical approach to port project funding, where Port users request and then fund port infrastructure needed for their operations.

The market-based plan of finance best aligns the incentives of the cargo users to the public good. If a requested design element does not make business sense, the port user will have a direct incentive to eliminate it from the design. Ultimately, Alaskans bear the cost of port infrastructure and implementing a financial model that incentivizes innovation and reduces infrastructure costs is good for Alaska.

The draft plan of finance is consistent with previous port development funding and how port development projects, like TOTE's third trestle, have been funded in the past. The draft plan of finance will equitably spread port modernization costs to the appropriate port users benefiting from port infrastructure, while also allowing individual users to add elements beyond port modernization.

The draft plan of finance also addresses the unique characteristics of the cargo berths, where the two berths are used almost exclusively by the two cargo carriers. Consequently, the berth designs and costs are in large part being designed by the two cargo carriers, who have very different operating models. Under these circumstances the draft plan of finance is the most equitable funding model.

Different cost structures across businesses, including port users, is not unique and supports a market-based approach that best serves Alaska. TOTE has funded several port development projects during our 45-year history with the Port, which have resulted in unique fees with the Port. The variance in port fees between



the cargo users demonstrates that the plan of finance accommodates different operating models and encourages innovation to best serve the Alaska market.

An alternative funding model that shifts costs away from the primary benefactor would encourage port infrastructure and costs that might not otherwise be needed or make economic sense. Under the draft plan of finance, users are incentivized to innovate and include only core requirements, i.e. project elements that are either operational necessities or economically beneficial (or both), as they continue design work.

TOTE is proud to call the Port of Alaska in Anchorage our base of operations. We are committed to the modernization of the TOTE berth, as well as working with the Port to ensure the TOTE berth can serve other stakeholders as required. The draft plan of finance will allow TOTE to continue our long relationship with the Port by ensuring that all port users are afforded the flexibility and control necessary to innovate and make economically prudent decisions.

We encourage you to allow TOTE and the Port to finalize the designs by endorsing the draft plan of finance. With the quickly deteriorating condition of the cargo berths, we ask you to act with urgency to confirm the plan of finance.

Sincerely,

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

Alex Hofeling
Vice President and Alaska General Manager

CC:

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Port of Alaska User Group