



COOK INLETKEEPER®

PROTECTING ALASKA'S COOK INLET WATERSHED AND THE LIFE IT SUSTAINS

VIA EMAIL ONLY
(mattclaman@gmail.com)

January 17, 2009

Acting Mayor Matt Claman
Municipality of Anchorage
PO Box 196650
Anchorage, AK Alaska 99519

RE: PORT OF ANCHORAGE EXPANSION PROJECT FINANCES

Dear Mayor Claman:

We were encouraged to read recently of your efforts to review the Municipality of Anchorage's finances as the economic downturn continues to impact Alaska.

I am writing now on behalf of Cook Inletkeeper and the Alaska Center for the Environment to urge you to review the fiscal implications on the Municipality of Anchorage of the Port of Anchorage expansion project. As you know, on behalf of Cook Inletkeeper, I presented information before the Assembly in April 2008, at the meeting where the newly-seated Assembly approved a \$75 million indebtedness package for the Port expansion. Among other things, I noted that according to the Port's own budget figures, the \$75 million debt package would immediately set the Port on a course to lose over \$10 million in the next 5 years. Since that time, I have sent each Assemblyperson a follow-up letter (sample attached) and met with the Anchorage Port Commission. I also made several requests to the Port Commission and Port staff for information about the expansion, its costs, and funding.

Despite these communications, Cook Inletkeeper has yet to obtain answers to two very basic questions about the Port expansion project:

- What is the demonstrated need for an expansion of this size and scope in light of the fact that anticipated Port use cannot sustain the annual projected costs of Port operations?
- How will the Municipality finance construction of the project, especially as credit markets tighten and federal earmarks tail-off?

The construction costs alone for this project are estimated to exceed \$1 billion. I can think of no other public project of this size for which the construction was allowed to begin without first

having in place full construction financing. Indeed, the Port's already highly leveraged indebtedness and highly uncertain funding streams should give the Mayor's Office and the Assembly serious concerns for the Municipality's and the Port's bond ratings and commercial paper program. (It is noteworthy that in response to Cook Inletkeeper's inquiries, the Port promised to provide the Port Commission and Inletkeeper with a financial plan for the expanded Port, yet even that document has not been forthcoming.)

Aside from construction costs, an equally pressing concern involves ongoing and future operating costs. As my testimony and correspondence have indicated, the Port cannot identify the additional revenue streams needed to sustain expanded Port operations. Instead, an ethereal "build it and they will come" philosophy has been used to legitimize a massive expansion which no major shipper says is needed.

Given the fiscal implications of the Port Expansion, it is imperative that the Mayor's Office, the Assembly, and the public understand the demonstrated need for this huge project and the Municipality's plans for its construction and operations funding. It is difficult to imagine how a project of this size, scope and cost could have proceeded as far as it has without such basic information being made available to the public a long time ago.

Cook Inletkeeper clearly recognizes the vital role the Port plays in statewide commerce, and it supports a responsible project that truly meets a demonstrated need and that is self supporting. Yet at this time of increasing fiscal uncertainty, it's more important than ever to bring the discussions surrounding the Port expansion into the public dialogue.

Thank you for considering this letter, and I look forward to your response.

Very truly yours,



Bob Shavelson
Executive Director

Submitted on behalf of:

Toby Smith, Executive Director
Alaska Center for the Environment

Cc: (VIA EMAIL ONLY)

Assemblyman Patrick Flynn
Assemblyman Dan Coffey
Assemblywoman Elvi Gray-Jackson
Assemblyman Bill Starr

Assemblywoman Debbie Ossiander
Assemblywoman Sheila Selkregg
Assemblyman Mike Gutierrez
Assemblywoman Harriet Drummond
Assemblyman Chris Birch
Assemblywoman Jennifer Johnston
Port Commissioner Gary Gustafson, Chair
Port Commissioner Susanne DiPietro, Vice Chair
Port Commissioner Danny Consenstein
Port Commissioner Jim Colver
Port Commissioner Bruce Richards
Port Commissioner Tadd Owens
Port Commissioner Suzanne Linford
Port Commissioner Stephen Saunders
Port Commissioner John Stallone
Port Director Bill Sheffield
Sean T. Connaughton, MARAD Administrator
Julie Jessal, Government Hill Community Council