KNIK ARM BRIDGE AND TOLL AUTHORITY
ANNUAL BOARD of DIRECTORS

MEETING MINUTES #1-11

Board of Directors Meeting, February 17, 2011, Judge Thomas B. Stewart Legislative Office Building, House Conference Room #102, Juneau, Alaska

The meeting was duly noticed on February 7, 2011 in the legal section of the *Juneau Empire,* February 8, 2011 in the legal section of the *Frontiersman* and the *Anchorage Daily News* as public meeting notices, and also listed on the KABATA Web site and the State Online Public Notice system updated January 12, 2011 to reflect new meeting date.

Chairman Michael Foster called the meeting to order at 1:30pm.

1. Roll Call
   A quorum was established with 5 voting Members in attendance at roll call:
   Michael Foster and Dave Haugen, Jerry Burnett, Pat Kemp for Commissioner Marc Luiken Janet Kincaid, and Senator Linda Menard. Representative Mark Neuman was not present.

   Also present: KABATA Executive Director Andrew Niemiec and CFO Kevin Hemenway.

   Recorder: Amanda True, KABATA Office Assistant, attended via phone.

   Foster acknowledged Pat Kemp Deputy Commissioner for DOT&PF sitting in for Commissioner Marc Luiken and Jeff Stark who took Jim Cantors position representing KABATA for the Attorney General's Office.

   There were 3 members of the public in attendance.

2. Approval of Agenda

   Approved unanimously as prepared.

3. Approval of Minutes from Meeting #6-10

   Approved unanimously as submitted.

4. Chairman's Report

   Since our last Board Meeting on December 15, 2010 the Federal Highway Administration (FHWA) issued KABATA a Record of Decision (ROD) with a build alternative and The National Marine Fisheries Services (NMFS) issued KABATA a no jeopardy determination Biological Opinion (BO). Both of these decisions are instrumental for KABATA to move on

to the next phase which is Right of Way (ROW) acquisition, obtain additional permits both Federal and State, and the Public Private Partnership (P3) process. That leads into the Legislative Bills currently under consideration SB79, request for appropriation for a reserve fund, and SB80, Language changes to our legislation to strengthen our ability to go out for our P3 solicitation. There is also a National Highway System Designation from FHWA. We have come a long way since this time last year. Foster read a letter from Mayor Sullivan to Senator Menard in support of SB78 and SB80 encouraging the Legislature to approve the supporting legislation to move the KAC Project forward. We also received a letter from the MSB in strong support of the project.

5. Executive Director's Report

   a. Project Development Update

      Annual Reports have been delivered to the Legislature and were very well received. An updated survey was completed in early January and results are available on the KABATA website. Numbers in support of the KAC project have gone up since the last survey.

      Niemiec updated the Board on changes in KABATA staff. Dale Paulson has retired as of mid-December. Michele Casey has been hired as KABATA's Administrative Manager.

      Andrew Niemiec reported the ROD was issued in December and in late November there was a Biological Opinion (BO) issued by NMFS. The BO was required by FHWA prior to issuing the ROD. There was a notice of the ROD published in the Federal Register. There is a 180 day limitation for any challenges or claims to the NEPA Document after the notice was published. July 5, 2011 is the 180 day cutoff date.

      The Formal designation for Critical Habitat for Cook Inlet was expected in October; and is still outstanding.

      Pursuant to a commitment to NMFS, Loran Frasier and our consultants went to Virginia to study and monitor the noise levels and operation of an oscillator installing drilled shafts in water. We found that the noise levels are very low in comparison to pile driving. The data from this study is valuable for construction operation permitting.

      KABATA is working with the Corps of Engineers on numerical modeling of sedimentation and Hydraulics in Cook Inlet. Our goal is to collect data prior to submitting our formal permit application. We are also working with DOT and FHWA on updating our ROW plans and preliminary title information so we can open the ROW phase of the project.

      We continue with public outreach to all affected communities and a summary of recent activities is included in your packet.

b. Treasurer's Report

CFO Kevin Hemenway addressed the board stating the total year to date expenditures through January 31, 2011 is $2.8 MM invested in the project. That includes $700,000 for Authority operating costs, and $2 MM for Consultants and ADOT&PF overhead charges. Most of that effort has been expended in the National Environmental Policy Act process in order to get the BO and ROD. Since the ROD has been issued we are redirecting efforts towards permitting, ROW and procurement related activities. We are under budget to date due to Dale Paulson retiring and the two programmed position yet to be filled. As of January 31, 2011 we had 3.5 MM of obligated Federal Participating funds, $1.3 MM of that is encumbered under various contracts. FHWA approved and obligated $7.2 MM of Federal participating funds programmed for the project to carry KABATA through June 2012 as well as the cost of the procurement. Previously Andrew Niemiec reported we were looking to obligate and additional $5.2 MM for those costs, but there are previously encumbered non-participating costs that are eligible to qualify for participating costs totaling $2 MM. These costs are just being shifted to the different funding source and are not a new budgeted item. There is $61.1 MM remaining of pre-appropriated but not yet obligated State and Federal matching funds. These funds will be used for the ROW and a component of the capital cost of the project. A TIFIA letter of interest is currently being prepared to request low cost financing for this project.

The Comprehensive Annual Financial Report has been submitted to the Government Finance Officers Association for consideration under their Certificate of Achievement for Excellence in Financial Reporting.

Niemiec added a Travel Report has also been included in the Packet for review.

6. Legislative Report

a. Senator Menard updated the Board on successfully getting SB79 and SB80 out of Transportation. Menard had requested the bills only go through to Transportation and Finance and the request was granted. SB80 will accomplish the P3 items and will increase KABATA's bonding Authority to $600 MM to issue private Activity bonds, property tax relief for the crossing and associated facilities, clarifies contractual monetary obligation, and establishes a project reserve fund. SB79 will appropriate $150 MM to a fund created by SB80 and that will be held by the Department of Revenue. Senator Menard has met with Senator Stevens, co-chair of finance, and reminded him of the importance of this project moving forward and having it placed in the budget.

She continued by recognizing the efforts of her staff and for Mike Rovito of his tiredless work on this project.

Senator Menard continued to remind the Board that we had most of the $150 MM originally but that Governor Murkowski extracted those funds in 2006 to use on other DOT projects. Had he not done that we would only need to request around $$20 to $26 MM. So as we talk to the public we are just asking that the money be put back. It will be

released as the annual payments come due for the P3 firm. This could end up being one of the most rewarding projects that Alaska has. It needs to be looked at as a gateway to the interior, not just a bridge to the Mat-Su.

b. Foster stated prior to the Board meeting he met with Representative Stoltze and the hearings for House Bills 158 and 159 will be next week in front of the Transportation Committee

7. Old Business

a. There is a Public Relations position open that has been approved by the Board and DOT but was not approved by OMB. We are making due with consultants for public relations work.

b. Summary of activities and associated costs. Niemiec recapped the numbers Kevin reported in the treasurers report and asked if there are any questions.

Deputy Commissioner Kemp had a question on what phase we currently are in.

Niemiec confirmed we are still in phase 2 of the project and the Right-of-Way phase would be established soon.

Deputy Commissioner asked what has to be done with the 106 if we have a ROD.

Niemiec responded there was at Programmatic Agreement (PA) signed for the 106 process involving the Council of Historic Properties, SHPO, Elmendorf, Eklutna Tribe, Knik Tribe, the Municipality of Anchorage, and the Matanuska-Susitna Borough. They are all signatories to the agreement. The PA resulted in multiple Memorandums of Agreements which explain the work responsibilities of each of these groups.

8. New Business

Foster wanted to clarify the numbers Senator Menard mention in SB80 that we are asking for an increase in bonding to $600 MM. Our responsibility under the P3 process is making the annual payment. The state is not the borrower of Private Activity Bonds but we would be the conduit issuer.

9. Other Matters to Properly Come Before the Board

None

10. Board Members' Remarks

Dave Haugen expressed his appreciation to Senator Menard for her effort in getting the Senate Bills moved forward.

Jerry Burnett commented that the SCC has recently issued a proposed rule that would potentially require public members of Boards of this type that have the authority to issue

Municipal securities, and we do have bonding authority in the Alaska Statute for KABATA, to register with the SCC as Municipal Advisors. That's a concern of all the various Boards of State Corporations. There have been a number of comments opposing this change but Burnett just wanted to make the Board aware of this proposed change.

Kincaid asked if KABATA should make a statement on this matter

Burnett stated that there are a number of National organizations that have filed comments and does not believe KABATA needs to comment at this time.

Senator Menard would like to see the Public Relations position resolved.

Burnett asked if we need a public relations liaison, would it be an option to hire a contract person or make it a temporary position.

Foster stated we are trying to minimize contractor costs and would like to get this filled in house.

Deputy Commissioner Kemp added we could create a temporary PX position and make an appointment.

Senator Menard commented that some Legislators are approaching her in regards to the location of the project and firmly said that location selection is no longer up for discussion.

Foster mentioned the ROD is for the alignment under Government Hill and the cut and cover tunnel. Two of the three residence impacted are up for sale and the businesses on the other side are either vacant or also up for sale. We can't move the alignment but are not closed to ideas for signage or other suggestion to minimize impacts to the Government Hill Community.

11. Public Comments

None

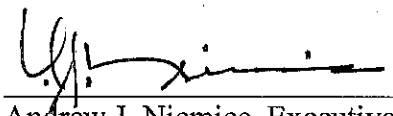
12. Announcements

The next Board of Director's Meeting will be held in Anchorage, Alaska on April 28, 2011 at 1:30 p.m. in Suite 1860 of the Atwood Building.

13. Adjournment: 2:25 p.m.

Minutes Approved: Unanimous Board Approval at April 28, 2011 Annual Board Meeting

Attested to by:



Date: 4-28-11

Andrew J. Niemiec, Executive Director