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Fiscal Year 2008 Project Selection Meeting
Transportation Advisory Committee
December 12-13, 2007
Denali Commission East Conference Room
Anchorage, Alaska

The meeting agenda was reviewed and approved and a staff report (attached) was presented to the Transportation Advisory Committee (Committee). This was followed by a review of the project ranking criteria that had been modified at Committee direction to reflect subsistence activities as part of the economic development component of the criteria. The Committee recommended and approved additional minor modifications of the economic development criteria element.

The Committee then reviewed and approved the Project Selection Considerations (attached). This action led to an extended discussion about the project selection process itself. During this initial phase of the meeting, the Chairman expressed again the need to make sure projects selected for the program could move to completion of its proposed phase, be it reconnaissance engineering, design or construction in the near term. Long delays in project expenditures and project completion are inevitable in some cases, but should be the exception, never the norm.

During the meeting, the Committee welcomed a new member, Mr. Carvel Zimin, Jr., of Naknek, recently appointed by Governor Palin, and expressed their appreciation to the exceptional job Mr. Ray Koonuk from Point Hope had done to shape the Committee's goals and its operating systems during his term as a Committee member.

Over the remainder of the two-day meeting, the Committee selected 37 design and construction projects from the 61 FY 2008 nominations submitted to Denali Commission by federal, state and local government sponsors during the fall 2007 project nomination process. The selections included 20 road, boardwalk and ATV road projects, 16 port, harbor and barge landing projects and 1 planning project.

It was clear early in the meeting, and throughout the course of the two-day review, that the Committee had developed a balanced and determined view of project priorities. In the course of the project selections, it also became apparent that ranking individual projects would not be necessary as nominations quickly fell into one of five categories:

1. Projects were not ready for consideration. This was especially true for many construction phase nominations that did not have the requisite construction bid documents and permits in hand.

2. Projects were requesting design funds even though there were adequate funds on hand to complete design.
3. Project sponsors already had a substantial Denali Commission transportation project underway in their community.
4. Projects did not meet basic criteria. This was true for several upland developments associated with port and harbor improvements.
5. The Committee recognized that the remaining projects would score high in the ranking criteria. In many cases, once the project was recognized as eligible for selection, discussion turned to what phase of work was appropriate and how much funding should be assigned to that phase.

In the Roads program, the Committee generally selected small community streets projects that improve quality of life, and regional/subregion hub projects that improve transportation efficiencies.

In the waterfront development program, barge-landing projects were a priority as were construction-ready port and harbor nominations. The Committee selected several design and reconnaissance engineering efforts, but focused their primary efforts on 7 port and harbor projects worth \$4,700,000 that were ready to go to construction. The discussions included extensive involvement by project sponsors to confirm construction schedules and to negotiate actual funding needs for the project. In several cases, the Committee decided to fund elements of work that most closely aligned with Denali Commission goals, while forgoing elements that were upland features, or were equipment purchases.

Throughout the meeting, the determining factor in project selection was often a project's ability to move to completion in the near term. The pressure to select projects slated to move forward expeditiously is borne of two forces:

1. There is a real need to get capital projects on the ground and in the water. Health, quality of life and transportation safety/efficiency are needed throughout rural Alaska. Regardless of the project type, it is critical that projects move through design and to construction as expeditiously as possible.
2. There is also a need to demonstrate to Congress, funding agencies and rural communities that Denali Commission has the capacity to put projects on the ground and in the water expeditiously.

The Committee also expressed an understanding that there is also a need for patience. Design and construction projects in remote sites take time, sometimes considerably more time than in urban areas. The Committee recognizes that their interest in getting projects completed quickly can often encounter forces that slow down project execution.

Time-consuming fieldwork during design and during construction, short construction seasons, complex and costly logistics, and sometimes, the small dollar value of contracts often combine to make even straightforward projects protracted exercises. Nonetheless, the goal is expedited design and construction, and the project selections reflect that goal.

Recognizing these two countervailing forces are at work in rural infrastructure development, the Committee worked to achieve a blend of design and construction projects that will keep the project pipeline full and a blend of traditional road and waterfront development projects with challenging and/or unique projects that serve the transportation fleets in rural Alaska.

Based on the need to better define projects before committing design and construction funds, the Committee selected an array of reconnaissance engineering projects, primarily in the roads program. Reconnaissance engineering is the correct project development step when the project purpose or termini are known, but the routing, soil conditions, environmental issues, community preferences, construction cost estimates and other design and construction factors are unknown. A successful reconnaissance engineering effort provides transportation managers tools needed to determine if a project is practical and in the interest of a community and/or region.

The Committee and staff from the Federal Highway Administration discussed at length the fact that under SAFETEA-LU and Title 23 regulations, taking projects into the system implied that construction funding was available either from other sponsor sources, or that Denali Commission was ready to take responsibility for the entire cost of construction. The discussions helped refine this element of project selection. As a result, some projects that may have been selected, especially in the roads program were set aside because there was no apparent funding agent for construction and the project was either too large for Denali Commission to fund on its own, or it was not a high enough priority for Denali Commission to have to potentially fully fund.

Three sponsors submitted large road or waterfront development design projects that already had substantial funds on their books. Understandably, the sponsors are continuing their efforts to build a construction fund pool that meets construction estimates. However, because these projects were several years from construction phase, or had substantial funding shortfalls that Denali Commission could not fill under its limited funding. The project sponsors were encouraged to use existing funds to complete design and then come back to the Committee when their construction-funding package was within the transportation programs \$1,000,000 per project funding limit.

Several sponsors submitted projects that were close to construction-ready, but did not meet the test of bid-ready with all permits in hand. It turns out that local governments sometimes bid projects without permits and then work with the contractor to negotiate the cost of construction changes resulting from permit stipulations or other conditions.

This approach will not work in the Denali Commission program. FHWA staff attending the meeting confirmed staff assessments that again under SAFETEA-LU and Title 23 regulations that guide the Denali Commission Transportation Program, all permits need to be in hand before contract bids can be advertised. This was an important lesson for sponsors, and even though this requirement was stated in the nomination materials, staff has to do a better job in the future making this point clear during project nominations.

The Committee selected one project that is being developed in concert with the one of the state's seven Community Development Quota (CDQ) fisheries group, Coastal Villages Region Fund. This initial effort will likely expand overtime as other CDQ groups and

Denali Commission develop common goals for rural transportation infrastructure development.

New categories of projects, ATV roads, were submitted and the Committee selected three design projects for reconnaissance engineering. The expectation is that those projects found to be practical and affordable will go to design in the following year. ATV roads are cost-effective alternatives to traditional road projects and are becoming common solutions in a number of saturated soil conditions around Alaska where ATVs are the vehicle fleet.

In the waterfront development program, the Committee selected 2 boat haul-out facility nominations for design and/or construction funding. These projects represent a new approach to boat repairs that used to be done on harbor grids. Since environmental considerations now make grids impractical in most harbor settings, the boat haul-out approach to routine repairs may make sense for harbors in rural areas with substantial commercial and subsistence fleets.

Toward the end of the meeting, the Committee reviewed the project selections and agreed that the FY 2006-2007 projects already in motion and the FY 2008 selections result in a Denali Commission Transportation Improvement Program (Denali TIP) that creates a stream of high priority projects to communities. The selection meeting also demonstrated the program's success in targeting small, but important projects that other agencies are not able to address with their programs.

The Committee also reviewed and approved follow-up tasks associated with the selection process that include posting the Committee's FY 2008 project selection list on the Denali Commission website, sending out letters to project sponsors letting them know the status of their nominations and preparing the Financial Assistance Award documents for selected projects. These finance documents are the base for recording funding sources, scope of work, timelines and responsibilities of the Denali Commission and sponsor.

As noted above, the Committee discussed at length their concerns about the pace of design development by Denali Commission partner agencies. As a result, project assignments have been made to partner agencies, but staff was directed to discuss the projects with assignees and report back to Denali Commission management before final assignment for execution.

Project assignments are based on the partner having a pool of similar projects underway, or a partner having a special expertise that is well suited to the project stage of a selected project. Final decisions on project assignments will be completed by January 31, based on management review and approval of project timelines.

The Committee also reviewed and provided comments on the program's draft comprehensive status report for transportation projects. This product will be completed as a final document by staff and reviewed by management prior to posting on the Denali Commission website. The status report will be updated quarterly, and will be fully coordinated with the Denali TIP, the federal three-year capital budget.

The Committee directed staff to prepare a construction phase budget estimate for all projects currently in the system. This data, upon review and approval, will provide

information needed to make future project selections, and will ensure that the Denali TIP is fully obligated for FY 2008-2009.

At the conclusion of the meeting, the Committee also recommended that management and staff prepare a review of progress on existing projects for consideration during the 2008 summer meeting. There may be a need to rescind project approval for those projects that cannot get underway or do not have sufficient funds for a logical terminal project segment or logical structural component. A FY 2006-2007 project review and the outcome of the FY 2006-2009 construction budget may show an opportunity to fund FY 2008 nominations that are scheduled to be ready for construction mid-year. The review and potential reconsideration of FY 2008 projects will be an agenda item for the summer TAC meeting. Sponsors with projects that were scheduled for construction in mid-year will be notified that their projects may be recalled by the Committee at the summer meeting.

The final action by the Committee was to set a schedule for a summer meeting. This year the meeting will be held in Southeast Alaska and the schedule is tentatively set as June 2-5, with an all-day meeting, likely in Ketchikan on June 3.