

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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SUMMARY OF: A Special Report on the Department of Transportation and Public Facilities (DOTPF), Ted Stevens Anchorage International Airport (AIA), Capital Projects Review, September 4, 2009.

PURPOSE OF THE REPORT

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we conducted an audit of various capital project related issues at the Ted Stevens Anchorage International Airport (AIA). Our primary objective was to determine AIA's process for approving the scope and funding for capital projects, to review capital projects approved over the last ten years for verification of the approval process, and to summarize capital projects in excess of \$500,000 by expenditure amount, funding source, and timeframe for completion. Additionally, we assessed the operational effect of projects exceeding budget and completion timeframes.

We reviewed two specific projects in detail – the airport director's office renovation and airport hold room construction. For the director's office project, our objective was to evaluate the office layout and determine if the layout exceeds professional office space standards. For the hold room project, our objective was to provide a layout of the room, determine the budget and source of funds to operate the room, and identify who is eligible to, and who has used the room over the last year.

REPORT CONCLUSIONS

AIA generally followed its process for approving projects. This includes the director's office and hold room construction projects. However, we found AIA inadequately documents certain aspects of the capital project planning and approval process and project management avoids project control practices. Information inadequately documented includes the original budget and expected completion dates for projects. Furthermore, prior to 2009, airlines did not approve individual projects, and information concerning airline approval for projects was unavailable prior to 2002. There is no indication of significant negative impacts on airport operations due to budget or timeframe overruns.

We found that the director's office configuration and many other private offices exceed space allocation standards. Overall, AIA's management allocated an unreasonable amount of space for administrative non-revenue generating purposes. In addition, AIA has no formal

procedures for use of the airport hold room and does not keep a record of hold room use. Over the last six months, the room was used on four occasions - three times by the Governor's office and once by foreign dignitaries. We also found that DOTPF is not meeting statutory requirements for annual reporting of International Airport Construction Fund activity, and the DOTPF commissioner, appointed in 2007, did not satisfy Alaska Executive Branch Ethics Act requirements until July 2009.

FINDINGS AND RECOMMENDATIONS

1. AIA's airport director should improve the project planning and management process.
2. The commissioner of DOTPF should ensure submittal of an annual International Airport Construction Fund spending plan to the legislature in accordance with state law.
3. AIA's airport director should consider reducing the amount of space allocated for administrative purposes to maximize the amount of space available for generating rental income.

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September 19, 2009

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
CAPITAL PROJECTS REVIEW
September 4, 2009

Audit Control Number
25-30052-09

This audit addressed various capital project related issues at the Ted Stevens Anchorage International Airport. The primary focus is on whether procedural requirements for identifying and approving the scope and funding for projects were followed. We also reviewed the extent to which projects exceeded original budgets and expected completion dates, and the impact on operations of the airport when this occurs. Lastly, two specific projects were reviewed - the construction/renovation of the Airport director's office and the airport hold room.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.


Pat Davidson, CPA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we have conducted an audit of various capital project related activity at the Department of Transportation and Public Facilities (DOTPF), Ted Stevens Anchorage International Airport (AIA). The objectives, scope, and methodology of our review were as follows:

Objectives

The objectives of this audit were to:

1. Describe the process used at AIA to identify and approve the scope and funding for capital projects at the airport.
2. For each project approved or pending approval in excess of \$500,000 over the last 10 years:
 - Determine if the approval process was followed, including if the project received approval from the Airport Airlines Affairs Committee (AAAC) – the oversight airline group operating at AIA.
 - Provide a brief description of the project and identify if the project is complete.
 - Identify the original and final budget (including source of funds), total expenditures, and the original and final timeframe for the expected completion for each project.
3. Describe the impact on operations of the airport if capital projects exceed either the originally approved budget or the expected timeframe for completion.
4. For the construction/renovation of the airport director's office and the airport hold room:
 - Determine if the scope and budget for the project were subject to and obtained the same approvals as all capital projects.
 - Identify the original budget and final costs, including the source of funds.
 - Provide a layout and description of the office configuration/completed room.
5. Determine if the airport director's office layout and equipment is consistent with or exceeds professional office space standards.

6. Identify who is eligible to use the airport hold room, who has used the room over the last 12 months, and the budget and source of funds to operate the hold room.

Scope and Methodology

We interviewed various DOTPF and AIA's staff to determine the process used at AIA to identify and approve the scope and funding for capital projects at the airport. This included AIA's management as well as AIA and DOTPF's project managers, budget, and accounting staff.

We identified the airport's capital projects approved in excess of \$500,000 for the period from July 1998 through April 2009 using the state accounting system. In addition, we used a combination of various state accounting system reports to identify final project budget, funding sources, and expenditure information.

To determine if the project approval process was followed, including whether AAAC approval was obtained, we reviewed various AIA and DOTPF documentation including: project files, and Alaska International Airport System Operating Agreement and Passenger Terminal Lease agreements in place during the audited period. We obtained project descriptions and completion status through project file documentation. Due to lack of documentation, we could not obtain original budgets and expected timeframes for project completion. (See Appendix A for a summary schedule of the airport capital projects identified.)

To determine the impact on operations of the airport if capital projects exceed either the originally approved budget or the expected timeframe for completion, we interviewed various airport stakeholders. This included: AIA's management and staff, representatives of various airlines, cargo carriers and businesses operating at the airport, AAAC members, and technical consultants.

For review of the airport director's office and airport hold room, we inspected project files including construction diagrams. Descriptions of the director's office and hold room are based on visual inspection. We evaluated AIA's office configuration and equipment for consistency with professional office space standards using the Department of Administration, Division of General Services' office space standards. (See Appendix D and E for respective layouts of the airport's director's office and airport hold room.)

Identification of airport hold room eligibility and actual use over the last 12 months was obtained through interviews with AIA's management and a review of automated key card logging.

During the course of our audit, we also reviewed the following items:

- Alaska statutes, regulations, and DOTPF's project control procedures.

- Prior Division of Legislative Audit reports, special legislative reports, ombudsman reports, and Institute of Social and Economic Research reports.
- Financial reports from the State accounting system and the airport's independent auditors.
- Various contract files and documents, project reports, financial plans, and capital improvement program information.

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ORGANIZATION AND FUNCTION

Alaska Statute 44.42.020 provides the Department of Transportation and Public Facilities (DOTPF) with the authority to manage, operate, and maintain state transportation facilities including airports.

The Alaska International Airport System, under DOTPF, operates two airports. The Ted Stevens Anchorage International Airport (AIA) and the Fairbanks International Airport are managed by lead staff that report to a DOTPF deputy commissioner.

The airport system is financed through a self-supporting enterprise fund, the International Airport Revenue Fund. It derives its monies from airport bond sales, federal grants, concessions, and user charges.¹ This fund may only be used for airport administration and operations, maintenance, repairs, capital improvement projects, and principal and interest payments on revenue bonds.²

The airport system's independently audited financial statements for the year ended June 30, 2008 lists assets of over \$1.4 billion including cash, land, infrastructure, buildings, and construction-in-progress. Operating revenues and expenses were \$119 million and \$112 million, respectively.³

AIA's staff are responsible for identifying its capital project needs. The AIA construction-engineering group works with DOTPF's central region staff or outside consultants to estimate and design proposed projects. AIA's capital projects are managed either by DOTPF or by AIA's internal staff depending on the nature of the project. Generally, AIA's staff manage only terminal facility projects.

¹ User charges include landing fees, rent for terminal space, docking fees, fuel flowage fees, passenger loading bridge fees, and charges related to federal customs and immigration inspections.

² AS 37.15.430.

³ Rates and fees charged airport users are adjusted every year. The goal is to have enough revenues to pay all expenses over the long run.

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BACKGROUND INFORMATION

The Department of Transportation and Public Facilities (DOTPF) oversees the operation of the international airports in Anchorage and Fairbanks under the auspices of the Alaska International Airport System (AIAS).

AIAS' activities are funded through an enterprise fund, the International Airport Revenue Fund (IARF). Enterprise funds finance and operate organizations in a manner similar to private businesses; users are charged for airport services.

Over the last ten years, significant development and renovation of Ted Stevens Anchorage International Airport's (AIA) facilities have occurred through numerous capital project activities. This includes the expansion and redevelopment of the south terminal and construction of new offices for AIA's administrative staff in the C concourse of the south terminal.

Ted Stevens Anchorage International Airport

AIA is the largest airport in the State with a total of approximately 4,800 acres. The airport has two primary passenger terminals – the north terminal and the south terminal.

The north terminal building, used primarily for international travel, is approximately 310,000 square feet (ft²). This terminal has eight jet gates and approximately 25,000 ft² of concession space.

The south terminal building, used for domestic travel, is approximately 830,000 ft². The terminal has three concourses (A-C). Concourse A, used for regional carriers, has six ground loading gates and three jet gates. Concourse B, currently under renovation, will have eight jet gates. Concourse C, recently renovated, has nine jet gates. Airport management and most administrative offices are located in the C concourse.

The airport airfield has two major east/west runways and one major north/south runway. There are 16 taxiways and 78 aircraft parking aprons.

Other airport facilities include:

- A seaplane and air taxi base at Lake Hood.
- A control tower that is owned and operated by the FAA.
- Maintenance hangers (owned by carriers).
- Fueling facilities.
- State owned long and short term parking areas for approximately 4,500 vehicles.
- An Alaska railroad depot.

- Rental car facilities.

The airport generates revenue primarily through airfield operations. Revenue sources include annually calculated landing fees and fuel flowage fees charged to airlines and cargo carriers for use of the airfield facilities.

Other significant sources of revenue include:

- Concession fees from business tenants based on gross revenues.
- Terminal rent based on rates per square foot calculated annually.
- Land lease rent based on rates per square foot which are subject to review every five years.
- Vehicle parking fees.

Operating agreements between AIAS and the airlines stipulate the methodology for calculating airfield operations fees and terminal rental rates.

The State, through DOTPF/AIAS, enters into operating agreements with almost all airlines and cargo carriers utilizing the airport. The airlines and cargo carrier's that are party to these agreements are referred to as signatory airlines.

The Airport Airlines Affairs Committee (AAAC) represents the signatory airlines in operating agreement negotiations with AIAS. This group includes representatives from each of the signatory airlines and has semiannual meetings with AIAS' management.

The operating agreements grant signatory airlines the authority to operate at the airport and prescribe the rights and obligations of the State and the airlines. The agreements include specific methodology for calculating facility and terminal rental fees as well as landing and fuel flowage fees. The agreements also include provisions for signatory airline approval of capital construction activities at the airport.

AIA's Administrative Offices

AIA's new administrative offices, constructed as part of the south terminal redevelopment project, occupy approximately 30,000 ft² on the third and fourth floors of the C concourse and cost \$5.5 million.

The south terminal redevelopment project required AIA's staff to temporarily move from the south terminal to the north terminal. The general timeframe was as follows:

- Staff were located in the old C concourse of the south terminal until 1998.
- Staff were relocated to the north terminal during the south terminal redevelopment 1998 - 2008.

- Staff were relocated to new office space in July/August 2008 after office renovations were completed.

AIA's administrative offices on the fourth floor occupy approximately 6,000 ft² of space and include: a reception area, break room, conference room, six private offices, and additional unoccupied space. Private offices include the 512 ft² airport director's office and attached 321 ft² guest study with a kitchenette and a private bathroom. Approximately seven to ten staff currently occupy the fourth floor.

The third floor has four primary sections: (1) reception/leasing, (2) planning/engineering/environmental, (3) accounting, and (4) information technology. These areas include: 15 private offices, three conference rooms, three break rooms, and three privacy rooms. Also on the third floor is the 881 ft² airport hold room⁴, with two private bathrooms, and a kitchenette, and an adjacent 1,593 ft² conference room. Approximately 50 staff currently occupy the third floor. Ten offices/cubicles are unoccupied.

AIA's Capital Project Development and Approval Process

At the highest level, a document called the "Master Plan" (the plan) guides AIA's capital projects. The plan, required by the Federal Aviation Administration (FAA), is the end result of a formal planning process which occurs approximately every five years. Development of the plan includes: an inventory of existing facilities; developing forecasts for various types of aviation activity at AIA; evaluating facility requirements for both airfield and support facilities needed to accommodate forecast activity levels, and an analysis of AIA's development alternatives to meet forecasted activity levels and future airport plans. An engineering consulting firm under contract with AIA prepares the plan. The FAA will not provide funds for significant airfield development unless the development is designated in the Master Plan.

During the development process, there are numerous meetings between the master plan consultants and the key AIA managers. The group works on alternatives for future airport development such as terminal expansion, cargo aprons, and new taxiways. The master planning process includes input from the public through many workshops and public meetings. A primary goal of these meetings is to ensure future development plans comply with the National Environmental Policy Act (NEPA). The NEPA requires federal agencies to integrate environmental values into their decision-making processes by considering the environmental impacts of their proposed actions and reasonable alternatives to those actions. Any projects funded with federal money require a NEPA document such as an environmental impact statement.

The Master Plan guides federally funded projects, and the plan specifically identifies some large scope projects. However, the FAA does not require the plan to specifically identify all

⁴The airport hold room is a private area AIA's management reserves for use by a select group of people. The hold room provides a private area for visitors to conduct business while at the airport.

projects. They only require that federally funded projects meet the development criteria for airport areas as documented in the plan.

There is not a one-to-one connection between the Master Plan and individual projects. However, the master planning process generates many ideas for future airport development and individual projects.

AIA's Project Development Process

Currently, AIA proposes new projects through a project nomination form (PNF). Project nominations result from needs for repairs or improvements, to comply with federal requirements, or to facilitate future airport development. The PNF includes definitions of project need, proposed scope, cost estimate, proposed funding source(s), and year for construction. Any AIA staff member can nominate a project, and once a year, there is a formal PNF solicitation process. However, nominated projects require a sponsor for approval. Only an AIA section⁵ manager can sponsor a nominated project.

AIA uses a document called the spending plan to help evaluate nominated projects and monitor available funding. The spending plan includes cost estimates and funding for previously proposed and approved projects. As part of the annual PNF solicitation process, AIA's planning manager distributes the spending plan to the PNF sponsors and key managers for input to update the plan. Once the PNF solicitation process and spending plan update is complete, key airport management staff meet to review the PNF list and select projects for which they will request formal approval and funding.

Project Funding

Determining funding sources for projects is a collaborative effort and is part of the spending plan update process. The primary goal is to secure as much federal funding as possible. Once federal funding has been established and allocated to projects, determinations are made concerning matching the federal portion and funding any remaining projects from Revenue Bond proceeds, International Airport Revenue Fund (IARF), Passenger Facility Charges (PFCs), or Airport System Development Fund (Development Fund) monies.

AIA's primary source of federal funding is the FAA's Airport Improvement Program (AIP). AIP provides grant based discretionary and entitlement funding for improvement projects that enhance airport safety, capacity, security and environmental impact. In addition, AIA has received federal Department of Homeland Security funding for specific security related equipment.

Revenue bond proceeds deposited into the International Airports Construction Fund support some capital projects. Allowable uses for these funds include the costs of acquiring,

⁵AIA's primary sections include: Leasing, Planning, Engineering, Environmental/Noise, Accounting, Information Technology, Facilities Operations, and Airfield Maintenance.

equipping, constructing, and installing additions and improvements to facilities for the airports. Bond issuance documentation governs the use of bond proceeds.

State law requires that all revenue, fees, charges, and rentals (except PFCs) derived by the State from ownership, lease, use, and operation of the airports be deposited in the IARF. Allowable uses for the IARF include: (1) paying the costs of renewals, replacements, and extraordinary repairs to the airports, and (2) providing money to acquire, construct, and install necessary additions and improvements to facilities for the airports.

The FAA grants public agencies controlling commercial airports the authority to collect PFCs ranging from \$1 to \$4.50 per passenger. These proceeds fund eligible facility improvements or debt service on facility related infrastructure. State and federal regulations govern the use of these funds.

The IARF has various sub funds including the Development Fund. Airline operating agreements stipulate annual amounts deposited into this fund. Generally, the use of the Development Fund is similar to the IARF.

AIA's project development process and funding identification results in the creation of a five-year Capital Improvement Program (CIP) to address airport system improvement needs through specific capital construction activities. (See Exhibit 1.) A CIP report is included as an exhibit in airline operating agreements with AIAS.

Airline Capital Improvement Approval

The CIP report, included as an exhibit in operating agreements, is the mechanism through which AIA obtains signatory airline approval for construction activities. The process for obtaining signatory airline approval for construction activities under each of the agreements in place over the last ten years is described in the next two pages.

1995 Operating Agreement effective July 1, 1995 – September 30, 2001

Under this agreement, AIA obtained airline approval for construction activity through a balloting system. On an annual basis, AIA provided the airlines with a CIP report of proposed construction activity. AIA considered proposed activity approved unless 67% of the airlines withheld approval in writing. AIA could request reconsideration if approval was withheld.

Exhibit 1

Capital Project versus Construction Activity

In this report, capital project refers to construction activity with a specific and discrete scope and is the level at which AIA's management approves and controls capital improvements.

Construction activity, as used in this report, refers to the categories listed in the CIP report included as exhibit in the Airline Operating Agreements. These categories describe a general capital activity such as "Airfield Pavement Maintenance." Each category includes a number of capital projects. In addition, a single capital project may be included in multiple categories in the CIP report.

If unapproved, AIA could immediately commit to the activity and exclude the costs from the rate and fee calculations, or postpone for one year. After postponement for one year, airline approval was not required unless the actual work materially exceeded the original proposed scope.

2002 Operating Agreement effective October 1, 2001 – June 30, 2008

By signing the 2002 operating agreement, the signatory airlines approved AIA's construction activities. A CIP exhibit attached to the agreement listed the construction activities by category. AIA's management did not provide the signatory airlines an identification of individual capital projects. (See Appendix C for the list of categories and amounts approved under the 2002 operating agreement.)

Under the operating agreement, additional approval is required of the signatory airlines if the cost of construction activities in any category exceeds 110% of the original amount, or if construction activities for the year exceed 115% of the original amount.

The agreement provided for the balloting of airlines for construction activities not included in the CIP exhibit. A 30-day balloting period allowed airlines to approve or deny activity and provide AIA with a written notice that a majority of the airlines denied the activity.

Upon denial, AIA could do any of the following:

1. Request reconsideration and re-ballot.
2. Abandon the activity.
3. Use funding not affecting airline rates and fees.
4. Defer the activity for one year then proceed without airline approval.

2009 Operating Agreement retroactively effective July 1, 2008 – June 30, 2013

The approval process under this agreement is identical to the 2002 agreement with two exceptions: (1) the operating agreement CIP exhibit discloses many individual capital projects, and (2) there is no requirement for obtaining additional approval when costs increase 15% in any fiscal year.

In general, the operating agreements with the signatory airlines require AIA to obtain airline approval for construction activity whose costs are included in the rents and fees charged to the airlines. However, the following construction activity is not subject to signatory airline approval:

1. Costs funded from rates and fees that are \$500,000 or less for construction or acquisition provided that activity undertaken under this exclusion in a single fiscal year does not exceed \$3 million.

2. To meet requirements of the FAA or any other authority with jurisdiction over the airport system.
3. Improvements required for making available additional terminal space or related facilities for the expansion of an airline or for a new airline.
4. To repair or replace property damaged or destroyed by fire or other casualty.
5. To settle claims or comply with judicial or administrative orders against DOTPF arising from ownership and use of the airport system.
6. In response to an emergency that would result in the closure of the airport system or an essential portion of the airport system.
7. Activity financed either as special purpose facilities, or by third parties, whose tenants or users shall be required to pay directly or to reimburse for all costs.
8. Activity financed from sources that do not affect airline rentals, use fees, or landing fees, including the Airport System Development Fund⁶.
9. Acquisition of land reasonably necessary to preserve the integrity of the Airport System.

Legislative Authority

To obtain legislative authority to expend on construction activity, AIA submits a list of proposed activity to DOTPF's statewide planning staff for inclusion in DOTPF's capital budget request. This list identifies the activity name and proposed funding source(s). Based on the information provided by AIA, DOTPF's staff prepares individual summary sheets for submission to the legislature. Information presented includes: project name, statement of need, description, estimated dates, and funding source(s). AIA's engineering staff reviews these summaries prior to submittal to the legislature. According to DOTPF's statewide planning staff, AIA's funding requests are typically not for the entire cost of proposed activity. As a result, there is no direct relationship between funding requests made to the legislature, and the amounts approved by the airlines under the five-year CIP exhibits.

Final Approval

After determining funding sources, verifying funding is available, obtaining airline approval (when required), and legal authorization, AIA's engineering staff collaborates with DOTPF to assign a project manager to a proposed project.

The project manager and AIA's engineering staff develop a Project Development Authorization Request (PDAR) form. This form identifies the project name, scope, and the funding allocations by appropriation. DOTPF's procedures require the airport director and the AIAS controller to endorse this form signifying their approval. The airport director has final authority on approving a project.

⁶The Airport System Development Fund provided the funding for the AIA administrative office construction project, which included the Airport Directors office and airport hold room renovation.

According to AIA, the scope identified on the initial PNF is often refined during planning and approval stages. The scope on the PDAR is the final approved scope unless revised through a subsequent PDAR. Additionally, since the PDAR includes the funding source(s) when routed for signatures, all key signers are aware of the project scope and funding. This document therefore signifies AIA/DOTPF final approval of a project scope and funding.

AIA's Capital Projects

From July 1, 1999 through April 30, 2009, AIA initiated 181 capital projects in excess of \$500,000. Of these, the signatory airlines approved 18 individual capital projects identified in the 2009 operating agreement. The remaining projects gained approvals through the 1995, 2002, or 2009 operating agreement process as construction activity. Projects are presented in this report based on project status as of April 30, 2009.

Appendix A of this report lists the 160 projects active from July 1, 1998 through April 30, 2009, in excess of \$500,000, and includes the following information, as available⁷:

1. The scope of the project.
2. Final budget, total expenditures, and funding sources.
3. Final timeframe for completion of the project.
4. If the project has been completed.

Appendix B of this report lists the 24 construction categories and projects from the approved 2009 operating agreement. Three of these projects were active before April 30, 2009 and, therefore, are also included in Appendix A.

⁷Original project budget and original timeframe for completion could not be obtained due to reasons cited in Recommendation No. 1 of this report.

REPORT CONCLUSIONS

The Ted Steven's Anchorage International Airport's (AIA) process for developing and approving capital projects is extensive and has many components. Evaluation of the capital projects approved in excess of \$500,000 over the last ten years revealed that AIA generally followed its process for approving scope and funding for projects. This includes the project of renovating the AIA director's office and the airport hold room funded by the Development Fund. While many projects exceeded AIA's final expectation for completion, there is no specific indication from airlines or businesses operating at the airport of significant negative impacts on airport operations due to budget or timeframe overruns.

From a review of the capital project development and the approval process, we formed the following conclusions:

- AIA inadequately documents certain aspects of the capital project planning and approval process.
- Prior to the 2009 operating agreement, the airlines did not approve individual projects.
- The director's office configuration and many other private offices exceed space allocation standards.
- AIA has no formal documented procedures for use of the airport hold room.
- The costs of operating the airport hold room are not separately identifiable in AIA's terminal operations budget.
- AIA's project management avoids the Department of Transportation and Public Facilities' (DOTPF) project control practices.

Other matters that came to our attention during the course of this review include:

- DOTPF is not meeting statutory requirements on annual reporting of the International Airport Construction Fund activity.
- The DOTPF commissioner has not completely satisfied the Alaska Executive Branch Ethics Act disclosure requirements.

Detailed report conclusions follow below.

AIA does not adequately document information regarding the original budget or expected completion dates for its capital projects.

AIA does not retain preliminary project costs and timeframes for completion estimates. As a result, AIA's original estimate of what a project will cost and when a project will start and

end⁸ was indeterminable for the projects reviewed. Budget requests submitted to the legislature typically do not include the entire estimated cost of the proposed project activity. Furthermore, many budget requests to the legislature are not project specific; they are categories of projects. (See Recommendation No. 1.)

Prior to the 2009 operating agreement, airlines did not approve specific projects, or information is not available.

While airlines approved construction activity categories under the 2002 operating agreement, the airlines did not know the specific projects for which AIA was requesting approval. In essence, the airlines approved a sum of money for expending on a type of construction activity. AIA was at liberty to add projects under categories as long as the sum did not exceed (within 10-15%) the approved amount. The total amount approved by the airlines under the 2002 agreement is \$602.5 million. Whether AIA exceeded the \$602.5 million approved by the airlines cannot be determined due to lack of documentation. Many of the construction activities approved under the 2002 operating agreement were also included in the 1995 operating agreement. However, AIA's management did not retain documentation on the construction activity and amounts approved under the 1995 operating agreement.

The director's office configuration, and many other private offices, exceed state office space allocation standards.

The director's office configuration exceeds reasonable office space standards. Attaching a guest study with a kitchenette and private bathroom to the director's office, and the use of custom shoji screens rather than less expensive alternatives, is wasteful. (See Appendix D of this report for a layout and description of the airport director's office and the attached guest study.)

In addition, the director's office and many of the private offices for administrative staff exceed Division of General Services (DGS) office space standards⁹. All six of the private offices on the fourth floor and three private offices on the third floor exceed these standards based on the range and duties of the staff persons occupying these offices. (See Exhibit 2 on the next page for office space sizes and applicable DGS standards.)

⁸Expected completion date for projects presented in the project schedule in Appendix A is the start date and required completion date identified in construction contract award documents. These represent AIA's final expectations of when a project will begin and end.

⁹These standards outline the policies for the allocation of state owned and leased space under the control of DGS. These standards do not apply to AIA. However, their purpose is to ensure workspace allocation is consistent throughout state agencies.

Exhibit 2

AIA's Office Description	AIA's office Square Footage	Comparable DGS Standard Square Footage
Airport Director	833	300
Deputy Director	375	200
Administrative Manager	210	125
Development Manager	210	125
Community Relations Manager	210	125
Marketing Manager	210	125
Property Director	248	200
Construction Director	220	200
AIAS Controller	204	200

Any space allocated for AIA's administrative purposes is not available for generating rental income. AIA's office areas on the third and fourth floor of the C concourse have significant unused space and an excessive amount of space allocated for meetings and breaks. This includes multiple conference rooms, break rooms, and privacy rooms. (See Recommendation No. 3.)

AIA has no formal documented procedures for use of the airport hold room.

AIA has no formal documented procedures for use of the hold room or criteria for who is eligible to use it. The airport manager controls actual use of the hold room. According to AIA, hold room use is limited to the following:

- Alaska's United States congressional delegation.
- Foreign dignitaries.
- The Governor.
- Commissioner level public officers.

AIA does not keep and, therefore, could not provide a record¹⁰ of guests using the hold room over the last 12 months but stated that the room is used approximately 2-3 times a month. After reviewing the key card logs, AIA's management reports the hold room was actually used four times from January 2009 through June 2009, three times by the Governor's office and once by foreign dignitaries.

The costs of operating the airport hold room are not separately identifiable.

The costs of operating the hold room are paid through AIA's terminal operations budget and, therefore, not separately identifiable. There is no specific budget line item associated with the hold room. AIA's operating budget is IARF funded. Therefore, rents and fees from

¹⁰AIA's electronic key card logging automatically records all access to the room. However, individual access cannot be specifically correlated to guest use of the room.

airport operations pay the costs of operating the hold room. (See Appendix E of this report for a layout and description of the Airport Hold room.)

Some of AIA's project management practices avoid DOTPF's project control procedures.

AIA's project management practices place a high priority on operational considerations at the expense of established DOTPF project control procedures. These practices include: (1) essentially assigning new projects to contractors already working at the airport on a different project, (2) keeping projects open after original work completion and subsequently adding additional work of similar scope, or (3) commingling project work to the extent that a single project's documentation is associated with multiple projects. In many cases, these practices result in inadequate documentation and poor financial management. Of the 181 projects initiated, 160 projects were completed or in progress at the time of this review. AIA was not able to provide any project file documentation on five of these projects. In some instances, it was difficult, if not impossible, to determine the true costs for projects. (See Recommendation No. 1.)

DOTPF is not meeting statutory requirements for annual reporting of International Airport Construction Fund activity.

State law requires DOTPF's commissioner submit an annual spending plan to the legislature that contains information on expenditures from the International Airport Construction Fund made during the previous fiscal year, and anticipated expenditures for the current year. DOTPF has not submitted this report since 2007. (See Recommendation No. 2.)

The commissioner of DOTPF has not completely satisfied the Alaska Executive Branch Ethics Act (the Ethics Act) annual disclosure requirements.

Prior to appointment as DOTPF's commissioner, Leo Von Scheben was a founding partner in Unwin Scheben Korynta Huettl, Inc (USKH), an architectural and engineering firm that does frequent business with the State, including DOTPF. The commissioner has an ongoing financial interest in this firm. The commissioner disclosed his interest in USKH and pledged to recuse himself from DOTPF matters involving USKH. However, in accordance with the Ethics Act, the commissioner did not: (1) satisfy annual disclosure requirements, and (2) formally delegate his authority to act on contracts entered into with USKH until July 2009.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

AIA's airport director should improve the project planning and management process.

AIA's project planning and management has weaknesses that result in an inadequate record of key aspects of the planning and management process. Inadequate records include: lack of a project budget and timeframe information from original planning; documentation that is not clearly specific to a single project, and, in some cases, lack of project records in general.

Specific capital project planning and management weaknesses include:

- AIA retains no reliable record of the original budget or project completion expectations.
- Many projects lacked specific documentation of start and end dates. This is primarily due to AIA's practice of establishing projects for work assigned to contractors already working at the airport under contract for a different project. Rather than undertaking a new procurement, AIA will amend the existing contract or process a change order for the additional work and charge these costs to the newly established project.
- AIA commingles some projects to the extent that there is no clear indication of where one project ends and another project begins.
- Some projects remain open indefinitely to expend funds and avoid the administrative process of establishing a new project.
- AIA could not locate project files for five of the 160 projects for which we requested documentation.
- A parking lot construction project, completed by AIA's maintenance staff, did not have any construction labor costs charged to it. Furthermore, there was no project file available. (See Exhibit 3 on next page for further discussion.)

The weaknesses in project management practices noted above results from operational considerations taking priority over project control.

Adequate record retention is fundamental to sound management practices. For capital projects in particular, maintaining complete records of all aspects of the process, from planning to project completion, is important for accountability and transparency.

Exhibit 3

Auxiliary Parking Lot

In 2007, AIA's management approved a project for the construction of a long-term parking lot adjacent to DOTPF's central region headquarters on International Airport Road. AIA calls this parking lot a "Park, Ride, and Fly Lot," and it has space for over 300 vehicles. The unattended lot is open 24 hours a day with daily (\$7), weekly (\$30), and monthly (\$75) rates. AIA has a contractor that provides free on call shuttle service to and from the airport for users of the lot.

This project resulted from questionable decision-making. Utilization of the lot appears to fall well below its capacity. Additionally, the lot duplicates and competes with a privately owned park and ride lot in operation at the time the project was undertaken. As noted in Recommendation No. 1, the costs recorded to the project do not include construction labor costs. The total cost recorded for this project is \$565,353 funded solely by revenue bonds. Furthermore, AIA did not specifically identify this project when obtaining airline approval. Lastly, no construction file exists for this project; the total costs cannot be determined, and there is no record of the genesis of the project.

AIA used the force account method¹¹ for this project, which refers to the utilization of state employees rather than private contractors. AIA charged the labor costs directly to their operating budget. Usage of force account procedures by AIA's staff is not subject to DOTPF procedures applied to highway projects. For highways projects, DOTPF uses a public interest finding document (PIF) to support the decision to use the force account method. The PIF provides detailed information on cost estimates, a description of achieved efficiencies, and assurances regarding the ability to perform the work satisfactorily.

Overall, this project highlights a general lack of accountability and oversight that can result from a combination of AIA's weaknesses in project management. These include: (1) lack of specific project approval by the airlines; (2) failure to disclose construction fund activity in annual spending reports to the legislature; (3) inadequate project documentation; (4) failure to capture the true costs of projects, and (5) use of force account practices without a PIF determination.

¹¹In force account construction, the State controls the direct management, labor, materials, equipment, and supplies of a project rather than contracting through the competitive bid process.

In some cases, the issues noted make it difficult or impossible to determine the true cost of projects. Furthermore, the lack of an original budget and expected timeframe for completion information makes evaluation of project performance unreliable.

We recommend that AIA's airport director improve the project planning and management processes to ensure retention of a complete record of the capital project process and projects are discretely identifiable as to cost and activity. AIA can facilitate this by closing projects when the originally approved work is completed and accurately recording all project costs.

Recommendation No. 2

The commissioner of DOTPF should ensure submittal of an annual International Airport Construction Fund spending plan to the legislature in accordance with state law.

DOTPF did not submit statutorily required annual spending plans on the International Airport Construction Fund (the fund) activity for fiscal years 2007-2009. This oversight resulted from staffing changes in the position responsible for this report.

Alaska Statute 37.15.420(c) requires DOTPF's commissioner, to submit to the legislature, by January 1st of each year, an annual spending plan that contains information regarding the planned expenditure of money from the fund for the next fiscal year, and information on expenditures from the previous fiscal year. This should include:

1. Total amount to be spent from the fund.
2. Description of the work to be performed on airport facilities to be financed by the fund.
3. Amount from the fund that will be spent under contracts with the private sector and a description of the goods and services to be provided to the State under these contracts.
4. Amounts the State will spend from the fund for purposes other than contractor payments and a description of these other purposes including financing costs, administrative and other overhead costs and contingencies.
5. Amounts spent during the previous fiscal year for cost overruns on projects financed by the fund and the sources of money used for those cost overruns.
6. Identification of time delays that occurred during the previous fiscal year on projects by the fund and amounts spent as a result of the delays.

DOTPF places limitations on the ability of the legislature to provide necessary oversight by not submitting annual reports describing the financial activity of the fund and the status of activities financed by the fund.

We recommend DOTPF's commissioner take necessary action to ensure submittal of annual International Airport Construction Fund spending plans to the legislature in accordance with statutory requirements.

Recommendation No. 3

AIA's airport director should consider reducing the amount of space allocated for administrative purposes to maximize the amount of space available for generating rental income.

AIA's administrative office areas include an unreasonable amount of space allocated for administrative or other non-revenue generating purposes. In total, AIA's 3rd and 4th floor offices utilize approximately 30,000 ft² of prime space in the airport. This is for approximately 70 employees and equates to 428.5 ft² per person.

Examples of excessive space allocations include:

- A 258 ft² guest study attached to the Airport Directors office that includes a kitchen area and full private bathroom.
- An 881 ft² guest suite and lounge area (known as the hold room) that includes a kitchen area and two private bathrooms.
- Over 3,600 ft² in four conference rooms. Per DGS guidelines, this amount of space would accommodate 225 individuals.
- Three privacy rooms totaling 243 ft².
- Three break rooms totaling 503 ft².
- The 4th floor, currently utilized by seven to ten staff, has approximately 6,000 ft² of space with a posted occupancy limit of over 60 individuals.
- Since August 2008, 30,000 ft² of space in the north terminal is vacant and unused.

Staff requests and input prompted the space allocation for the administrative offices recently constructed. Furthermore, AIA deems the hold room necessary for foreign dignitaries, the governor, high-level state officers, or the State's congressional delegation to use while at the airport. However, utilization of the hold room averages less than once a month, and it duplicates airline sponsored boardrooms serving the same purpose. While the concourse C hold room is severely underutilized, AIA has plans to build an additional smaller hold room for the B concourse.

Any space allocated to the administrative offices is not available for rental income.¹² Prudent management of resources include maximizing space available for generating income rather than reserving such an unnecessary amount of space for administrative and other purposes.

We recommend AIA's director consider space allocation changes to administrative office areas to maximize space available for generating rental income. This could include the following: (1) eliminating the hold room and making this space available for rent or lease; (2) canceling plans for an additional hold room for the B concourse; (3) consolidating space by moving staff or sections; (4) converting the director's office guest study to additional office space, and (5) eliminating one or more of the various conference, privacy, and break rooms.

¹² AIA's rental rate for signatory airlines is currently \$61.50 per square foot.

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Appendix A
AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000

Legend: N/A – Documentation Was Not Available DNA – Documentation Does Not Apply PC – Project Cancelled NS – Construction Not Started Y – Yes N – No

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund				
Runway 7R/25L Repairs	Runway 7R/25L is in need of emergency repairs due to foreign object debris problems. The runway is not scheduled for rehabilitation for a couple of years and this repair cannot wait until then.	May-07	\$ 1,216,363		\$ 25,709	\$ 1,398,856				\$ 1,424,565	Sep-07	Sep-07	Y
Auxiliary Parking	Design and construction of an auxiliary parking lot adjacent to International Airport and Rotan Place.	N/A	565,353		616,500					616,500	N/A	N/A	Y
Snow Dump Postmark Drive	Design and construction of new snow disposal site area that is centrally located to the Airport controlled aprons and remote overnight (RON) parking. New snow area will be for snow with de-icing & anti-icing materials mixed in.	Jan-08	375,310		1,480,000					1,480,000	Dec-09	May-09	Y
Lake Hood Bank Stabilization	Design and install long term solution to deal with erosion from aircraft slips around the lake. Phase I will focus on commercial finger and other high erosion areas. Commercial finger work will include reclaiming of land to ensure adequate space for future development.	Jan-08	364,189	684,000	33,500	2,500				720,000	Dec-11		N
Equipment FY08	FY08 funding for replacement of equipment that has reached the end of its useful life and additional equipment and vehicles to meet operational needs.	DNA	1,647,609		2,000,000					2,000,000	DNA		N
Remote Overnight Parking (RON) 12 - 14	Rehabilitate the RON parking positions 12 through 14 to design group VI standards and includes overlaying the existing pavement. The three small Portland cement concrete pads will be replaced by a large single Portland cement concrete pad.	NS	444,330	468,750	31,250					500,000			N
Information Technology Improvement	Information Technology related items covered by Annual Improvements funding.	N/A	89,069			510,000				510,000	N/A		N
Residential Sound Bid 10	Construction of Bid Package 10 to reduce impact of airport related noise on building occupants and residents. The airport will retrofit residential units located in high noise contours with sound insulation to reduce interior noise levels.	Apr-08	2,538,774	2,513,403	167,560					2,680,963	Sep-08	Apr-09	Y
North Terminal Baggage Claim Upgrade	Upgrade baggage claim service at North Terminal by adding an additional feed line to the existing claim. Also consider breaking existing claim into two smaller claims.	Jun-08	901,538		993,582					993,582	Dec-08	Jan-09	Y
Field Maintenance Facilities (FMF) Complex Upgrade	Upgrade the FMF complex by adding backup power for the Quick Turnaround Building (QTF), Standby power for the FMF Building, underbody vehicle wash system for the FMF building, and a vehicle lift for a large vehicle maintenance bay of the FMF building.	Aug-08	251,112		720,000					720,000	Nov-08		N
Equipment Airport Improvement Program FY08	This project is for federally funded equipment purchases in fiscal year FY08. Equipment includes 3 runway snowplows, #4 Airport Rescue and Fire Fighter (ARFF) Vehicle Truck, and the Mobile Aircraft Firefighting Training Device.	DNA	1,367,397	2,384,605	527,974					2,912,579	DNA		N

Appendix A
AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources					Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC				
North/South Runway Environmental Impact Study	This project is to complete an Environmental Impact Study (EIS) for a second North/South Runway.	PC	-									
New North/South Runway Environmental Impact Study Job Order	This project is to complete an Environmental Impact Study (EIS) for a second North/South Runway, to be conducted by an FAA employee.	PC	-									
Construction Contract Request for Proposal 2008	Funding to set up and utilize a second airport job order construction contract (JOCC) to implement small works, operations, design build, and construction work.	Sep-08	592,229		1,717,570				1,717,570	Sep-09		N
North Terminal (NT) HVAC Upgrades	Installation of new high efficiency boilers in the NT three fan rooms to retrofit existing air handlers with new pre-heat coils in order to provide greater ventilation air to the facility and occupants.	NS	71,114		1,021,400				1,021,400			N
North Terminal Gate N8	Reconstruct the gate aprons. Will expand the concrete section to provide better support for ground service equipment.	NS	8,178	2,812,500	187,500				3,000,000			N
Residential Sound Insulation Package Design VI Bid 11	Design of Bid Packages 11 and 12 and construction of Bid Package 11 to reduce impact of airport related noise on building occupants and residents. The airport will retrofit residential units located in high noise contours with sound insulation to reduce interior noise levels.	Mar-09	8,360	1,171,875	78,125				1,250,000	Sep-09		N
Airside Wireless	Implement wireless network "mesh" to cover airside operations area.	NS	62,603		1,335,000				1,335,000			N
Equipment FY09	Replacement of equipment that has reached the end of its useful life & additional equipment and vehicles to meet operational needs.	DNA	-		675,667				675,667	DNA		N
Aircraft Rescue and Fire Fighting Vehicle 09	Purchase federally funded Aircraft Rescue & Fire Fighting (ARFF) Vehicle for AIA in fiscal year FY 09.	DNA	-	1,152,268	76,818				1,229,086	DNA		N
Field Maintenance Expansion	The existing airfield maintenance facility is not located in an area that allows expeditious access to the airfield. A consultant will be hired to make recommendations as to possible locations and develop a project scope for later design of new facilities.	Oct-03	20,668,809		20,556,483	250,000			20,806,483	Oct-05	Apr-07	Y
Airfield Blast Protection	Reconstruct and expand blast protection surrounding the runways and taxiways.	Apr-99	1,684,004	1,577,011		107,993			1,685,004	Sep-99	Jun-00	Y
Equipment Airport Rescue and Fire Fighter Vehicle 06	Truck 2 replacement of Airport Rescue & Fire Fighter vehicle that has reached the end of its useful life.	DNA	1,114,011	1,044,787	313	69,340			1,114,440	DNA	DNA	Y
Residential Sound Insulation 6 and 7	Design Phase 6 & 7 and Construction of Phase 6 to reduce impact of airport related noise on building occupants and residents. The airport will retrofit residential units located in high noise contours with sound insulation to reduce interior noise levels.	Jun-07	5,017,823	5,928,207	395,213				6,323,420	Nov-07	Jul-08	Y

Appendix A
AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources					Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC				
Equipment Airport Rescue and Fire Fighter Vehicle 07	Equipment purchases for fiscal year 07. Replacement of trucks 3 & 4 of Airport Rescue and Fire Fighter 4500 gallon vehicles that have reached their useful life.	DNA	4,277,641	1,106,976	3,428,342	45,316			4,580,634	DNA		N
Runway 7R/25L Extension	Extend Runway 7R/25 to the west to allow for high speed exit of heavy aircraft onto taxiway G.	NS	1,482,412	2,107,500	140,500				2,248,000			N
South Airpark Access Road	Construct a 0.4 mile new access road in South Airport from Raspberry Road to the north. The access road will be west of the Taxiway Z future leased lots. Includes security access to Lot 11 from existing Troy Air Parking Lot Driveway.	NS	422,553		8,239,000				8,239,000			N
Multi-use Airfield Cleaning Vehicle	Purchase a multi-use airfield cleaning vehicle. The vehicle is utilized for rubber removal, glycol recovery, oil/gas recovery, ash, etc. thus being environmentally supportive.	DNA	217,400			575,000			575,000	DNA		N
Concourse C 3rd Baggage Carousel	Design and construct a third baggage carousel in Concourse C.	Jul-07	752,650		13,000	801,000			814,000	Dec-07	Mar-08	Y
North Terminal Fire Alarm System	Replace North Terminal fire alarm system head-end and field panels, replace/update field devices as required by code. Includes complete integration with South Terminal fireworks system.	Nov-07	1,548,609		1,587,000				1,587,000	Apr-08		N
West Remote Fueling Position	This project will construct five new cargo refueling positions west of Runway 14-32; reconstruct and extend taxiway Y north from taxiway K to taxiway M; extend taxiway L and remove fire station no. 2.	Jul-05	5,931,549	5,582,159	432,687	57,352			6,072,198	Oct-05	Oct-05	Y
North Terminal Apron Letter of Agreement	Reconstruct apron and loading bridges at North Terminal, adjust refueling facilities.	Mar-01	1,373,172	1,287,349		85,823			1,373,172	Jun-01	Sep-01	Y
Equipment FY99	Annual funding for replacement of airport and operations equipment.	DNA	650,000			650,000			650,000	DNA	DNA	Y
Runway 6L/25R Reconstruction Phase 2	Reconstruct Runway 6L - 24R Phase 2.	Apr-99	9,128,351	8,553,169		575,182			9,128,351	Sep-99	Jun-00	Y
Terminal Redevelopment Project Administration and Design	Project administration, management, and design for the prorated bond funded entities of the project.	N/A	38,866,708		39,068,493				39,068,493	N/A	N/A	Y
Terminal Redevelopment Project Site	Design and construction of a 6400 sf office for the project team.	Jan-99	475,732		475,732				475,732	Apr-99	N/A	Y
Terminal Redevelopment Project Utilities	Design and construction for the relocation of the airport's utilities	Jun-99	517,976		524,967				524,967	Nov-99	Apr-00	Y

Appendix A
AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund				
Concourse C Demolition	Development of the demolition plan and the demolition of the existing Concourse "C".	Jun-99	3,325,962		3,325,962					3,325,962	Nov-99	Apr-00	Y
Lessee Relocation	Design, construction and relocation of airport tenants to facilitate the Terminal Redevelopment Project's construction activities.	May-99	850,461		850,461					850,461	N/A	N/A	Y
Operating Agreement Construction	Annual funding request to meet AIA needs that arise during the year that cannot be foreseen during the budget preparation process.	N/A	3,083			3,083				3,083	N/A	N/A	Y
Existing Terminal/Lessee	Design, construction for existing terminal. Revamp of Lessee space.	Jul-99	7,394,456		7,394,456					7,394,456	May-00	May-01	Y
Existing Terminal/Public	Construction for existing terminal. Revamp of public space.	Jan-99	3,274,901		3,274,901					3,274,901	Apr-99	Oct-01	Y
Rehabilitation of L,M,U,R Taxiways	Rehabilitate sections of taxiways L, M, U, and R.	Jun-01	4,573,048	4,084,064	28,146	460,838				4,573,048	Oct-01	Oct-02	Y
Aircraft Operating Area Snow Removal	Construct snow storage areas with wetting ponds, access roads, and oil and grease separators. An engineered drainage system will direct clean snowmelt in accordance with the Airport drainage plan.	N/A	126,945			126,945				126,945	N/A	N/A	Y
Access Control Systems	Construct the Airport Access Control System.	N/A	2,712,338	2,400,000		312,338				2,712,338	N/A	N/A	Y
Lake Hood Erosion	Repair and stabilize the banks between Lake Hood and Lake Spaniard. Replace the existing runway lighting system.	Sep-00	1,388,075	1,301,320		86,755				1,388,075	Jul-01	Aug-01	Y
Tug Road Rehabilitation Phase I	Design and construct improvements to the existing tug road system from the east airpark to the south airpark.	Sep-01	1,315,290			1,315,290				1,315,290	Nov-01	Jun-02	Y
Taxiway V and Postmark Drive Interchange	Install traffic control devices to allow free flow of vehicle traffic on Postmark Drive when aircraft are not present on Taxiway V.	N/A	558,723	465,465		93,258				558,723	N/A	N/A	Y
Terminal Redevelopment Art Work Terminal Redevelopment	Design, purchase, and installation of the 1% art program.	N/A	1,019,072		1,297,430		40,367			1,337,797	N/A		N
Owner Controlled Insurance Program	The Owner Controlled Insurance Program management and insurance premium purchase.	May-99	7,861,049		7,861,049					7,861,049	Nov-04	Oct-06	Y
Terminal Redevelopment Remote Overnight (RON) Parking	Design and construction of the RON Revamp.	Jul-00	4,179,033	3,844,277	325,659	9,097				4,179,033	May-01	Nov-01	Y

Appendix A
AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund				
Terminal Redevelopment Bond	Bond finance costs and cost of issuance.	N/A	547,816		547,816					547,816	N/A	N/A	Y
Noise and Flight Track	Design and install a Noise and Flight Track Monitoring system and provide staff support and training.	Apr-02	1,375,700	1,242,000	13,700	120,000				1,375,700	Jun-05	Jul-05	Y
Heat Ventilation	Install automated equipment to continue heating, ventilation and air conditioning control upgrades primarily in the North Terminal, Safety building, and South Terminal.	Nov-01	1,162,290		56,338	1,105,952				1,162,290	Apr-02	Jul-02	Y
Terminal Expansion Parking and Landscaping	Terminal Redevelopment parking and landscaping at Anchorage International Airport.	Jul-00	5,620,095		5,620,095					5,620,095	Oct-01	Aug-02	Y
Airfield Lighting Upgrade	Design of the following: a new airfield lighting vault, new lighting system regulators, a duct system for runway 14/32 and a replacement of the tower's lighting control system.	Jun-01	606,523	568,615		37,908				606,523	Oct-01	Oct-02	Y
Equipment FY2000	Annual funding for replacement of airport and operations equipment.	DNA	712,109			803,841				803,841	DNA	DNA	Y
Medium Voltage Distribution	Upgrade medium voltage electrical distribution system for terminal buildings.	Sep-99	3,695,746		340,142	3,355,604				3,695,746	Jul-00	Sep-00	Y
Operating Agreement Construction	Annual funding request to meet AIA needs that arise during the year that cannot be foreseen during the budget preparation process.	PC	-							-			
Concourse C Phase I Structural	Foundation and structural steel construction for the new Concourse C Terminal Building.	Apr-00	33,895,272		33,895,272					33,895,272	Mar-01	Jul-04	Y
Concourse C Phase 2 Building	New Concourse 'C' skeleton and interior construction including mechanical and electrical.	Sep-01	149,968,251		148,034,367	1,934,371				149,968,738	Dec-03	Jun-06	Y
Terminal Redevelopment Concourse C Apron	Construct Concourse C gate aprons and utility infrastructure.	Sep-01	7,957,720	7,442,854	514,866					7,957,720	Aug-03	Jun-04	Y
Air Quality Conformity	Air quality conformity analysis as required by Federal Aviation Authority (FAA) for airport layout plan and development projects. Includes pollutant emissions inventory, modeling, assessment, and related Master Plan development supporting evaluations for air quality conformity determinations with the Clean Air Act.	N/A	236,498	113,118		123,380				236,498	N/A	N/A	Y
Facility Floor Covering	Replace worn carpet and other floor covering materials in Airport facilities.	Nov-00	270,067		20,067	250,000				270,067	Feb-01	Apr-01	Y

Appendix A
AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed	
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund					
Security Upgrade	Install cameras and fencing around airport for security purposes.	N/A	521,613			521,613					521,613	N/A	N/A	Y
North/South Parallel Taxiway Construction	Construct a new north/south parallel taxiway west of Runway 14-32 from Runway 6L to taxiway S. Construct cross taxiways from the new north/south taxiway to taxiway R.	Aug-01	17,620,838	16,479,964	40,416	1,036,396			64,062		17,620,838	Jul-02	Nov-02	Y
Airfield Reconstruction	Rehabilitate sections of taxiways E, F, J and construct new taxiway D-1 (between taxiways D and E). Also included will be reconstruction of North Terminal Gates N8 and N6. Gate reconstruction includes replacement of gate bridges.	Dec-01	3,649,358	3,421,273		228,085					3,649,358	Aug-02	Aug-02	Y
Temporary Tug Cart Service	Establish temporary Tug cart services for the Terminal Redevelopment project.	N/A	655,088			655,088					655,088	N/A	N/A	Y
Concourse C Premises Wiring	Develop the premises wiring distribution system (PWDS) policies and procedures	Aug-01	1,017,254		1,024,000	180,000					1,204,000	Jul-05	Dec-06	Y
Field Maintenance Electric Remote Overnight Parking	Repairs and upgrades to the Field Maintenance Complex electrical system.	Jan-02	414,356			414,356					414,356	Jun-02	Jul-03	Y
Signature Flight Services Gas Pipe	Utility reimbursable work for Signature Flight Services associated with FAA project 54340 AIA Terminal Redevelopment RON Parking Hardstands. Install a Closed Circuit TV (CCTV) surveillance system in the airport terminal and parking areas. This project is funded at 100% by a Homeland Security appropriation and shares the FAA grant with project 55532. Design is not included in the FAA grant scope for AIA CCTV Phase I but will be included in the subsequent Phase II FAA grant to be announced (TBA) May-June 2003.	Jul-00	523,662			1,120,559					1,120,559	May-01	Nov-01	Y
Closed Circuit Television I	Install a Closed Circuit TV (CCTV) surveillance system in the airport terminal and parking areas. This project is funded at 100% by a Homeland Security appropriation and shares the FAA grant with project 55532. Design is not included in the FAA grant scope for AIA CCTV Phase I but will be included in the subsequent Phase II FAA grant to be announced (TBA) May-June 2003.	Jan-03	7,307,033	6,707,538	227,656	371,839					7,307,033	May-04	May-07	Y
Airfield Lighting Upgrade	Phase 1, construct regulator vault, acquire and install regulators, controllers, standby generator, duct banks & computer system to control airfield lighting; demolish existing vaults.	Apr-02	2,632,914	2,466,701	14,530	151,683					2,632,914	Dec-02	Sep-03	Y
Concourse C Baggage	This project will allow for the entire baggage system at the south terminal to be replaced/upgraded in conjunction with the Terminal Redevelopment Project.	Sep-01	7,314,139			7,314,139					7,314,139	Dec-03	Jun-06	Y
Lake Hood-Lakeshore Drive	Reconstruct Lakeshore and Aircraft drives from Taxiway Victor South to separate aircraft, vehicle and pedestrian traffic.	Mar-05	2,446,701	1,585,866		1,062,355					2,648,221	Aug-05	Aug-05	Y
De-icing Pilot Strategy	Design and implement pilot tests for de-icing collection techniques and incorporate tests results into the airport De-icing Strategy.	N/A	512,280			512,280					512,280	N/A	N/A	Y
East Airpark Storm Drain	Design and construct storm drainage improvements for the East airpark at AIA.	Aug-04	3,783,312		2,020,103	1,763,209					3,783,312	Sep-05	Aug-05	Y

Appendix A
AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources					Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC				
Right of Way Acquisition	Appraise and acquire parcels for Airport Noise Compatibility Land Acquisition program.	N/A	861,316	795,095		66,221			861,316	N/A	N/A	Y
Remote Overnight Parking Apron	Contractor to remove existing asphalt pavement, excavate existing base course, replace base course and re-pave the non hardstand portion of the Remote Overnight parking (RON). Includes asphalt surrounding stage one (1) of the RON project and stage two (2) of the project to the east and stages three (3), four (4), five (5), and six (6) to the west.	Jul-00	1,981,913	1,856,104		125,809			1,981,913	May-01	Nov-01	Y
Concourse C Signature Flight Support	Cost reimbursement from Signature Flight Support for Contaminated soils.	Jul-04	988,641			988,641			988,641	Jul-05	Jul-05	Y
Runway 14-32 Rehabilitation	Resurface the existing runway, replace all centerline and runway edge lighting, reconstruct portions of the safety area, pave all the safety area and reconstruct Taxiway M to high speed taxiway standards.	May-03	11,984,158	11,234,299	713,790	36,069			11,984,158	Nov-03	Jul-04	Y
Program Management 01	This project will fund Program Management activities for the Airport. Tasks may include project scheduling, cost estimating, cash flow projection and job order contracting.	Dec-00	615,313		319,540	295,773			615,313	Nov-03	Jan-06	Y
Residential Sound Insulation	Reduce the impact of airport related noise on building occupants and residents. (Pilot Phase)	May-03	2,773,333	2,600,000		173,333			2,773,333	Oct-03	Apr-04	Y
North/South Taxiway Gates N6/8	The second phase of the AIA Airfield Reconstruction projects. This project will reconstruct North Terminal Gate N8 including replacement of the gate bridge.	Aug-06	3,331,384	3,554,040	44,636	476,989			4,075,665	Sep-07	Sep-07	Y
North Terminal Apron/Loading	Set up separate project for Airport Improvement Program reimbursable apron work outside of gate N2. AIA is an entitlement airport, thus allowing phase 42 activity in advance of the grant. This project shares the grant with project 55155.	Mar-01	587,734	551,001		36,733			587,734	Jun-01	Sep-01	Y
Lake Hood Echo Parking C	Construct new general aviation aircraft parking apron and taxiway west of Lake Hood Strip.	Oct-02	3,936,550	3,881,210	25,671	230,792			4,137,673	Jul-03	Oct-03	Y
Lake Hood Lakeshore Taxiway	Realign Lakeshore taxiway from taxiway V to the north end of Lake Hood.	May-02	675,497	632,808		42,689			675,497	Aug-02	Aug-02	Y
Multi User Flight Information Display System	Acquire and Install Flight Informational Display System in North and South Terminals	Feb-02	560,807		150,000	413,000			563,000	Jun-02	N/A	Y
North/South (N/S) Taxiway Phase II	Design the second stage of the N/S taxiway.	Aug-02	7,630,586	7,244,300		386,286			7,630,586	Jun-03	Jun-03	Y
Letter of Intent Application/ Environmental Document	Prepare a Letter of Intent (LOI) Application, Benefit Cost Analysis and Environmental document.	N/A	552,656		502,656	50,000			552,656	N/A	N/A	Y
North Terminal Wiring S	Information Technology Improvements.	Dec-02	2,017,744	488,591	1,620,050	10,000			2,118,641	Apr-03	Oct-03	Y

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AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund				
Terminal Furnishings	Repair, replace, upgrade ongoing maintenance, code and FAA compliance project for terminal buildings, airport facilities, systems, equipment, furnishings, floor & wall.	N/A	523,263		523,263					523,263	N/A	N/A	Y
Electrical Improvements	Replacement/Upgrade/Modification of the medium voltage distribution system and the backup generator system at the North Terminal of TSAIA.	May-05	2,030,274		2,030,274					2,030,274	Nov-05	Mar-08	Y
Replacement Door	Repair, replace, upgrade ongoing maintenance, code and FAA compliance project for terminal buildings, airport facilities, systems, equipment, furnishings, floor and wall.	Oct-02	450,369		350,000	100,369				450,369	Apr-03	May-03	Y
Energy Upgrades	Implement recommendations from the North Terminal energy envelope evaluation and complete energy equipment replacement/upgrade in South Terminal.	Aug-02	758,584		758,584					758,584	Jan-03	Dec-03	Y
Waterline Replacement	Replace corroded waterlines in the North Terminal. Strong water from the Eklutna water project has caused corrosion and leaking joints.	Jun-02	734,252		734,252					734,252	Dec-02	Jun-03	Y
Restroom Upgrades	Repair, replace, upgrade ongoing maintenance, code and FAA compliance project for terminal buildings, airport facilities, systems, equipment, furnishing, floor, and wall.	Sep-01	687,562		527,562	160,000				687,562	Dec-03	Jun-06	Y
Equipment FY02	Implement recommendations from the North Terminal energy envelope evaluation and complete energy equipment replacement/upgrade in South Terminal.	DNA	2,399,015		2,400,000					2,400,000	DNA	DNA	Y
Pavement Maintenance 02/03	Evaluate existing paved surfaces to determine maintenance procedures and develop replacement schedules.	N/A	384,372		319,372	65,000				384,372	N/A	May-07	Y
Concourse C Apron Reimbursable	Create reimbursable project to cover contaminated materials.	Sep-01	580,570			130,806			541,375	672,181	Aug-03	Jun-04	Y
Airfield Upgrade Phase 2	Install new regulators, computer control system and other necessary electrical equipment in the electrical vault constructed under Phase 1. Install necessary cable and equipment to connect computer control system to the ATCT. Field Maintenance and Ops. Rewire airport lighting circuits to the new vault and control system. Demolish two existing lighting vault.	Nov-02	3,894,743	3,364,330	505,838	24,575				3,894,743	Dec-03	Feb-04	Y
AIA CONTAM. SITES	Develop and implement airport wide priority list and remediation plan for contaminated sites based on alternate cleanup levels.	Jan-03	544,005		45,642	498,363				544,005	Nov-03	Jan-04	Y
Watershed 2002	Design, implement, and evaluate watershed measures to ensure compliance with federal, state, and local water quality regulations.	N/A	1,084,364			1,084,364				1,084,364	Jun-06	Sep-06	Y
Terminal Redevelopment Project Final Renovation	Structural Review, Design, and Renovations for South Terminal ticket lobby and concourse B.	N/A	4,281,604		3,031,716	1,250,000				4,281,716	N/A	N/A	Y

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AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund				
Immigration and Naturalization Service Relocation	Relocate the Immigration and Naturalization Service (INS) to a new location to comply with new security requirements.	Jun-03	736,183	735,655	21,026	65,342				822,023	Nov-03	Jul-04	Y
North/South Parallel Taxiway Phase 3	Design the third stage of the N/S taxiway.	May-03	10,972,576	10,283,555	79,963	609,058				10,972,576	Nov-03	Jul-04	Y
Field Maintenance Facilities Quick Turnaround Building	Design and construction of Field Maintenance Facility.	Jul-02	8,601,313	2,600,000	5,827,980	173,333				8,601,313	Feb-03	Jul-04	Y
Terminal Asbestos A	Clean up asbestos and other hazardous material from the terminal buildings.	N/A	4,000,000		4,000,000					4,000,000	N/A	N/A	Y
Concourse C Paging System	Construct a new paging system.	Sep-01	1,377,228		1,377,228					1,377,228	Dec-03	Jun-06	Y
Concourse C Framework	Relocate Concourse C framework	Jun-99	2,221,459		2,222,459					2,222,459	Nov-99	Apr-00	Y
Terminal Exterior	Repair, paint, and replace worn, aged and deteriorated exterior finishes and panels of the terminal buildings.	N/A	15,396		15,396					15,396	N/A	N/A	Y
Flooring Phase II	Replace worn carpet and other floor covering materials in Airport facilities.	Jan-04	-							-	Jan-05	N/A	Y
Residential Sound Insulation 2	Reduce impact of airport related building occupants and residents. The airport will retrofit residential units located in high noise contours with sound insulation to reduce interior noise levels.	Jul-03	3,673,739	3,444,130	229,609					3,673,739	Oct-03	Nov-04	Y
Equipment FY03	Replacement of equipment that has reached the end of its useful life and additional equipment and vehicles to meet operational need.	DNA	2,414,369		2,521,480	1,400,000				3,921,480	DNA		N
Land Acquisition	Land acquisition for future development needs, FAA runway protection standards, and airport operational and mitigation requirements.	N/A	691,476		691,476					691,476	N/A	Oct-04	Y
Concourse A Apron Reconstruction	Reconstruct Concourse A Apron from Gate A5 to Gate A9. This project is part of the ANC Terminal Redevelopment project. Demolition of former Fire Station # 1 completed under PJ 58539.	NS	210,185	4,485,937	299,063					4,785,000			N
Klatt Bog Rehydration	Design and construction to rehydrate Klatt Bog for mitigation required by Corps of Engineers long term wetlands permit Turnagain Bog 4. SCOPE CHANGE: 12/10/04 Based on Technical Committee comments, ANC concludes not to pursue rehydration of Klatt Bog.	N/A	620,881			620,881				620,881	N/A	Nov-06	Y

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AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund				
Closed Circuit Television Phase II	Install a Closed Circuit TV (CCTV) surveillance system in the ANC terminals and parking areas. Design is not included in the FAA grant scope for AIA CCTV PH 1 but is included in the subsequent Phase 2 FAA grant tba May - Juneau 2003.	Jan-03	4,901,516	4,126,420	678,530	96,566				4,901,516	May-04	May-07	Y
North Terminal Wall Repair	Replace worn carpet and other floor coverings material in Airport Facilities.	Jan-04	3,236,443		3,248,085					3,248,085	Jan-05	May-05	Y
Buildings Re-roof and Repair	Replace roofing membranes and pavers of the NT baggage/admin roof and other small outbuildings that are currently leaking.	Jul-03	249,270		249,270					249,270	Sep-03	Jul-04	Y
Taxiway R Rehabilitation	Rehabilitate taxiway R from K to S. Includes remove and replace edge and centerline lighting. Taxiway alignment will be evaluated for future group VI.	Jun-04	18,267,925	17,255,219	1,269,548				46,473	18,571,240	Nov-05	Nov-05	Y
North Terminal S Taxi lane	Rehabilitate taxi lane along the south side of the North terminal from Taxiway Echo to North Terminal Gate N2. Includes installation of centerline lighting.	Aug-03	1,577,203	1,478,628		98,575				1,577,203	Oct-03	Oct-03	Y
FY03 Bond Issue	Project is to pay for professional services relating to the sale of FY03 bonds.	N/A	-	-						-	N/A	N/A	Y
Concourse C Access Control	Install AIA Concourse C Access Control System.	N/A	2,997,457	2,173,660	823,797					2,997,457	N/A	N/A	Y
Concourse B North Taxiway Rehabilitation	Reconstruct taxi lane and paved areas on the north side of Concourse B. Lighting and pavement markings are included.	Jul-04	3,170,317	3,190,544		212,703				3,403,247	Jul-05	Jul-05	Y
Field Maintenance Facilities Warm Storage	Replace, remodel, and expand facilities for the Field Maintenance Facilities (FMF). The FMF includes shop space, maintenance bays, admin space, and storage. This project may include new, relocating, or remodeling of existing facilities or a combination. This project is a federal partner project to state project 52181 AIA Field Maintenance Expansion Program.	Oct-03	5,700,000	5,343,750	356,250					5,700,000	Oct-05	Apr-07	Y
Lake Hood Echo Parking Phase 2	Second phase to construct additional general aviation aircraft parking spaces on apron "E" and taxiway west of Lake Hood strip. Realignment of Aircraft Drive around Apron "E".	Aug-06	4,740,392	3,322,077	1,607,430	31,472				4,960,979	Nov-06	Jul-07	Y
Alaska Aviation Heritage Museum and Mark Air Sites	This project will be for the characterization and remediation of contaminated sites located at Alaska Aviation Heritage Museum (AAHM) and Mark Air which has been identified by Dept. of Environmental Conservation as HIGH priority.	Nov-04	176,468			535,000				535,000	Oct-07	Aug-07	Y
Residential Sound Insulation 3	Phase 3 to reduce impact of airport related noise on building occupants and residents. The airport will retrofit residential units located in high noise contours with sound insulation to reduce interior noise levels.	Jul-04	3,167,696	2,969,715	122,640	75,341				3,167,696	Oct-04	Oct-04	Y
Taxiway J Engine Run-up Pad	Construct an engine run-up pad for group VI aircraft west of taxiway J so that another group VI aircraft can pass on taxiway J. This project is covered under cargo entitlements and/or future discretionary federal funding.	Jun-05	1,343,442	1,453,505	96,900					1,550,405	Sep-05	Sep-05	Y

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AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund				
Taxiway (TW) K Reconstruction C to D	Reconstruction of taxiway K from taxiway C to taxiway D to be built in 2006 and reconstruction of taxiway K from taxiway D to taxiway R to be built in 2008 to Design Group VI standards. Reconstruction of runway exit taxiways to group VI between TW K to the runway hold lines are included.	May-06	7,630,574	7,637,470	509,165	16,759				8,163,394	Oct-06	Oct-06	Y
Parking Garage Replacement	Replace existing retaining wall and improve drainage on the north side of the airport parking garage.	Jun-04	296,263			296,263				296,263	Aug-04	Aug-04	Y
South Airpark Taxiway	Design and construct a Group III taxiway west and parallel to taxiway F with a connection to either R/W 6R or taxiway F as required.	Jul-05	7,604,006	7,188,265	512,607				7,700,872	Oct-05	Jul-06	Y	
Taxiway G Relocation	Rehabilitate Taxiway E from Taxiway K to Taxiway L; construct new extension of Taxiway G from Taxiway K to Taxiway L; realign Taxiway G from (Runway) RW 7L/25R to Taxiway K, and reconstruct Taxiway G to DG VI from hold short to RW 7L/25R. This project will re-align taxiway G between runway 7L and taxiway K. The new alignment will connect to runway 7L at the existing location and the intersection of taxiway K and taxiway E1.	May-08	13,487,740	13,170,407	888,027	20,000			14,078,434	Oct-08	N/A	Y	
Concourse B Hazardous Material Abatement	To develop hazardous material abatement plan and interim implement abatement activities for asbestos and lead dust in the B concourse ceiling spaces and tug alleys, respectively. The contaminated dust has been tested and contains contaminants higher than regulatory standards and when airborne, pose a risk to human health and safety.	Dec-05	921,841		1,150,000				1,150,000	Dec-10		N	
Terminal Relocation	Complete relocation due to terminal expansion, modifications, alterations, and changes in use associated with terminal redevelopment project and contractual obligations. Includes alternatives to relocation expenses such as the buyout of concession contracts.	N/A	6,392,224		3,623,854	4,057,652			7,681,506	N/A		N	
Signage Upgrades	Upgrading existing signage for consistency with airport and required American Disabilities Act sign standards.	Apr-04	58,374		58,374				58,374	Aug-04	Jun-07	Y	
Taxiway K Reconstruction from Taxiway C to Taxiway A	Design and reconstruction of taxiway K from taxiway C to taxiway A for Design Group V aircrafts. Work will also cover storm drain work on Kilo. Covered under cargo entitlements.	Dec-05	13,086,980	12,296,331	862,725				13,159,056	Sep-06	Oct-06	Y	
Taxiway K Reconstruction from Runway 14/32 to Taxiway C	Design and reconstruction of taxiway K from R/W 14/32 to taxiway C for Design Group VI aircrafts. This project is included in FAA Letter of Intent AAL-02-01.	Jun-05	8,800,893	8,280,618	552,041				8,832,659	Sep-05	Sep-05	Y	
Residential Sound Insulation 4	Phase 4 to reduce impact of airport related noise on building occupants and residents. The airport will retrofit residential units located in high noise contours with sound insulation to reduce interior noise levels. Shares grant with PJ 57334.	Jun-05	6,067,022	5,683,942	383,080				6,067,022	Oct-05	Mar-07	Y	
Small Works Job Order Construction Contract	Funding to set up and utilize, an airport job order construction contract (JOCC) to implement small works, operations, design build, and construction contract work.	Sep-05	609,031		669,055	49,893			718,948	Sep-08	Sep-08	Y	

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AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund				
Equipment Airport Rescue and Fire Fighter Vehicle	Replacement of Airport Rescue & Fire Fighter vehicle that has reached the end of its useful life.	DNA	1,330,207	1,247,511	77,823	5,344				1,330,678	DNA	DNA	Y
Concourse A/B Retrofit	This project will provide for the seismic and security Retrofit for the existing South Terminal to upgrade seismic elements to current seismic requirements and enhance to existing security system to meet new security requirements, and modernize the South Terminal to be on par with the new C Concourse.	N/A	-							-	N/A	N/A	N/A
Access Control Systems	Replacement of the existing Access Control Systems, airport wide. Incorporate limited biometrics use in new system. Clean up of existing door hardware issues.	Mar-08	7,193,315	9,539,851	635,990	100,000				10,275,841	Dec-09		N
North Tug Road Extensions	Design and construct tug road between the new Field Maintenance Facility and C Parking. Relocate tie downs in C Parking. Construct new guard shack and east-west tug road south of Taxiway V. Install Airport Operations Area fencing.	N/A	1,280,314		100,813	1,360,532				1,461,345	N/A		N
Runway 7R/25L Rehabilitation	Design and rehabilitation of runway 7R/25L to meet standards for Design Group VI aircrafts. This project is covered under the LOI-2 Grant.	NS	713,493	14,878,125	991,875					15,870,000			N
Quick Turnaround Facility Flight Refuel Canopy	Design and construction of the Fuel Isle Canopy for the Quick Turnaround Facility.	Aug-05	697,389		689,732	7,657				697,389	Dec-05	Jun-06	Y
Taxiway U Reconstruction	Reconstruct Taxiway U to accommodate Design group VI aircraft including pavement, taxiway lighting, blast protection, and tug road alignment.	May-05	4,948,342	4,955,661	330,377					5,286,038	Sep-07	Apr-08	Y
Remote Refuel Stage II	Complete construction of Taxiway (TW) P, one Design Group (DG) V and 2 DG VI aircraft parking position south TW U and East of TW R. Stage I was earthwork; Stage II includes paving; ground power units; striping; lighting; oil and water separator; and drainage.	May-05	8,026,277	7,723,740	514,916					8,238,656	Sep-07	Apr-08	Y
Residential Sound Insulation 5	Phase 5 to reduce impact of airport related noise on building occupants and residents. The airport will retrofit residential units located in high noise contours with sound insulation to reduce interior noise levels.	Feb-06	2,387,644	2,437,500	162,500					2,600,000	Oct-06	Dec-06	Y
AvAirPro Consulting Services	AvAirPro will provide consulting services on both the Anchorage and Fairbanks International terminal projects.	PC	-	-						-			
South Terminal Seismic	Renovate the existing South Terminal to upgrade structural elements and systems to meet current seismic requirements, to modernize and enhance security systems, and to modernize other systems to meet projected airport demands.	Nov-06	144,871,214	21,300,000	113,157,614	21,081,806	20,500,001	2,000,000		178,039,421	Oct-09		N
North and South Terminals Connector	Provide an operations center and a connector between the North and South Terminals. Includes relocation of Airport Police.	Apr-08	19,817,239		12,876,820		14,984,195			27,861,015	Sep-08		N
Taxiway K Reconstruction D to R	Design and reconstruction of taxiway K from taxiway D to taxiway R for Design Group VI standards. Reconstruction of runway exit taxiways (T/W) to Group VI between T/W/ K to the runway hold line is included.	May-08	9,186,384	8,805,281	587,019					9,392,300	Oct-08	N/A	Y

Appendix A
AIA Capital Projects
July 1, 1998 – April 30, 2009 in Excess of \$500,000
(Continued)

Project Name	Project Description	Start Date	Total Expenditures	Funding Sources						Total Funding	Expected Completion Date	Actual Completion Date	Project Completed
				Federal AIP	Revenue Bonds	IARF	Development Fund	PFC	General Fund				
Remote Overnight (RON) Parking 7 - 11	This project rehabilitates the RON parking positions 7 through 11 to Design Group V (747-400) standards and includes the replacement of the pavement, blast protection and taxiway lighting. The aprons will be re-graded and apron drainage will be inspected and repaired as necessary. A connecting T/W link to T/W L will also be added if grades allow.	May-07	18,338,483	17,498,046	632,134	534,402				18,664,582	Oct-07		N
Concourse C 3rd Floor	Provide for programming, design, and construction services, and construct the build out of 3rd and 4th floor of C-Concourse as required to relocate airport Admin staff including: Accounting, Development, Director's office, Engineering, Environmental, Information Technology, Leasing, Marketing, Noise and Planning to the C-Concourse. Also, relocate the archives file library to C-Concourse.	May-07	5,435,081				5,459,633			5,459,633	Oct-07	Aug-08	Y
North Terminal (NT) N5-N7 Passenger SE	Remodel NT boarding level to allow for interchangeable use O Gate N5 & N7 as domestic or international. JOCC contractor to design and construct.	Feb-06	623,157		404,000	333,000				737,000	Mar-07	Feb-08	Y
Master Plan Update	This project will accomplish a substantial revision to the 1996 airport-wide Master Plan. Primary emphasis of this Plan will be an alternative north/south runway to 14/32.	Aug-06	2,746,945	4,125,000	275,000					4,400,000	Apr-08		N
Old International Airport Road	Evaluate drainage system improvement options downstream from the lift station on West 50th Ave. Options to be studied include discharging under the lake ice and diverting storm drainage to the Postmark Drive drainage system.	NS	246,757		6,086,122	1,913,878				8,000,000			N
Residential Sound Insulation 5A	Next phase of Phase 5(A) to reduce impact related noise on building occupants and residents. The airport will retrofit residential units located in high noise contours with sound insulation to reduce interior noise levels.	Sep-06	1,063,227	1,171,875	78,125					1,250,000	Nov-06	Dec-06	Y
	TOTALS - PRIOR TO 2009 OPERATING AGREEMENT		\$ 833,433,958	\$ 337,501,810	\$ 490,428,081	\$ 70,939,893	\$ 40,984,196	\$ 2,000,000	\$ 651,910	\$ 942,505,890			

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Appendix B
2009 Operating Agreement
CIP Category and Project Amounts Approved
by the Signatory Airlines

Operating Agreement Category/Project	AIRLINE AUTHORITY				
	AIP	BOND	IARF	PFC	TOTAL
Categories					
Land Acquisition <i>Acquire land to preserve the Airport boundary and expand the Airport to improve safety and efficiency of aircraft and Airport operations, comply with FAA runway protection standards, meet future development needs and generally address the Airport's impacts on the community.</i>		3,000,000			3,000,000
Equipment <i>Purchase equipment to replace equipment that has reached the end of its useful life and additional equipment and vehicles as necessary to meet the operational and support needs of the Airport.</i>	7,500,000		2,600,000	3,360,000	13,460,000
Environmental Compliance <i>Capital projects associated with ensuring the airport maintains compliance with all local, state, and federal laws.</i>			1,000,000		1,000,000
Information Technology Improvements <i>Purchase and install new, or upgrade and/or replace outdated, telecommunications and information systems and associated infrastructure. Complete necessary systems and utility installation/relocation for increased capacity, service and features needed for airport operations.</i>			3,556,500		3,556,500
Facility Improvements, Renovations and Upgrades <i>Repair, replace, upgrade, and maintain terminal buildings and Airport facilities.</i>			5,400,000	600,000	6,000,000
Annual Improvements <i>Annual funding to meet Airport needs for unanticipated building, airfield and landside projects and needs that arise during the year.</i>		3,000,000			3,000,000
Projects					
Runway 7L Rehabilitation <i>Rehabilitate the deteriorated surface of Runway 7L, including all associated lighting, drainage, pavement, sub grade preparation, etc.</i>	28,125,000	1,875,000			30,000,000
Pave North Terminal Gates 1,3,5 and North Terminal North Taxi <i>Reconstruct the deteriorated gate aprons and taxiway pavement, including all associated lighting, hydrant system, jet bridge foundations, drainage, pavement, sub grade preparation, etc. Expand the portland cement area at the gate to provide better support for ground service equipment during aircraft servicing.</i>	10,218,750	681,250		600,000	11,500,000
Pave North Terminal Gates N7 <i>Reconstruct the deteriorated gate apron, including all associated lighting, hydrant system, jet bridge foundations, drainage, pavement, sub grade preparation, etc. Expand the portland cement area to provide better support for ground service equipment during aircraft servicing.</i>	1,500,000			2,000,000	3,500,000
Pave North Terminal Gates N8 * <i>Reconstruct the gate aprons. Will expand the concrete section to provide better support for ground service equipment.</i>	2,437,000	163,000			2,600,000
Runway Deicer Storage <i>Construct two additional Liquid De-icer Storage Tanks with a total capacity of 100,000 gallons. The Federal Aviation Administration (FAA) requires the airport to maintain a minimum friction level on both taxiways and runways to help ensure the safety of aircraft taxiing and landing.</i>		600,000			600,000
7R/25L Extension * <i>Extend Runway 7R/25 to the west to allow for high speed exit of heavy aircraft onto taxiway G.</i>	27,283,125	1,818,875			29,102,000

* Project in progress as of April 30, 2009. Project is presented in Appendix A schedule.

Appendix B
2009 Operating Agreement
CIP Category and Project Amounts Approved
by the Signatory Airlines
(Continued)

Operating Agreement Category/Project	AIRLINE AUTHORITY				
	AIP	BOND	IARF	PFC	TOTAL
Lake Hood Strip Runway Protection Zone <i>Acquire and remove residential dwellings from the runway protection zone (RPZ) off the north end of the Lake Hood Airstrip. FAA will not grant a variance of standards to allow the dwellings to remain, as they are a safety hazard, and recommends removal.</i>	4,750,000	250,000			5,000,000
Airport Environmental Management System <i>Develop an Environmental Management System (EMS) for the airport. The EMS process is a systematic way to identify goals, complete them, and determine progress, and make changes to ensure continual improvements.</i>			500,000		500,000
Common Use Passenger Processing System N & S Terminals <i>CUPPS will result in a common, standardized system platform for agent-facing common-use implementations at airports. Tentative gates to be provided with CUPPS are the North Terminal Gates and the State Administered Gates at the South Terminal.</i>			4,500,000		4,500,000
Lake Hood Strip Improvements <i>Improve Lake Hood gravel Strip lighting, including replacing electrical conductors, adding conduit and installing vehicle control gates on taxiways accessing the runway.</i>		1,000,000			1,000,000
Lake Hood Bank Stabilization * <i>Design and install long term solution to deal with erosion from aircraft slips around the lake. Phase I will focus on commercial finger and other high erosion areas. Commercial finger work will include reclaiming of land to ensure adequate space for future development.</i>	5,000,000	263,159			5,263,159
Kulis Planning and Design Grant <i>Provide preliminary planning; property management studies; appraisals; facilities and utilities investigation and evaluation; and inventorying for potential redevelopment of Kulis Air National Guard Base.</i>	460,000	40,000			500,000
Part 150 Residential Sound Insulation Program (RSIP) <i>Implement the Airport's Part 150 Noise Compatibility Program and other noise abatement measures</i>	9,000,000	600,000			9,600,000
Master Planning (Part 150 Noise Compatibility Study) <i>Update the Airport's Federal Aviation Regulation Part 150 Noise Program, including review and revision of the Airport's Noise Exposure Map and Noise Compatibility Program. FAA recommends periodic reviews of the Airport's Noise Compatibility Program every three to five years.</i>	500,000		33,333		533,333
Airport Master Plan Update <i>Update the Airport Master Plan and perform miscellaneous airport planning studies. FAA recommends updating a master plan every five years.</i>	5,029,000		321,000		5,350,000
Advanced Project Design and Planning <i>Complete planning analysis, financing plans, preliminary engineering, environmental, surveying, geotechnical investigation, cost estimating, feasibility analysis, and design of future capital improvement projects; and prepare for future Airport and tenant development.</i>			4,500,000		4,500,000
Jet Bridge Replacement North Terminal Gates <i>Purchase and install new jet bridges at the north terminal, including all related foundations, electrical, terminal modifications, lighting, signage and striping.</i>				2,800,000	2,800,000
AIAS System Master Plan <i>Alaska International Airports System project to review system's resources and operations planning and correlation with individual airport master planning processes.</i>	970,000		30,000		1,000,000
Totals	\$102,772,875	\$13,291,284	\$22,440,833	\$9,360,000	\$147,864,992

* Project in progress as of April 30, 2009. Project is presented in Appendix A schedule.

Appendix C
2002 Operating Agreement
CIP Categories and Amounts Approved
by the Signatory Airlines

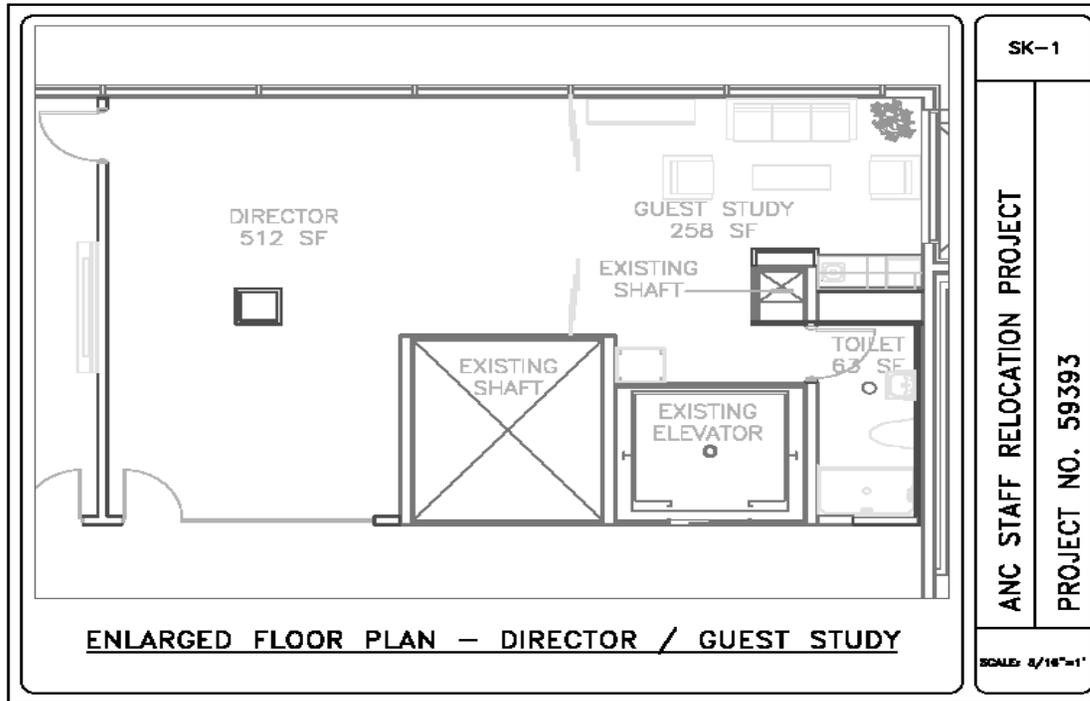
Operating Agreement Category	AIRLINE AUTHORITY				
	AIP	BOND	IARF	PFC	TOTAL
A01 Airfield Pavement Maintenance	\$74,517,250	\$10,219,000	\$0	\$2,383,598	\$87,119,848
A02 Airfield Electrical Lighting Rehab/Utilities	1,950,000	287,000	-	-	2,237,000
A03 Airfield Safety and Blast Protection	4,600,000	268,000	-	-	4,868,000
A04 Old International Airport Road Upgrade	-	998,000	-	-	998,000
A05 Roads, Utilities & Grounds Constr and Upgrades	-	13,552,000	-	-	13,552,000
A06 Aircraft Operations Area Snow Storage Facilities	-	3,000,000	-	-	3,000,000
A07 Field Maintenance Facility	2,600,000	29,400,000	-	-	32,000,000
A09 Taxiway/Runway Improvements	11,800,000	1,030,982	-	-	12,830,982
A10 Site Development Preparation	-	7,354,000	-	-	7,354,000
A12 Engine Runup Pad	3,552,300	394,700	-	-	3,947,000
A13 Land Acquisition and Mitigation	2,000,000	3,236,000	-	-	5,236,000
A14 Equipment	13,550,000	16,479,000	120,000	-	30,149,000
A15 Environmental Compliance and Cleanup	-	6,962,000	10,223,000	-	17,185,000
A16 Deicing System	7,500,000	1,181,000	-	-	8,681,000
A17 Noise Abatement Program Implementation	29,250,000	2,962,000	-	-	32,212,000
A18 Security/Safety/Access Control Improvements	6,250,000	499,000	-	-	6,749,000
A19 Security/Safety/Emergency and Access Control Center	4,500,000	10,000,000	-	-	14,500,000
A20 Information Technology Improvements	-	5,553,000	-	-	5,553,000
A21 North Terminal Waterline Replacement	-	4,902,000	-	-	4,902,000
A22 Energy and Terminal Systems Upgrades	-	3,174,000	-	-	3,174,000
A23 Terminal Rehabilitation	-	23,931,000	-	-	23,931,000
A24 General Aviation Parking and Taxiway Relocation	8,700,000	816,000	-	-	9,516,000
A26 Lake Hood Bank Stabilization	1,150,000	120,000	-	-	1,270,000
A27 Annual Improvements	-	-	7,878,000	-	7,878,000
A28 Master Plan	6,000,000	896,000	-	-	6,896,000
A29 Advanced Project/Parking Design Study	3,158,000	12,816,000	-	-	15,974,000
A30 Terminal Relocations	-	-	5,000,000	-	5,000,000
A37 Communication System and Relocation	-	5,515,000	-	-	5,515,000
Letter of Intent - 1	-	1,200,000	-	-	1,200,000
Letter of Intent - 2	-	2,820,000	-	-	2,820,000
NEW1 Dept. of Homeland Security Renovation	-	3,650,000	-	-	3,650,000
NEW2 Aircraft Rescue and Firefighting Building Rehab	1,500,000	150,000	-	-	1,650,000
NEW5 Concourse A/B Retrofit	21,300,000	130,100,000	2,500,000	14,000,000	167,900,000
NEW7 Consolidated Facilities Center	-	5,000,000	-	-	5,000,000
Terminal Redevelopment Project	-	48,000,000	-	-	48,000,000
Total	\$203,877,550	\$356,465,682	\$25,721,000	\$16,383,598	\$602,447,830

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Appendix D

Layout and View of the AIA Director's Office

A schematic of the final office layout is shown below.



As shown on the layout above, the office is 833 total square feet (ft²):

- Office Area - 512 ft²
- Guest Study with kitchenette – 258 ft²
- Bathroom - 63 ft²

Appendix D

Layout and View of the AIA Director's Office

The 512 ft² office area is shown below.



The 512 square foot office has two desk areas, a small printer area, and a small meeting table with seating for four.

AIA's management built the 512 ft² main office for the airport director. Currently, however, two employees share the office – DOTPF's Deputy Commissioner of Aviation and an aviation planner, but they only share the office space part-time as the deputy commissioner spends half of the time at other DOTPF offices.

Appendix D

Layout and View of the AIA Director's Office

The 258 ft² guest study is shown below.



The guest study includes a sitting area with a three-seat couch and two matching chairs (all leather), two end tables with lamps, and a round glass cocktail table on Persian style rug.



The guest study includes a built in kitchenette with small refrigerator, microwave, sink, and glass shelving.

AIA purchased and installed the office furniture for the 3rd and 4th floor remodel under a separate contract. However, AIA furnished the 4th floor offices, including the director's office and guest study, with furniture from the existing office located in the North terminal.

Appendix D

Layout and View of the AIA Director's Office

The 63 ft² private bathroom is shown below.

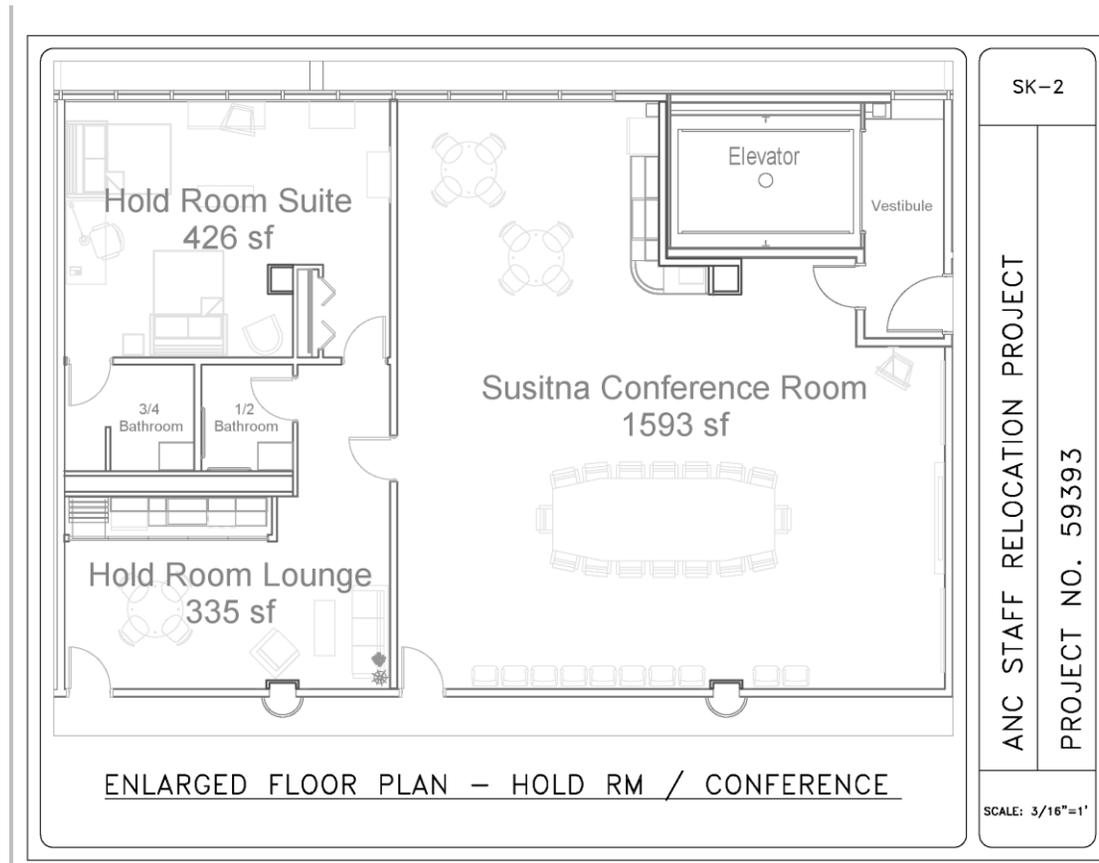


This bathroom includes a sink, toilet, and shower.

Appendix E

Layout and View of the Airport Hold Room and Susitna Conference Room

A layout of the Hold Room and the Susitna Conference Room is presented below.

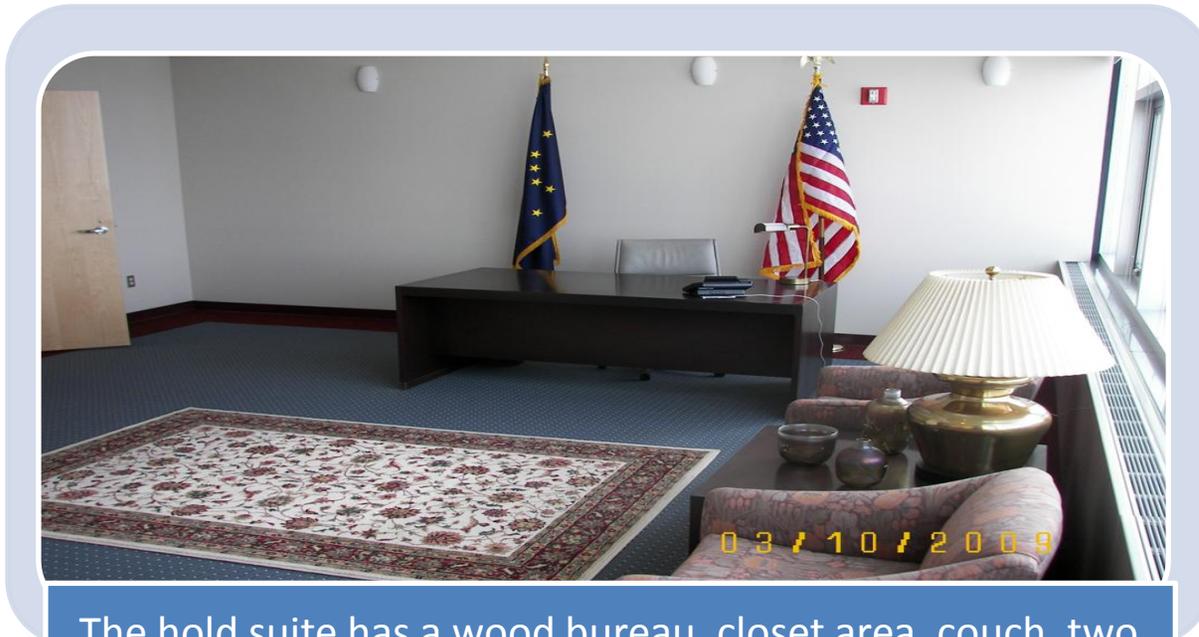


As shown above, the hold room includes a suite, a lounge, and an attached conference room. Total space allocated for the hold room area is approximately 2474 ft² (including 3/4 bath of 70 ft² and 1/2 bath of 50 ft²).

Appendix E

Layout and View of the Airport Hold Room Suite and Susitna Conference Room

The 426 ft² hold room suite is furnished as shown below.



The hold suite has a wood bureau, closet area, couch, two chairs, two small tables, and desk and chair. According to AIA, the furniture in the suite is not new. They are using the furniture from the previous governor's room.

Appendix E

Layout and View of the Airport Hold Room and Susitna Conference Room

The 335 ft² Hold Room lounge is furnished as shown below.



The hold room lounge includes a table and three chairs.



The lounge also includes a kitchen with a full size refrigerator, microwave and dishwasher .

Appendix E

Layout and View of the Airport Hold Room and Susitna Conference Room

Adjacent to the hold room lounge and suite is the 1,593 ft² Susitna conference room shown below.



The tables and chairs in the conference area are not new. These items came from the north terminal.



The tiled kitchen is furnished with new equipment including a full size refrigerator. There is a second table and chair set not shown that is identical to the one shown above.

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

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October 16, 2009

Ms. Pat Davidson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau AK 99811-3300

RECEIVED
OCT 16 2009
LEGISLATIVE AUDIT

Dear Ms. Davidson:

This is in response to Legislative Audit's preliminary audit report on: Department of Transportation and Public Facilities (DOT&PF) Anchorage International Airport Capital Projects Review (#25-30052-09). Our reply is limited to and focused only on responding to the Findings and Recommendations and will not address the background or assumptions included in the preliminary audit. We believe the narrative description to be reasonably correct and adequately descriptive.

Recommendation No. 1

AIA's airport director should improve the planning and management process

DOT&PF agrees with this recommendation. Significant improvement to the capital project planning and management processes is required. Ted Stevens Anchorage International Airport (ANC) and Fairbanks International Airport (FAI) comprise the Alaska International Airports System (AIAS), an individual State of Alaska enterprise fund accounting entity. Because the AIAS Operating Agreement (OA) and Passenger Terminal Lease, is the authoritative contract overarching all capital activity at both airports, we will implement capital project management changes at the AIAS level to ensure appropriate budgeting, planning, and reporting information is produced, disseminated, and retained to facilitate improved stewardship, decision making, and accountability on a system-wide basis.

As your report notes, our recently negotiated OA was designed to obtain airline approvals, funding, and provide reporting on more of a project specific rather than general category basis. Additionally, our new OA was negotiated after several years in holdover, and contains new requirements intended to improve accountability and reporting on capital projects to the airlines whose payment of rates and fees is the primary source of revenue for the airports. We believe these recent actions represent some positive initial steps that are necessary to facilitate improvements to airport transparency and accountability, and also serve to underscore our stated commitment to improving our processes.

- a) The AIAS management structure has been reconstituted as originally set up and intended when created in 1961 to oversee both the international airports. The AIAS was set up to and provides the necessary oversight, and checks and balances for revenue, resources, expenditures, and capital programs of the airports. Over the past ten years the AIAS was reduced from numerous positions to simply the comptroller and those professional positions were reallocated to the Anchorage Airport. In the process many critical and necessary project processes likely became lost or ignored and numerous projects at ANC were undertaken without following the standard DOT&PF project control processes and AIAS comptroller approval. Over the past year the AIAS management structure was reestablished and several key positions returned to the AIAS where they originated. These completed actions will help provide better financial and project planning management oversight; ensure project control practices are no longer avoided; and address concerns voiced by the airline signatories. The positions returned to the AIAS includes: (1) AIAS Executive Director, (2) Transportation Planners, and, (2) accounting positions which are currently filled and located at each of the airports. All but the accounting positions are currently vacant, and will be filled as soon as practically feasible under the current economic situation but no later than June of 2010 to reestablish the AIAS checks and balances originally intended with the system.
- b) Capital project nomination forms will be required to identify project estimated timeline, phases, costs, and a short business case for the project being requested. These forms will be retained according to the state records retention schedule. A memorandum to the airport managers from the Deputy Commissioner, Aviation will further reinforce this requirement and be completed prior to December 31st, 2009.
- c) Any non-airfield construction projects which the airport manager(s) determines can and should be done with in-house maintenance forces will undergo and utilize the DOT&PF public interest finding (PIF) if the work will exceed 3 weeks of labor, or, \$30,000 in value. Such a process including documenting the total cost and benefit, will avoid inappropriate use of resources as documented in the audit findings (page 20) regarding the "Auxiliary Parking Lot". This requirement will be implemented through memorandum to the airport managers from the Deputy Commissioner, Aviation prior to December 31st, 2009.
- d) All projects after approval by the airlines and the airport manager will be required to follow the existing and standard DOT&PF project development authorization (PDA) form policy and procedures. This will also include approvals by both the AIAS Executive Director (or in the event the position is vacant-the Deputy Commissioner), and the AIAS Comptroller prior to processing by DOT&PF project control. Any PDA changes, including project scope, cost, fund sources, and closure will follow the same process of approvals. This has already been implemented at the airports and will be further memorialized by a memorandum from the Deputy Commissioner to the airport managers prior to December 31st, 2009

Recommendation No. 2

The Commissioner of DOT&PF should ensure submittal of an annual International Airport Construction Fund spending plan to the legislature in accordance with state law.

DOT&PF agrees with this recommendation and will ensure timely future conformance with AS 37.05.420(c). The AIAS will also create and file the reports due for fiscal years 2007-2009. We anticipate reports will contain an improved format with more informative inception-to-date roll-forward schedule showing bond fund activity for each fiscal year, for all outstanding bond issuances from receipt of bond proceeds, in addition to the specific fiscal year spending information required.

The department will submit the reports on January 1, 2010 as required by statute.

Recommendation No. 3

AIA's airport director should consider reducing the amount of space allocated for administrative purposes to maximize the amount of space available for generating rental income.

DOT&PF agrees with this recommendation. Actions have recently been undertaken along these lines by cancelling portions of a connector/corridor project between the Anchorage north and south passenger terminals. This particular project initially included extensive new shop facilities, an emergency operations, dispatching center, and staff spaces. Instead, we will now accomplish much of the same objective through renovation and use of existing airport space that was vacated in the north terminal when staff moved to the administrative spaces in the south terminal.

- a. The airport director will relocate those AIAS staff, or who will reside in the AIAS, (those who are duty stationed in Anchorage) to the 4th floor of the C Concourse administrative offices. As the vacant AIAS positions are hired and filled, those positions in Anchorage will be relocated into this space as practical to better utilize and reduce administrative space with the goal of an overall reduction in administrative overhead office space.
- b. If in the future there is demand for private business utilization for the C-Concourse hold room terminal space in the C-Concourse, it will be rented out for revenue generation.

We are and will take judicious steps to more efficiently utilize existing administrative spaces, optimize rental revenues where possible, and better conform to state office space standards through cost benefit analysis of available options. Future utilization of locations in the airport terminal complex will focus first on current business priorities and needs, in order to maximize airport revenue producing activities in those spaces available whenever possible.

For both FY'09 and FY'10, ANC and FAI management teams have undertaken numerous cost containment measures in response to greatly reduced revenues. Significant decreases in all airline activities have occurred nationally and worldwide due to the global economic downturn. Reductions in airline carrier activities in turn have resulted in large revenue losses for airports everywhere. The current economic situation has left the AIAS fewer opportunities to rent terminal spaces to airline and concession tenants. Efforts to address these matters will continue to be a focus along with our overarching effort to better manage the airports' operating, maintenance, and capital expenses more in balance with those revenues generated.

The AIAS is required to operate much like a business. It requires the airports to operate within their budgeted financial commitments and expenses; as well as, balance those costs with the actual revenues received from the rates and fees charged to the airlines. At the same time, we

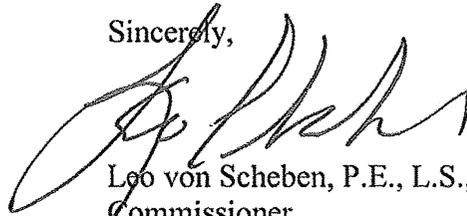
want to ensure that we continue providing high quality customer service in appropriately managing and maintaining the state's international airport system assets.

We hope this response has been helpful by acknowledging, the concerns that have been identified by the audit; explaining some of the actions we have taken to date with our new management team; and our continued AIAS intentions to address the specific concerns that were noted in the recommendations. We acknowledge the myriad of concerns and that it indicates there is a significant need for greater ANC transparency and managerial oversight regarding the airport's capital project activities and process.

Thank you again for the opportunity to reply to your recommendations and the professionalism of your audit staff. This effort helps to reinforce and sustain the AIAS efforts which are currently underway to better address some of the longstanding shortcomings of our capital project management processes.

If you have any questions, please contact Laura Baker at 465-8974.

Sincerely,



Leo von Scheben, P.E., L.S., M.B.A.
Commissioner

cc: Christine Klein, Deputy Commissioner of Aviation, DOT&PF
Laura Baker, Director, Division of Administrative Services, DOT&PF
Mark Lundahl, In-Charge Auditor, Div. of Legislative Audit, Alaska State Legislature
John Parrott, Manager, Ted Stevens Anchorage International Airport, DOT&PF