



KNIK ARM BRIDGE AND TOLL AUTHORITY

2005
ANNUAL REPORT



KNIK ARM CROSSING PROJECT

KABATA is governed by a seven-member Board comprised of three private citizens, two regional legislators and two state commissioners. The Alaska State Legislature authorized KABATA, the project proponent, to undertake the permitting, design, financing, and construction and then to own, operate, and maintain the crossing as a toll road.

This Annual Report is submitted in compliance with AS 19.75 to inform the Governor and the Legislature on the status and prospects of the project. This Annual Report will be available to the public on the project web site at www.knikarmbridge.com, or through the KABATA office at 907-269-6698.

Pursuant to AS 44.99.210, this publication was released by the Knik Arm Bridge and Toll Authority at a cost of \$2.30 per copy, to provide information and encourage participation, and was printed in Anchorage, Alaska.

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Mission

The Knik Arm Bridge and Toll Authority will develop, stimulate, and advance the economic welfare of the state and further the development of public transportation systems in the vicinity of the Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage and the Matanuska-Susitna Borough.

It is my pleasure and honor to present the Alaska Legislature with the 2005 Annual Report on the progress of the Knik Arm Crossing Project. This marks the second full year of activity for the Knik Arm Bridge and Toll Authority (KABATA) established by the legislature in 2003 to oversee the project. It has been a busy and fruitful year in moving the project closer to reality.

In January 2005 the Federal Highway Administration (FHWA) published the Notice of Intent on the project and proceeded to develop an Environmental Impact Statement (EIS). FHWA moved promptly to assemble 10 cooperating agencies and 13 participating agencies to form the core group for compliance with the National Environmental Policy Act (NEPA), as applied to the Knik Arm Crossing Project.

Throughout the spring and summer FHWA and KABATA organized and conducted a public involvement program with many presentations to and discussions with the public and community groups. Working with the cooperating and participating agencies they organized an interdisciplinary team to closely examine environmental, scientific, and geophysical aspects of the project including potential short-term and long-term impacts on Anchorage and Mat-Su communities and the natural environment. A noteworthy effort was the government-to-government negotiations with Alaska Native Tribes in the Upper Cook Inlet region.

Providing the structure and mandate for an effective process with dedication to information sharing, FHWA is to be commended for its capable leadership of the project. The "Scoping Summary Report: Comments, Issues and Alternatives" was published in November 2005 and a draft EIS, submitted in December 2005, is currently undergoing FHWA review.

As the year ends, KABATA is focused on developing a realistic and comprehensive financing plan that reflects accurate cost estimates specific to the chosen crossing alternative. Legislative approval of project financing will be necessary in this session to keep the project on schedule.

As Chairman, I am proud of the work done this year and look forward to 2006. We are moving closer to the reality of a bridge that both fills a current need and creates a bridge to the future.



George Wuerch
Chairman



Meeting the Need

Alaska is growing. Living in a state with vast space and few roads, Alaskans are gifted and cursed with breathtaking beauty and few roads to explore and set roots in the far-reaching lands. Population is growing, and the link between Anchorage, the Mat-Su Valley and beyond is rapidly being outpaced by increasing traffic and a growing concern for safety.

Anchorage is approximately two miles from Port MacKenzie and its adjacent industrial Port District in the Matanuska-Susitna (Mat-Su) Borough across the Knik Arm. Although this physical separation consists of a short span of waterway, the only current surface transportation access between the Municipality of Anchorage (Anchorage) and the Port MacKenzie area is by 80 miles of existing roadway around the head of the 30 mile-long Knik Arm.

More than 80 years of documented transportation, land use, and economic plans and studies for the Upper Cook

Inlet region of Alaska have addressed the need to connect Anchorage with the Mat-Su by providing an efficient and convenient means to cross the Knik Arm. After years of discussion by those who know Alaska best—its residents—the project is again under consideration.

Access to both the undeveloped areas, and more intensively developed centers of economic and cultural activity in Southcentral Alaska may soon be a reality as the proposed Knik Arm Crossing Project is designed, permitted, financed and constructed.

This report outlines current and future development steps leading to a new access route between Anchorage and the Mat-Su. Engineers and planners have been busy studying Knik Arm and its surrounding physical, human and natural environment. What they are finding is that a safe, cost-affordable and environmentally sound bridge can be built.



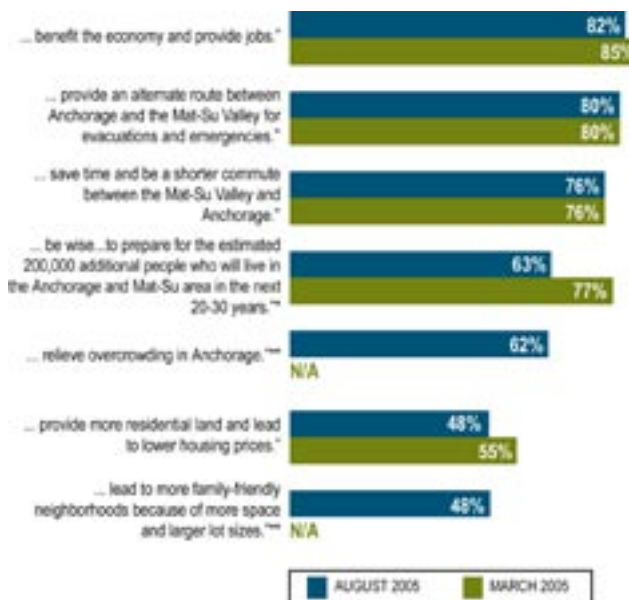
The Right Track

Area-Wide Survey

Alaskans want to be sure that projects reflect their needs. Residents want to be assured and have confidence that funds are used appropriately, that projects are done safely, and that the design will be environmentally sound, and built to last. KABATA commissioned resident and commuter surveys to evaluate public opinions about the proposed project.

Results of the March and August 2005 surveys show overwhelming concern about current traffic congestion, potential emergency access and future population growth. Over eighty percent of people interviewed supported the project to encourage economic growth and provide jobs. Additionally, in terms of safety, eighty percent of residents surveyed believe that an alternative access route is necessary for evacuation and emergencies.

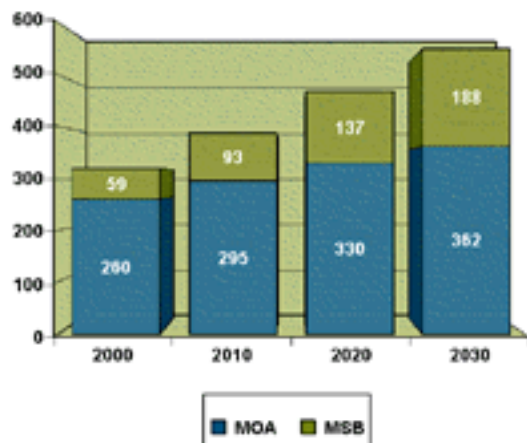
The Knik Arm Crossing Project would...



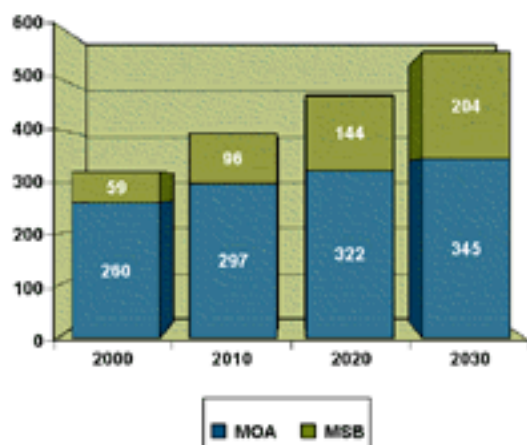
- * Question asked as "...be a wise investment to prepare for future population growth" in March 2005
- ** Question was asked only in August 2005.

Find these surveys on the KABATA website (www.knikarmbridge.com), under the "Library" then "Project Documents" links.

Population Forecast - No Bridge



Population Forecast - With Bridge



While the Municipality of Anchorage (MOA) has grown at a compound rate of 2.4% per year, the Mat-Su Borough (MSB) has grown nearly three times as fast – at a rate of 7.3% per year. In 2000, the combined MOA and MSB population was approximately 320,000. In 30 years, the regional population is expected to increase by an additional 194,000 people. Furthermore, economists believe that the primary employment center will remain in the MOA while the MSB will be home for more and more of our growing population. The result equals more traffic on an already crowded Glenn Highway and increasing housing prices as competition for good, accessible land grows.

Traffic planners project that Glenn Highway traffic north of Muldoon will be 65,630 vehicles per day with the project, and 94,100 vehicles per day without the project in 2030.

Source: "Memorandum on the Economic and Demographic Impacts of a Knik Arm Bridge", Institute of Social and Economic Research, University of Alaska, September 2005, prepared for Northern Economics as input to the KABATA EIS.

Purpose and Need

The proposed project would further the development of transportation systems in the Upper Cook Inlet region by providing improved vehicular access and surface transportation connectivity between Anchorage and the Mat-Su, through the Port MacKenzie District. A financially feasible and efficient crossing would meet the needs for:

- Improved regional transportation infrastructure to meet existing and projected population growth and locally adopted economic development, land use, and transportation plans, and as directed by the Alaska State Legislature in Alaska Statutes chapter 19.75;
- Regional transportation connectivity for the movement of people, freight and goods to, from, and distribution between Anchorage, the Mat-Su, and Interior Alaska; and,
- Safety and transportation system redundancy for alternative travel routing and access between regional airports, ports, hospitals, and fire, police, and disaster relief services for emergency response and evacuation.

“

The congestion issues are not going away. In fact, with projected population growth, traffic issues will only worsen unless we create alternatives that safely provide relief.

”

Debbie Ossiander
Anchorage Assembly
AMATS Committee
Regional Transportation Planning
Organization

KNIK ARM CROSSING PROJECT



The NEPA

This year brought shape and breadth to a project intended to solve many transportation challenges facing Alaskans. The investigations completed in 2005 established a firm foundation of project information. This work was done through the objective and regulated National Environmental Policy Act (NEPA) process which required an Environmental Impact Statement (EIS).

The EIS Scoping Process determined the range of actions, alternatives, and resulting impacts to be considered in the EIS. Input was solicited from the public, agencies, local government and tribes. More than 1,000 comments were received, prompted by a wide variety of outreach tools. This extended scoping process was established to allow the project to respond and evolve based on public input.

The "Summary Scoping Report: Comments, Issues and Alternatives" was published in November 2005, and is available at www.knikarmbridge.com. The Draft EIS, completed in December 2005, is currently undergoing FHWA review. It is expected to be available to the public in January 2006 with another series of public meetings. Copies of the Draft EIS will be available electronically as a CD or online, and in hard copy at area libraries.

The following list of events and tools highlights the intensity of the scoping process.

- Agency interdisciplinary team meetings (6)
- Agency one-on-one meetings (13)
- Comment database (1,000)
- Community Council presentations/attendance (8)
- Government-to-Government (tribal) consultation (1)
- Household surveys (2)
- Mailing list (3,104)
- Media outreach
- Meeting advertisements and other notifications
- Native Corporation meetings (1)
- Newsletters (4)
- Newspaper inserts (2 statewide)
- Public Scoping meetings (2 locations, 2 times)
- Press releases (4)
- Principals' Working Group meetings (5)
- Study area tours (24)
- Small group (agency and other entities) meetings (41)
- Speakers' Bureau and presentations (20 organizations)
- Tribal scoping meetings/workshops (6)
- Project website: www.knikarmbridge.com

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I am confident that the National Environmental Policy Act process has been open, inclusive, comprehensive and responsive.

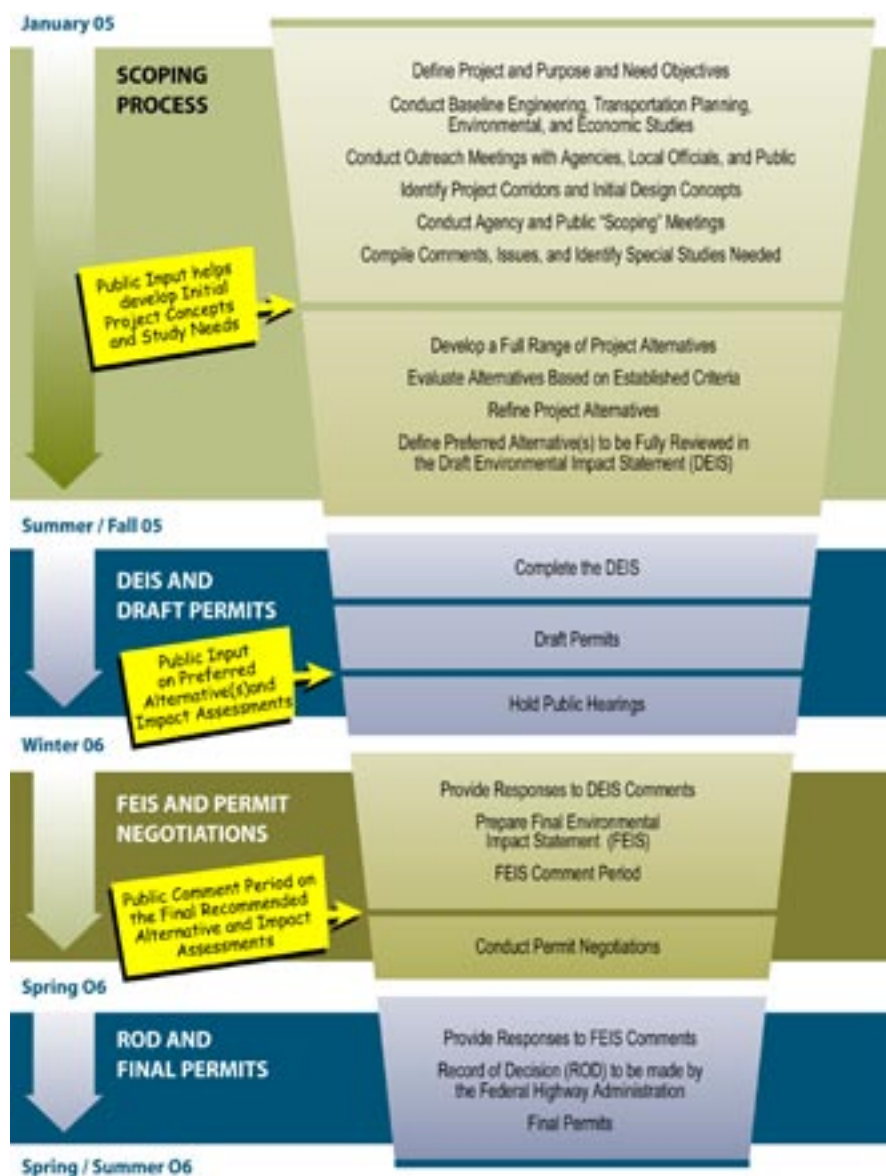
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Edrie Vinson
Environmental Project Manager
for FHWA



All Alaskan NEPA Project Team

Process



Knik Arm Crossing Environmental Impact Statement & Permitting Process

Studies and Fieldwork

From wildlife biology to seismic design criteria, the EIS is a comprehensive and thorough analysis of issues related to development of the Knik Arm Crossing Project. Directed by FHWA, information is carefully collected, compiled, and made available to the public, as well as local, state and federal agencies.

As an outcome of the project, many studies initiated through this project will serve future generations with observations and information added to knowledge of the Knik Arm area. Technical Reports on shorebirds, belugas, fisheries and hydrology will be released in early 2006.

Birds to Whales

Five species of salmon were collected (Chinook, pink, chum, sockeye, and coho) as well as the invertebrates that they eat. During ice-free conditions between summer of 2004 and 2005, marine life was sampled at eleven different sites in the Knik Arm.



Observers studied baseline conditions to characterize beluga whale movement patterns and habitat use. Whale movements were found to be influenced by tides and season. The highest sighting rates in Knik Arm were in September. Whales appear to ride the ebbing tide down the Knik Arm, and the flooding tide up the Knik Arm.

Gulls, ducks, and shorebirds shared the area with eagles nesting along the tidal flats. Local bird experts provided spotting and identification skills as well key insights into habitat requirements.

Physical Studies

Geotechnical borings from previous work on the dock at Port MacKenzie, and a detailed site-specific seismic analysis, provided insights into the probability and magnitude of earthquakes in the project corridor.

Gravelly soils are more than satisfactory for construction, and not Bootlegger's Clay found to the south. No earth faults were identified in this area. The bridge would be designed to meet seismic standards, and to resist the forces of ice, currents, tides and wind, while protecting current port facilities.

Human Studies

Agency, tribal and other local experts defined the presence of cultural and historical resources, considered designs to mitigate potential impacts, and proposed additional special studies for the Draft EIS. With military staff, the project team analyzed security requirements and protection of military mission and facilities in the Port of Anchorage and Elmendorf Air Force Base areas.

Socioeconomic Studies

Traffic planners collaborated with local government to develop the first regional transportation planning model integrating Mat-Su and Anchorage area traffic patterns and information.

A geographic information systems (GIS) model was developed by the project team, Anchorage and Mat-Su. This tool

profiled land use changes over time, noting that population growth would continue to increase with or without a Knik Arm Bridge.

Households and commuters were surveyed to measure public support and identify potential concerns. Over 66 percent were in favor of the project, citing the need to open more land, shorten commutes and stimulate economic development.

“

We created the first integrated traffic model as a tool that accurately reflects future growth and transportation needs across the region.

”

John McPherson
HDR Transportation Planner

Engineering

The engineering team worked with the regulatory agencies to define the proposed bridge location, length and type. The location was determined based on considerations of military operations and existing facilities, logical landing points on both sides, and the relationship to existing ports and roads. The bridge orientation would be aligned with the currents in the Knik Arm to minimize challenges from ice floes and scour.

The minimum length of the bridge would be about 8,200 feet. Hydraulic analyses have found that there would be no appreciable increase in current tidal flow with the 8,200-foot bridge option, which is key to protecting against scour. The bridge would be concrete or steel with piers and a low profile to minimize

impacts to surrounding military and civil air and marine operations. The Coast Guard and other area-wide vessel operators have helped to determine the minimum bridge deck height to allow at least 50 feet of clearance for vessels.

The bridge is designed to be expandable to accommodate four lanes of traffic. It would be two to three lanes on day of opening. Expandability and cost are key factors in defining the final bridge design.

Cost Estimates

The past several years have proven a challenge for controlling construction costs. Steel, concrete and petroleum-based construction commodities and activities have been increasing at two to three times the historic rate, including commodity spikes associated with

the 2005 hurricane season. Currently, day of opening project cost estimates are around \$600 million. This cost is based on estimates of engineering and quantities from three separate engineering firms. This cost includes construction of the bridge itself; the approaches east to Government Hill and the A/C Couplet, and west to Burma Road; design; project management; and right-of-way acquisition. Options to materially reduce total project costs are actively and continually being pursued. As alternative routes are evaluated, there will be a continued evaluation of alternative project delivery methods, cost-sharing strategies and potential sources of lower cost construction materials.

With continued cost-control discipline, an affordable Knik Arm bridge could be constructed.



Concrete Bridge Concept for Knik Arm Bridge

This rendering illustrates the concrete bridge concept studied by Figg Bridge Engineers, Inc., as part of the preliminary engineering.

Review and Development of Alternatives

The goal of KABATA is to build a safe, affordable, and environmentally sensitive Knik Arm bridge. The project team has reviewed and evaluated a large number of alternative routes, crossing concepts, and engineering data.

The project team developed preliminary corridors based upon an initial study area. The public and agencies were instrumental in helping to develop the range of modes, termini options and roadway alternatives analyzed for the Knik Arm Crossing Project.

The interactive scoping process led to more than 20 new alternatives in response to public and agency comments.

- Alternative modes were expanded to include assessment of ferry and rail.

- A future corridor connection to Ingra/Gambell Couplet was added to respond to concerns of community cohesion, traffic and mobility.

- A Northern Access Corridor was added to the northern side of Port MacKenzie District, to avoid adverse impacts to the port's operations.

- A Southern Crossing Corridor was added to increase the separation from beluga whale activity and from critical military operations.

- Additional roadway alternatives were added to minimize impacts to the Port of Anchorage, the Government Hill community, downtown businesses, and the intertidal area of Knik Arm.

- A bored tunnel was included, in addition to a cut-and-cover tunnel access through Government Hill.

- Bridge types and lengths were added to respond to concerns of cost and environmental impact.

After substantial study and consultation with stakeholders, several of the roadway alternatives were screened out because they proved unacceptably disruptive to military mission and operations, or were not technically reasonable to build. Evaluation of alternative routes will continue to maintain focus on an affordable, buildable and environmentally sound crossing project.

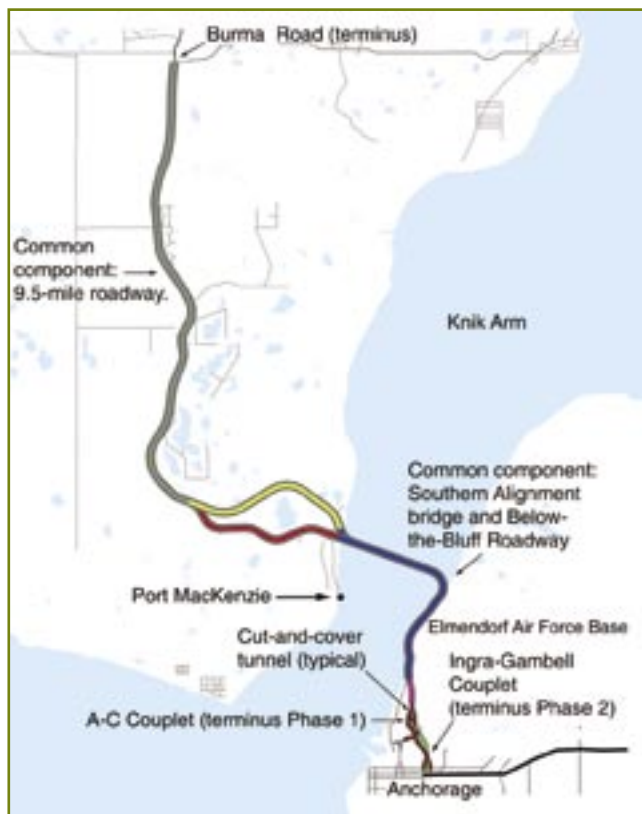


Figure 1 The proposed project begins at Burma Road with two approach corridors near Port MacKenzie, and ends in Downtown Anchorage.



Figure 2 The Southern Alignment bridge alternative and Below-the-Bluff Roadway alignment are highlighted in orange.

Reasonable Alternatives Carried Forward for Draft EIS

FHWA based its choice of reasonable alternatives on the ability to meet projected traffic demand, provide the greatest flexibility and opportunity to travel, provide the shortest travel times, lowest user costs, and least impacts on the communities in the Study Area.

The project team screened a wide range of possible alternatives against criteria for (1) purpose and need and (2) technical merit. The roadway mode with a pile-supported span bridge was found to be the most reasonable mode for the proposed project. Roadway alternatives could accommodate mass transit and ride-sharing transportation options, which are important to regional mobility.

The project team determined that the following corridors were reasonable for linking Anchorage and the Mat-Su through a bridge across Knik Arm and through associated approach roadways.

Figure 1: Mat-Su Approach Corridors

Point MacKenzie Road
Northern Access Road

Figure 2: Crossing Corridor

Southern Crossing including the Below-the-Bluff Roadway

Figure 3: Anchorage Approach Corridors

Erickson Street Alternative including Ingra/Gambell and A/C Couplets

Figure 4: Degan Street Alternative

Including Ingra/Gambell and A/C Couplets

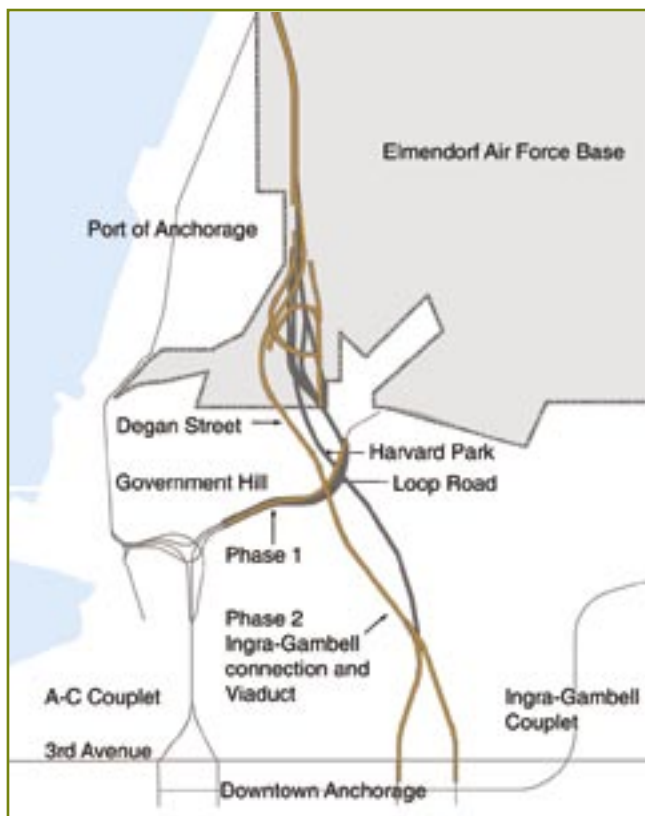


Figure 3 The Erickson Street Alternative alignment is shown in orange. Phase 1 connects to the A/C Couplet, while Phase 2 connects to the Ingra/Gambell Couplet.

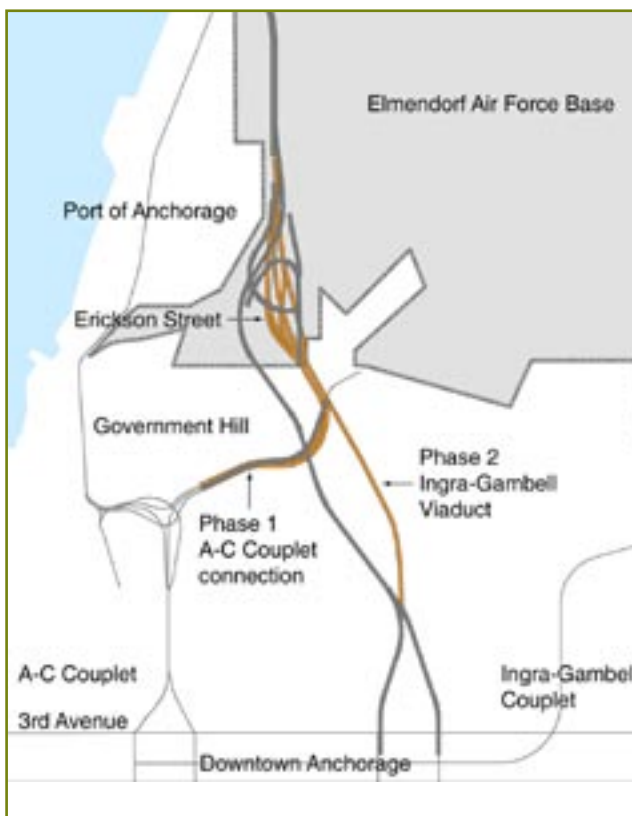


Figure 4 The Degan Street Alternative alignment is shown in orange.

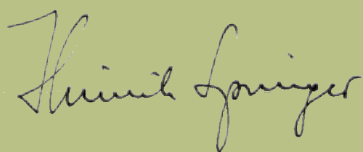
LETTER FROM THE EXECUTIVE DIRECTOR

The Knik Arm Bridge and Toll Authority (KABATA) will produce independently audited financial statements at the completion of the planning, design, and construction phases when toll operations formally commence, or sooner if financing arrangements to be entered into require such independent audit of KABATA. For periods prior to such independent audit requirement, the State of Alaska Department of Transportation & Public Facilities (DOT&PF) budget, accounting, and reporting procedures are being used by KABATA.

KABATA entered into a Memorandum of Agreement (Agreement) with the DOT&PF effective September 30, 2004. The Agreement pertains solely to the pre-construction phase of the project, including transportation planning, preliminary engineering, environmental and permitting, final engineering design and reconnaissance, utilities and right-of-way phases of the project. It also sets forth procedures and responsibilities for interacting with FHWA.

In addition to other responsibilities under the Agreement, DOT&PF provides technical, professional, administrative and clerical support to KABATA to meet both the State and Federal financial and other regulatory requirements. An audit covering both State and Federal requirements is part of DOT&PF's yearly internal review and audit procedure performed by their internal review function in the Office of the Commissioner.

Respectfully Submitted,



Heinrich Springer
Executive Director

KABATA Contracts with Financial Advisor

The Knik Arm Bridge and Toll Authority (KABATA) has entered into a professional services contract with Kevin Hemenway to serve as Senior Financial Advisor. A resident of Anchorage, Alaska, Mr. Hemenway brings fifteen years of practical experience as a Chief Financial Officer, Treasurer, Controller, and Consultant; and, six years of hands-on experience as a Certified Public Accountant. Mr. Hemenway most recently worked at Alaska Communications Systems. Prior to moving to Alaska, Mr. Hemenway served as Chief Financial Officer, Treasurer, and Controller at Atlantic Tele-Network, Inc., in St. Thomas, U.S. Virgin Islands. He previously held positions as a Certified Public Accountant at both Deloitte & Touche and Grant Thornton.

As Senior Financial Advisor, Mr. Hemenway will provide independent financial advisory services to KABATA related to the authorization, sale, issuance, and delivery of commercial revenue bonds. He will also aid KABATA with the selection of its bond counsel, audit team, underwriting team and banking institution.

Wilbur Smith Associates Analyzes Toll Revenues

Wilbur Smith Associates (WSA) prepared for KABATA an analysis of potential toll revenues, to determine their capacity to support debt service on proposed bonds for construction of the bridge and approaches. WSA worked with the technical studies produced for the DEIS, including regional traffic models, survey information from households and commuters, and forecasts of population and employment. The WSA analysis included development of maintenance and operations costs, preliminary operating expenses and capital costs for a toll collection system, and estimation of potential toll revenues.

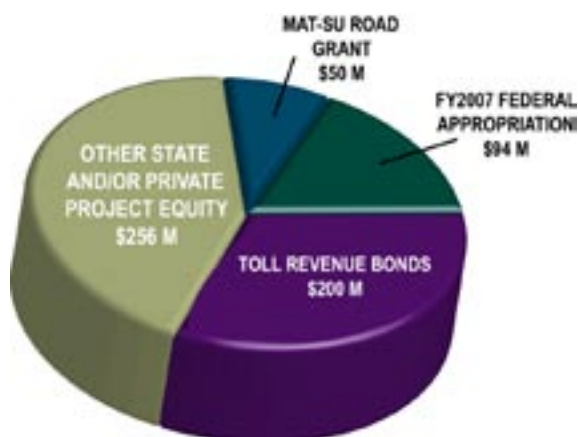
The conclusion of the Preliminary Traffic and Toll Revenue Study was that the net toll revenue stream would be satisfactory to support bonding for approximately \$200 million in debt, and to pay for operations and maintenance over the life of the Knik Arm Crossing, assuming a toll of \$3 to \$5 per passenger vehicle.

Complete report is available on the website:
www.knikarmbridge.com

Fund Sources

Construction cost for the Knik Arm Crossing Project is estimated at approximately \$600 million in opening day dollars. As discussed, the WSA analysis indicates \$200 million of that cost could be funded by toll revenue bonds, or other toll-backed debt financing sources. Congress allocated over \$2.1 billion of Federal Highway funds to Alaska in the SAFETEA-LU transportation bill, to be paid out over five federal fiscal years. In the administration's FY2007 budget submission, Governor Murkowski has requested of the legislature that \$94 million of this federal transportation funding be committed to the Knik Arm Crossing Project, representing 4% of Alaska's federal transportation allocation. KABATA has also suggested that a separate grant of approximately \$50 million be provided to the Mat-Su Borough to upgrade and pave the Port MacKenzie Road to provide a modern, safe and convenient connection to the west side of the project. This is included in the \$600 million estimate. An additional \$256 million would need to be generated from other State or private equity sources in order to complete project funding.

PRO FORMA PROJECT FUNDING - \$600 MILLION



Current Authorizations and Annual Expenditures January 1, 2005 to December 31, 2005

AUTHORIZATIONS

Millions

The Federal Highway Administration (FHWA) has authorized reimbursement of advanced construction funds for the planning and environmental phases of the project, of which \$10.6 million was repaid through two special earmark appropriations and \$7.6 million will be repaid through future appropriations

SAFETEA-LU FHWA Earmark for 2005 2.0

Total Authorizations \$ 20.2

EXPENDITURES

Millions

2002/2003 Expenditures, Primarily by DOT&PF \$ 1.1

2004 Expenditures, Primarily Contracted Professional Services 3.8

2005 Forecast Expenditures, Primarily Contracted Professional Services 12.1

Total Expenditures \$ 17.0

Estimated Project Cost Through Construction \$ 600

HIGHLIGHTS of 2005 and 2004 EXPENDITURES

Thousands

Contractor / Subcontractor	Forecast 2005	Actual 2004
HDR Alaska, Inc.	\$ 4,058	\$ 611
URS Corporation	2,150	541
LGL Alaska Research Associates, Inc.	1,276	505
PND Incorporated	1,184	615
Northern Economics	587	35
RISE Alaska, LLC	467	236
All Others (approximately 23 in 2005, 12 in 2004)	1,666	600

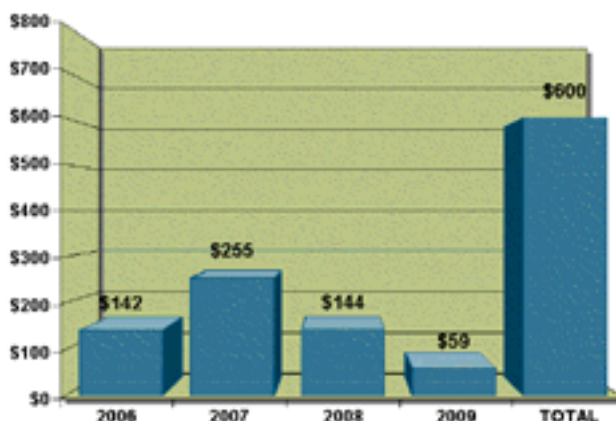
Sub-Total Contractors 11,388 3,143

KABATA General and Administrative Costs 750 619

Total Expenditures \$ 12,138 \$ 3,762

DRAFT STATE TRANSPORTATION PLAN (STIP) Anticipated Project Spending by Federal Fiscal Year

The draft State Transportation Improvement Plan (STIP) for the Knik Arm Crossing Project has anticipated \$600 million to be spent over the next four federal fiscal years ending September 30, 2009. The STIP for the Knik Arm Crossing Project is a planning document of the Alaska Department of Transportation and Public Facilities. Actual funding of the project is subject to State and Federal budget appropriations and the ability of KABATA to issue bonds or other debt financing backed by toll revenues. The chart below depicts the anticipated spending by federal fiscal year.



2006 MILESTONES

WINTER

Public Release of Draft EIS
Permit Applications

SPRING

Legislative Approvals
Release of Final EIS
Record of Decision

SUMMER

Finalize Financing
Final Permits

FALL

Phase 1 Construction Kickoff

Port of Anchorage

Port MacKenzie



George Wuerch
Chairman



Henry Springer
Executive Director
Staff



Darcie Salmon
Vice Chairman



Darryl Jordan
Deputy Executive Director/
Program Manager
Staff



Senator Lyda Green



Dale Paulson
Director of Regulatory and
Environmental Affairs
Staff



Representative
Bill Stoltze



William A. Greene
Project Counsel



Mike Barton
Commissioner of DOT&PF



Betty Fauber
Administrative Manager
Staff



Bill Corbus
Commissioner of Revenue



Amanda Torres
Administrative Clerk
Staff



Dave Haugen
Vice President
Lynden, Inc.



A Bridge to Alaska's Future Moves Forward

Dear Fellow Alaskans:

A little over two and one-half years ago the Alaska Legislature created the Knik Arm Bridge and Toll Authority to build a bridge to connect the Municipality of Anchorage with the Matanuska-Susitna Borough. The Knik Arm Crossing Project will serve over 50 percent of Alaska's population and create new opportunities for businesses and provide access to attractive residential neighborhoods for the expected growth in population.

Last summer, Congress passed the transportation bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The Alaska Congressional Delegation: Senator Stevens, Senator Murkowski, and Congressman Young, are all to be thanked for their help in obtaining funding for Alaska's transportation needs.

The Federal Highway Administration is also to be commended for preparing a Draft Environmental Impact Statement in a timely and effective manner. With their help as the federal lead agency, this project will soon be a reality.

Expanding the state's transportation infrastructure is a high priority in my administration. A good road network is essential to economic prosperity. I am confident that the Legislature's decision to form a toll authority for this project will produce a bridge to Alaska's future.

Sincerely yours,

A handwritten signature in blue ink, reading "Frank H. Murkowski".

Frank H. Murkowski
Governor





KNIK ARM BRIDGE and TOLL AUTHORITY

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