

Alaska International Airport System - Asphalt Escalation Contingency **FY2014 Request: \$2,300,000**
Reference No: 56934

AP/AL: Allocation **Project Type:** Construction
Category: Transportation
Location: Statewide **House District:** Statewide (HD 1-40)
Impact House District: Statewide (HD 1-40) **Contact:** Steven Hatter
Estimated Project Dates: 07/01/2013 - 06/30/2018 **Contact Phone:** (907)269-0730
Appropriation: Airport Improvement Program

Brief Summary and Statement of Need:

Asphalt Escalation Contingency may be utilized for any project that includes asphalt cement pavement in the work through the end of the 2014-2023 Operating Agreement. The contingency will allow the State to reimburse contractors bidding on airport projects for costs associated with increases in the price of asphalt cement, from the time of bid opening to the time of placement, greater than 7.5% for projects containing asphalt material. Reimbursement will be with non-AIP funds as the FAA does not participate in this program.

Funding:	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>Total</u>
Int Airprt	\$2,300,000						\$2,300,000
Total:	\$2,300,000	\$0	\$0	\$0	\$0	\$0	\$2,300,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

Funds will only be utilized if and when the asphalt price escalation on any individual asphalt project has escalation in excess of 7.5%. Funds will only be withdrawn in the amount over the 7.5% escalation for the individual project(s) that the above 7.5% escalation is occurring in.

Project Description/Justification:

The State of Alaska and the Ted Stevens Anchorage International Airport have determined that it is in the interest of the state and the airlines to provide some protection to the contractors bidding state projects from the volatility in the price of asphalt cement. Providing Contractors with the assurance they will be compensated for any escalation beyond 7.5% limits their liability and reduces the likelihood they will pad bids to cover their potential exposure should there be an extreme escalation in asphalt price. Further it protects the state and the airlines from a contractor potentially defaulting on a project and "walking away" before completion due to their inability to pay for escalated asphalt cement prices.

Projects which include the asphalt price escalation clause also include a provision for the payment to the contractor to be reduced should the price of asphalt decrease more than 7.5% from the time of bid to the time of placement.

