



State of Alaska Department of Revenue AMBBA Budget Overview

A Presentation to the Revenue Finance Subcommittee

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Alaska Municipal Bond Bank Authority

For 40 years, the Bond Bank has provided the low cost alternative for political subdivisions of the State to finance projects such as schools, water and sewer systems, public buildings, harbors, hospitals, and public utilities.

- Achieves lower costs by maintaining strong credit ratings (AA+ and AA), combining bond issuances into larger more economic offerings, and actively negotiating lower costs of issuance through use of professional financial personnel
- Directly reduces local taxpayer burden
- Directly reduces State general fund expenditures
 - State of Alaska benefits when communities borrow at lower rates, as the State pays lower reimbursement rates for qualifying school, transportation, and health care projects

AMBBA Facts & Figures

- 2015 was AMBBA's 40th year of 100% community loan repayment
- Self supported operation and all operating costs are funded from Bond Bank receipts.
- AMBBA has generated \$27.8 million of revenue for the State's general fund
- Staff of 1 full time equivalent (.5 executive director and .5 finance director)
- AT 6/30/15, AMBBA bonds and notes outstanding were \$940.9 M with a borrowing limit of \$1.7925 Billion
- Demand driven expenses for professional services and more activity increases budget
 - FY15 – 3 bond issues and operating expenses came it at approximately \$700,000, well under the not-to-exceed budget operating authorization of \$845,800.
- 4 to 5 bond issues expected in FY2016
- FY17 Preliminary Budget of \$1,004,700
 - \$105,000 increase over FY16 amount of \$899,700 due to 2015 expansion of authority by the Legislature
 - Increase will be funded from fees charged to Regional Health Organizations

Major AMBBA Accomplishments in 2015

- The Bond Bank saved Alaskans over \$17.1 million in *present value dollars* (*today's dollars*)
- The Bond Bank issued \$175.6 million in bonds.
 - \$81.9 million of projects funded
 - \$118 million of loans refinanced for savings
- The Bond Bank funded 11 capital projects in 7 communities
- The Legislature authorized the Bond Bank to make loans to Joint Action Agencies and created a \$205 million lending program for Regional Health Organizations
- The Bond Bank is working to implement the first Regional Health Organization loan of \$42.5 million for the Tanana Chiefs Conference (TCC) to refinance the Chief Andrew Isaac Health Center located in Fairbanks, Alaska. The Bond Bank's participation in this refinancing is estimated to save over \$35 million in today's dollars.

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search

AMBBA State of Alaska

HOME

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DOCUMENTS AND POLICIES

CONTACT US

State of Alaska > Revenue > AMBBA > Home

AMBBA

Home

Meetings and Minutes

Board of Directors

Staff

Upcoming Financing

AMBBA Financed Projects

Rating Agency Reports

Documents and Policies

Contact Us

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Child Support Services Division

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Alaska Housing Finance Corporation

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Alaska Municipal Bond Bank Authority

AMBBA is a public corporation established to aid authorized Alaskan borrowers in financing capital improvement projects such as schools, water and sewer systems, public buildings, harbors, and docks (AS 44.85.005 through 44.85.420) (AK Admin Code ch. 144). AMBBA generates funding by selling bonds on the national market, and using the proceeds to purchase bonds from authorized borrowers within the State. Administratively supported by Department of Revenue staff, a board of five directors determines the Bond Bank's actions such as setting interest rates and approving loans.

The Bond Bank has an excellent loan record and has received an "AA+" credit rating from Fitch Ratings, and an "AA" rating from Standard & Poor's Ratings Services. With these ratings, it is able to borrow money at favorable interest rates. From inception in 1975, all Bond Bank debt service has been paid by borrowers, but the amount of interest they paid was significantly reduced.

What Can the Bond Bank do for You

The Bond Bank's strong credit saved Alaskans an estimated \$17.1 million in FY 2015, and \$12.7 million in FY 2014. During FY 2015, the Bond Bank issued bonds totaling \$175.6 million and had one \$3.2 million direct loan, resulting in \$81.9 million in loans to communities for new capital projects, and included \$118 million used to refinance 25 community loans for savings. This compares to FY 2014 with \$178.5 million in bonds issued, resulting in \$101.4 million in loans to communities for projects. Over the last 10 years, the Bond Bank has saved Alaskan communities over \$110 million, and has secured over \$1.6 billion dollars since inception to finance the construction of key projects, including schools, roads, utilities, harbors, hospitals, and other municipal facilities.

Some smaller communities are at a disadvantage in the financial markets. They may have lower bond ratings, and although credit worthy, have not issued bonds or notes, have little outstanding debt, or lack investor familiarity. The Bond Bank is able to borrow money at favorable interest rates to purchase the bonds of Alaskan municipalities and authorized borrowers. These municipalities and authorized borrowers then pay principal and interest to the Bond Bank on their debt.

During fiscal year 2015, the legislature passed, and the Governor signed into law a bill to authorize the Bond Bank to make loans to Joint Action Agencies and Regional Health Organizations, effective May 26, 2015. Joint Action Agency lending is now part of the main political subdivision program. Regional Health Organization lending is limited to no more than \$205 million in total, no more than 49% of any single project where the other 51% of the project's funding is in place, and not more than \$102.5 million for any single project.

Whether you are a new community to the Bond Bank, or you already have loans outstanding, we are here to help you analyze your current debt service structure, and see if there's an opportunity to obtain new financing or perform a refunding of an outstanding series of bonds.

Bond Bank Documents

- Bond Application (Excel)
- FY 2015 Audited Financial Statements
- FY 2014 Annual Report
- FY 2014 Audited Financial Statements
- FY 2013 Annual Report
- FY 2013 Audited Financial Statements
- Notice of Independent Registered Municipal Advisor

For more information, please visit our website:

treasury.dor.alaska.gov/ambba

5

THANK YOU

Please find our contact information below:

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