
From: Jane Pierson
Sent: Friday, March 20, 2015 1:51 PM
To: Helen Phillips
Subject: FW: HB 140

Please add to HB 140.

Thank you

From: Mitchell, Deven J (DOR) [mailto:deven.mitchell@alaska.gov]
Sent: Friday, March 20, 2015 1:07 PM
To: Jane Pierson
Subject: HB 140

Jane,

You had asked if there was any way that HB 140 would diminish the debt capacity of the State or if the State would be left to pay the debt service if the Railroad were to default.

I don't believe that this authorization of \$37 million to finance the positive train control project will impact the state's debt capacity. The Railroad is a public corporation of the State of Alaska that will be issuing revenue bonds of the corporation that will only be secured by revenues derived from the operation of the Corporation. The investors are explicitly told that they will only be repaid from railroad receipts, the credit ratings that the securities are expected to achieve will be based on the pledge of railroad revenue, and the yield based on perceived risk will be established based on the railroad's pledge.

If the Railroad were to default the State would have no obligation to pay, and based on the relatively small deal size and the facts surrounding the proposed issuance I don't believe that the State should consider paying if there were a default. The investors were informed and would have been receiving a rate of return based on the railroad credit, not the State of Alaska's credit.

Let me know if I misunderstood the question,

Deven

Deven Mitchell
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