



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 41 years, the Bond Bank has provided the low cost alternative for authorized borrowers to finance projects such as schools, water and sewer systems, public buildings, harbors, hospitals, and electric utilities.

- Achieves lower costs by
 - Leveraging State's credit strength to achieve AA level ratings
 - Combining bond issuances into larger more economic offerings to lower costs
 - Using on-demand professional contractors with compensation tied to activity
- The Bond Bank program directly reduces local taxpayer burden
- The Bond Bank program 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

- 2016 was AMBBA's 41st year of 100% borrower loan repayments
- Self supported operation - 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)
- Demand driven expenses for professional services - more activity increases budget
 - FY16 – 4 bond issues and one direct loan
 - Operating expenses came in at approximately \$857,000, under the not-to-exceed operating budget of \$899,700
- The Bond Bank expects 3 to 4 total bond issues in fiscal year 2017
- Expected additional loans with the Yukon Kuskokwim Health Corporation, the City of Unalaska, the City of Whittier, the City of Seward, and the Kenai Peninsula Borough.
- FY2017 not-to-exceed budget operating authorization of \$1,004,800
- FY18 Preliminary Budget of \$1,006,300
 - \$1,500 or .15% increase over FY17 amount

Major AMBBA Accomplishments in 2016

- The Bond Bank saved a record high \$75.3 million for authorized borrowers in fiscal year 2016
- The Bond Bank issued \$233.0 million in bonds, that funded \$256.9 million in loans to communities, the University of AK, and a Regional Health Organization
 - \$180.6 million of projects funded
 - \$76.3 million of loans refinanced for savings
 - Funded a \$3.1 million direct loan
- The Bond Bank provided 16 loans for 10 borrowers
- The Bond Bank made its first loan under the \$205 million lending program for Regional Health Organizations
 - Tanana Chiefs Conference (TCC) - \$44.1 million to refinance the Chief Andrew Isaac Health Center located in Fairbanks, Alaska. The Bond Bank's participation in the refinancing saved over \$45 million in today's dollars, more than the par amount of the transaction itself
- AT 6/30/16, AMBBA bonds and notes outstanding were \$1.09 billion, with a borrowing limit of \$1.7925 Billion

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- Alaska Mental Health Trust Authority

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

THANK YOU

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