

## Alaska Industrial Development and Export Authority Description of Bond Terms

### **State of Alaska Has No Liability for AIDEA's Bonds**

The State has no liability for any bonds issued by AIDEA, including AIDEA's general obligation bonds. AIDEA has statutory authority to issue moral obligation bonds only for a power transmission intertie [AS 44.88.100(d) (3)]. A moral obligation creates an expectation of state financial support, but not an actual liability. AIDEA has not issued bonds for power transmission interties

### **General Obligation Bonds:**

**AIDEA's general obligation bonds are secured by the general assets and future revenues of the Authority.** The DeLong Mountain Transportation System (the port and road that supports the Red Dog Mine) was financed in part by general obligation bonds. Total outstanding as of 6/30/08 - \$118,955,000.

### **Revenue Bonds:**

**Revenue bonds are payable only out of revenues derived from the projects financed or the businesses for which the projects are financed.** Neither the Authority's assets nor credit are at risk for these bonds. The Authority may or may not own the financed project; the Snettisham Hydroelectric Project is owned by AIDEA, but all payments on the outstanding bonds are from Alaska Electric Light and Power. Total outstanding as of 6/30/08 - \$82,465,000.

### **Conduit Revenue Bonds:**

**Under AIDEA's conduit revenue bond program, the bonds issued are payable only out of revenues derived from the projects financed or the businesses for which the projects are financed.** Neither the Authority's assets nor credit are at risk for these bonds. The Authority has no financial interest in the financed project. Total outstanding as of 6/30/08 - \$435,093,000 for bonds issued after July 1<sup>st</sup>, 1995.

### **Refunding Bonds:**

**Refunding bonds are issued to retire and replace already outstanding bonds.** The proceeds of the bond sale retire the refunded (outstanding) bonds. Refunding bonds are typically issued to reduce future debt service costs. Any of the three types of bonds listed above can be refunded, and usually the refunding bond is of the same type as the refunded bond (that is, if the refunded bond was a conduit revenue bond, the refunding bond usually is also a conduit revenue bond).

### **Tax-Exempt Bonds**

**AIDEA's conduit revenue bond program is typically used to access the tax-exempt bond market and its lower interest rates.**

Under the U.S. Tax Code, only states and municipalities (in Alaska, cities and boroughs) can issue tax-exempt bonds. A state or municipality can authorize an agency (like AIDEA) to authorize tax-exempt bonds on its behalf. Under very limited circumstances, a state or municipality can authorize a private corporation to issue tax-exempt bonds on its behalf. Certain Indian tribal governments (of which there are many in Alaska) can also issue tax-exempt bonds for limited purposes. Aside from the foregoing, no other entity can issue a tax-exempt bond. There is a wide misconception that nonprofit corporations can issue tax-exempt bonds. They cannot. If a nonprofit corporation (or any entity other than those described above) desires tax-exempt bond financing for a project, the entity must rely upon one of the entities able to issue tax-exempt bonds. Even an issuer that is capable of issuing tax-exempt bonds cannot issue tax-exempt bonds for every purpose; the Internal Revenue Code has very specific rules covering what qualifies for tax-exempt financing.