



General Obligation Bonds

Lunch & Learn Presentation

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Today's Objectives

- General Obligation (GO) Bonds
- Project Finance
- Examples of Prior State GO Bonds

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- Alaska Department of Revenue – 14 Years
- Alaska Department of Revenue – State Debt Manager
- Alaska Municipal Bond Bank Authority – Executive Director



General Obligation Bonds

General Obligation (GO) Bonds

- What are GO Bonds? A tool to raise funds for capital needs:
 - Once authorized, bonds are issued, and the entity receives bond proceeds
 - Proceeds from the GO Bonds fund capital projects through an identified / defined project list
 - Examples of capital projects may include roads and bridges, parks, schools, harbors, University and/or community facilities, and renovation and deferred maintenance
- Must have authorization by law and must be ratified by voters
 - Authorized first by the governing body with defined parameters surrounding project list, this will include other factors such as one-time issuance or not to exceed limit
 - Must be approved / authorized by voters in a ballot proposition at an election as to those defined parameters set forth in the enacting authorization
 - Backed by the full faith, credit, resources and taxing authority of the issuing entity
 - GO's hold a more diverse credit structure based on the issuing entities finances
 - GO's typically have a lower interest rate commensurate with credit quality of the pledge of that underlying entity



General Obligation Bonds

GO Bonds

- General Obligation Debt:
 - Authorizing legislation identifying certain projects, dollar amounts, and any underlying fund structuring (and enactment of that Bill to move forward in the process)
 - State examples of authorizing legislation: HB424 (2010) and HB286 (2012)
 - General Obligation bonding has to go through an approved ballot proposition by vote within either the state or community (full faith / credit pledge of the entity for the GO Bond)
 - Voter authority is required as the pledge of future revenues of the entity is the payment commitment over the life of the bonds. If resources were insufficient, revenues would need to be raised to cover the payments (example: property taxes)
 - Additional authorization for timing of actual debt issuance, issuance parameters, method of sale (typically through resolution, example: State Bond Committee)
 - The state bond committee shall approve the sale of bonds of each authorization in the amounts or series and at the times which it finds are for the best interests of the state and its inhabitants
 - Project Fund, funded with bond proceeds, has specific requirements associated with the underlying authorizations (specified projects, spending rules, other financial analysis on project cash flows)



Project Finance

GO Bonds

- Breakdown of total project financing and costs:
 - Project finance often involves a combination of different sources
 - Grants or other programs providing partial financial support
 - This may include Federal / State / Entity programs, appropriations, and/or contributions
 - Could have strict administrative requirements through grant or other alternative programs
- The financing:
 - Assemble the Financing Team: Bond Counsel, Underwriting Banks, Disclosure Counsel, Financial Advisor / Municipal Advisor, Representatives
 - State policy requirements – level debt service, method of sale, and potential refunding requirements
 - The financing team is usually involved in both original issuance and subsequent maintenance of debt
 - Premium and Discount Structures and The National Market



Project Finance

GO Bonds

- After Financing:
 - Arbitrage Rebate (rate examples and tax compliance)
 - Continuation of cash flow forecasting for those identified projects and not to exceed limit / authorization remaining
 - Call and Redemption Provisions on issued bonds (typically 10-years)
 - Legal defeasance
 - Other special spending requirements
 - Continuing disclosure and SEC rule 15c2-12:
 - Continuing disclosure consists of important information about municipal bonds that arises after the initial issuance. This information generally reflects the financial health or operating condition of the state or local government as it changes over time, or the occurrence of specific events that can have an impact on key features of the bonds
 - Examples: Audited Financial Information or Final Statements, Notice of Failure to provide Financial Information by deadline
 - Specific events: Any payment deficiencies, defaults, bond calls and defeasances, rating changes



Example of a Prior State Authorization in 2010

2010 Act – State of Alaska General Obligation Bonds



\$119,570,000
General Obligation Bonds
Series 2010A
(Taxable Build America Bonds –
Direct Payment)

\$200,000,000
STATE OF ALASKA
General Obligation Bonds

\$45,000,000
General Obligation Bonds
Series 2010B
(Taxable Qualified School
Construction Bonds – Direct Payment)

\$35,430,000
General Obligation Bonds
Series 2010C

Authority for Issuance

The Bonds will be issued pursuant to the Alaska Constitution, particularly Article IX, Section 8, Alaska Statutes 37.15 (the “State Bonding Act”), Section 3 – 7 of Chapter 95, SLA 2010 (HB 424) (the “Act”), and the Resolution. On November 2, 2010, a general obligation bond proposition was passed by a majority of the qualified voters in the State who voted on the question, authorizing the issuance of \$397,200,000 in general obligation bonds for the purpose of design and construction of library, education and educational research facilities. The Bonds represent a portion of the bonds approved for issuance pursuant to this proposition.



Example of a Prior State Authorization in 2010

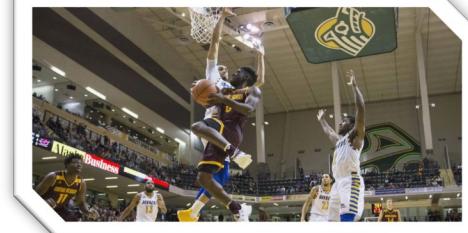
2010 Act – State of Alaska General Obligation Bonds

Application of Bond Proceeds

Money derived from the sale of the Bonds shall be allocated and expended as follows: (1) payment or reimbursement of the public facility planning fund for the cost of advance planning for the capital improvements to be financed and (2) deposit of the remaining proceeds, to the 2010 Education Project Fund, as created pursuant to the 2010 Act. The proceeds deposited in the 2010 Education Project Fund, and any investment earnings thereon, are expected to pay all or a portion of the costs of the following projects:

Department of Education and Early Development

2010 Mount Edgecumbe High School Aquatic Facility	\$20,000,000
State Library, Archives, and Museum facility	\$18,500,000
City of Alakanuk K-12 School Replacement	\$46,500,000
City of Kipnuk K-12 School Renovation	\$49,900,000
City of Kwigillingok K-12 School Renovation	\$32,100,000



University of Alaska

Valley Center for Art and Learning (Matanuska Susitna Campus)	\$23,500,000
Community Arena and Athletic Facility (Anchorage Campus)	\$60,000,000
Life Science Classroom (Fairbanks Campus)	\$88,000,000
Student Housing (Kenai Campus)	\$16,000,000
Career and Technical Education Center (Kenai Campus)	\$14,500,000
Campus Renovation and Renewal (Prince William Sound CC)	\$5,000,000



Department of Fish and Game

Near Island Research and Administration Facility	\$20,000,000
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Department of Commerce, Community, and Economic Development

Prince of Wales Island Vocational Education Center	\$3,200,000
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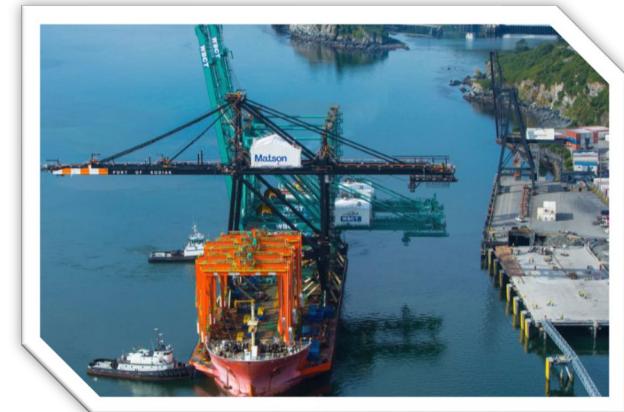
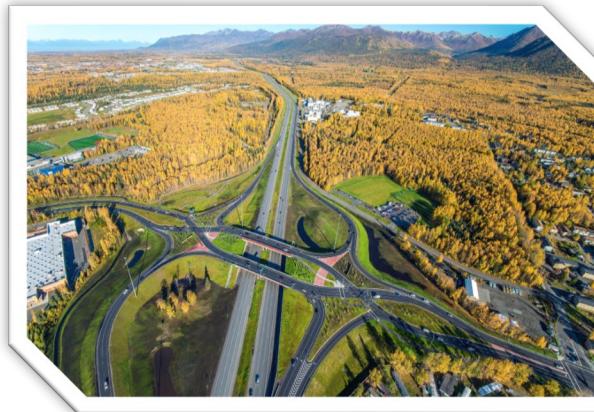


Example of a Prior State Authorization in 2012

2012 Transportation Bond Act – State of Alaska General Obligation Bonds

Authority for Issuance

The Notes will be issued pursuant to the Alaska Constitution, AS 37.15.010 through 37.15.380 (the “Bond Act”), Sections 1, 3, 4 and 5 of Chapter 18, SLA 2012 (HB 286) (the “State Transportation Bond Act”) and the Resolution for the purpose of paying the costs of design and construction of state transportation projects. On November 6, 2012, a general obligation bond authorization was passed by a majority of the qualified voters in the State who voted in the election authorizing the issuance of \$453,499,200 of general obligation bonds for the purpose of paying the costs of design and construction of state transportation projects.



Example of a Prior State Authorization in 2012

2012 Transportation Bond Act – State of Alaska General Obligation Bonds

Department of Commerce

Port of Anchorage Expansion	\$50,000,000
Bethel Harbor Dredging	4,000,000
Port of Bristol Bay Expansion and Pile Dock Replacement	7,000,000
Emmonak Port Improvements	3,000,000
Haines Borough Boat Harbor Upgrades	15,000,000
Hooper Bay Small Boat Harbor	1,000,000
Kodiak Pier III Replacement	15,000,000
Kotzebue Cape Blossom Road and Deep Water Port	10,000,000
Matanuska-Susitna Borough Bogard Road Extension East	13,500,000
Matanuska-Susitna Borough Port MacKenzie Rail Extension	30,000,000
Nenana Totchaket Resource Development Corridor Access	6,500,000
Newtok Traditional Council Mertarvik Evacuation	4,100,000
Nome Port Design and Construction	10,000,000
Sand Point Road Rehabilitation	2,500,000
Seward Marine Industrial Center Expansion	10,000,000
Sitka Sawmill Cove Industrial Park Dock	7,500,000
St. George Harbor Reconstruction	3,000,000
Togiak Waterfront Transit Facility	3,300,000



Department of Transportation

Glenn Highway, Hiland Road to Artillery Road Reconstruction	\$35,000,000
Glenn Highway/Muldoon Road Interchange Reconstruction	15,000,000
New Seward Highway MP 75-90 Bridge Repairs	26,000,000
New Seward Highway/36th Avenue Reconstruction	10,000,000
O'Malley Road Reconstruction	15,000,000
Elliott Highway MP 108-120 Reconstruction	6,500,000
Old Steese Highway to McGrath Road Reconstruction and Extension	24,000,000
Wendell Street Bridge Replacement	14,400,000
Glacier Highway MP 4-6 Road Improvements	5,500,000
Mendenhall Loop Road Improvements	6,000,000
Kenai Spur Road Rehabilitation	20,000,000
Ketchikan - Shelter Cover Road Construction and Improvements	19,000,000
Matanuska-Susitna - Fairview Loop Road Reconstruction	10,000,000
Matanuska-Susitna - Knik Goosebay Road Reconstruction	15,000,000
North Pole - Plack Road Improvement	5,000,000
Platinum Airport Runway Extension	3,100,000
Richardson Highway - Ruby Creek Bridge Replacement	11,000,000
Sitka - Katlian Bay Road Construction	14,000,000



Contact Information

Thank you for your time!

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