



Targeted State Debt Summary & Credit Review

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State Debt Obligation Process

- All Forms of State Debt are Authorized First by the Legislature
 - For limited obligations following this authorization the authorized issuer implements
- General obligation bonds must also be approved by a majority of voters
- All State Debt must be structured and authorized by the State Bond Committee
 - Includes general obligation bonds, subject to appropriation issues, & revenue bonds
- The State Bond Committee determines method and timing of debt issues to meet the authorized projects cash flow needs
 - Committee must hold a publicly noticed public meeting and approve a Resolution authorizing the sale of the obligations
 - Disclosure document, rating agency presentation, investor presentation, & other legal documents must be prepared
 - Bonds are sold and a closing is conducted where the final documents are signed and funds are transferred.
- The School Debt Reimbursement Program is administered by the Department of Education and Early Development
 - Must be general obligation of local government, at least 10 year and level debt service



State Debt Obligations Outstanding

As of June 30, 2015

Type of Debt Obligation	Par Amount	Final Maturity	Average Annual Debt Service	Total Debt Service to Maturity
General Obligation*				
	\$753,800,000	2020 - 2038	\$60,000,000	\$800,000,000
Subject to Appropriation (COP/Lease Revenue)				
	\$310,600,000	2016 - 2033	\$25,000,000	\$410,000,000
Knik Arm Crossing (subject to appropriation)				
	\$300,000,000	2037 or 2038	EST. \$25,000,000	\$500 million
Pension Obligation Bonds (subject to appropriation)	\$5,000,000,000			
School Debt Reimbursement **				
	\$895,400,000	2034	\$95,000,000	\$1,100,000,000
Other State Reimbursements (Capital Projects)				
	\$35,800,000	2031	\$4,500,000	\$50,600,000
Total				

*Does not include BAN issue or any additional future issuances, all dates assume fiscal year basis. G.O. bonded debt service is shown net of BAB and QSCB subsidy

**This is only the portion of the local communities outstanding general obligation bonds paid by the State of Alaska



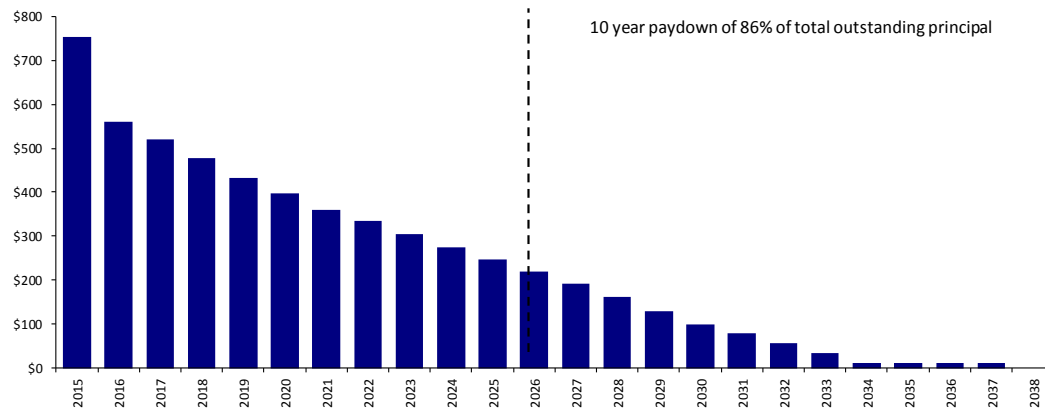
General Obligation bonds Current Financings

G.O. debt service is low, especially when compared to unrestricted revenues

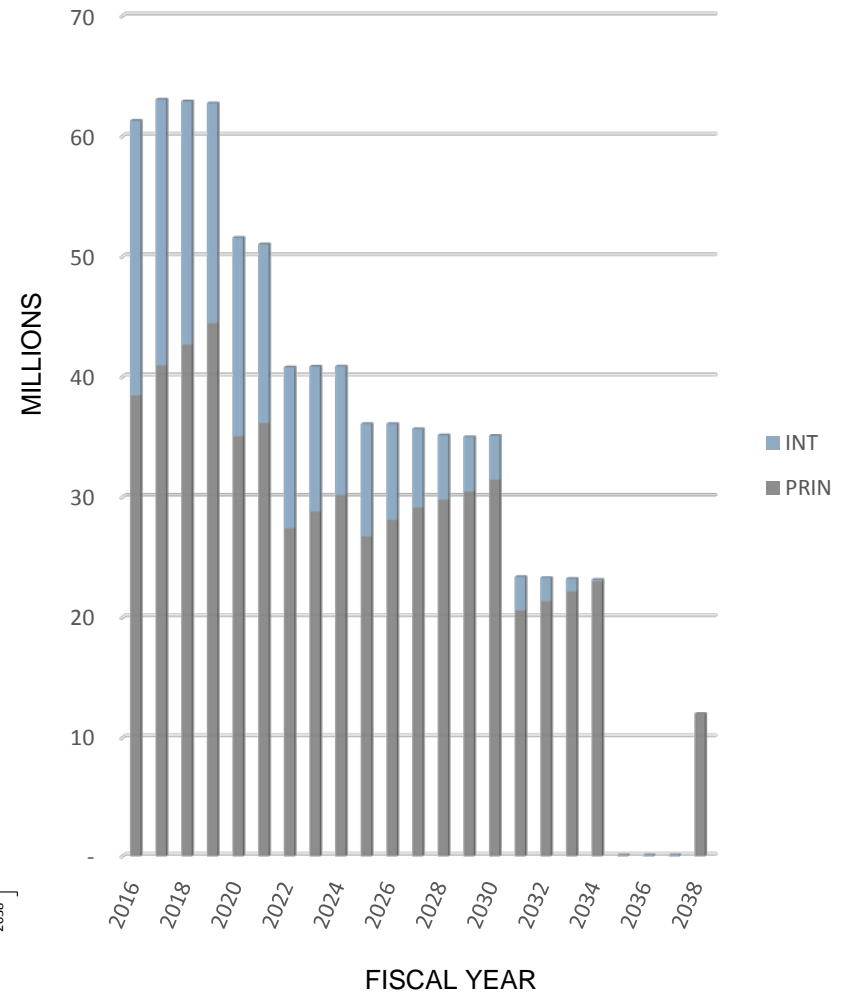
Recent Activity:

- To date, \$182 million of the State's 2012 GO bond authorization (\$453.2 million) has been funded through Bond Anticipation Notes (BANs) in 2013, 2014, & 2015
 - Average interest rate on Bans has been just over 1/10 of a percent
 - The State has amortized \$19.3 million to date
- 2015 BAN repaid 2014 BAN with no new money
 - Cash flow on projects has been slower than projected

Total General Obligation Debt Currently Outstanding* (\$ millions)



General Obligation Outstanding Debt Service (\$ millions)



*Source: State of Alaska, Department of Revenue, does not include BAN issue or any additional future issuances, all dates assume fiscal year basis. G.O. bonded debt service is shown net of BAB and QSCB subsidy



State Debt Obligations Authorized But Unissued

As of January 1, 2016

Type of Debt Obligation	Amount	Potential Issuance Date(s)	Expected Term	Annual Debt Service
General Obligation				
	\$271,000,000	FY 16-18	20 years	\$20,000,000
Subject to Appropriation (COP/Lease Revenue)	0	n/a		
Knik Arm Crossing (subject to appropriation)	\$300,000,000	FY 17-18	20 years	\$25,000,000
Pension Obligation Bonds (subject to appropriation)**	Up to \$5 billion	uncertain		
School Debt Reimbursement	Up to approximately \$65,000,000	FY 16-18	At least 10 years	\$6,000,000 est.
Other State Reimbursements (Capital Projects)	0	n/a		
Total				

Known/anticipated Bond Issues

- * March 2016 – Approximately \$150 million of general obligation bonds to refinance 2015 Bond Anticipation Note
- * Next six months – Up to \$150 million of Bond Anticipation Notes to fund projects authorized by the 2012 Transportation Act
- * Next six months – Refinance the balance of the Matanuska Susitna Borough Goose Creek Correctional Facility Lease Revenue Bonds for savings. The general fund pays 100% of the debt service on these bonds.

** Pension Obligation bonds refinance a state constitutional obligation that will have a correlated expenditure reduction in the State's appropriations to the retirement systems



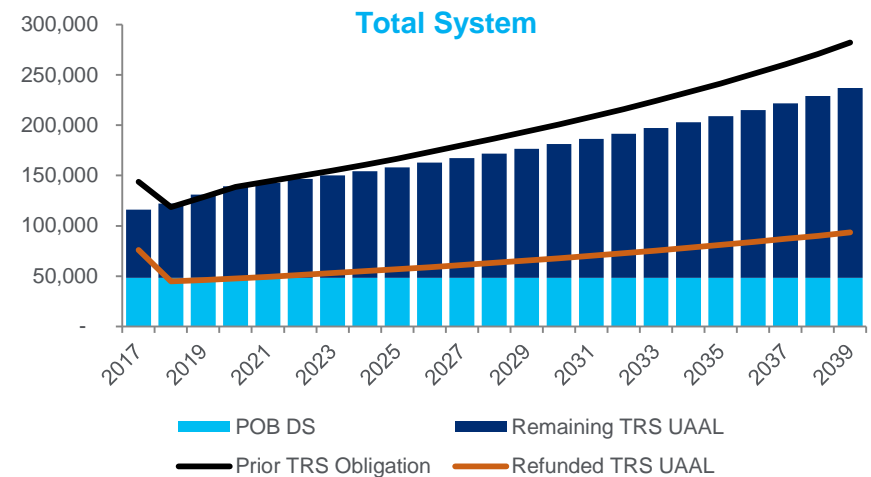
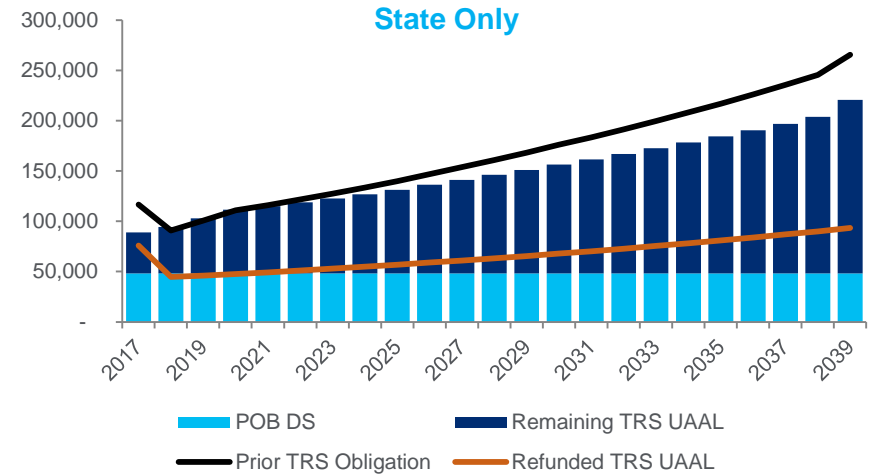
TRS – 8.0% Pension Obligation Bond Strategy

TRS Comparison of State Payment – Refunded UAAL vs POB Debt Service

Estimated Total State Obligation After Transaction

TRS (SB125 Payments) 8.0% Actuarial Rate

Date	Prior TRS Obligation	Refunded TRS UAAL	Remaining TRS UAAL	POB Debt Service	State Payment After Transaction	State Payment Growth %	Cash Flow Difference
Totals	3,837,686	1,528,343	2,309,343	1,110,790	3,420,133		417,553
PV		859,004		635,927			223,077
	[A]	[B]	[C] = [A-B]	[D]	[E] = [C+D]		[F] = [A-E]
2016		-	-	-	-		-
2017	116,700	75,914	40,786	48,297	89,083		27,617
2018	90,852	44,797	46,055	48,293	94,348	5.91%	(3,496)
2019	100,781	46,037	54,744	48,295	103,039	9.21%	(2,258)
2020	110,815	47,586	63,229	48,295	111,524	8.23%	(709)
2021	116,063	49,195	66,868	48,296	115,164	3.26%	899
2022	121,685	51,117	70,568	48,296	118,864	3.21%	2,821
2023	127,469	52,940	74,529	48,295	122,824	3.33%	4,645
2024	133,504	54,929	78,575	48,294	126,869	3.29%	6,635
2025	139,913	56,911	83,002	48,294	131,296	3.49%	8,617
2026	147,022	58,984	88,038	48,299	136,337	3.84%	10,685
2027	153,920	61,068	92,852	48,290	141,142	3.52%	12,778
2028	160,979	63,157	97,822	48,296	146,118	3.53%	14,861
2029	168,320	65,464	102,856	48,299	151,155	3.45%	17,165
2030	176,024	67,878	108,146	48,296	156,442	3.50%	19,582
2031	183,594	70,311	113,283	48,295	161,578	3.28%	22,016
2032	191,453	72,868	118,585	48,292	166,877	3.28%	24,576
2033	199,814	75,544	124,270	48,299	172,569	3.41%	27,245
2034	208,383	78,236	130,147	48,292	178,439	3.40%	29,944
2035	217,023	80,937	136,086	48,295	184,381	3.33%	32,642
2036	226,238	83,899	142,339	48,295	190,634	3.39%	35,604
2037	235,750	87,127	148,623	48,292	196,915	3.29%	38,835
2038	245,653	90,059	155,594	48,300	203,894	3.54%	41,759
2039	265,731	93,385	172,346	48,295	220,641	8.21%	45,090



These cash flows reflect current assumptions regarding future actuarially required past service contributions. A number of factors such as investment performance or other actuarial changes could impact the cash flow differences. UAAL Amortizations and Plan Deposits based upon Buck Consultants estimates.

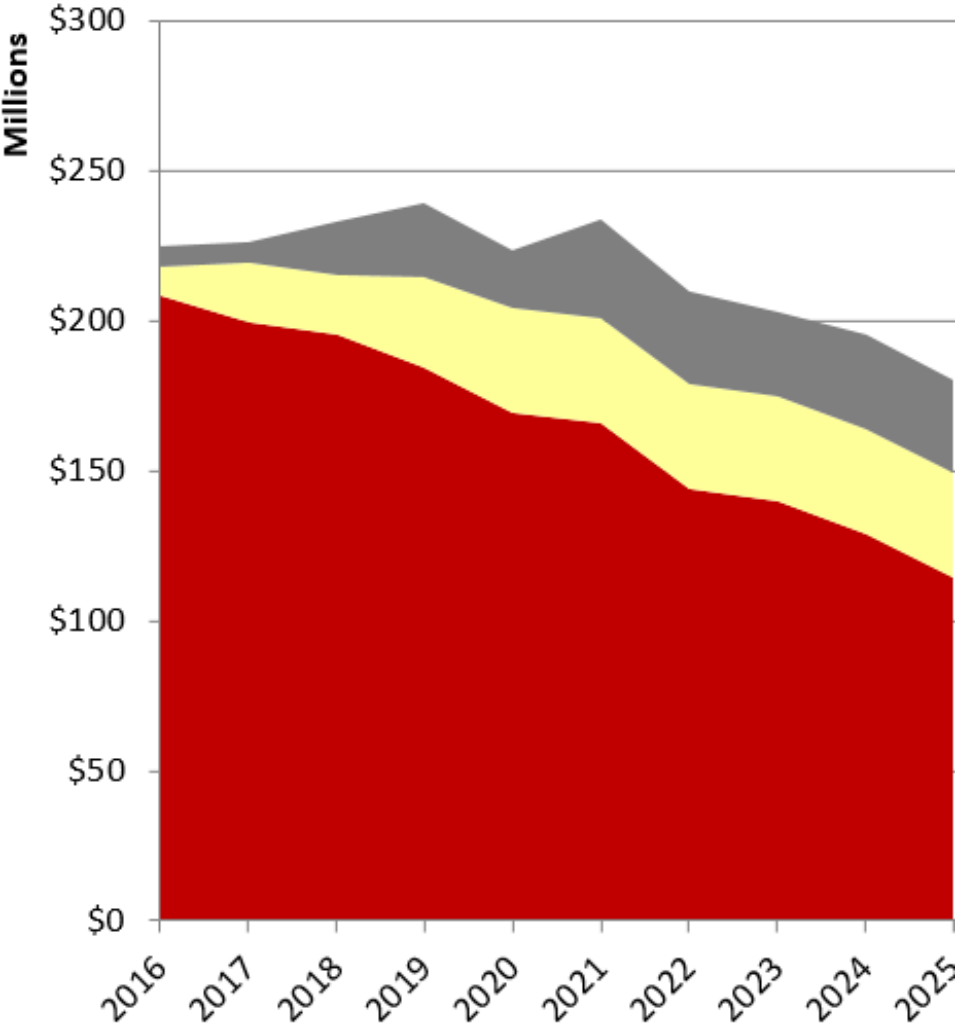
Note: Estimates assume delivery date of 5/1/2016 and PV rate of 5.25%. All numbers are preliminary and subject to change

*Plan Funding assumes PV Rate equivalent to actuarial rate.

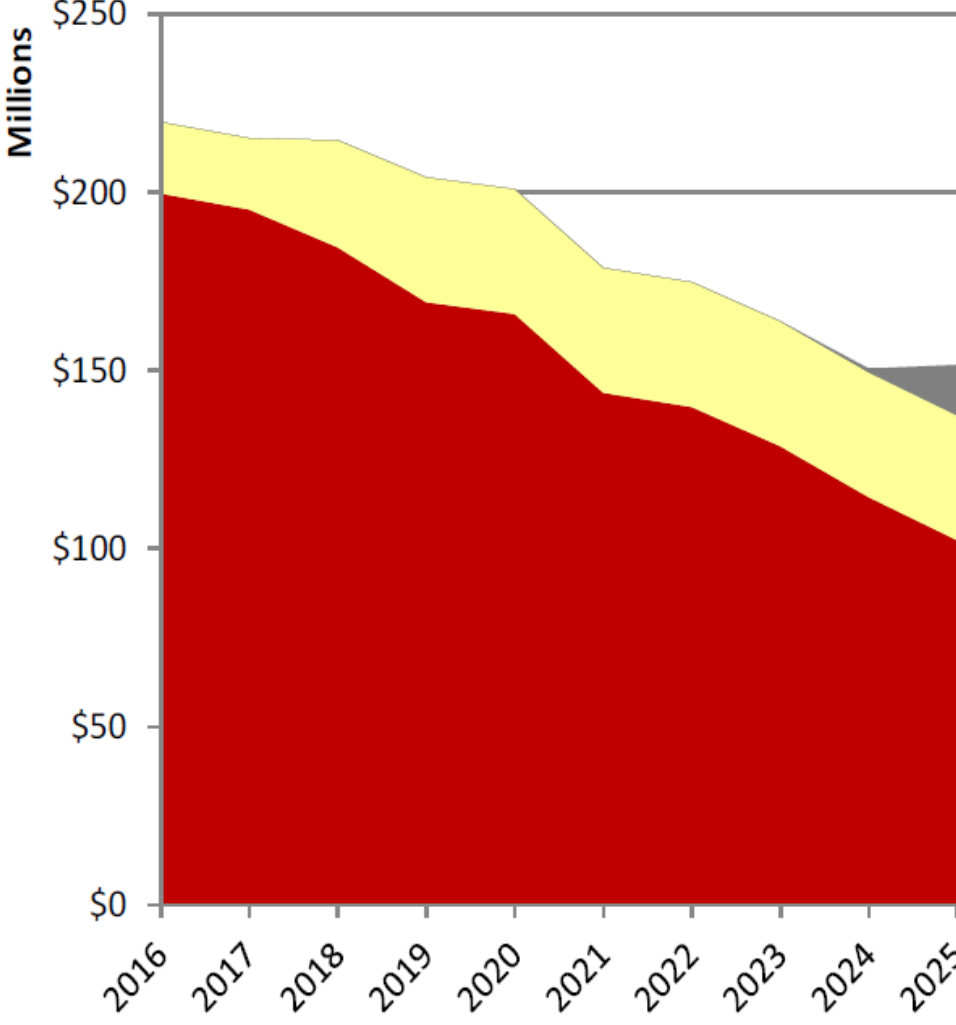


State of Alaska - Debt Capacity

Measured as 5% of Unrestricted Revenue / GO Debt Service - \$175 million of Capacity



Measured as 8% of Unrestricted Revenue / GO Debt Service - \$225 million of Capacity



Existing GO-State Supported-School Debt Reimbursement Debt Service Authorized \$271.2 million Excess Capacity



Rating Agency Views – State of Alaska

MOODY'S

Aaa (Negative)

Rapid reserve depletion and absence of diversifying tax revenues or imposing significant expenditure reductions would be consistent with a lower rating



AA+ (Negative)

Alaska has sufficient financial resources to stabilize general fund operations/ uncommonly large reserves cannot overcome the current trajectory of fiscal condition/ modest debt burden, untapped potential sources of tax revenue

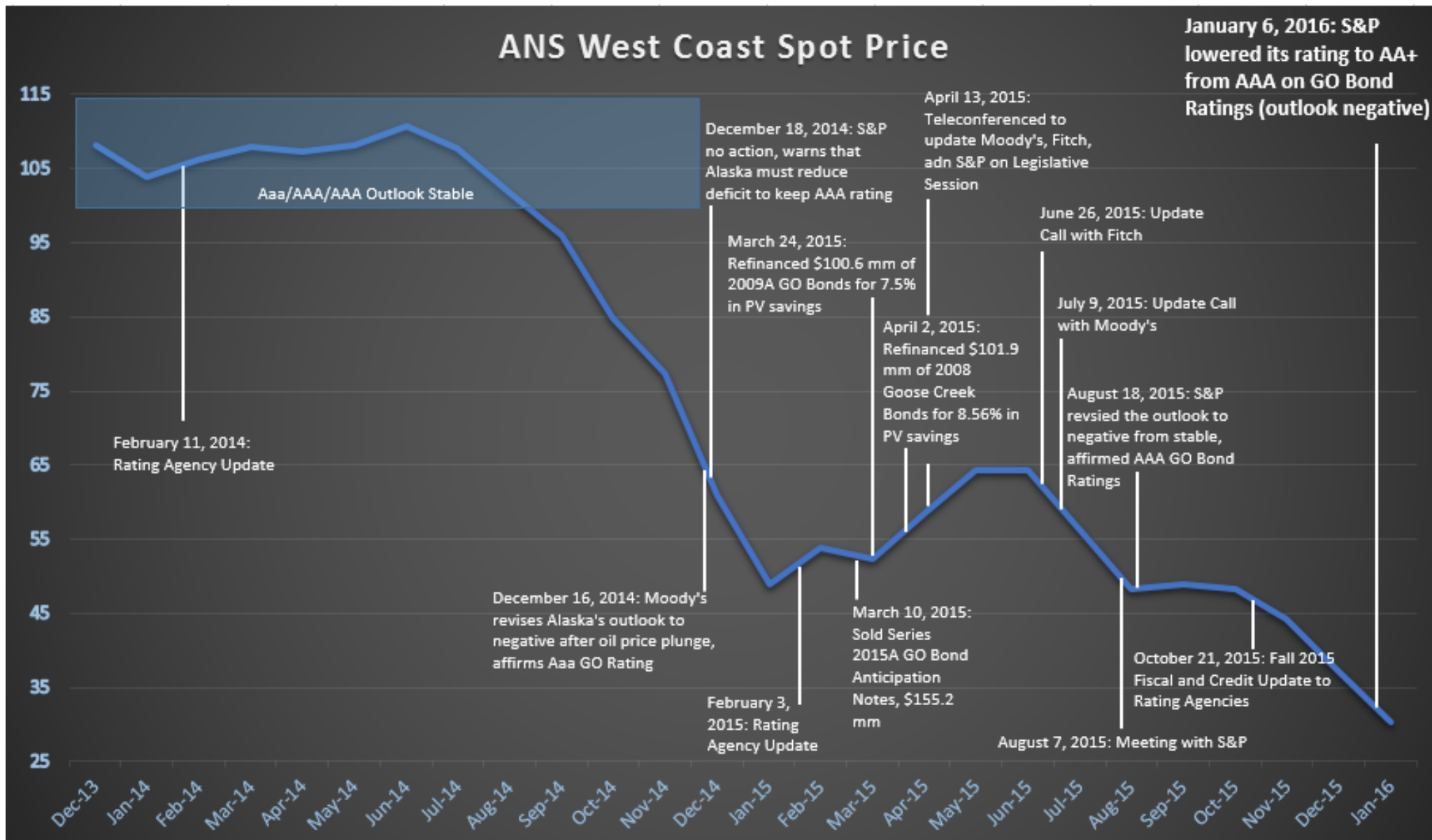
FitchRatings

AAA (Stable)

Very large reserves providing multiple-times coverage of debt obligation; downgrade if sustained revenue decline is not addressed



State of Alaska – Historic Ratings & Issue Timeline



Rating Agency Scorecards

APPENDIX



RBC Capital Markets

Alaska's Current Budget Challenges are Unprecedented, But the State's Large Reserves Provide Time for Developing and Implementing Sound, Structural Budget Reforms

- Budget realities have appropriately prompted wide reaching discussions on spending priorities, tax and revenue policies, use of reserves and distribution of Permanent Fund dividends
- Abundant reserve levels provide the opportunity for Alaskans to take a deliberate and comprehensive approach to restructuring the State's public finances
- There have been NO suggestions that existing obligations should in any way be compromised. The state has always acted in ways that provide positive assurances to bondholders.

Overview of Moody's State GO Rating Methodology and Criteria

- Moody's outlines four broad rating factors and 10 sub-factors in its fundamental analytical framework for rating U.S. States, each with an assigned weighting
 - Economy, 20% weight
 - Governance, 30% weight
 - Finances, 30% weight
 - Debt, 20% weight
- Each of these factors is evaluated using various sub-factors scored on a scale from 1 (Aaa) to 9 (Baa and Below)

Rating Category	Aaa	Aa1	Aa2	Aa3	A	Baa and Below
Value	1	2	3	4	6	9

- Each sub-factor's value is multiplied by its assigned weight and then summed to produce a weighted average score, which is translated to the grid-indicated rating

Moody's Grid Indicated Credit Rating	
Indicated Rating	Overall Weighted Score
Aaa	1 to 1.7
Aa1	1.7 to 2.7
Aa2	2.7 to 3.7
Aa3	3.7 to 4.7
A1	4.7 to 5.7
A2	5.7 to 6.7
A3	6.7 to 7.7
Baa1	7.7 to 8.7
Baa2	8.7 to 9.7

- The grid-indicated rating is then adjusted up or down for applied notching considerations
- Moody's rating reports do not disclose the sub-factor scoring; our scoring is estimated based on Moody's published rating reports, Moody's Financial Ratio Analysis (MFRA) data available online, and other publically available information

State of Alaska Moody's GO Scorecard

Current score of 1.80 corresponds to an Aa1 rating

		Factor Weight	Score
Economy		20%	
Income	Personal Income Per Capita as a % of U.S. = 112%	10%	1.00
Industrial Diversity	Industrial Diversity = 0.19	5%	6.00
Employment Volatility	Employment Volatility Relative to the U.S. = 41	5%	1.00
Subtotal			0.45
Governance		30%	
Financial Best Practices	Multi-year financial planning, executive branch publishes comprehensive revenue forecasts twice a year but state does not use a binding consensus revenue estimating process; publishes annual debt report (but no projections); able to impose midyear spending cuts in response to revenue shortfalls	15%	2.00
Financial Flexibility / Constitutional Constraints	Voter initiatives allowed under constitution but have not impacted financial flexibility; very large revenue cushion in Constitutional Budget Reserve Fund	15%	1.00
Subtotal			0.45
Finances		30%	
Revenues	The state receives about 90% of its general fund unrestricted operating revenue from oil producer royalties, and from taxes on property, production, and income. Oil production revenues are subject to volatility and eventual depletion. Ability to transition to natural gas as primary revenue source and tap additional sources of tax revenue.	10%	3.00
Balances and Reserves	5-yr average of Available Balances as % of Operating Revenue = 224.2%; required to repay loans to the general fund	10%	1.00
Liquidity	No external cash flow borrowing; may use internal borrowing but maintains healthy liquidity position	10%	1.00
Subtotal			0.50
Debt		20%	
Bonded Debt	Net Debt as a Percent of Total Governmental Fund Revenues = 7.3%	10%	1.00
Adjusted Net Pension Liabilities	Three-Year Average ANPL as a % of State Governmental Revenues = 76.5%	10%	3.00
Subtotal			0.40
Total			1.80
Calculated Rating			Aa1
Actual Rating			Aaa

Overview of S&P State GO Rating Methodology and Criteria

- S&P outlines five key rating factors in its analytical framework for rating U.S. States
 - Government framework
 - Financial management
 - Economy
 - Budgetary performance
 - Debt and liability profile
- Each of these factors is evaluated using various metrics scored on a scale from 1 (strongest) to 4 (weakest)
 - Each metric may have several indicators that are scored on the same scale and averaged
- Ultimately, the scores for the five factors are averaged with equal weight to arrive at an overall score which is translated to an indicative credit level

S&P Scores and Indicative Credit Level	
Indicative Credit Level	Score
AAA	1 - 1.5
AA+	1.6 - 1.8
AA	1.9 - 2
AA-	2.1 - 2.2
A+	2.3 - 2.4
A	2.5 - 2.6
A-	2.7 - 3
BBB category	3.1 - 4

- S&P's rating reports are the most transparent, disclosing how it scores the State in each primary rating category (although individual metric scores are not detailed)
 - We have estimated the individual metric and indicator scoring based on S&P's published rating reports and other publically available information

State of Alaska S&P GO Scorecard

Current score of 1.69 puts the State in the AA+ category

Government Framework		
Fiscal Policy Framework	Constitutional requirement for a balanced budget, majority vote required for approval of new taxes, wide legal latitude to adjust spending levels, voter-initiative state but has not historically affected state operations	1.40
System Support	Institutional Framework score that is the same for all states	2.00
Intergovernmental Funding	State provides assistance to school districts; can cut funding if necessary	1.00
Subtotal (S&P Likely Calculation)		1.47
Financial Management		
Financial Management Assessment	State maintains many financial best practices but some may not be formalized in policy or may lack long-term elements	2.00
Budget Management Framework	Framework is good; DOR issues formal revenue forecasts twice a year, and the governor has the discretion to adjust spending to restore balance, but the state in the past has used high fund balances to carry deficits and is not legally required to make midyear budget adjustments	2.00
Subtotal (S&P Likely Calculation)		2.00
Economy		
Demographic Profile	Alaska's population increased 13.3% in 2000 to 2010 compared with 9.7% for the U.S. The state's age dependency ratio -- the ratio of dependent population to total population -- is 51.7% compared with the nation's rate of 59.3%.	1.00
Economic Structure	Alaska's unemployment rate in Dec 2013 was 6.4% compared with 6.7% for the nation. GSP per capita was 153% of US GDP per capita in 2013; GSP growth has been strong in recent years; employment base exhibits some concentration but has diversified as the state's economy has matured	1.50
Wealth and Income Indicators	State per capita personal income is 112% of the nation's	1.00
Economic Development	Economy is prone to cyclicity because of its reliance on the oil extraction and mining industry; current high energy prices indicate that economic growth could continue faster than the national average; however, Alaska's high cost of living and dispersed population could restrain growth in non-oil-and-gas related industries.	2.00
Subtotal (S&P Likely Calculation)		1.38
Budgetary Performance		
Budget Reserves	No legal requirement to fund reserves at any specified level. However, historically it has held very high total general fund balances, and for the past six years these balances were higher than annual expenditures.	1.00
Liquidity	Exceptionally strong cash liquidity with no need to borrow for cash flow purposes; general fund held a \$21.6 billion cash and investment position at fiscal year-end 2014, equal to 214% of general fund expenditures. For liquidity purposes in the past, the state has used the CBRF for temporary borrowing within the year or to balance the budget at the end of the year. The CBRF is also available for general expenditures with a three-fourths vote of the legislature and approval of the governor.	1.00
Tax/Revenue Structure	Various tax and other revenues related to petroleum production accounted for 92% of the state's unrestricted general fund revenue in fiscal 2013. The state's strong budgetary reserves offset exposure to revenue volatility.	1.50
Revenue Forecasting	DOR issues formal revenue forecasts twice a year, in the spring and fall. The forecast is based on consultation with an engineering firm and the state department of natural resources.	1.00
Service Levels	State expenditures are predictable; Alaska has no legal requirement to fund services at a specified level, but its annual distribution to residents of a permanent fund "dividend" might be politically difficult to cut.	2.00
Structural Budget Performance	In general, Alaska has had a policy of prudently maintaining high fund balances, in light of volatile oil-derived revenue, significant one-time capital and other spending, and the use of surplus revenue to prefund future years' operating expenditures	1.00
Subtotal (S&P Likely Calculation)		1.25
Debt and Liability Profile		
Debt Burden	Moderate debt per capita (\$1,445) and debt-to-personal income (2.89%), low debt-to-GSP (1.8%) and debt service-to-expenditures (1.2%), and average debt amortization (47% of GO and lease debt retired within 10 years)	1.80
Pension Liabilities	Weak combined funded ratio of 54.7%, \$11,214 unfunded pension liability per capita and 22.8% unfunded pension liability to personal income; ARC is required to be fully funded by statute	3.25
Other Post Employment Benefits (OPEB)	Average liability relative to other states	2.00
Subtotal (S&P Likely Calculation)		2.35
Total (S&P Likely Calculation)		1.69
Calculated Rating		AA+
Actual Rating		AAA

Overview of Fitch State GO Rating Methodology and Criteria

- Fitch outlines four key rating factors in its U.S. State Government Tax-Supported Rating Criteria
 - Debt and Other Long-term Liabilities
 - Economy
 - Finances
 - Management and Administration
- Fitch does not use a numerical scoring system; instead, for each rating factor an entity may be classified as “Above Average,” “Average,” or “Below Average” based on a number of different attributes
- Fitch does not detail how a final rating is derived based on how an entity rates in each category
- Overall, Fitch’s ratings for states’ GO debt falls within the two highest rating categories of AAA or AA, with a few outliers
- Fitch’s methodology is more of a traditional rating approach and allows the rating analysts greater discretion in assigning relative weights to each factor depending on issuer specifics

State of Alaska Fitch GO Scorecard

Fitch identifies the state's sizable reserves and conservative financial management as key rating drivers

- The State's ability to demonstrate prudent financial management and stem the depletion of its reserves will be key to maintaining the AAA rating

		Above Average	Average	Below Average
Debt and Other Long-Term Liabilities				
Debt Burden as Measured by Debt to Personal Income	Moderate debt burden at 2.9% of personal income		✓	
Debt Service Burden	Manageable debt service burden		✓	
Future Capital Needs and Debt Needs	Modest future capital and debt needs	✓		
Debt Amortization	Average amortization, with the 10-year principal retirement of GO and lease debt at 51%		✓	
Funding of Pension ARC	Required by statute to fund pension ARC		✓	
Combined Debt and Unfunded Pension Liability as % of Personal Income	Elevated debt and unfunded pension obligations at 14.2% of personal income			✓
OPEB Liability	Moderate OPEB liability and has made efforts to reduce the liability		✓	
Subtotal		1	5	1
Economy				
Economic Base	Alaska's economic and financial performance is tied closely to its natural resource base			✓
Population and Employment Levels	Consistent population and employment growth levels	✓		
Diversity of Industries and Employers	Concentrated economic base, but diversifying as economy matures			✓
Wealth Indicators (i.e. Personal Income Per Capita)	Robust wealth indicators with per capita personal income greater than national averages	✓		
Demographic Factors	Solid demographic factors, including average age and educational attainment	✓		
Subtotal		3	0	2
Financial Profile				
Source of Operating Revenue	84% of general fund revenues derived from petroleum-related activity for FY2014; State revenues are linked closely to oil production from the North Slope and global petroleum price trends, exposing the state to significant revenue volatility			✓
Ability and Willingness to Make Structural Budget Adjustments	State fiscal practices are generally conservative, and the state has historically dedicated a substantial share of oil related revenue to reserves and promptly adjusted its expenditures as needed	✓		
Trend of Operating Margins	Fairly steady unrestricted GF revenue losses expected through the FY 2023 forecast period.			✓
Reserve Levels and Funding Mechanisms	Reserve balances have grown exponentially over the past several fiscal years and, despite planned applications, Fitch believes the state is committed to keeping reserve levels high	✓		
Available Liquidity	Strong available liquidity without requiring external short-term borrowing	✓		
Subtotal		3	0	2
Management and Administration				
Efficiency of Decision-Making Process	Efficient decision making process resulting in prudent budget management practices	✓		
Cooperation and Consensus Among Elected Officials	Strong evidence of consistent cooperation among elected officials	✓		
Ability to Follow Financial and Debt Management Policies	Institutionalized, prudent financial and debt management policies that are consistently followed including employing long-range forecasting of revenues and expenses	✓		
Budgeting Process	Conservative and thorough budgeting process and ability to make adjustments during the fiscal year		✓	
Timing of Financial Reporting and Budget Reports	Timely financial reporting on a GAAP basis		✓	
Subtotal		3	2	0
Total		10	7	5