

COMMITTEE REPORT

SENATE

4/26/75

Mr. President:

Date 4/29/75

The Committee on FINANCE has had HB 389 special appropriation to Department of Community and Regional Affairs under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT CS FOR _____ DO PASS
- () "and" recommends it BE REFERRED TO THE _____ COMMITTEE

- reports it back ^{INDIVIDUAL} WITH ~~OUT~~ RECOMMENDATION
- () "other"

Members signing the Majority report:

Lee Kay DO PASS

Members NOT concurring in the Majority report:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Lee Kay Chairman

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Members signing the Majority report:

<u>W. C. Kay</u>	<u>W. C. Kay</u>	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____	recommends:	_____
_____	recommends:	_____
_____	recommends:	_____
_____	recommends:	_____
_____	recommends:	_____

W. C. Kay Chairman

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. HB 389
 Title: Appropriation to implement school bond guarantee fund
 Requested by: Senate Finance Date: April 28, 1975
 Return Date Requested: April 30, 1975
 Agency: Community & Regional Affairs Program: Development

II. FISCAL DETAIL

School bond guarantee fund

Budget Request Unit(s) Affected: (No Bru in FY 75, FY 76 Submission

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
Appropriation for invest- ment	603.0					
TOTAL	603.0					

B. FUNDING: (Thousands of dollars)

GENERAL FUND	603.0					
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	/	/	/	/	/
MAN MONTHS (P./T.)	0 / 0	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See attached; should be regarded as a continuing appropriation, the funds to be invested by Department of Revenue in the manner set forth in AS 29.58.350 and expended only in the event of default in debt service payments by City of Petersburg.

IV. ATTACHMENTS

Memo to Governor Hammond of April 7, 1975
 Debt service of finance counsel of November 26, 1974

V. DATE: April 28, 1975

PREPARED BY:

John B. Chenoweth
 John B. Chenoweth, Director
 Division of Local Government
 Assistance

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

MEMORANDUM

State of Alaska

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

TO: Jay S. Hammond
Governor

DATE: April 7, 1975

FILE NO:

TELEPHONE NO:

FROM: Lee McAnerney
Commissioner

SUBJECT: Chapter 137, SLA 1974,
relating to establishment of a
bond guarantee fund for con-
struction of certain schools.

At your request, we have reexamined the certification of the Department of November 27, 1974, regarding eligibility of that pending school construction project of the City of Petersburg as one which shall have the benefit of the school bond guarantee fund established by the referenced act. As you know, in its earlier certification, the Department disallowed consideration of the City's proposed \$5.5 million school construction project by reason of our finding that there existed a sufficient margin between the then-current outstanding general obligation bonded indebtedness of that municipality and the limitation on bonded indebtedness imposed by the City's charter as a percentage of the computed full and true value of the City's taxable real and personal property. It was understood that, had reference been made rather to the actual assessment of the City as reported by its local assessor, the November certification of the Department should have reflected request for an appropriation for the purpose of implementing the debt service reserve sufficient to permit issuance of the municipality's bonds bearing the guarantee.

Counsel for the City of Petersburg has directed attention to the fact that determination of the qualification of the municipality's issue with reference to the computed full and true value standard is not required by the enabling legislation and that, as a practical matter, the computation of a full and true value is of no practical consequence as potential bondholders consider the viability of the projected issue. He suggests further, in this regard, that adherence to the full and true value determination serves to wholly disqualify the proposed issue both as a legal and practical matter. In the instance of Petersburg, he points out that national market conditions and the contemporary economic picture of the community preclude issuance of the bonds at an average rate of interest below that allowed by the City's home rule charter. He has represented to your staff and to us that issuance of the bond without the benefit of the attachment of the bond guarantee is impossible.

We have been apprised by the Commissioner of the Department of Education of the necessity of construction of the facility that is the subject of the bond at issue.

That the purposes of the referenced act may be given effect and in consideration of the several arguments presented by counsel for the City, please be advised that such portion of the Department's certification of November 27, 1974, which has reference to the City of Petersburg is amended. We hereby certify, on the basis of information provided by financial consultants to the City by letter of November 26, 1974, that the sum necessary to implement the debt service reserve in the

Jay S. Hammond

-2-

April 7, 1975

school bond guarantee fund established by the referenced act is \$602,925, which sum constitutes the largest amount of money required by the terms and conditions of the proposed bond issue therein described for payment of interest maturing and principal to be paid to the sinking fund established for repayment of the City's bonds.

This amendment is offered in support of your request that an appropriation be made for the purpose, it being understood that the City intends to bring the issue to market in May, 1975, that construction may begin during the summer building season, and that failure to amend the earlier certificate would preclude issuance of the bonds and initiation of the project at least until legislative appropriation for the purpose had been obtained during the second session of the Ninth State Legislature.

LMcA: JBC: mw

SEATTLE-FIRST NATIONAL BANK

11/27
BANK INVESTMENT DIVISION

November 26, 1974

Mr. John B. Chenoweth, Director
Department of Community and Regional Affairs
Pouch B
Juneau, Alaska 99801

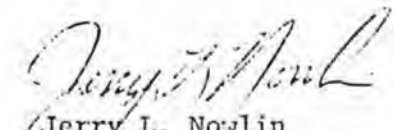
RE: PROPOSED \$5,500,000 PETERSBURG, ALASKA GENERAL OBLIGATION SCHOOL BONDS

Dear Mr. Chenoweth:

I have enclosed a proposed debt service schedule for the referenced issue. As I mentioned before, the assumed interest rate is purposely high. It is our opinion that in projecting rates eight months away, it is best to be somewhat conservative.

I hope this satisfies your need at this time. If you have any further questions, please feel free to contact me.

Very truly yours,


Jerry L. Nowlin
Investment Banking Officer

cc: Mr. H. D. Scougal, City Manager
Petersburg, Alaska

Encls.

W. (20) 11/27/74

CITY OF PETERSBURG, ALASKA
\$5,500,000 GENERAL OBLIGATION SCHOOL BONDS

ASSUMED

Dated date 7-1-75

Due date 7-1

AMORTIZATION @ 7.75% (estimated)

YEAR	PRINCIPAL	INTEREST	TOTAL ANNUAL DEBT SERVICE
7-1-75	- 0 -	- 0 -	- 0 -
1-1-76	- 0 -	- 0 -	- 0 -
7-1-76	- 0 -	\$ 426,250.00	\$ 426,250.00
1-1-77	- 0 -	213,125.00	
7-1-77	- 0 -	213,125.00	426,250.00
1-1-78		213,125.00	
7-1-78	\$ 170,000	213,125.00	596,250.00
1-1-79		206,537.50	
7-1-79	180,000	206,537.50	593,075.00
1-1-80		199,562.50	
7-1-80	190,000	199,562.50	589,125.00
1-1-81		192,200.00	
7-1-81	210,000	192,200.00	594,400.00
1-1-82		184,062.50	
7-1-82	220,000	184,062.50	588,125.00
1-1-83		175,537.50	
7-1-83	240,000	175,537.50	591,075.00
1-1-84		166,237.50	
7-1-84	260,000	166,237.50	592,475.00
1-1-85		156,162.50	
7-1-85	280,000	156,162.50	592,325.00
1-1-86		145,312.50	
7-1-86	300,000	145,312.50	590,625.00
1-1-87		133,687.50	
7-1-87	330,000	133,687.50	597,375.00
1-1-88		120,900.00	
7-1-88	350,000	120,900.00	511,800.00
1-1-89		107,337.50	
7-1-89	380,000	107,337.50	594,675.00
1-1-90		92,612.50	
7-1-90	410,000	92,612.50	595,225.00
1-1-91		76,725.00	
7-1-91	440,000	76,725.00	593,450.00
1-1-92		59,675.00	
7-1-92	470,000	59,675.00	589,350.00
1-1-93		41,462.50	
7-1-93	520,000	41,462.50	602,925.00 ←
1-1-94		21,312.50	
7-1-94	550,000	21,312.50	592,625.00
	<hr/>	<hr/>	<hr/>
	\$5,500,000	\$5,437,400.00	\$10,937,400.00
	<hr/>	<hr/>	<hr/>

FILE WITH ~~BILL~~
TELEGRAM

NCA ALASKA COMMUNICATIONS, INC.
PHONE: 536-6440
JUNEAU, ALASKA 99801

1975 APR 25 AM 9 37

23002 PETERSBURG ALASKA 39 4-25 932A PDT
PMS BILL RAY, CHAIRMAN FINANCE COMMITTEE
LEGISLATURE 2583

JUNEAU

WE WILL APPRECIATE ANY SPEED UP OF ACTION ON HOUSE BILL
389 FOR APPROPRIATION TO BOND GUARANTEE FUND. WE ARE
READY TO SELL SCHOOL CONSTRUCTION BONDS BUT ARE UNABLE
TO DO SO UNTIL THIS APPROPRIATION IS MADE. THANK YOU.

PATRICIA NORHEIM, PRESIDENT PETERSBURG SCHOOL BOARD

Introduced: 4/7/75
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 389

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Community and Regional Affairs; and providing
8 for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The sum of \$603,000 is appropriated from the general fund
11 to the Department of Community and Regional Affairs for deposit in the
12 Local School Bond Guarantee Fund pursuant to AS 29.58.350.

13 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).