

HB

917

M E M O R A N D U M

To: Lisa Rudd

From: Annette Smith <sup>A</sup><sub>3</sub>

Subject: Pension Fund Investments

The attached material pertains to investments of the pension fund. Legislative Audit provided me with a copy of the 1977 Audit and a copy of the pertinent statute pages.

Apparently, the system is administered by the Commissioner of Administration and governed by a 5 member Board of Directors (2 elected from members of the retirement system, and 3 appointed from the personnel board). However, the Commissioner of Revenue acts as the Treasurer of the fund and is empowered to invest and reinvest the assets of the pension fund. There is a long list of investments which can be made (AS 39.35.110) -- U.S. Treasury Bonds; FHA insured real estate mortgages; corporate stocks and bonds; other insured mortgages and real estate liens.

There are no particular regulations involved in the investments of these funds. The general outline of what is considered a good investment is pretty much spelled out in the list of possible investments which can be made. The Commissioner is supposed to "exercise the judgment and care under the circumstances then prevailing which a man of ordinary prudence, discretion, and intelligence exercises in the management of his own affairs...." The Commissioner of Administration has the financial statement and audit prepared for an annual report to the governor and to the Legislature.

The 1977 Audit does not show a specific loan or mortgage to the Fairbanks hospital. Presumably, it could be carried with a commercial mortgage company and listed under "Conventional/residential mortgages serviced by \_\_\_\_\_," at the back of the audit document.

Sterling Gallagher has an appointment with you at 8:00 a.m. Monday morning to discuss with you the loan to the Fairbanks hospital.

CONTENTS

	<u>Page</u>
FINANCIAL STATEMENTS:	
Accountants' report	1
Statements of assets and equity arising from cash transactions	2
Statements of changes in equity arising from cash transactions	3
Notes to financial statements	4
ADDITIONAL INFORMATION:	
Accountants' report	6
Details of invested funds	7

September 16, 1977

Board of Directors  
State of Alaska Public Employees  
Retirement System  
Juneau, Alaska

We have examined the statements of assets and equity arising from cash transactions of the State of Alaska Public Employees Retirement System as of June 30, 1977 and 1976, and the related statements of changes in equity arising from cash transactions for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Cash and investment accounts at June 30, 1977 and 1976 were confirmed by direct communication with the depositaries, custodians and servicing financial institutions.

As described in Note A, the System's policy is to prepare its financial statements on the basis of cash receipts and disbursements. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the assets and equity arising from cash transactions of the State of Alaska Public Employees Retirement System as of June 30, 1977 and 1976, and the changes in equity arising from cash transactions for the years then ended, on the basis of accounting described in Note A, which basis has been consistently applied.

*Touche Ross & Co.*

Certified Public Accountants

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATEMENTS OF ASSETS AND EQUITY  
ARISING FROM CASH TRANSACTIONS

	June 30,	
	1977	1976
<u>ASSETS</u>		
Cash	\$ 578,477	\$ 355,235
Certificates of deposit and savings accounts	4,233,569	1,208,807
Bonds, notes and debentures:		
United States Government, at cost (market \$65,178,673 in 1977 and \$45,945,516 in 1976)	63,855,756	45,666,027
Other, at cost (market \$31,450,689 in 1977 and \$35,665,800 in 1976)	30,806,498	35,521,942
Common stocks, at cost (market \$17,455,313 in 1977 and \$21,097,341 in 1976)	16,750,590	20,672,908
Real estate mortgages and SBA loans	74,729,682	38,563,725
	<u>\$190,954,572</u>	<u>\$141,988,644</u>
<u>EQUITY</u>		
Equity	<u>\$190,954,572</u>	<u>\$141,988,644</u>

See notes to financial statements.

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN EQUITY  
ARISING FROM CASH TRANSACTIONS

	<u>Year ended June 30,</u>	
	<u>1977</u>	<u>1976</u>
Balance at beginning of year	\$141,988,644	\$107,556,336
Additions during the year:		
Employer contributions	34,881,182	22,712,558
Employee contributions	13,438,538	12,369,538
Investment income	12,602,465	8,367,857
	<u>60,922,185</u>	<u>43,449,953</u>
Deductions during the year:		
Refunds to terminating members	3,816,748	3,758,719
Retirement benefits paid	7,607,162	4,842,542
Administrative expenses	532,347	416,384
	<u>11,956,257</u>	<u>9,017,645</u>
Balance at end of year	<u>\$190,954,572</u>	<u>\$141,988,644</u>

See notes to financial statements.

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1977 AND 1976

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The State of Alaska Public Employees Retirement System, established January 1, 1961, is a contributory pension system covering substantially all full-time employees of the State of Alaska. In addition, employees of participating political subdivisions are included in the System. A separate retirement system covers teachers. Elected officials may participate in the System at their option.

Investments are stated at cost. Investment income consists of interest, dividends and the gain or loss on disposition of investments, which is the difference between the acquisition cost and the net sales proceeds.

The System maintains its records, and the financial statements are prepared, on the cash basis of accounting.

Contributions, interest and dividends, retirement benefits, refunds to terminating members and administrative expenses are recorded when cash is received or disbursed. Deferred discount or premium on mortgages is amortized over the terms of the mortgages.

NOTE B - DESCRIPTION OF THE SYSTEM:

Peace officers and firemen contribute 5% of gross pay to the System; other members contribute 4-1/4%. Members earn interest on their contributions at the rate of 2-1/4%, credited semiannually. Employers contribute at actuarially determined rates which are estimated to be sufficient to annually fund current service costs and fund prior service costs over 40 years.

Peace officers and firemen are entitled to full retirement benefits upon completion of 20 years of service or at age 55. Other participants may retire at age 55 with at least five years of service or at any age with at least 30 years of service. All members of the System may take early retirement as defined in the System with reduced benefits. Upon termination, member contributions are refundable with accrued interest. All retirees receive a minimum monthly benefit of \$17.50 for each year of credited service.

## NOTE C - ACTUARIAL METHOD:

The employer contribution rates are determined actuarially on the basis of the aggregate method with supplemental liability.

Significant actuarial assumptions affecting employer funding rates are: 5% investment yield and salary escalation of 5% per year. Assets are valued at cost.

The increase in the actuarially determined unfunded prior service liability, from \$52,600,000 in 1976 to \$77,132,000 in 1977, arises from legislation which reduced retirement ages and retroactively increased benefits.

ADDITIONAL INFORMATION

The additional information presented in the following pages has been taken from the accounting and other records of the System and has been subjected to the tests and other auditing procedures applied in the examination of the financial statements for the year ended June 30, 1977. In our opinion, such information is fairly presented in all material respects in relation to the financial statements taken as a whole although it is not necessary for a fair presentation of the System's assets and equity or changes in equity arising from cash transactions.



Certified Public Accountants

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS

JUNE 30, 1977

	<u>Maturity date</u>	<u>Cost</u>	<u>Interest rate</u>
CERTIFICATES OF DEPOSIT AND SAVINGS ACCOUNTS:			
<u>Certificates of deposit -</u>			
Arctic First Federal Savings and Loan	10/25/77	\$ 100,000	7.50
Arctic First Federal Savings and Loan	5/01/78	200,000	7.50
Arctic First Federal Savings and Loan	2/15/79	150,000	7.50
Arctic First Federal Savings and Loan	2/15/80	100,000	7.50
First Federal Savings and Loan	7/11/77	114,000	7.50
First Federal Savings and Loan	7/10/78	<u>100,000</u>	7.50
		<u>764,000</u>	
<u>Savings accounts -</u>			
Bank of California		3,331,940	5.00
National Bank of Alaska		<u>137,629</u>	5.00
		<u>3,469,569</u>	
		<u>\$4,233,569</u>	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	Interest rate	Maturity date	Par value	Cost	Market value	Net yield
UNITED STATES GOVERNMENT:						
<u>U. S. Treasury Notes &amp; Bonds -</u>						
U. S. Treasury Notes	6.00	3/31/79	\$ 1,000,000	\$ 1,000,625	\$ 1,000,000	5.960
U. S. Treasury Notes	6.50	2/15/80	1,000,000	996,780	1,002,000	6.520
U. S. Treasury Notes	7.00	5/15/82	1,000,000	1,001,719	1,011,000	6.990
U. S. Treasury Notes	7.625	2/15/07	1,000,000	977,500	1,001,300	7.800
U. S. Treasury Notes	7.000	11/15/81	2,000,000	2,005,000	2,025,625	6.983
U. S. Treasury Notes	7.875	11/15/82	2,000,000	1,996,724	2,096,250	7.888
U. S. Treasury Bonds	8.250	5/15/05	1,000,000	997,500	1,066,250	8.270
			<u>9,000,000</u>	<u>8,975,848</u>	<u>9,202,425</u>	
<u>U. S. agencies -</u>						
Twelve Federal Land Banks	8.800	10/21/85	<u>8,750,000</u>	<u>8,829,922</u>	<u>9,526,563</u>	8.672
<u>GNMA mortgage-backed securities -</u>						
Pool #5153	7.250	11/15/04	399,570	368,112	380,590	7.869
Pool #5903	7.250	2/15/05	851,905	791,912	811,439	7.799
Pool #7209	7.250	6/15/05	951,188	879,255	906,007	7.843
Pool #7638	7.250	8/15/05	412,436	383,383	392,845	7.799
Pool #3578	7.250	11/15/05	494,093	456,055	470,624	7.854
Pool #14296	7.500	2/15/07	996,766	951,911	964,059	7.853
Pool #14707	7.500	2/15/07	1,003,872	958,697	970,932	7.853
Pool #14699	7.500	3/15/07	1,497,902	1,437,987	1,448,753	7.813
Pool #16331	7.500	3/15/07	998,593	958,337	965,827	7.815
Pool #16487	7.500	3/15/07	1,019,573	981,977	986,119	7.787
Pool #16377	7.500	4/15/07	1,000,631	960,293	967,798	7.815
Pool #15864	7.500	5/15/07	499,657	481,232	483,262	7.787
Pool #17206	7.500	5/15/07	1,000,000	959,375	967,188	7.818
Pool #15969	7.500	6/15/07	2,000,000	1,900,000	1,934,375	7.895
Pool #16624	7.500	6/15/07	1,019,650	978,864	986,193	7.812
Pool #17515	7.500	6/15/07	1,024,507	982,886	990,890	7.818
Pool #18140	7.500	6/15/07	1,023,073	986,946	989,503	7.775
Pool #2905	8.000	4/15/04	4,480	4,555	4,480	7.867
Pool #5235	8.000	4/15/05	392,032	385,422	392,399	8.137
Pool #5818	8.000	6/15/05	481,008	472,893	481,459	8.137
Pool #6121	8.000	8/15/05	948,549	922,946	949,438	8.213
Pool #6538	8.000	8/15/05	448,176	440,620	448,596	8.137
Pool #9113	8.000	12/15/05	449,626	447,659	450,048	8.035
Balance carried forward			18,917,288	18,092,317	18,342,824	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Maturity date</u>	<u>Par value</u>	<u>Cost</u>	<u>Market value</u>	<u>Net yield</u>
UNITED STATES GOVERNMENT (continued):						
<u>GNMA mortgage-backed securities (continued) -</u>						
Balance brought forward			\$18,917,288	\$18,092,317	\$18,342,824	
Pool #11294	8.000	5/15/06	905,982	915,608	906,831	8.410
Pool #10039	8.000	6/15/06	958,358	926,014	959,257	8.279
Pool #10199	8.000	6/15/06	976,241	950,920	977,157	8.213
Pool #10652	8.000	6/15/06	961,836	936,888	962,737	8.213
Pool #11447	8.000	7/15/06	5,752	5,907	5,752	7.791
Pool #11548	8.000	8/15/06	1,010,764	1,017,082	1,011,712	7.950
Pool #10414	8.000	9/15/06	982,813	978,513	983,735	8.035
Pool #11537	8.000	9/15/06	336	337	336	7.968
Pool #12357	8.000	9/15/06	1,002,705	998,318	1,003,645	8.035
Pool #12569	8.000	9/15/06	3,817	3,811	3,817	8.013
Pool #13694	8.000	11/15/06	629	646	629	7.791
Pool #3985	8.500	8/15/04	796,637	819,043	820,039	8.267
Pool #4261	8.500	9/15/04	990,652	1,003,655	1,019,753	8.389
Pool #4347	8.500	9/15/04	86,854	89,080	89,405	8.288
Pool #5106	8.500	2/15/05	775,521	798,060	798,302	8.260
Pool #7460	8.500	10/15/05	458,917	464,079	472,397	8.405
Pool #7216	8.500	11/15/05	936,084	966,506	963,581	8.232
Pool #7723	8.500	11/15/05	469,651	474,934	483,447	8.405
Pool #6764	8.500	12/15/05	473,916	486,653	487,838	8.278
Pool #7057	8.500	12/15/05	459,967	474,916	473,479	8.232
Pool #7559	8.500	12/15/05	920,840	944,437	947,890	8.288
Pool #7966	8.500	12/15/05	971,148	1,002,711	999,676	8.232
Pool #5105	8.500	1/15/06	94,316	96,733	97,087	8.288
Pool #7760	8.500	1/15/06	896,030	918,991	922,351	8.288
Pool #6148	8.500	2/15/06	995,278	1,022,648	1,024,514	8.273
Pool #7474	8.500	2/15/06	890,346	913,161	916,500	8.288
Pool #7138	8.500	3/15/06	475,590	491,047	489,560	8.232
Pool #8017	8.500	3/15/06	495,371	499,706	509,923	8.426
Pool #8434	8.500	3/15/06	948,982	974,486	976,859	8.278
Pool #8817	8.500	3/15/06	498,844	505,703	513,498	8.385
Pool #10056	8.500	4/15/06	495,781	500,119	510,344	8.426
Pool #10404	8.500	4/15/06	459,371	484,062	472,865	8.066
Pool #10744	8.500	4/15/06	982,198	1,030,080	1,011,050	8.105
Pool #10738	8.500	5/15/06	999,158	1,020,702	1,028,508	8.321
Balance carried forward			41,297,973	40,807,873	41,187,298	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Maturity date</u>	<u>Par value</u>	<u>Cost</u>	<u>Market value</u>	<u>Net yield</u>
UNITED STATES GOVERNMENT (continued):						
<u>GNMA mortgage-backed securities (continued) -</u>						
Balance brought forward			\$41,297,973	\$40,807,873	\$41,187,298	
Pool #12368	8.500	8/15/06	237,952	250,741	244,941	8.066
Pool #5554	8.500	2/15/07	1,880,217	1,928,398	1,935,448	8.288
Pool #16900	8.500	2/15/07	497,985	509,189	512,613	8.313
Pool #17046	8.500	3/15/07	2,496,063	2,553,785	2,569,385	8.308
			<u>46,410,190</u>	<u>46,049,986</u>	<u>46,449,685</u>	
			<u>\$64,160,190</u>	<u>\$63,855,756</u>	<u>\$65,178,673</u>	
OTHER BONDS, NOTES AND DEBENTURES:						
<u>Corpor notes and bonds -</u>						
Pacific Gas & Electric Co., 1st Ref. Mtg. Series 75A	9.500	6/01/85	\$ 1,250,000	\$ 1,243,750	\$ 1,356,250	9.547
Montgomery Ward Credit Corp.	9.600	2/01/95	1,250,000	1,261,875	1,287,500	9.510
Penney, J. C., Inc.	8.875	7/15/95	1,000,000	988,590	1,055,000	8.977
Diamond Shamrock Corp.	9.000	4/01/99	1,000,000	1,020,000	1,067,500	8.823
Pfizer, Inc.	8.500	4/15/99	500,000	470,125	525,000	9.040
Sohio/BP Trans Alaska Pipeline	9.750	12/01/99	1,750,000	1,838,125	1,907,500	9.283
Pfizer, Inc.	9.250	8/15/00	500,000	493,750	546,250	9.367
Ashland Oil, Inc.	10.000	9/01/00	500,000	500,000	553,750	10.000
Exxon Corp.	8.250	3/01/01	1,000,000	1,027,500	1,037,500	8.029
Bankamerica Corp.	8.750	5/01/01	1,500,000	1,551,875	1,578,750	8.458
General Electric	8.500	5/01/04	2,000,000	2,115,000	2,150,000	8.038
Texas Power and Light	8.600	1/01/06	1,000,000	1,041,540	1,020,000	8.257
Commonwealth Edison	8.125	6/01/07	1,500,000	1,494,150	1,488,750	8.157
Mountain States Telephone	9.750	8/01/12	1,500,000	1,672,500	1,691,250	8.744
Illinois Bell Telephone	8.250	8/18/16	1,000,000	1,002,500	1,026,250	8.229
New Jersey Bell Tel.	8.000	9/15/16	1,500,000	1,473,750	1,503,750	8.142
Indiana Bell Telephone	8.125	3/01/17	250,000	248,387	253,438	8.178
Northwestern Bell Tel.	8.125	3/15/17	1,500,000	1,486,875	1,518,750	8.197
Southern Bell Telephone	8.125	5/01/17	1,500,000	1,518,750	1,516,875	8.025
			<u>22,000,000</u>	<u>22,449,042</u>	<u>23,084,063</u>	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Maturity date</u>	<u>Par value</u>	<u>Cost</u>	<u>Market value</u>	<u>Net yield</u>
OTHER BONDS, NOTES AND DEBENTURES (continued):						
<u>Short-term debt issues -</u>						
G.M.A.C.	5.375	7/01/77	\$ 1,000,000	\$ 995,521	\$ 995,521	5.375
Montgomery Ward Co.	5.125	7/05/77	1,000,000	998,007	998,007	5.125
Ford Motor Credit Co.	5.250	7/11/77	1,100,000	1,094,867	1,094,867	5.250
Wells Fargo & Co.	5.300	7/18/77	920,000	915,801	915,801	5.300
Wells Fargo & Co.	5.300	7/22/77	1,170,000	1,164,832	1,164,832	5.300
Security Pacific National Bank Bankers Acceptance	5.240	7/11/77	<u>1,500,000</u>	<u>1,488,428</u>	<u>1,497,598</u>	5.281
			<u>6,620,000</u>	<u>6,657,456</u>	<u>6,666,626</u>	
<u>Other -</u>						
M.G.I.C. Mortgage Corporation	7.750	12/15/77	1,000,000	1,000,000	1,000,000	7.750
Alaska Electric Light & Power Co.	10.500	9/15/91	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	10.500
			<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	
			<u>\$30,390,000</u>	<u>\$30,806,498</u>	<u>\$31,450,689</u>	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Shares</u>	<u>Cost</u>	<u>Market value</u>
COMMON STOCKS:			
Alcan Aluminum Ltd.	10,000	\$ 235,675	\$ 271,250
American Broadcasting	20,000	768,323	877,500
American Home Products	10,000	392,160	287,500
American Hospital Supply	10,000	376,735	251,250
Atlantic Richfield	14,000	693,222	847,000
Avon Products	10,000	412,691	505,000
Baker Intl. Corp.	12,000	537,397	634,500
Beatrice Foods Co.	20,000	482,208	495,000
Boeing Company	2,700	141,392	156,262
Boise Cascade Corp.	15,000	482,735	420,000
Bucyrus-Erie Co.	10,000	244,500	225,000
CBS, Inc.	9,000	521,767	529,875
Continental Oil Co.	10,000	356,350	338,750
Cooper Industries, Inc.	12,000	500,450	552,000
Dresser Industries, Inc.	3,000	128,475	137,250
DuPont E. I. DeNemours	1,200	201,825	139,200
Exxon Corporation	15,000	689,181	802,500
Georgia-Pacific	20,400	558,764	637,500
Getty Oil Company	3,000	585,990	614,250
Harnischfeger Corp.	9,600	209,659	208,800
Houston Industries	4,000	128,560	135,500
IBM	5,500	1,290,273	1,452,000
Kaiser Alu. & Chemical	6,000	217,140	223,500
Koppers Company	23,000	535,106	540,500
MGIC Investments	12,000	535,821	190,500
Merck and Company	3,500	278,206	195,125
Missouri Pacific Corp.	15,000	587,995	720,000
Montana Power Company	16,400	407,845	434,600
Owens-Corning Fiberglass	7,800	524,756	523,575
Republic Steel Corp.	5,000	161,201	140,000
Safeco Corporation	10,000	410,000	468,750
Schlumberger, Ltd.	4,500	278,197	308,250
Standard Oil Co. of California	10,000	387,250	417,500
Standard Oil Co. of Ohio	6,000	385,837	532,500
Stauffer Chemical Co.	6,500	312,650	254,313
Sundstrand Corporation	20,000	697,682	815,001
Texas Instruments	1,500	193,299	134,812
Union Pacific Corp.	16,000	793,215	916,000
Whirlpool Corporation	5,000	106,058	122,500
		<u>\$16,750,590</u>	<u>\$17,455,313</u>

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Par value</u>	<u>Cost</u>	<u>Net yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS:				
* <u>FHA mortgages serviced by -</u>				
Alaska Mutual Savings Bank, Anchorage	6.75	\$ 89,750	\$ 84,356	7.07
Alaska Mutual Savings Bank, Anchorage	7.50	553,082	522,663	7.77
Alaska Mutual Savings Bank, Anchorage	8.50	105,364	105,364	8.00
Alaska National Bank of Fairbanks	7.50	99,094	99,094	7.13
Alaska National Bank of Fairbanks	8.00	273,241	273,241	6.63
Alaska National Bank of Fairbanks	8.50	292,084	283,287	8.30
Alaska State Bank, Anchorage	5.25	228,963	217,515	5.20
Alaska State Bank, Anchorage	6.00	345,562	332,327	6.00
Alaska State Bank, Anchorage	6.75	55,650	52,306	7.34
Alaska State Bank, Anchorage	7.00	1,580,275	1,497,310	7.34
Alaska State Bank, Anchorage	7.50	31,477	30,832	7.41
Alaska State Bank, Anchorage	7.50	436,419	416,039	7.41
Alaska State Bank, Anchorage	8.00	37,256	37,908	7.29
Alaska State Bank, Anchorage	8.50	176,589	186,301	7.48
Alaska State Bank, Anchorage	8.50	255,609	268,390	7.40
First National Bank of Anchorage	5.25	421,920	402,512	5.16
First National Bank of Anchorage	5.50	48,307	46,858	5.28
First National Bank of Anchorage	5.75	29,540	29,983	5.11
First National Bank of Anchorage	7.00	361,202	340,975	7.39
First National Bank of Anchorage	7.50	712,799	666,325	7.92
First National Bank of Anchorage	8.50	240,654	228,622	8.92
First National Bank of Anchorage	8.50	441,204	430,725	8.39
First National Bank of Anchorage	8.75	237,031	228,736	8.95
First National Bank of Anchorage	9.00	103,924	101,846	8.50
National Bank of Alaska, Anchorage	5.25	29,158	26,534	5.60
National Bank of Alaska, Anchorage	6.00	633,172	597,714	6.24
National Bank of Alaska, Anchorage	7.00	699,968	665,670	7.30
National Bank of Alaska, Anchorage	7.50	57,289	56,487	7.32
National Bank of Alaska, Anchorage	8.50	489,045	480,438	8.25
Rainier Mortgage Company, Anchorage	5.25	25,636	24,354	5.21
Rainier Mortgage Company, Anchorage	5.75	175,058	168,055	5.63
Rainier Mortgage Company, Anchorage	6.00	135,683	130,486	5.63
Rainier Mortgage Company, Anchorage	7.00	901,432	857,262	7.30
Rainier Mortgage Company, Anchorage	7.50	250,631	234,291	7.92
Washington Mortgage Company	7.00	929,096	854,768	7.87
		<u>11,483,164</u>	<u>10,984,574</u>	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Par value</u>	<u>Cost</u>	<u>Net yield</u>
REAL ESTATE MORTGAGES AND				
• SBA LOANS (continued):				
<u>Small business loans serviced by -</u>				
Alaska Mutual Savings Bank, Anchorage	9.50		\$ 270,029	9.00
Alaska State Bank, Anchorage	11.00		6,629	10.50
Alaska State Bank, Anchorage	10.50		156,546	10.00
Alaska State Bank, Anchorage	10.25		47,703	9.75
Alaska State Bank, Anchorage	9.00		18,414	6.50
Alaska State Bank, Anchorage	8.00		129,550	7.50
First National Bank of Ketchikan	10.50		342,544	10.18
First National Bank of Ketchikan	9.75		307,438	9.38
National Bank of Alaska, Anchorage	11.50		181,314	11.00
National Bank of Alaska, Anchorage	10.50		1,259,629	10.00
National Bank of Alaska, Anchorage	10.00		179,135	9.50
National Bank of Alaska, Anchorage	9.75		186,832	9.25
National Bank of Alaska, Anchorage	9.50		294,746	9.00
National Bank of Alaska, Anchorage	8.75		152,939	8.25
National Bank of Alaska, Anchorage	8.00		1,548,605	7.50
Peoples Bank & Trust Company, Anchorage	9.25		301,987	8.75
Peoples Bank & Trust Company, Anchorage	9.00		49,080	8.50
Peoples Bank & Trust Company, Anchorage	8.00		460,887	7.50
			<u>5,893,997</u>	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Par value</u>	<u>Cost</u>	<u>Net yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS (continued):				
Conventional/residential mortgages serviced by -				
Alaska Bank of Commerce	9.50		\$ 116,258	9.50
Alaska Bank of Commerce	9.50		580,236	10.75
Alaska Bank of Commerce	10.50		1,428,146	10.44
Alaska Federal Savings and Loan, Juneau	9.25		560,262	8.94
Alaska Federal Savings and Loan, Juneau	10.00		96,230	9.81
Alaska Mutual Savings Bank, Anchorage	10.375		103,226	10.19
Alaska Mutual Savings Bank, Anchorage	10.00		74,701	9.69
Alaska Mutual Savings Bank, Anchorage	9.75		221,999	9.44
Alaska Mutual Savings Bank, Anchorage	9.625		240,763	9.31
Alaska Mutual Savings Bank, Anchorage	9.375		451,905	9.06
Alaska Mutual Savings Bank, Anchorage	10.75		469,943	10.50
Alaska Mutual Savings Bank, Anchorage	10.50		82,159	10.19
Alaska Mutual Savings Bank, Anchorage	10.50		518,661	10.07
Alaska Mutual Savings Bank, Anchorage	10.375		75,151	10.06
Alaska Mutual Savings Bank, Anchorage	10.25		168,640	9.94
Alaska Mutual Savings Bank, Anchorage	10.25		99,788	10.06
Alaska Mutual Savings Bank, Anchorage	10.00		491,216	9.69
Alaska Mutual Savings Bank, Anchorage	9.75		338,464	9.44
Alaska Mutual Savings Bank, Anchorage	9.50		465,110	9.19
Alaska Mutual Savings Bank, Anchorage	9.375		431,865	9.06
Alaska Mutual Savings Bank, Anchorage	10.50		536,771	10.31
Alaska National Bank, Fairbanks	10.75		150,825	10.44
Alaska National Bank, Fairbanks	10.50		97,302	10.19
Alaska National Bank, Fairbanks	10.50		175,500	10.31
Alaska National Bank, Fairbanks	10.00		149,484	9.69
Alaska National Bank, Fairbanks	10.00		341,392	9.81
Alaska National Bank, Fairbanks	9.75		607,079	9.44
Alaska National Bank, Fairbanks	9.625		78,096	9.31
Alaska National Bank, Fairbanks	9.625		121,642	9.44
Alaska National Bank, Fairbanks	9.50		1,694,021	9.19
Alaska National Bank, Fairbanks	9.375		2,654,238	9.06
Alaska National Bank, Fairbanks	9.25		912,045	8.94
Alaska National Bank, Fairbanks	12.00		212,441	12.00
Alaska National Bank, Fairbanks	11.50		80,732	11.19
Alaska National Bank, Fairbanks	11.50		383,941	11.31
Alaska National Bank, Fairbanks	11.00		157,391	11.00
			<u>15,367,623</u>	
Balance carried forward				

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Par value</u>	<u>Cost</u>	<u>Net yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS (continued):				
<u>Conventional/residential mortgages     serviced by (continued) -</u>				
Balance brought forward			\$15,367,623	
Alaska National Bank, Fairbanks	10.50		2,259,590	10.31
Alaska National Bank, Fairbanks	10.00		139,132	9.69
Alaska National Bank, Fairbanks	9.75		380,546	9.44
Alaska National Bank, Fairbanks	9.50		80,034	9.19
Alaska National Bank, Fairbanks	10.50		97,053	10.44
Alaska National Bank, Fairbanks	10.50		197,706	10.31
Alaska National Bank, Fairbanks	11.00		525,000	11.00
Alaska National Bank, Fairbanks	10.50		481,840	10.31
Alaska National Bank, Fairbanks	12.00		1,000,000	12.00
Alaska Pacific Bank	10.00		261,739	9.69
Alaska Pacific Bank	10.00		266,730	9.81
Alaska Pacific Bank	9.75		76,576	9.44
Alaska Pacific Bank	9.60		385,518	9.29
Alaska Pacific Bank	9.50		1,202,825	9.19
Alaska Pacific Bank	9.375		454,631	9.06
Alaska Pacific Bank	11.00		255,073	10.81
Alaska Pacific Bank	10.50		75,809	10.19
Alaska Pacific Bank	10.50		339,375	10.31
Alaska Pacific Bank	10.25		112,337	10.06
Alaska Pacific Bank	9.875		59,717	9.56
Alaska Pacific Bank	9.50		74,551	9.19
Alaska Pacific Bank	9.375		74,924	9.06
Alaska State Bank, Anchorage	11.00		841,979	10.69
Alaska State Bank, Anchorage	10.75		211,998	10.44
Alaska State Bank, Anchorage	10.75		147,871	10.56
Alaska State Bank, Anchorage	10.50		247,866	10.19
Alaska State Bank, Anchorage	10.50		301,126	10.31
Alaska State Bank, Anchorage	10.25		207,085	10.06
Alaska State Bank, Anchorage	10.00		336,294	9.69
Alaska State Bank, Anchorage	10.00		217,003	9.81
Alaska State Bank, Anchorage	9.75		834,343	9.44
Balance carried forward			27,513,894	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Par value</u>	<u>Cost</u>	<u>Net yield</u>
REAL ESTATE MORTGAGES AND				
• SBA LOANS (continued):				
<u>Conventional/residential mortgages</u>				
<u>serviced by (continued) -</u>				
Balance brought forward			\$27,513,894	
Alaska State Bank, Anchorage	9.625		179,150	9.31
Alaska State Bank, Anchorage	9.50		1,932,638	9.19
Alaska State Bank, Anchorage	9.50		100,000	9.31
Alaska State Bank, Anchorage	9.375		1,749,254	9.06
Alaska State Bank, Anchorage	9.375		108,000	9.06
Alaska State Bank, Anchorage	10.50		90,000	10.19
Alaska State Bank, Anchorage	10.50		442,140	10.31
Alaska State Bank, Anchorage	10.25		143,691	10.06
AMFAC Mortgage Company	11.00		512,207	10.75
AMFAC Mortgage Company	10.50		83,350	10.44
Arctic First Federal Savings and Loan, Fairbanks	12.50		775,033	12.31
Arctic First Federal Savings and Loan, Fairbanks	10.75		906,715	10.50
First National Bank of Anchorage	10.75		408,396	10.56
First National Bank of Anchorage	10.50		477,468	10.19
First National Bank of Anchorage	10.50		215,715	10.31
First National Bank of Anchorage	10.25		208,802	9.94
First National Bank of Anchorage	10.25		490,260	10.06
First National Bank of Anchorage	10.00		849,748	9.69
First National Bank of Anchorage	10.00		581,646	9.81
First National Bank of Anchorage	9.75		1,341,548	9.44
First National Bank of Anchorage	9.75		130,436	9.56
First National Bank of Anchorage	9.625		440,269	9.31
First National Bank of Anchorage	9.50		2,629,885	9.19
First National Bank of Anchorage	9.375		812,443	9.06
First National Bank of Anchorage	9.00		50,086	9.06
First National Bank of Anchorage	12.00		90,682	11.69
First National Bank of Anchorage	12.00		156,737	11.75
First National Bank of Anchorage	11.00		827,934	10.81
First National Bank of Anchorage	10.75		485,439	10.56
Balance carried forward			44,733,566	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Par value</u>	<u>Cost</u>	<u>Net yield</u>
REAL ESTATE MORTGAGES AND				
SBA LOANS (continued):				
Conventional/residential mortgages				
<u>serviced by (continued) -</u>				
Balance brought forward			\$44,733,566	
First National Bank of Anchorage	10.50		38,667	10.19
First National Bank of Anchorage	10.50		599,212	10.19
First National Bank of Anchorage	10.25		195,274	10.00
First National Bank of Anchorage	10.25		96,875	10.25
First National Bank of Anchorage	9.75		57,516	9.44
First National Bank of Anchorage	9.50		78,766	9.19
First National Bank of Anchorage	9.375		87,244	9.06
First National Bank of Anchorage	9.25		363,025	8.94
First National Bank of Ketchikan	11.00		127,667	10.81
First National Bank of Ketchikan	10.50		41,847	10.19
First National Bank of Ketchikan	10.25		286,684	9.94
First National Bank of Ketchikan	10.00		329,203	9.69
First National Bank of Ketchikan	9.75		749,713	9.44
First National Bank of Ketchikan	9.50		110,728	9.19
First National Bank of Ketchikan	9.375		152,323	9.06
Home Federal Savings and Loan, Anchorage	10.75		81,556	10.44
Home Federal Savings and Loan, Anchorage	10.50		433,411	10.19
Home Federal Savings and Loan, Anchorage	10.50		459,966	10.31
Home Federal Savings and Loan, Anchorage	10.25		119,439	9.94
Home Federal Savings and Loan, Anchorage	10.25		137,477	10.06
Home Federal Savings and Loan, Anchorage	10.00		780,225	9.69
Home Federal Savings and Loan, Anchorage	10.00		425,973	9.81
Home Federal Savings and Loan, Anchorage	9.75		281,142	9.44
Home Federal Savings and Loan, Anchorage	9.625		548,290	9.31
Home Federal Savings and Loan, Anchorage	9.50		984,743	9.19
Home Federal Savings and Loan, Anchorage	11.00		367,082	10.81
Home Federal Savings and Loan, Anchorage	10.75		89,880	10.44
Home Federal Savings and Loan, Anchorage	10.75		108,980	10.44
Home Federal Savings and Loan, Anchorage	10.50		129,194	10.19
Home Federal Savings and Loan, Anchorage	10.50		139,991	10.31
Home Federal Savings and Loan, Anchorage	10.25		547,500	10.19
Balance carried forward			53,686,159	

STATE OF ALASKA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DETAILS OF INVESTED FUNDS (continued)

JUNE 30, 1977

	<u>Interest rate</u>	<u>Par value</u>	<u>Cost</u>	<u>Net yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS (continued):				
<u>Conventional/residential mortgages     serviced by (continued) -</u>				
Balance brought forward			\$53,686,159	
Peoples Mortgage Company	10.50		216,750	10.31
Peoples Mortgage Company	10.25		675,000	10.19
Security National Bank, Anchorage	11.50		1,377	11.25
Security National Bank, Anchorage	11.30		7,821	10.81
Security National Bank, Anchorage	10.50		274,013	10.31
Security National Bank, Anchorage	10.25		74,537	9.94
Security National Bank, Anchorage	10.00		305,510	9.69
Security National Bank, Anchorage	10.00		131,763	9.81
Security National Bank, Anchorage	9.75		419,180	9.44
Security National Bank, Anchorage	9.50		483,499	9.19
Security National Bank, Anchorage	9.375		145,511	9.06
Security National Bank, Anchorage	9.25		428,879	8.94
Security National Bank, Anchorage	11.00		147,804	10.81
Security National Bank, Anchorage	10.50		237,308	10.31
			<u>57,851,111</u>	
			<u>\$74,729,682</u>	



P.O. BOX 610 FAIRBANKS, ALASKA 99707

April 13, 1978

Representative Sally Smith  
Pouch V  
State Capitol  
Juneau, AK 99811

Dear Sally:

As vice chairman of the Community & Regional Affairs Committee, I am sure you are aware that House Bill #917 has been referred to this committee. We appreciate very much the contact that you have maintained with us through Tom Mingen at the hospital.


I am sure you realize that this bill could result in excess of six million dollar savings to users of the hospital over the next several years. As we understand, this plan has the approval of the state's financial consultant as a very viable way of financing hospital additions.

It is imperative that this legislation or a reasonable facsimile thereof is passed this session. The present addition to our hospital will be completed early this summer and financing must be completed prior to December 1, 1978. If this bill is not passed, we will be forced to use conventional financing at an interest rate of approximately 10%.

I will greatly appreciate anything you can do to see that this legislation is enacted during this session.

Warmest regards.

Sincerely yours,



Ron Nerland

RN/pe

FAIRBANKS: 515 THIRD AVENUE (907) 456-6641 • ANCHORAGE: 433 FIFTH AVENUE (907) 772-7541 • HAWAII: 52 SOUTH LONG AVENUE, KAHULUI, MAUI (808) 877-3391

MUNICIPALITY OF ANCHORAGE

MEMORANDUM

DATE: April 25, 1978  
TO: Lisa Rudd  
FROM: The Legislative Advisory Committee of the  
Municipal Health Commission  
SUBJECT: House Bill 917

We attempted to send comments on House Bill 917 for the public hearing scheduled by your committee on Friday, April 21. Unfortunately, the public hearing was over before we were able to telex the information to you. We were informed by your legislative assistant that the committee would accept comments on House Bill 917 through mid week. Found attached is the Legislative Review and Recommendations we developed on House Bill 917. We hope your committee will consider our input before making any decisions on this bill.

- 1) It transfers to the State the responsibility of a private medical facility to obtain funding. We question this use of public assets to enhance private enterprise.
- 2) It creates an added layer of bureaucracy.
- 3) The Board of Directors are appointed rather than elected.
- 4) May be costly to the State taxpayers. Anytime a new office is established secretaries must be hired, phones enstalled, letterhead printed, public announcements made etc. An office to support the Medical Facility Authority would therefore be costly to the State taxpayers. Additionally, with this legislation allowing the State to manage and operate a medical facility as well as purchase and/or construct real or personal property, the costs and expenses incurred would directly affect the State budget. The potential for cost to the State taxpayers in this case is overwhelming.
- 5) May have adverse affects on the development of medical facilities. Criteria does not exist in this legislation for selection of the facilities or geographic areas that would benefit from this legislation. Those not selected could be adversely affected by the States action.
- 6). There exists State and Federal legislation that addresses and provides for planning organizations, Health Systems Agencies, that deal specifically with health facilities and programs. The Health Systems Agencies presently through their review and planning process assess the need for medical facilities throughout the state. This proposed legislation ignores these planning bodies and their orderly plans and processes for medical facility development.

TESTIMONY ON HB 917 FROM SUBCOMMITTEE OF THE ANCHORAGE  
MUNICIPAL HEALTH COMMISSION

Telefoned by Mary Wlters, Staff to Municipal Health Commission  
The following is a statement by the Legislative Subcommittee.  
The Municipal Health Commission will meet next Wednesday to  
discuss the subcommittee's recommendations.

The Legislative Committee of the Anchorage Municipal Health  
Commission urges defeat of HB 917 for the following reasons:

1. It transfers to the state the responsibility of a private medicatl facility to obtain funding. We question this use of public assets to enhance private enterprise.
2. It creates an added layer of bureaucracy.
3. The board of directors are appointed rather than elected.
4. The bill may be costly to state taxpayers.
5. It may have an adverse effect on the development of medical facilities.
6. There exists state and federal legislation that addresses and provides for planning oranizations that deal specifically with health facilities and programs. This proposed legislation ignores these planning bodies.

I asked Ms Walters for some amplification of objections #4, 5 & 6 in the written statement which they will send down. She also mentioned that the committee had discussed that section of the legislation which seems to set up the authority as a possible regulatory agency, if not immediately, at least setting the stage for the future.

A more complete statement will be forthcoming next week.

Annette Smith  
4/21/78 12:00 p.m.

Mary Walters 264-4261

## HOUSE BILL 917

"An Act relating to an Alaska Medical Facility Authority."

Accessibility to adequate medical care is not available to all Alaskans due to the lack of certain medical facilities and the inadequacy of other medical structures throughout the State.

Planning surveys indicate a need for additional mental health centers, public health centers, facilities for the developmentally disabled, rehabilitation facilities and drug abuse and alcoholism treatment facilities. Architectural surveys of hospitals, nursing homes and intermediate care homes often indicate a need for modernization or replacement of many of these facilities. As the population increases, additions to these facilities may be needed. Many of Alaska's existing facilities do not meet Life Safety requirements and are not functionally designed to operate efficiently or to provide cost savings through such means as energy conservation.

The intent of House Bill 917 is to establish a means of financing the construction and equipping of medical facilities for which a community-based need has been demonstrated. By providing an economic mechanism to finance such facilities, efforts to contain spiraling health care costs could be enhanced. Both municipal, non-profit and profit-making entities are eligible to apply to the proposed Alaska Medical Facility Authority for funding, thus enabling all potential consumers of service to take advantage of the cost-savings realized through the financing mechanism.

As a part of its efforts to contain rising health care costs, the Department of Health and Social Services is naturally concerned about curbing the unnecessary proliferation of medical facilities. Section 18.26.220 stipulates that any medical facility assisted in any way by the proposed Medical Facility Authority would be subject to those licensure and determination of need provisions currently a part of the Alaska Statutes. Any additional requirements promulgated at a future date would also need to be satisfied before eligibility for application was granted. Even those facilities "grandfathered in" under special provision of AS 18.07 must meet the community-determination of need test before being eligible for funding from the proposed Medical Facility Authority. These provisions not only assist the State in guarding against the over-building of medical facilities, but ensure that those facilities utilizing this source of State support benefit from inclusion in the comprehensive State and regional planning process.

The establishment of an alternative financing mechanism for non-municipally owned medical facilities would assist communities in developing the services necessary to meet the health needs of their residents in the most cost-effective manner possible.

**POSITION PAPER / Department of Health and Social Services**

Recommended by: D. Sharon Osborne Date 4/19/78  
D. Sharon Osborne, Coordinator  
Office of Planning and Research

Approved by: Helen D. Beirne Date 4/19/78  
Helen D. Beirne, Commissioner  
Department of Health & Social Services

Attachment

HSA - all pub. members  
Health Coord. Council - all  
pub. members

HB 917 Relating to Alaska Medical Facility Authority

Questions:

1. Where is the need? For an extra commission and authority?
2. Are health facilities in Alaska lucrative enough to repay loans adequately?
3. Is the authority limited to financing municipal and non-profit health corporations?
4. Exec. Dir. pd. out of bond \$?

Amendments:

1. Public members on the Board.  
Appointed for their expertise in the field.
2. Local laws and ordinances to be applicable to facilities constructed.
3. The maximum amount of a loan not to exceed the total cost of the facility.

5. What commercial firm has  
Fed. loan - ?

6. Ability to repay?

7. p. 5, line 27

8. Conflicts of interest?

Anch. Health Commission

M E M O R A N D U M

TO: Lisa Rudd

FROM: Annette Smith

REF: HB 917

I received a telephone call from Ron Nerland, President of the Community Hospital Foundation in Fairbanks (456-6641) He wanted to talk with you about HB 917 and provide any information you may need. He said a Mr. William Doolittle will be attending the hearing on Friday to testify for the Fairbanks hospital and will be bringing with him backup information and letters of support.

This bill, he said, is largely created at the request of the Fairbanks hospital foundation. For a little background, the Community Hospital Foundation was created about 10 years ago and a hospital was built and paid for. About two years ago, an addition was planned for and construction begun. This construction is to be completed late this summer.

The initial cost of this new addition was to be \$8 million. The Foundation had a fund raising campaign with a goal of \$6 million. They already had \$1 million in the bank, and another \$1 million was anticipated through revenue sharing.

The total cost has turned out to be \$11 million. They received \$2.5 million on their first fund raising campaign. They had a second campaign and have \$3+ million pledged and they anticipate another \$2 million pledged.

Their present financing is through a commercial mortgage financing firm, with a 25 year pay-off at 10% interest. The financing firm has given them interim financing with a commitment deadline of December on the total financing package. Mr. Nerland stated that the shortage of finances will have to come out of room rents.

The more attractive alternative is using tax free revenue bonds at an interest rate of 7%. Over the years this will save the hospital \$10 million -- a savings to hospital users as well.

I asked him about the possibility of having the municipality carry the bonds for the hospital. He stated that in order for the municipality to do that, the hospital would have to turn over the title to the municipality. He said there is a very strong feeling in Fairbanks about their people's hospital. The people built it themselves, and they do not wish to turn over the title to any government.

He wanted to stress that if HB 917 is not passed this year, it will not do the Fairbanks people any good, since they must take the first alternative, i.e., commercial financing at 10% by December of this year.

SECTIONAL ANALYSIS: HB 917

Sterling Gallagher  
Commissioner of Revenue

The Alaska Medical Facility Authority is designed to aid in the construction and equipping of established and potential medical facilities through financing in the municipal bond market. Similar financial assistance is available to municipalities that wish to expand medical services via medical facilities through the Municipal Bond Bank. This bill provides an additional means of financing to those profit or non profit medical entities which are not municipally owned or eligible for participation in the Municipal Bond Bank. Section 103 of the Internal Revenue Code permits tax exempt financing for these purposes.

18.26.010. The Legislative finding and policy section is necessary to establish the public purpose under which medical facilities can be financed in the municipal market. The Legislative findings are that there are inadequate medical facilities in certain localities. One of the policies is to provide alternative methods of financing and assistance in obtaining financing for the purpose of building or upgrading medical facilities in those localities.

18.26.020. Creation of the authority as a public corporation and instrumentality of the state within the Department of Revenue, but with a separate and independent legal existence.

18.26.030. Establishes the Commissioner of Revenue as chairperson of the Board of Directors, and the Commissioner of Community and Regional Affairs and Commissioner of Health and Social Services as the other two members of the Board.

18.26.040. This section establishes a quorum of two for the Board to function and states that members will serve without salary and that they may hire an Executive Director. Notice of meetings must be given in accordance with regulations adopted by the board and all meetings must be open to the public.

18.26.050. The powers of the authority are set forth in this section. They are comparable to those of similar bodies created in the state.

18.26.060. This section states that the Authority may not maintain or operate any medical facility except as provided in a trust indenture under default.

18.26.070. All expenses incurred by the authority are the sole obligations of the authority and no liability will accrue to the state.

18.26.080. The authority may borrow money and issue revenue bonds after the Board finds by rescission that the operator of the medical facility is financially competent to operate the facility and to retire the debt. Also a resolution may be passed establishing the public purpose of the particular facility and its projected cost. The bond resolution shall set out all the terms and conditions on the sale of the bonds. Bonds are negotiable instruments for purposes of the Uniform Commercial Code. The bond resolution must provide for the establishment of a special fund and may specify contractual terms. The superior court has jurisdiction to hear and determine actions or proceedings relating to the authority.

18.26.090. The authority may issue Bond Anticipation Notes under terms and conditions set by resolution.

18.26.100. This section states that the bonds may be secured by trust agreements.

18.26.110. There is no personal liability for the members of the authority or the person executing the bonds.

18.26.120. All notes and bonds issued against any special funds are a valid claim against that fund.

18.26.130. No member of the board, advisory employees or consultants may vote on a resolution or influence any decision where she/he has a conflict of interest. If violated, monetary gain must be returned, and person may be fined and jailed.

18.26.140. Any pledge of revenue or assets by the authority is binding from the time the pledge is made against any party irrespective of the actual notice.

18.26.150. The revenue bonds issued by the authority are not either directly, indirectly or contingently obligations of the State; they are paid solely from the revenue of the authority.

18.26.160. The rights of bondholders to protect investments via court intervention is specifically established.

18.26.170. The authority may invest its funds in prudent investments as defined in AS 37.10, but may pay no higher price for the investments than the offering or market price.

18.26.180. The bonds are legal security for banks, trust companies, savings and loans and other fiduciaries.

18.26.190. The State of Alaska pledges that it will not alter or limit the rights vested in this authority with respect to outstanding obligations.

18.26.200. The authority shall keep accurate accounting and shall make a report each year to the Governor and the Legislature. The Governor may investigate the affairs of the authority, may examine the property and records of the authority, and may prescribe methods of accounting and the rendering of periodical reports in relation to projects undertaken by the authority.

18.26.210. All medical facilities are subject to state requirements for public buildings and structures.

18.26.220. All facilities shall meet state licensing requirements and shall obtain a certificate of need before financing under this authority.

18.26.230. The bonds of the authority are exempt from all taxes except for gift, inheritance and estate taxes. However real and personal property that is leased to a third party is subject to all local taxes.

18.26.240. All earnings of the authority excess to its needs are the exclusive property of the state.

18.26.250. The authority is not a political subdivision of the state for purposes of AS 37.10, a municipal corporation for purposes of AS 29. or a state agency for purposes of AS 37.

18.26.900. Definition of terms.



P.O. BOX 610 FAIRBANKS, ALASKA 99707

TELEX  
09035-482

*file HB 917*

April 13, 1978

Representative Sally Smith  
Pouch V  
State Capitol  
Juneau, AK 99811

Dear Sally:

As vice chairman of the Community & Regional Affairs Committee, I am sure you are aware that Rouse Bill #917 has been referred to this committee. We appreciate very much the contact that you have maintained with us through Tom Mingen at the hospital.


I am sure you realize that this bill could result in excess of six million dollar savings to users of the hospital over the next several years. As we understand, this plan has the approval of the state's financial consultant as a very viable way of financing hospital additions.

It is imperative that this legislation or a reasonable facsimile thereof is passed this session. The present addition to our hospital will be completed early this summer and financing must be completed prior to December 1, 1978. If this bill is not passed, we will be forced to use conventional financing at an interest rate of approximately 10%.

I will greatly appreciate anything you can do to see that this legislation is enacted during this session.

Warmest regards.

Sincerely yours,

  
Ron Nerland

RN/pe

M E M O R A N D U M

TO: Lisa Rudd

FROM: Annette Smith

RE: HB 917

I spoke with Jack Chenoweth today about HB 917. He said you had asked him to look at the bill. Basically, he had no legal problems with the provisions in the bill. His two questions were:

1. Where is the need for this bill? He said there are very few health facilities in the state which can show enough of a profit to adequately pay back revenue bonds. Anchorage and possibly Fairbanks being the only places where medical care is actually good business. The other hospitals in the state, those run by municipalities or the PHS are operated at an expense to the taxpayers. How would a health center in Nome make enough money to pay back a loan from the authority. There just is not that much use. Since the basis of this medical facility authority is revenues from the pay back on loans and bonds, I believe it would be worth asking the Administration to show where they think the use of this authority would come from.

2. Is it possible to use the Municipal Bond Bank to accomplish the same thing? I explained to him the opinions of Mr. Berrier and Mr. Rose in this regard; that opening up the Municipal Bond Bank to non-profit or other public corporations would in fact be detrimental to the municipal bonds which it handles. We did talk about including medical facilities in the Industrial Development Authority.

One question that I have is if this authority is limited to dealing with municipalities and non-profit corporations only? The bill states something to this effect on p. 4 (8), but this may not be a strict limitation. Would you ask Revenue at the hearing?

M E M O R A N D U M

TO: Lisa Rudd

FROM: Annette Smith

Comparison of HB 917 to South Dakota statute

A quick comparison of HB 917 to the South Dakota statute of health and educational facilities authority indicates they contain essentially the same provisions. The South Dakota statute is more elaborate in that it goes into more detail on each provision. This seems to be a drafting style preferred in the Lower 48.

The basic differences are as follows:

1. The authority is operated by a 7 member board rather than the 3 member board contained in HB 917. The members are chosen according to their experience in various fields considered important to the program. E.g., One member is to be experienced in hospital and health care construction and financing; another in health facility architecture; another in municipal and state financing, etc. This board made up of public members requires then provisions for terms of office, vacancies, election of officers and other organizational details. HB 917 provides for 3 commissioners to make up the governing board. Terms of office are therefore not an issue. the commissioners may designate an alternate from their departments. Board members must provide a surety bond for the performance of their duties. Presumably, all commissioners give such a bond upon appointment to the office of commissioner.
2. Public works laws of the state are not applicable to the projects financed by the South Dakota authority. Also, competitive bidding is not required. HB 917 is just the opposite; it specifically states that both are applicable.
3. Local laws and ordinances are applicable to facilities constructed by the South Dakota authority. There is no such statement in HB 917.
4. The South Dakota law is more elaborate on the leasing of facilities. It contains four sections on the terms of the leases, option to purchase, duration of the leases which may not be shorter than the maturity of the bonds, establishment of rent and charges and rules and regulations for use of the facilities. HB 917 does not go into such detail and it probably is extraneous.
5. A maximum on the amount of loans is established. The amount of any loan may not exceed the total cost of the facility (p. 87) HB 917 does not provide for a limit.
6. In the refunding of loans, the South Dakota authority must make a series of findings: that financing is in the public interest, that it will alleviate a financial hardship upon the participating health institution; that it will result in lesser cost of patient care and will result in a savings to third parties. HB 917 does not require the authority to make any such findings for refunding.

7. Initial and annual planning service fees are required of participating institutions which are to be used for consultant planning services to determine the need and location of facilities in a given area. The only mention of determining need in HB 917 is requiring a certificate of need as a prerequisite for funding any facility construction. (p. 17)

The basic provisions for financing seem to be the same between the two bills. Jack Chenoweth took a quick look at HB 917 and had no legal problems with it.

April 12, 1978

Representative Lisa Rudd, Chairman  
 House Community and Regional Affairs  
 Committee  
 Pouch V  
 Juneau, AK 99811

Dear Representative Rudd:

We the undersigned, representing varied public and private interests in our community, are in support of House Bill 917. This act, creating a bonding mechanism to provide additional alternatives to medical facilities for issuing bonds under a State authority, is a necessity in the Fairbanks area and in other areas throughout the State. This act would provide a mechanism for Fairbanks Memorial Hospital to finance its new addition and thus would save an approximate six million dollars in interest costs. We are extremely supportive of House Bill 917 and urge your committee to take immediate action on this bill.

NAME	ADDRESS	OCCUPATION
1. Ruth Benson	SR Box 30218, Fairbanks	College teacher
2. Dorothy Crockett	P.O. Box F, College	Public Relations, American
3. Carol A. Johnson	705 B Tanana Dr., UofA	Student
4. Marcia Andree	SR 40567 Fairbanks Ak.	Homemaker
5. Joan Knapp	410 Jennie St. Fairbanks, Ak.	Homemaker
6. Barbara Bell	625 Georgia Rd NE	Customer Service Representative
7. Eugene W. Laiter	3496 Sanderson Rd #66	Secretary, Home
8. Ronald A. Anderson	Box 80999, College	Self-employed - furniture ref.
9. Maureen W. Reed	1614 Central Fairbanks AK	Teacher
10. John Morse	216 Skarland Hall, U of Alaska, College, AK.	
11. Walter A. Duvic	Box 80071, College, Ak. 99708	Retired Eng.
12. Miriam Barber	43901 Galathea Rd.	Secretary
13. Joseph W. Knapp	410 Jennie St. Fairbanks, Ak.	Electronic Tech.
14. David W. Rodden	PO Box E College	Member
15. Julie Jensen	SR 20114 Fbks.	HW
16. Lone Christensen	SR 40460-C Fbks.	R.N.
17. Elita Mercer	SR 31077 Fbks.	H.W.
18. Margaret Martin	4650 Harvard Circle Fbks.	H.W.
19. Wrayne A. Klein	SR Box 20009, Sub. Lawler Rd	Domestic Engineer
20. Darlene M. Peterson	118 Slater Dr., Fbks	Domestic Engineer
21. Beverly J. Kopjar	Box 80907, College, AK	Medical technologist
22. Tracie A. Konecny	102 Slater Drive E.	Teacher
23. Gwen Witt	SR 2 Box 20021	day care attendant
24. Margaret Anderson	3155 Totem Drive	Board Member - director Day Care Center
25. Davis Lundgren	420 College Rd	Temp. Teacher w/ack

April 12, 1978

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House Community and Regional Affairs  
Committee  
Pouch V  
Juneau, AK 99811

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NAME	ADDRESS	OCCUPATION
1. Ralph W. Dow	S.R. 70071 Fbks.	Food Serv. MGR.
2. Joyce Worthen	Box 60723 Fbks	Dietitian
3. Joan Mikow	4508 Dartmouth Rd.	Dietitian
4. Willem K. Kinn	1919 Locking	Physician
5. D.D. Tailor	SR 20005	M.D.
6. Ross P. Hargling	102 10 <sup>th</sup> ST Fbks	MD
7. James Stuyard	SR Box 31446 Fbks	physician
8. Bill Lohme	8 CRAIG Fbks	Biochemist
9. Pat Gee	5195 D LODIAR ST	business office
10. Lawrence	162 ALLEGRO ST	MANAGER
11. George Potts	5147-11 Koyuk St Eielson	billing clerk
12. Arlin Harksten	104 B	
13. Jeanie Deussen	5075 # P P DeLuca Eielson	Billing clerk
14. Mary Ann Evans	P.O. Box 10057 3 1/2 Blk. Eielson	Medical billing clerk
15. Tom Mings	116 Craig Street	Hospital Administrator
16. Gerald J. G.	1500 Bluebell	X-Ray Tech
17.		
18.		
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NAME	ADDRESS	OCCUPATION
1. <u>Wm R. Wood</u>	<u>665 TENTH AVE.</u> <u>FAIRBANKS, AK, 99701</u>	<u>President (Emeritus) University of Alaska</u>
2. <u>D. Ronald Wood</u>	<u>1020 Kellum</u>	<u>Merchant.</u>
3. <u>Delores Neilson</u>	<u>1020 Kellum</u>	<u>Interior Designer</u>
4. <u>Paul O. Smith</u>	<u>4273 Birch Lane</u> <sup>FBI</sup>	<u>Public Health Officer</u>
5. <u>Ralph H. Haugh</u>	<u>2519 Ruby Ave</u>	<u>DAC</u>
6. <u>John M. ...</u>	<u>666 - 11th St</u>	<u>Phys.</u>
7. <u>David L. ...</u>	<u>235 Farewell</u>	<u>Fairbanks Manager NEMach.</u>
8. <u>John ...</u>	<u>544 - 4th Fbks</u>	<u>Merchant</u>
9. <u>Steve ...</u>	<u>425 Glacier</u>	<u>Attorney</u>
10. <u>Earl H. Beistline</u>	<u>Box 90148, Fbks 99708</u>	<u>Univ. of Alaska</u>
11. <u>Harold A. ...</u>	<u>711 Kobuk 4 of A Fbks</u>	<u>Univ of Alaska</u>
12. <u>C. L. Wareham</u>	<u>SR Box 21053, FBKS</u>	<u>RCA Alascorn</u>
13. <u>Dale ...</u>	<u>Box 529 FBKS</u>	<u>Life Insurance</u>
14. <u>Charles ...</u>	<u>P.O. Box 2725 Fbks</u>	<u>United Way</u>
15. <u>Charles ...</u>	<u>Box 80332</u>	<u>Fairbanks - Roads</u>
16. <u>Jack ...</u>	<u>304 College Rd</u>	<u>Fbks, AK Bus.</u>
17. <u>Ken ...</u>	<u>SR Box 10571 Fbks</u>	<u>Consultant</u>
18.		
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## HOUSE BILL 917

"An Act relating to an Alaska Medical Facility Authority."

Accessibility to adequate medical care is not available to all Alaskans due to the lack of certain medical facilities and the inadequacy of other medical structures throughout the State.

Planning surveys indicate a need for additional mental health centers, public health centers, facilities for the developmentally disabled, rehabilitation facilities and drug abuse and alcoholism treatment facilities. Architectural surveys of hospitals, nursing homes and intermediate care homes often indicate a need for modernization or replacement of many of these facilities. As the population increases, additions to these facilities may be needed. Many of Alaska's existing facilities do not meet Life Safety requirements and are not functionally designed to operate efficiently or to provide cost savings through such means as energy conservation.

The intent of House Bill 917 is to establish a means of financing the construction and equipping of medical facilities for which a community-based need has been demonstrated. By providing an economic mechanism to finance such facilities, efforts to contain spiraling health care costs could be enhanced. Both municipal, non-profit and profit-making entities are eligible to apply to the proposed Alaska Medical Facility Authority for funding, thus enabling all potential consumers of service to take advantage of the cost-savings realized through the financing mechanism.

As a part of its efforts to contain rising health care costs, the Department of Health and Social Services is naturally concerned about curbing the unnecessary proliferation of medical facilities. Section 18.26.220 stipulates that any medical facility assisted in any way by the proposed Medical Facility Authority would be subject to those licensure and determination of need provisions currently a part of the Alaska Statutes. Any additional requirements promulgated at a future date would also need to be satisfied before eligibility for application was granted. Even those facilities "grandfathered in" under special provision of AS 18.07 must meet the community-determination of need test before being eligible for funding from the proposed Medical Facility Authority. These provisions not only assist the State in guarding against the over-building of medical facilities, but ensure that those facilities utilizing this source of State support benefit from inclusion in the comprehensive State and regional planning process.

The establishment of an alternative financing mechanism for non-municipally owned medical facilities would assist communities in developing the services necessary to meet the health needs of their residents in the most cost-effective manner possible.

# COMMITTEE REPORT

## HOUSE

4/5/78

FURTHER: HESS

Date: 5/3/78

Mr. Speaker:

The Committee on C&RA has had HB 917  
"An Act relating to an Alaska Medical Facility Authority; eff. date."

under consideration and (a majority of the committee) (the committee reports it back as follows)

- 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 \_\_\_\_\_  new title                       same title
- AND attaches a Letter of Intent                       New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

\_\_\_\_\_

Mark W. Anderson Jr.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Mark W. Anderson Jr. no rec

... no rec

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Chairman

COMMITTEE REPORT

HOUSE

4/5/78

FURTHER: HESS

Date: 5/3/78

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- recommends it do pass                       recommends it do not pass
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- and \_\_\_\_\_  new title               same title
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MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Mark D. Anderson Jr.  
~~\_\_\_\_\_~~  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

RECEIVED No Rec.  
Mark H. Linder No Rec.  
Let. Lomax No Rec.  
AS Rudd " "

AS Rudd  
 Chairman

## HOUSE BILL 917

"An Act relating to an Alaska Medical Facility Authority."

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**POSITION PAPER / Department of Health and Social Services**

Recommended by: D. Sharon Osborne Date 4/19/78  
D. Sharon Osborne, Coordinator  
Office of Planning and Research

Approved by: Harold D. Beirne Date 4/19/78  
Harold D. Beirne, Commissioner  
Department of Health & Social Services

Attachment

# TELEGRAM

ADA ALASKA COMMUNICATIONS, P.O.  
PHONE 555440  
DUNSMUIR ALASKA 99501

#

02130 NL ANCHORAGE ALASKA 419 04-20 830P AST

PMS REP LISA RUDD DELIVER ABOUT 9AM

ROOM 647 COURT BLDG

*Attn: Members of HOUSE  
C+RA Committee*

JUN

FOR TESTIMONY BEFORE THE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE  
ON HB917

PROVIDENCE HOSPITAL OPPOSED HB917, QUOTE AN ACT RELATING TO  
AN (ALASKA MEDICAL FACILITY AUTHORITY) UNQUOTE FOR THE  
FOLLOWING REASONS:

1. WE DO NOT UNDERSTAND WHY THIS BILL WAS FILED AT ALL.  
THERE IS ABSOLUTELY NO CLEAR EVIDENCE THAT THERE EXISTS  
INADEQUATE OR INSUFFICIENT MEDICAL CARE AND HEALTH CARE  
FACILITIES FOR THE RESIDENTS OF THE STATE OF ALASKA.
2. ADEQUATE PUBLIC AND PRIVATE FINANCING OF MEDICAL FACILITIES  
IS ALREADY AVAILABLE WHEN THERE IS A DEMONSTRATED NEED FOR A  
FACILITY AND DEMONSTRATED FINANCIAL FEASIBILITY ADDITIONAL  
SOURCES OF FUNDING ARE NOT NEEDED. PRIVATE SOURCES OF MONEY  
AVAILABLE INCLUDE DIRECT OBLIGATION BONDS AND MORTGAGES.  
GOVERNMENT SOURCES INCLUDE MUNICIPAL TAX-EXEMPT BONDS, FUNDS UNDER  
PUBLIC LAW 93-641 (THE OLD HILL BURTON LAW), AND FUNDS BY THE  
PUBLIC HEALTH SERVICE, NATIVE CORPORATIONS, REVENUE SHARING AND  
OTHER PROGRAMS.
3. THE BILL IS VERY UNCLEAR REGARDING THE RELATIONSHIP OF  
FACILITIES FUNDED BY THE AUTHORITY TO THE EXISTING STATE

CERTIFICATE OF NEED LAW. ANY MEDICAL FACILITY CONSTRUCTION MUST GO THROUGH THE CURRENT STATE CERTIFICATE OF NEED PROCESS PRIOR TO MAKING FUNDING AVAILABLE.

4. THE BILL IS DIRECTLY CONTRARY, IN PHILOSOPHY, TO ALL EXISTING CONFLICT OF INTEREST LEGISLATION IN ALASKA. SECTION 18.26.130 OF THIS BILL PERMITS BOARD MEMBERS OF THE AUTHORITY TO DIRECTLY BENEFIT FROM THE DESIGNATION OF THE BOARD. ALL A BOARD MEMBER HAS TO DO IS TO DISCLOSE A CONFLICT OF INTEREST AND REMOVE HIMSELF FROM THE VOTING ON THAT ISSUE.

5. THE BILL MAY BE IN VIOLATION OF THE CONSTITUTION OF THE STATE OF ALASKA. SECTION 18.26.140 OF THIS BILL, PROVIDES THAT ONCE THE AUTHORITY PLEDGES REVENUE TO BOND HOLDERS, THAT THE PLEDGE WILL TAKE PRIORITY OVER ALL CONTRACT OR TORT OBLIGATIONS TO THE EXTENT THE LAW PERMITS THE AUTHORITY TO NOT BE FINANCIALLY RESPONSIBLE FOR BREACHES OF CONTRACTS OR TORTS, IT IS IN VIOLATION OF ARTICLE I SECTION 15 OF THE ALASKA CONSTITUTION. THIS COULD MEAN, FOR EXAMPLE, THAT EITHER THE STATE GETS LEFT HOLDING THE BAG OR AN INJURED PERSON MAY NOT BE JUSTLY COMPENSATED.

6. THE BILL APPEARS TO ESTABLISH ANOTHER BUREAUCRATIC LAYER, WHOSE POWERS HAVE NOT BEEN THOROUGHLY THOUGHT OUT.

7. IN CONCLUSION, THE PEOPLE OF ALASKA HAVE NOT HAD THE OPPORTUNITY FOR ADEQUATE PUBLIC EXPLANATION AND DISCUSSION OF THIS VERY COMPLEX LEGISLATION. WE DO NOT FEEL THIS BILL IS IN THE BEST INTEREST OF THE PEOPLE OF THE STATE OF ALASKA. FOR THESE REASONS, PROVIDENCE HOSPITAL MUST OPPOSE THE PASSAGE OF HB917

CHRIS BEARDELEY FOR AL. M. CAMOSSO ADMINISTRATOR

M E M O R A N D U M

TO: Lisa Rudd

FROM: Annette Smith

REF: HB 917

I received a telephone call from Ron Nerland, President of the Community Hospital Foundation in Fairbanks (456-6641). He wanted to talk with you about HB 917 and provide any information you may need. He said a Mr. William Doolittle will be attending the hearing on Friday to testify for the Fairbanks hospital and will be bringing with him backup information and letters of support.

This bill, he said, is largely created at the request of the Fairbanks hospital foundation. For a little background, the Community Hospital Foundation was created about 10 years ago and a hospital was built and paid for. About two years ago, an addition was planned for and construction begun. This construction is to be completed late this summer.

The initial cost of this new addition was to be \$8 million. The Foundation had a fund raising campaign with a goal of \$6 million. They already had \$1 million in the bank, and another \$1 million was anticipated through revenue sharing.

The total cost has turned out to be \$11 million. They received \$2.5 million on their first fund raising campaign. They had a second campaign and have \$3+ million pledged and they anticipate another \$2 million pledged.

Their present financing is through a commercial mortgage financing firm, with a 25 year pay-off at 10% interest. The financing firm has given them interim financing with a commitment deadline of December on the total financing package. Mr. Nerland stated that the shortage of finances will have to come out of room rents.

The more attractive alternative is using tax free revenue bonds at an interest rate of 7%. Over the years this will save the hospital \$10 million -- a savings to hospital users as well.

I asked him about the possibility of having the municipality carry the bonds for the hospital. He stated that in order for the municipality to do that, the hospital would have to turn over the title to the municipality. He said there is a very strong feeling in Fairbanks about their people's hospital. The people built it themselves, and they do not wish to turn over the title to any government.

He wanted to stress that if HB 917 is not passed this year, it will not do the Fairbanks people any good, since they must take the first alternative, i.e., commercial financing at 10% by December of this year.

THE FOLLOWING DOCUMENT(S) MAY NOT FILM  
LEGIBLY BECAUSE OF POOR QUALITY OF THE  
ORIGINAL.

# Municipality of Anchorage

## MEMORANDUM

DATE: April 26, 1978  
TO: Lisa Rudd  
FROM: The Legislative Advisory Committee of the Municipal Health Commission  
SUBJECT: House Bill 917

We attempted to send comments on House Bill 917 for the public hearing scheduled by your committee on Friday, April 21. Unfortunately, the public hearing was over before we were able to telex the information to you. We were informed by your legislative assistant that the committee would accept additional comments on House Bill 917 through mid week. Found attached is the Legislative Review and Recommendations we developed on House Bill 917. We hope your committee will consider our input before making any decisions on this Bill.

LEGISLATIVE REVIEW & RECOMMENDATIONS  
OF THE LEGISLATIVE ADVISORY COMMITTEE  
OF THE MUNICIPAL HEALTH COMMISSION

1. BILL NUMBER AND TOPIC: House Bill 917 - Alaska Medical Facility Authority.
2. WHAT IS THE CURRENT STATUS OF THE BILL? Presently in House Community and Regional Affairs with additional referral to House HESS.  
WHAT IS THE TIME FRAME FOR INFLUENCING THE BILL'S OUTCOME BY THIS COMMITTEE OR COMMISSION? This legislative session.
3. WHAT DOES THE BILL DO? Provides for an organization in the State government that will function as a mechanism through which medical facilities (proposed or existing) can obtain financing.
4. WHO DOES IT AFFECT? Existing and proposed medical facilities and state taxpayers.
5. HOW MUCH DOES IT COST? Unknown.
6. IS IT DIRECTED TO A SPECIFIC GEOGRAPHIC AREA? No.
7. IS IT DIRECTED TO A SPECIFIC GROUP? Yes.  
WHO? Owners and operators of existing and proposed medical facilities.  
HOW DOES IT AFFECT OTHERS? May affect the public through increased taxes.
8. WHAT ARE ITS STRENGTHS? Alternative (public) mechanism for financing medical facilities.
9. WHAT ARE ITS DRAWBACKS, WEAKNESSES? 1) Transfers to the State the responsibility of a private medical facility to obtain funding. We question this use of public assets to enhance private enterprise.  
2) Could be costly to the State taxpayers.  
3) Is an added layer of bureaucracy.  
4) The Board of Directors are appointed rather than elected.  
5) Already have a state and federal legislation that addresses and provides two planning organizations that deal specifically with health facilities and programs. This legislation ignores those planning bodies.  
6) May have adverse affects on the development of medical facilities.
10. IS THE IDEA NEW? No.  
ARE THERE PRECEDENTS? Yes.  
WHERE? Federal Public Law.
11. HOW WOULD THIS BILL AFFECT THE ANCHORAGE HEALTH SERVICES PLAN? Would affect the Anchorage Health Services Plan adversely.
12. WHAT IS THE COMMITTEE'S RECOMMENDATION? That HB 917 DOES NOT become law.  
for the following reasons:
  - 1) It transfers to the State the responsibility of a private medical facility to obtain funding. We question this use of public assets to enhance private enterprise.
  - 2) It creates an added layer of bureaucracy.
  - 3) The Board of Directors are appointed rather than elected.

LEGISLATIVE REVIEW & RECOMMENDATIONS

House Bill 917

Page 2

- 4) May be costly to the State taxpayers. Anytime a new office is established secretaries must be hired, phones installed, letterhead printed, public announcements made etc. An office to support the Medical Facility Authority would therefore be costly to the State taxpayers. Additionally, with this legislation allowing the State to manage and operate a medical facility as well as purchase and/or construct real or personal property, the costs and expenses incurred would directly affect the State budget. The potential for cost to the State taxpayers in this case is overwhelming.
- 5) May have adverse affects on the development of medical facilities. Criteria does not exist in this legislation for selection of the facilities or geographic areas that would benefit from this legislation. Those not selected could be adversely affected by the States action.
- 6) There exists State and Federal legislation that addresses and provides for planning organizations, Health Systems Agencies, that deal specifically with health facilities and programs. The Health Systems Agencies presently through their review and planning process assess the need for medical facilities throughout the state. This proposed legislation ignores these planning bodies and their orderly plans and processes for medical facility development.

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