



R

# COMMITTEE REPORT

4/26

## HOUSE

Rules

(11)

FURTHER:

4/19/85

Date: 4-25-85

The Committee on FINANCE has had HB 105

"An Act relating to the international airports revenue bonds authorization; and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 105 (Fin.)  same title  
 new title
- and recommends DO PASS ✓
- AND attaches a "Letter of Intent"  New Fiscal Note 4-23-85  
 Zero Fiscal Note Attached
- reports it back without recommendation sup # 57
- referred to the \_\_\_\_\_ Committee

### MEMBERS SIGNING DO PASS

Adams [Signature]

Ringstad [Signature]

Duncan [Signature]

Uehling [Signature]

Pourchot [Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### MEMBERS HAVING OTHER RECOMMENDATIONS:

Rieger [Signature] No Recommendation

Cotten [Signature]

Szymanski [Signature] - No Rec.

Larson [Signature] - No Rec.

\_\_\_\_\_

\_\_\_\_\_

[Signature]

CHAIRMAN

COMMITTEE REPORT

4/19

HOUSE

(5)

FURTHER:

FINANCE

4/10/85

(waived from Finance, to Loans, to be returned to Finance)

Date:

4/18/85

HOUSE SPECIAL COMMITTEE ON STATE LOANS

The Committee on ~~FINANCE~~ has had HB 105

"An Act relating to the international airports revenue bonds authorization; and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for CS HB 105 (Loans)  same title  
 new title
- and recommends it do pass
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS

MEMBERS HAVING OTHER RECOMMENDATIONS:

Fuller

John Muller

Cotten

Jim Cost NO Rec

Uehling

Rich Hefly

Sund

[Signature]

\_\_\_\_\_

[Signature]  
CHAIRMAN



Offered: 4/26/85  
Referred: Rules

Gov

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 105 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or  
7 notes, establishing conditions under which the bonds  
8 or notes for the DeLong Mountain transportation  
9 project may be issued; and providing for an effective  
10 date."

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

12 \* Section 1. AS 37.15.410 is amended to read:

13 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-  
14 ing part or all of the money to be used, with or without any grants or  
15 other money that [WHICH] may become available, the issuance and sale  
16 of revenue bonds of the state in the total principal sum of not to  
17 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,  
18 construct, and install the additions, improvements, extensions, and  
19 facilities authorized in AS 37.15.510. The principal of and interest  
20 on these bonds shall be paid out of and secured by the gross revenues  
21 derived by the state from the ownership, lease, use, and operation of  
22 the airports, and of all the facilities of them and out of any other  
23 revenues or money that [WHICH] the state legislature may provide  
24 exclusive of any state tax or license.

25 \* Sec. 2. The Alaska Industrial Development Authority is authorized to  
26 issue bonds or notes in a principal amount not to exceed \$175,000,000 to  
27 provide financing for the DeLong Mountain transportation project.

28 \* Sec. 3. Before bonds or notes authorized under sec. 2 of this Act may  
29 be issued the Alaska Industrial Development Authority shall comply with

1 AS 44.88.173 and shall incorporate into the final finance plan for the  
2 DeLong Mountain transportation project the following terms and conditions:

3 (1) Cominco, Ltd. is required to agree in writing that

4 (A) Cominco, Ltd. will pay for all or a portion of the  
5 operation and maintenance of facilities constructed as part of the  
6 project based on the use Cominco Alaska makes of the facilities com-  
7 pared to the use made by others;

8 (B) if Cominco Alaska ceases to develop the Red Dog Mine  
9 after costs or debts have been incurred by the Alaska Industrial  
10 Development Authority for the project, Cominco, Ltd. will repay the  
11 authority for those costs and debts;

12 (C) toll fees paid by Cominco Alaska for the use of facil-  
13 ities constructed as part of the project to the Alaska Industrial  
14 Development Authority may be periodically adjusted if the price of  
15 zinc rises above a level that yields a return on investment commen-  
16 surate with risk;

17 (2) the United States government makes available land in the  
18 Cape Krusenstern National Monument that is included in the proposed land  
19 exchange with NANA Regional Corporation to the corporation for construction  
20 of a transportation system;

21 (3) NANA Regional Corporation is required to agree in writing to  
22 make available to the Alaska Industrial Development Authority, at no more  
23 than fair market value, land needed for the port and road constructed as  
24 part of the project and land needed for future expansion of the road and  
25 port;

26 (4) tax exempt financing for the project is used to the maximum  
27 extent possible;

28 (5) a toll schedule, that may be periodically adjusted, is  
29 established for use of facilities constructed as part of the project that

1 ensures a reasonable return on the state's investment in the project;

2 (6) contracts for the construction, operation, and maintenance  
3 of the port and road are subject to AS 36;

4 (7) reasonable and equitable access to the port and road is  
5 guaranteed to all users.

6 \* Sec. 4. Before bonds or notes authorized under sec. 2 of this Act may  
7 be issued the Alaska Industrial Development Authority shall

8 (1) report in writing to the legislative budget and audit com-  
9 mittee that the conditions under sec. 3 of this Act have been met; and

10 (2) agree with the Department of Revenue in writing to deliver  
11 all money generated by the DeLong Mountain transportation project to the  
12 Department of Revenue for deposit in the general fund, other than money  
13 necessary for payment of the principal and interest on bonds or notes  
14 issued under sec. 2 of this Act and except as may otherwise be provided in  
15 the bond or note covenants.

16 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
17 10.070(c).

Offered: 4/19/85  
Referred: Finance

Cook

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS

2 CS FOR HOUSE BILL NO. 105 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or  
7 notes, establishing conditions under which the bonds  
8 or notes for the DeLong Mountain transportation  
9 project may be issued; and providing for an effective  
10 date."

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

12 \* Section 1. AS 37.15.410 is amended to read:

13 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-  
14 ing part or all of the money to be used, with or without any grants or  
15 other money that [WHICH] may become available, the issuance and sale  
16 of revenue bonds of the state in the total principal sum of not to  
17 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,  
18 construct, and install the additions, improvements, extensions, and  
19 facilities authorized in AS 37.15.510. The principal of and interest  
20 on these bonds shall be paid out of and secured by the gross revenues  
21 derived by the state from the ownership, lease, use, and operation of  
22 the airports, and of all the facilities of them and out of any other  
23 revenues or money that [WHICH] the state legislature may provide  
24 exclusive of any state tax or license.

25 \* Sec. 2. The Alaska Industrial Development Authority is authorized to  
26 issue bonds or notes in a principal amount not to exceed \$175,000.000 to  
27 provide financing for the DeLong Mountain transportation project.

28 \* Sec. 3. Before bonds or notes authorized under sec. 2 of this Act may  
29 be issued the Alaska Industrial Development Authority shall comply with

COMMITTEE COPY

1 AS 44.88.173 and shall incorporate into the final finance plan for the  
2 DeLong Mountain transportation project the following terms and conditions:

3 (1) Cominco, Ltd. is required to agree in writing that

4 (A) Cominco, Ltd. will pay for all or a portion of the  
5 operation and maintenance of facilities constructed as part of the  
6 project based on the use Cominco Alaska makes of the facilities com-  
7 pared to the use made by others;

8 (B) if Cominco Alaska ceases to develop the Red Dog Mine  
9 after costs or debts have been incurred for the project, Cominco, Ltd.  
10 will repay the Alaska Industrial Development Authority for those costs  
11 and debts;

12 (C) toll fees paid by Cominco Alaska for the use of facil-  
13 ities constructed as part of the project to the Alaska Industrial  
14 Development Authority may be periodically adjusted if the price of  
15 zinc rises above a level that yields a return on investment commen-  
16 surate with risk;

17 (2) land in the Cape Krusenstern National Monument is conveyed  
18 to NANA Regional Corporation by the United States Department of the In-  
19 terior;

20 (3) NANA Regional Corporation is required to agree in writing to  
21 make available to the Alaska Industrial Development Authority, at no more  
22 than fair market value, land needed for the port and road constructed as  
23 part of the project and land needed for future expansion of the road and  
24 port;

25 (4) tax exempt financing for the project is used to the maximum  
26 extent possible;

27 (5) a toll schedule, that may be periodically adjusted, is  
28 established for use of facilities constructed as part of the project that

29 (A) ensures a reasonable return on the state's investment

1 in the project; and

2 (B) guarantees equitable access to the facilities by all  
3 users.

4 \* Sec. 4. Before bonds or notes authorized under sec. 2 of this Act may  
5 be issued the Alaska Industrial Development Authority shall

6 (1) report in writing to the legislative budget and audit  
7 committee that the conditions under sec. 3 of this Act have been met; and

8 (2) agree with the Department of Revenue in writing to deliver  
9 all money generated by the DeLong Mountain transportation project, other  
10 than money necessary for payment of the principal and interest on bonds or  
11 notes issued under sec. 2 of this Act, to the Department of Revenue for  
12 deposit in the general fund.

13 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
14 10.070(c).

Gov  
1675h  
Introduced: 1/23/85  
Referred: Transportation  
and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 105

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the international airports reve-  
7 nue bonds authorization; and providing for an effec-  
8 tive date."

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

10 \* Section 1. AS 37.15.410 is amended to read:

11 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-  
12 ing part or all of the money to be used, with or without any grants or  
13 other money which may become available, the issuance and sale of  
14 revenue bonds of the state in the total principal sum of not to exceed  
15 \$86,525,000 [\$62,825,000] is authorized to acquire, equip, construct,  
16 and install the additions, improvements, extensions, and facilities  
17 authorized in AS 37.15.510. The principal of and interest on these  
18 bonds shall be paid out of and secured by the gross revenues derived  
19 by the state from the ownership, lease, use, and operation of the  
20 airports, and of all the facilities of them and out of any other  
21 revenues or money which the state legislature may provide exclusive of  
22 any state tax or license.

23 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
24 10.070(c).

25  
26  
27  
28 COMMITTEE COPY

29 HB 105

BILL SHEFFIELD  
GOVERNOR

*al*



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

*AB105*

January 23, 1985

The Honorable Ben Grussendorf  
Speaker of the House  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to raise from \$62,825,000 to \$86,525,000 the amount of international airports revenue bonds that may be issued by the state bond committee. This additional \$23,700,000 is intended to be used for the Anchorage International Airport Terminal Renovation, Phase II.

Sincerely,

*Bill Sheffield*

Bill Sheffield  
Governor

STATE OF ALASKA - 1985 LEGISLATIVE SESSION  
FISCAL NOTE

*oe*  
*4287*

Revision Date: \_\_\_\_\_

**REQUEST**  
Bill/Resolution No.: HB 105  
Title: \_\_\_\_\_  
Sponsor: \_\_\_\_\_  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

**FISCAL DETAIL**  
Agency Affected: Debt Service  
Program Category Affected: \_\_\_\_\_  
General Government  
BRU, Program or Subprogram(s) Affected:  
IARF Debt Service and Fees

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS		2,850.0	2,850.0	2,850.0	2,850.0	2,850.0
<b>TOTAL OPERATING</b>		2,850.0	2,850.0	2,850.0	2,850.0	2,850.0

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER		2,850.0	2,850.0	2,850.0	2,850.0	2,850.0
<b>TOTAL</b>		2,850.0	2,850.0	2,850.0	2,850.0	2,850.0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary  
Assumes issuance of bonds of \$23,700,00 at 11% with level debt service for 30 years. The project appropriation is continued in the General Appropriation Bill and is titled "Anchorage International Airport Main Terminal Renovation Phase II". Debt Service is capitalized through the bond sales the first two years, and thereafter, paid from the International Airport Revenue Fund.

Prepared By: Ron B. Lind, Director Phone: 465-3911  
Division: Financial and Administrative Services Date: \_\_\_\_\_

Approved by Commissioner: Wm S. Sparks Date: 1/11/85  
Agency: DOT & PF

Distribution (by Agency preparing fiscal note):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

*Q.W.  
Supp 57*

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Page 1 of 2

Revision Date \_\_\_\_\_

**REQUEST**

Bill/Resolution No: CS HB 105 (FINA)  
 Title: Bond Authorizations and DeLong Mountains Project  
 Sponsor: House Loans  
 Requestor: House Finance Committee  
 Date of Request: April 22, 1985

**FISCAL BILL**

Agency Affected: State Bond Committee  
 Program Category Affected: Debt Service  
 BRU, Program of Subprogram(s) Affected: International Airports Revenue Bonds

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	3,550	2,850	2,850	2,850	2,850
<b>TOTAL OPERATING</b>	-	3,550	2,850	2,850	2,850	2,850
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	3,550	2,850	2,850	2,850	2,850
<b>TOTAL</b>	-	3,550	2,850	2,850	2,850	2,850

**POSITIONS:**

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

**ANALYSIS:** See attached analysis.

Prepared By: Milt Barker *MB*  
 Division: Treasury

Phone: 465-2350  
 Date: April 22, 1985

Approved by Commissioner: *Mary G. Stucke*  
 Agency: Department of Revenue

Date: 4/23/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Assumes issuance of bonds of \$23,700,000 at 11% level debt service for 30 years plus \$700,000 in issuance costs for FY 86.

The appropriation for FY 86 and FY 87 is from the International Airports Construction Fund. Thereafter, appropriations would be from the International Airports Revenue Fund.

**ALASKA STATE LEGISLATURE**

14th Legislature FIRST Session

HOUSE BILL NO. 105

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to the international airports revenue bonds authorization; and providing for an effective date."

Interntl. Airports Rev. Bonds

Introduced in the House 1/23, 1985

**HISTORY IN THE HOUSE**

19 85 Read first time and referred to Committee on

Jan. 23 TRANSPORTATION AND FINANCE  
Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
Signed by Speaker  
Sent to Senate

CHIEF CLERK OF THE HOUSE

**HISTORY IN THE SENATE**

19 Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
Signed by President  
Returned to House

SECRETARY OF THE SENATE

**HISTORY IN THE HOUSE**

19 Received from Senate

Concurred in Senate amendment thus adopting:  
VOTE

Failed to concur in Senate amendment; asked Senate to recede  
VOTE

Senate receded from amendment  
VOTE

Senate failed to recede from amendment  
VOTE

CC appointed by House

CC appointed by Senate

CC adopted by House  
VOTE

CC adopted by Senate  
VOTE

To enrolling  
Reported correctly enrolled  
Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No. ....

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: 2nd SCS HB 105 (Fin)  
 Title: Authorization of Airport Revenue Bonds  
 Sponsor: \_\_\_\_\_  
 Requestor: HOUSE FINANCE  
 Date of Request: 5-9-85

**FISCAL DETAIL**

Agency Affected: Debt Service  
 Program Category Affected: General Government  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
 IARF Debt Service and Fees \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS		4,400.0	4,400.0	4,400.0	4,400.0	4,400.0
<b>TOTAL OPERATING</b>		4,400.0	4,400.0	4,400.0	4,400.0	4,400.0

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>GENERAL FUND</b>						
FEDERAL FUNDS						
OTHER - IARF		4,400.0	4,400.0	4,400.0	4,400.0	4,400.0
<b>TOTAL</b>		4,400.0	4,400.0	4,400.0	4,400.0	4,400.0

**POSITIONS:**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>FULL-TIME</b>						
<b>PART-TIME</b>						
<b>TEMPORARY</b>						

**ANALYSIS:** (Attach a separate page if necessary) Cost represent debt service only. Assumes issuance of bonds of \$38,000,00 at 11% with level debt service for 30 years. The project appropriation is contained in the General Appropriation Bill and is titled "Anchorage International Airport Parking Garage and Terminal Access". Debt Service is capitalized through the bond sales for the first two years, and thereafter, paid from the International Airport Revenue Fund.  
 (Continued on the attached page)

Prepared By: Ron B. Lind, Director Phone: 465-3911  
 Division: Financial and Administrative Services Date: 5/9/85  
 Approved by Commissioner: *Dick Berg* Date: 5/9/85  
 Agency: DOT & AP

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

The amount shown for debt service represents the payments required to amortize the debt in 30 years assuming 11% interest and equal yearly payments.

The proceeds of the bonds will be used to provide for the costs of issuance, required bond redemption reserves, and payment of debt service for two years and construction of required facilities. The amount remaining for construction will be approximately \$25 million.

No estimate of the eventual operational costs of the expanded facility are available.

Cook  
5/9/85✓

Original sponsor: Rules/Governor

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IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 105 (2d Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the authorization of bonds for airports; and providing for an effective date."

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

\* Section 1. AS 37.15.410 is amended to read:

Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of providing part or all of the money to be used, with or without any grants or other money that [WHICH] may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$100,825,000 [\$62,825,000] is authorized to acquire, equip, construct, and install the additions, improvements, extensions, and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use, and operation of the airports, and of all the facilities of them and out of any other revenues or money that [WHICH] the state legislature may provide exclusive of any state tax or license.

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

# MEMORANDUM

State of Alaska  
Department of Transportation & Public Facilities

TO: Jay Hogan, Associate Director  
Office of Management and Budget  
Office of the Governor

DATE: May 4, 1985

FILE NO: 465-3900

TELEPHONE NO: 1985

1985

FROM: R. J. Knapp  
Commissioner

SUBJECT: AIA Changes  
BUDGET REVIEW

We are requesting certain changes in projects for the Anchorage International Airport in the Governor's budget. These changes will also require a change in Section 1 of AS 05 which authorizes additional International Airport Revenue Bonds.

The changes are as follows:

1. Change the project title, "Anchorage International Airport Main Terminal Renovation Phase II." To "Anchorage International Airport Parking Garage and Terminal Access."
2. Increase the project appropriation to \$44,000,000 of which \$6 million is from the International Airport Revenue Fund, and - \$38,000,000 is from the International Airport Construction Fund.
3. *AMENDMENT* Increase the bond authorization in Section 1 of ASHB 105 (Finance) from \$86,525,000 to \$100,825,000.
4. Delete the separate project titled Parking Garage Design.

These changes will allow us to accelerate the parking structure design and construction with the terminal modification in access to the baggage claim area. This will reduce the congestion to the public during construction as well as accelerate the parking facility.

This project will allow design and construction of a parking garage at the Anchorage International Airport; passage-ways necessary to connect the garage to the terminal; provide convenient, efficient interface with the parking garage make modification to electrical mechanical and structural portions of the terminal to enhance the ultimate usefulness of the terminal and the garage, pay all costs related to issuance of the bonds, establishment of the required reserves; and the cost of debt service during construction (estimated to take 2 years).

Existing parking supply is inadequate for projected parking demand. This expansion and remodeling will provide sufficient parking to accommodate anticipated needs.

All maintenance operation and debt service costs for this facility will be paid from the International Airport Revenue Fund. The parking structure will produce revenue and in the very near term, the receipts from the increased parking spaces provided should cover the costs.

# COMMITTEE REPORT

## HOUSE

(11)

FURTHER:

4/19/85

Date:

4-25-85

The Committee on FINANCE has had HB 105

"An Act relating to the international airports revenue bonds authorization; and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 105 (Fin)  same title  
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent"  New Fiscal Note 4-23-85
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Albert C. DeLoach  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Pat Tomich  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Albert C. DeLoach  
\_\_\_\_\_

CHAIRMAN

COMMITTEE REPORT  
HOUSE

(11)

FURTHER:

4/19/85

Date:

4-25-85

The Committee on FINANCE has had HB 105

"An Act relating to the international airports revenue bonds authorization; and providing for an effective date."

under consideration and recommends:

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[X] replace with CS for HB 105 (Fin) [X] same title [ ] new title

and recommends DO PASS

[ ] AND attaches a "Letter of Intent" [X] New Fiscal Note 4-23-85

[ ] reports it back without recommendation [ ] Zero Fiscal Note Attached

[ ] referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING

DO PASS

Alberto C. Adams  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

MEMBERS HAVING

OTHER RECOMMENDATIONS:

There is no Recommendation  
[Signature]  
Mike Spagnoli - No Rec.  
Ronald C. Johnson No Rec.  
[Signature]  
[Signature]

Alberto C. Adams

CHAIRMAN

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 105 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or  
7 notes, establishing conditions under which the bonds  
8 or notes for the DeLong Mountain transportation  
9 project may be issued; and providing for an effective  
10 date."

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

12 \* Section 1. AS 37.15.410 is amended to read:

13 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-  
14 ing part or all of the money to be used, with or without any grants or  
15 other money that [WHICH] may become available, the issuance and sale  
16 of revenue bonds of the state in the total principal sum of not to  
17 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,  
18 construct, and install the additions, improvements, extensions, and  
19 facilities authorized in AS 37.15.510. The principal of and interest  
20 on these bonds shall be paid out of and secured by the gross revenues  
21 derived by the state from the ownership, lease, use, and operation of  
22 the airports, and of all the facilities of them and out of any other  
23 revenues or money that [WHICH] the state legislature may provide  
24 exclusive of any state tax or license.

25 \* Sec. 2. The Alaska Industrial Development Authority is authorized to  
26 issue bonds or notes in a principal amount not to exceed \$175,000,000 to  
27 provide financing for the DeLong Mountain transportation project.

28 \* Sec. 3. Before bonds or notes authorized under sec. 2 of this Act may  
29 be issued the Alaska Industrial Development Authority shall comply with

1 AS 44.38.173 and shall incorporate into the final finance plan for the  
2 DeLong Mountain transportation project the following terms and conditions:

3 (1) Cominco, Ltd. is required to agree in writing that

4 (A) Cominco, Ltd. will pay for all or a portion of the  
5 operation and maintenance of facilities constructed as part of the  
6 project based on the use Cominco Alaska makes of the facilities com-  
7 pared to the use made by others;

8 (B) if Cominco Alaska ceases to develop the Red Dog Mine  
9 after costs or debts have been incurred by the Alaska Industrial  
10 Development Authority for the project, Cominco, Ltd. will repay the  
11 authority for those costs and debts;

12 (C) toll fees paid by Cominco Alaska for the use of facil-  
13 ities constructed as part of the project to the Alaska Industrial  
14 Development Authority may be periodically adjusted if the price of  
15 zinc rises above a level that yields a return on investment commen-  
16 surate with risk;

17 (2) the United States government makes available land in the  
18 Cape Krusenstern National Monument that is included in the proposed land  
19 exchange with NANA Regional Corporation to the corporation for construction  
20 of a transportation system;

21 (3) NANA Regional Corporation is required to agree in writing to  
22 make available to the Alaska Industrial Development Authority, at no more  
23 than fair market value, land needed for the port and road constructed as  
24 part of the project and land needed for future expansion of the road and  
25 port;

26 (4) tax exempt financing for the project is used to the maximum  
27 extent possible;

28 (5) a toll schedule, that may be periodically adjusted, is  
29 established for use of facilities constructed as part of the project that

1 ensures a reasonable return on the state's investment in the project;

2 (6) contracts for the construction, operation, and maintenance  
3 of the port and road are subject to AS 36;

4 (7) reasonable and equitable access to the port and road is  
5 guaranteed to all users.

6 \* Sec. 4. Before bonds or notes authorized under sec. 2 of this Act may  
7 be issued the Alaska Industrial Development Authority shall

8 (1) report in writing to the legislative budget and audit com-  
9 mittee that the conditions under sec. 3 of this Act have been met; and

10 (2) agree with the Department of Revenue in writing to deliver  
11 all money generated by the DeLong Mountain transportation project to the  
12 Department of Revenue for deposit in the general fund, other than money  
13 necessary for payment of the principal and interest on bonds or notes  
14 issued under sec. 2 of this Act and except as may otherwise be provided in  
15 the bond or note covenants.

16 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
17 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date

**REQUEST**

Bill/Resolution No: CS HB 105 (FUND)  
 Title: Bond Authorizations and DeLong Mountains Project  
 Sponsor: House Loans  
 Requestor: House Finance Committee  
 Date of Request: April 22, 1985

**FISCAL DETAIL**

Agency Affected: State Bond Committee  
 Program Category Affected: Debt Service  
 BRU, Program of Subprogram(s) Affected: International Airports Revenue Bonds

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	3,550	2,850	2,850	2,850	2,850
<b>TOTAL OPERATING</b>	-	3,550	2,850	2,850	2,850	2,850
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	3,550	2,850	2,850	2,850	2,850
<b>TOTAL</b>	-	3,550	2,850	2,850	2,850	2,850

**POSITIONS:**

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

**ANALYSIS:** See attached analysis.

Prepared By: Milt Barker <sup>MB</sup>  
 Division: Treasury  
 Approved by Commissioner: Henry G. Stedake  
 Agency: Department of Revenue

Phone: 465-2350  
 Date: April 22, 1985  
 Date: 4/23/85

**Distribution (by Agency preparing fiscal note):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CS HB 105 (Fin~~er~~)  
Fiscal Note Analysis

Assumes issuance of bonds of \$23,700,000 at 11% level debt service for 30 years plus \$700,000 in issuance costs for FY 86.

The appropriation for FY 86 and FY 87 is from the International Airports Construction Fund. Thereafter, appropriations would be from the International Airports Revenue Fund.

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

POUCH D  
JUNEAU, ALASKA 99811  
PHONE: 465-2500

OFFICE OF THE COMMISSIONER

April 8, 1985

The Honorable Arliss Sturgulewski  
Chairman  
Senate Committee on Resources  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

Re: \$142 Million AIDA Transfer

In response to your letter of April 1, 1985, I am providing you with the following requested information.

1. Will the transfer of the \$142 million in loans to AIDA affect the personnel requirements of your loan servicing division? In other words, would you anticipate a reduction in staffing?

There are several factors that are pertinent, assuming the appropriation to AIDA does take place and is effective July 1, 1985.

- (a) AIDA will not service the transferred loans.
- (b) The Division of Accounting and Collections would continue to service the loans after July 1 under contract with AIDA until such time as AIDA and/or the division decide that transfer of servicing to a private bank is appropriate.
- (c) The earliest such a servicing transfer could occur is mid-year FY '86 due to the complexity of the transfer, keeping in mind the transfer may not occur at all if AIDA and the division feel it is not appropriate.
- (d) If the FY '86 budget cuts are as severe as the first draft cut appears, the division may request that AIDA transfer the servicing. If this were to occur, the division would reduce staff after the servicing transfer so that the combined reduction in staff (due to budget cuts and the transfer) would be about 35% - proportionate to the number of loans transferred. Such staff reductions would not free up excess general funds because the

transferred loans would be those that currently generate 100% of our "other funds" (service fees) in the divisions' operating budgets (Division of Accounting and Collections and the Division of Investments). Therefore, while the appropriation of these loans could result in a reduction in staff, it would not be in "General Fund" funded staff, and the staff reduction would come only after the transfer of servicing, not on the effective date of the appropriation.

2. If these loans were transferred to AIDA, do you anticipate that the loan repayment or servicing policies would change?

No, both organizations expect repayment on a timely basis.

3. What would be the effect on the borrowers if these loans were transferred to another agency?

While servicing remains under the Division of Accounting and Collections, the effects would be minimal: prior to the effective date of the appropriation, new loan numbers may be required to allow for accurate accounting to the new investor; this would entail a letter and a new supply of payment cards being sent to the borrower. The effort required of division staff to close out one investor and begin servicing a new investor will be substantial; borrowers may notice a slight decline in the quality and timeliness of service as the division copes with the changes.

If the servicing itself were transferred to a private bank at some point, the following changes would occur:

- (a) Borrowers would receive another new loan number, another set of payment cards, and a series of letters explaining each step of the servicing transfer;
- (b) Service quality and timeliness may vary.

All impacts to borrowers could be summed up as short-term inconveniences which would occur for six months or so during the transition to a new servicer.

4. How would the loss of future income from these loans (both principal and interest) affect the ability of your loan divisions to provide for the public demand for loans in the various categories? Would you anticipate increased funding requests to the Legislature to meet the public need?

April 8, 1985

There would be virtually no effect on the loan fund balances.

The cash flow from these loans is remitted to the General Fund (through Division of Treasury) on a monthly basis, net of service fees, late fees, NSF fees and application/assumption fees which are retained by the fund. In the case of veterans and commercial fish, these fees then are appropriated by the Legislature to fund operating efforts in the Division of Accounting and Collections and the Division of Investments.

We would not anticipate increased funding requests in the loans budget to meet public loan demand.

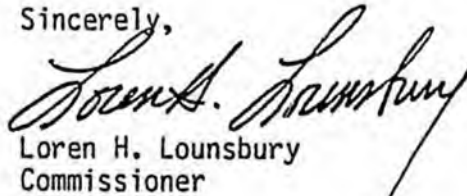
5. Does the loss of income from these loans affect your FY '86 budget loan requests if all principal and interest are transferred on the \$142 million as of July 1, 1985?

No, the loss of income to the loan funds will be negligible (See #4).

The operating budgets of the Division of Accounting and Collections and the Division of Investments could be impacted mid-year due to loss of service fees if the servicing is transferred prior to year-end FY '86.

Please let me know if you have further questions.

Sincerely,



Loren H. Lounsbury  
Commissioner

LHL/mst1748m  
040385c

cc: Mary Nordale, Commissioner, Department of Revenue  
Bert Wagnon, Executive Director, AIDA

COMMITTEE REPORT  
HOUSE

(11)

FURTHER:

4/19/85

Date: 4-25-85

The Committee on FINANCE has had HB 105

"An Act relating to the international airports revenue bonds authorization; and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 105 (Fin)  same title  
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent"  New Fiscal Note 4-23-85
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Albert C. Edwards  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

Steve Thayer No Recommendation  
[Signature]  
Mike [Signature] - No Rec.  
[Signature] - No Rec.  
[Signature]  
[Signature]

Albert C. Edwards  
CHAIRMAN

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 105 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or  
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20 on these bonds shall be paid out of and secured by the gross revenues  
21 derived by the state from the ownership, lease, use, and operation of  
22 the airports, and of all the facilities of them and out of any other  
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7 pared to the use made by others;

8 (B) if Cominco Alaska ceases to develop the Red Dog Mine  
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15 the bond or note covenants.

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17 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

**REQUEST**

Bill/Resolution No: CS HB 105 (FIN)  
 Title: Bond Authorizations and DeLong Mountains Project  
 Sponsor: House Loans  
 Requestor: House Finance Committee  
 Date of Request: April 22, 1985

**FISCAL DETAIL**

Agency Affected: State Bond Committee  
 Program Category Affected: Debt Service  
 BRU, Program of Subprogram(s) Affected: International Airports Revenue Bonds

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	3,550	2,850	2,850	2,850	2,850
<b>TOTAL OPERATING</b>	-	3,550	2,850	2,850	2,850	2,850
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	3,550	2,850	2,850	2,850	2,850
<b>TOTAL</b>	-	3,550	2,850	2,850	2,850	2,850

**POSITIONS:**

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

**ANALYSIS:** See attached analysis.

Prepared By: Milt Barker *MB*  
 Division: Treasury

Phone: 465-2350  
 Date: April 22, 1985

Approved by Commissioner: *Henry G. Stundak*  
 Agency: Department of Revenue

Date: 4/23/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CS HB 105 (Finance)  
Fiscal Note Analysis

Assumes issuance of bonds of \$23,700,000 at 11% level debt service for 30 years plus \$700,000 in issuance costs for FY 86.

The appropriation for FY 86 and FY 87 is from the International Airports Construction Fund. Thereafter, appropriations would be from the International Airports Revenue Fund.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

**REQUEST**

Bill/Resolution No: HB 369  
 Title: Appropriations to AIDA Economic Development Fund  
 Sponsor: Pignalberi  
 Requestor: House Transportation  
 Date of Request: April 15, 1985

**FISCAL DETAIL**

Agency Affected: General Fund  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>CASH FLOW</b>	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

**POSITIONS:**

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

**ANALYSIS:** Attach a separate page for analysis.

Prepared By: Milt Barker *MB*  
 Division: Treasury

Phone: 465-2350  
 Date: April 15, 1985

Approved by Commissioner: *[Signature]*  
 Agency: Department of Revenue

Date: 4/16/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

HB 369  
Fiscal Note Analysis

The cash flow figures shown in the fiscal note reflect the reduction in general funds available for appropriation arising from HB 369. These figures are based on the scheduled loan payments shown in the attached Table I after netting out service fees as calculated in Table II. Table II also provides a breakdown of the reduction into interest and principal.

Due to loan prepayments, actual receipts may be greater than scheduled in early years and less than scheduled in later years. This is the main reason why the FY 86 budget actually contains \$31.3 million estimated loan cash flow, made up of \$13.3 million interest and \$18 million principal. The difference between the budget estimate and scheduled cash flow for FY 86, which is \$13.5 million, will be a downward adjustment to the next revenue estimates in June.

Table I

General Fund Loans to be Appropriated to AIDA ,  
 Estimated Cash Flow (Principal and Interest) ,  
 (\$ 000)

Fiscal Year	Veterans	Small Business	Commercial Fish	Tourism	Child Care	Historical District	Fisheries Enhancement N/A	Total
1986	9,247	2,855	6,105	308	5	22		18,542
1987	9,034	2,783	5,786	308	4	22		17,937
1988	8,784	2,613	5,409	308	3	22		17,139
1989	8,554	2,404	4,243	308	2	18		15,529
1990	8,379	2,279	3,870	282	1	14		14,825
1991	8,343	2,134	3,233	243		14		13,967
1992	8,042	1,946	2,037	229		14		12,268
1993	7,409	1,551	837	221		14		10,032
1994	6,955	907	214	212		7		8,295
1995	6,851	344	34	208				7,437
1996	6,814	59		201				7,074
1997	6,532			186				6,718
1998	6,174			85				6,259
1999	6,038							6,038
2000	5,998							5,998
2001	5,899							5,899
2002	5,096							5,096
2003	4,254							4,254
2004	4,035							4,035
2005	3,925							3,925
2006	3,865							3,865
2007	3,182							3,182
2008	1,709							1,709
2009	521							521
2010	98							98
2011	20							20
<b>Total</b>	<b>145,758</b>	<b>19,875</b>	<b>31,768</b>	<b>3,099</b>	<b>15</b>	<b>147</b>	<b>6,804</b> (principal only)	<b>207,466</b>

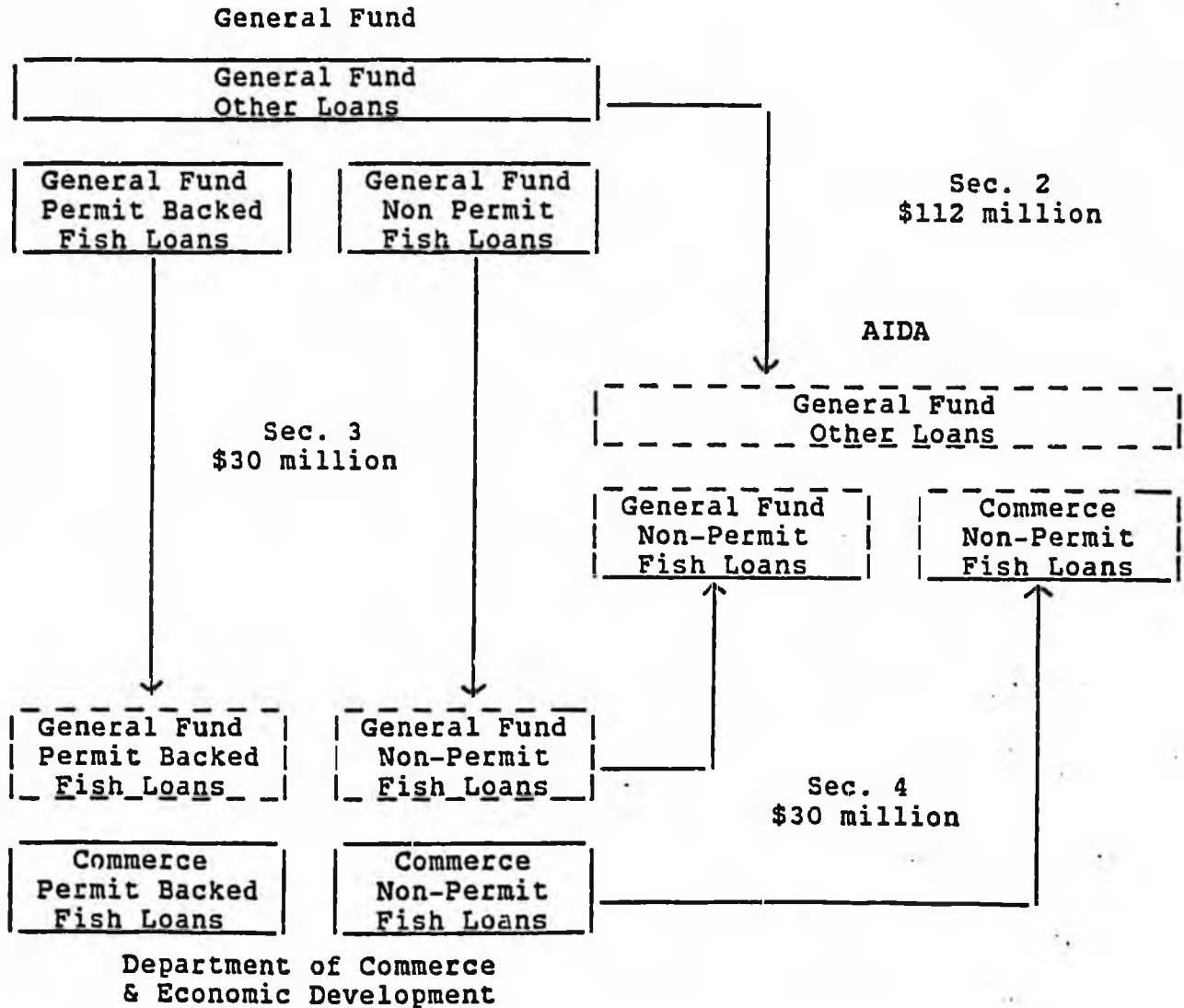
1. This table represents the cash flow to the Department of Commerce and Economic Development. Cash flow to the general fund would be further reduced by .5% service fee on loans serviced by Commerce and .125% service fee to Commerce on loans serviced by banks.
2. Cash flow has not been adjusted for delinquency or default. Except for commercial fish non-permit loans, the state expects complete recovery on defaults. Thus, delinquency and default merely produce lags in receipts.

Table II

Scheduled Cash Flow From State Loans  
Held by General Fund  
(\$ Millions)

	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Balance at Start of Year	135.9	128.7	120.9	113.3	106.8
<u>Interest @ 7.89%</u>					
Service Fee to Commerce @ .5%	.7	.6	.6	.6	.5
General Fund Revenue @ 7.39%	<u>10.0</u>	<u>9.5</u>	<u>8.9</u>	<u>8.4</u>	<u>7.9</u>
Total	10.7	10.1	9.5	9.0	8.4
Principal Repayment	7.8	7.8	7.6	6.5	6.4
Balance at End of Year	128.1	120.9	113.3	106.8	100.4

DeLong Mountains Transportation Project  
 Loan Appropriations  
 Administration Proposal



ANCHORAGE INTERNATIONAL AIRPORT

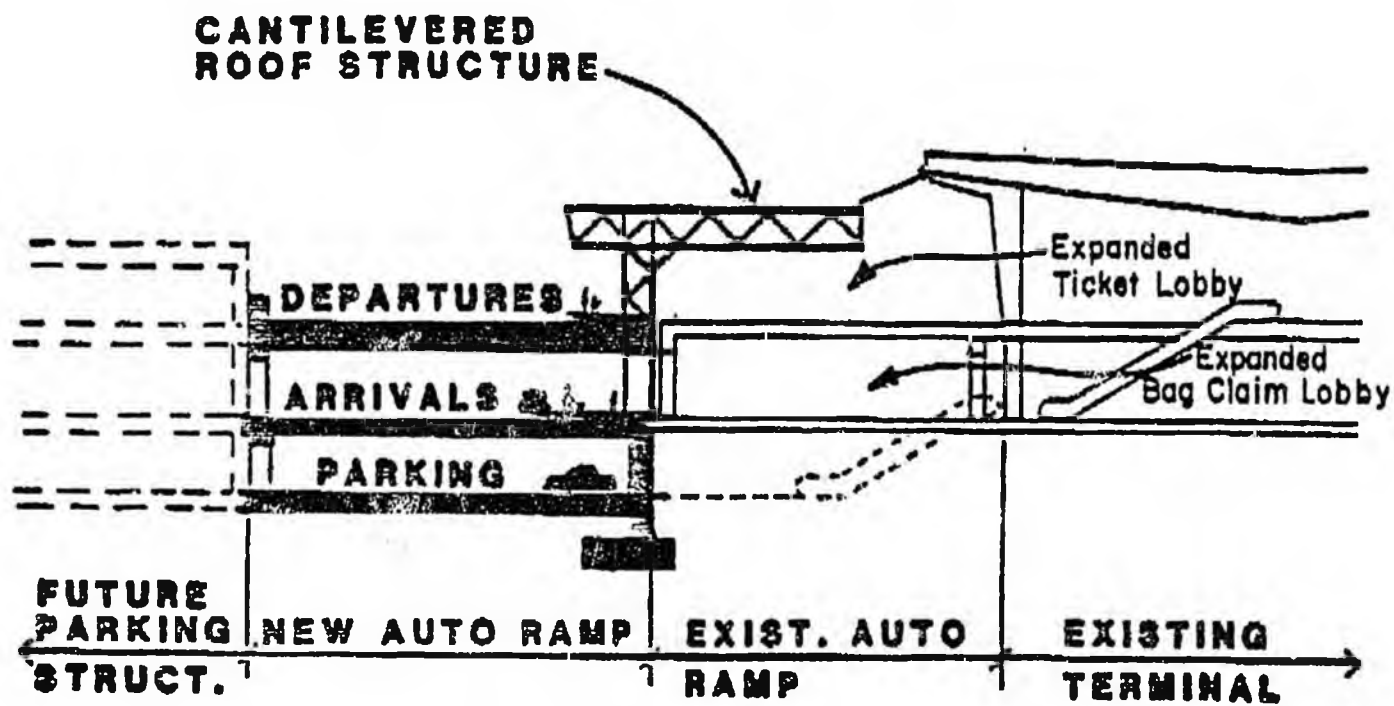
TERMINAL EXPANSION PHASE II

Phase:

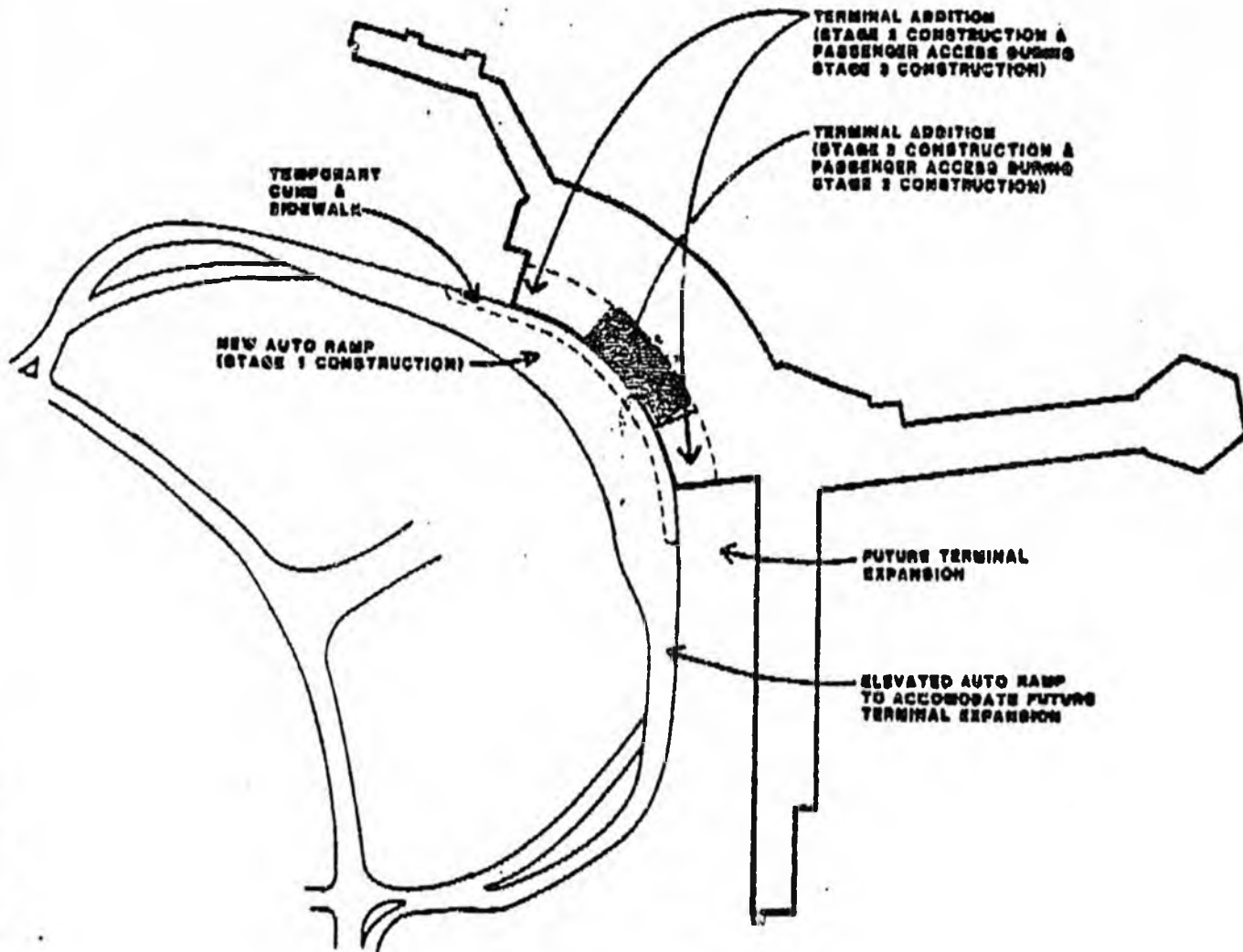
This project will expand the existing terminal building width out over the existing vehicle ramps and replace the vehicle ramps. The ticket lobby and bag claim areas will be expanded into this new space and remodeled.

Project Need:

Existing terminal facilities are undersized and inadequate for the level of aviation activity experienced and AIA. Expansion will allow an increase to the lobby and baggage claim areas sufficient to serve the large number of passengers travelling on wide body aircraft. The arrival and departure ramps will be relocated and expanded to accommodate the growing number of travellers and allow continued, convenient airport operation.



# BUILDING SECTION



# STATE OF ALASKA

## DEPARTMENT OF REVENUE

TREASURY DIVISION

BILL SHEFFIELD, GOVERNOR

ELEVENTH FLOOR  
STATE OFFICE BUILDING  
POUCH SB  
JUNEAU, ALASKA 99811  
PHONE:

April 19, 1985

The Honorable John Sund  
Chairman  
Committee on Loans  
Alaska State House  
Pouch V  
Juneau, AK 99811

Dear Representative Sund:

At the request of your staff, I would like to offer the Department of Revenue's comments on the effect debt issuance by Alaska Industrial Development Authority (AIDA) for the DeLong Mountains transportation project would have on State general obligation bond debt capacity.

Issuance of this debt would have no direct effect on the State's debt capacity. The AIDA debt would be secured by project revenues and assets of the economic development fund. The full faith and credit of the State would not be pledged to the project nor would debt service on the bonds be paid by future appropriations from the general fund. As a result, the debt will not be counted as State debt along with general obligation bonds and lease financing by the rating agencies or bondbuyers.

Only in the event that the project were partially or substantially completed, yet no mining ever occurred, Cominco failed to honor its pledge to pay back State costs, and the State decided to assume responsibility for the debt even though it had no legal obligation to do so, would the debt become State debt and thereby diminish State debt capacity for other purposes. Such diminution would be mitigated to some extent by available cash flow from the proposed loan appropriations or possibly by some degree of project revenues if intermittent or marginally profitable mining operations were to occur.

Hon. John Sund  
April 19, 1985  
Page 2

On the other hand, if the project proves successful, additional State revenues from corporate income taxes, mining license taxes, and possibly excess tolls and other sources would add to the State's debt capacity, as well as provide other financial benefits.

Sincerely yours,

A handwritten signature in cursive script that reads "Milt Barker".

Milt Barker  
Deputy Commissioner

MB/gb  
85-84

cc: Mary A. Nordale



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

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1577 "C" STREET • SUITE 304 □ ANCHORAGE, ALASKA 99501-5177 □ (907) 274-1651

April 9, 1985

The Honorable Arliss Sturgulewski  
Chairman, Senate Resources Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

In response to your letter of April 1, 1985, I am providing the following requested information. Please note that our responses are based upon the estimated net cash flows shown in Attachment I. After adjusting for loans that have paid down or will not be transferred for legal reasons, we estimate that approximately \$136 million in loans will be transferred.

It is not possible to provide an unambiguous answer to the first three questions until two things happen. First, we need the results of the Finance Plan project, now being worked on, and second we need to have an agreement reached between AIDA and Cominco with regard to user fees. The best figures that we have at present with respect to revenue generated by the project are those tolls which Cominco has offered to pay. Please be aware that our use of these figures should in no way be taken as evidence that AIDA has agreed to these charges. In any case, utilizing the attached cash flows, and our most current assumptions regarding costs and financing, we estimate that the cash flow of the portfolio would not be directly used after 1995. At that time, the cash flow would be used for coverage for the bonds, and eventually could flow back to the general fund. Any tolls collected above those needed to pay debt service on bonds and provide for coverage on the bonds could also flow back to the general fund.

1. If the \$160 million (\$142 million in loans plus the \$18 million from the general fund) are transferred to the AIDA Economic Development Fund, what is the mechanism for these funds to flow back to the general fund over time?

At this time, the actual repayment mechanism has not yet been determined. It could be set up as a loan from the Department of Commerce and Economic Development to AIDA, with terms ranging from a fixed amount per year, or "any amount above that required for debt service". Regardless of the mechanism, we recommend that a coverage test be utilized, and only income above that required for the coverage requirement be remitted to the State.

2. Considering that the \$160 million will be used to back the sale of AIDA bonds but that toll fees charged to Cominco, LTD. (and perhaps others) as well as interest earned from the fund will be used to retire the bonds, what is the expected balance in the Economic Development Fund at the end of 20 years?

- As noted above, using our most current cost and financing assumptions, we assume all cash flow after 1995 will be available for reinvestment in the Economic Development Fund for purposes of providing coverage for the bonds. Since this also assumes that the only toll fees are from Cominco and that these fees are just enough to pay debt service, the cash flow from the loan portfolio after 1995 and its reinvestment will be the only source of funds to be deposited in the Economic Development Fund. Although these are the best assumptions available today, we believe they are conservative assumptions, especially with regard to other future users. In any case, if we assume the cash flow can be reinvested at a 10% earnings rate, then by 2005 the balance will be \$106,433,000.

These figures are based upon our latest estimates of relevant factors for what presently appears to be the best financing approach. This approach, which was discussed in an earlier memo, aggregates funds from the general fund appropriation, cash flow from the loan portfolio, and proceeds from a tax exempt bond sale. This total collection of funds is then used to pay for construction costs and for interest on the bonds until revenues from the project are sufficient to pay for the bonds.

3. Can you provide us with a projected Economic Development Fund balance by year from July 1, 1985 until the retirement of all of the \$175 million in bonds issued for this project?

Under our latest assumptions, only \$135 million in debt will be issued. This reduced amount is possible because cash flows from the loan portfolio appear to be greater than originally estimated. Once again, using all of the assumptions mentioned above, the projected balance of the Economic Development Fund is given in Attachment II.

4. What effect will the additional management requirements of \$142 million in loans have on AIDA's personnel requirements?

We would not anticipate immediately transferring the loan servicing from Commerce to AIDA, but rather using a phase-in process. At the outset, we would request Commerce to continue servicing the portfolio for us. We expect that our servicing costs would be similar to those experienced by the Department of Commerce and Economic Development.

5. Can you provide us with a breakdown of the expenditures made to date and those anticipated from the \$3 million appropriation in last years budget for this project?

To date we have made the following commitments for expenditure: RSA with DOTPF for various engineering and technical assistance \$50,000; RSA with Department of Law for specialized legal counsel \$50,000; contract with

April 9, 1985

SRI International for Finance Plan \$267,000; contract with R & M Engineering for cost verification and other engineering services \$75,000; and other miscellaneous expenditures \$15,000. Planned uses for the remainder are associated with getting the projects ready for construction bids, for instance, preparation of final detailed design, preparation of bid packages, and so forth.

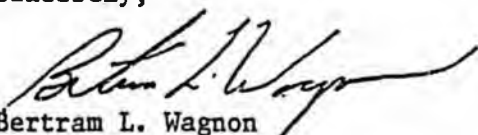
6. What is the total amount that could be expected to accrue to the Economic Development Fund in both principal and interest over time if you added together the \$18 million from the general fund, the \$142 million principal in loans, the interest on the \$18 million while in the fund, the interest generated from the \$142 million in loans and the interest earned on the earnings of the fund?

It appears in this question that you simply want us to do a straight forward calculation of a future value of a known income stream. If so, then of course the only real unknown is the assumed rate of return on the reinvestments. For these calculations we will assume it is 10%, and again we will use the cash flow shown in Attachment I. The results, by year, are given in Attachment III. Although the numbers on Attachment III get rather large, I think it is important to put these values in perspective, since what is really being shown on that table is the effects of compound interest. A more relevant number is the net present value of the appropriations being proposed. Assuming that \$18 million is appropriated on July 1, 1985, that the loan portfolio can provide the net cash flow shown in Attachment III, and that 10% is the discount rate, then the net present value of these appropriations as of July 1, 1985 is \$117.3 million.

Although no direct question was asked regarding the philosophy behind AIDA's involvement in this project, I believe it to be of paramount importance. We approach this project as an investment, both in needed infrastructure and diversification. We believe that, after some initial state assistance, the project will start generating income for the general fund. Eventually, the project should pay for itself many times over, and quite possibly be a major source of state revenue when other sources have dwindled.

Please let me know if you have further questions.

Sincerely,



Bertram L. Wagnon  
Executive Director

BLW:ec

Enclosures

cc: Mary Nordale, Commissioner, Department of Revenue  
Loren Lounsbury, Commissioner,  
Department of Commerce & Economic Development

Estimated cash flows from Department of Revenue loan portfolio (000)

Year	VETS	Small Bus/Rev	Small (a) Bus/Bank (Estimate, .594)	Comm Fish	Tourism/ Rev.	Tourism/ (b) Bank (Estimate, 1.185)	Child Care	Historic District	Gross (c) Total	Net (d) Total (.95)
86	9247	1791	1064	6105	141	167	5	22	18,542	17,615
87	9034	1746	1037	5786	141	167	4	22	17,937	17,040
88	8784	1639	974	5409	141	167	3	22	17,139	16,282
89	8554	1508	896	4243	141	167	2	18	15,529	14,753
90	8379	1430	849	3870	129	153	1	14	14,825	14,084
91	8343	1339	795	3233	111	132		14	13,967	13,269
92	8042	1221	725	2037	105	124		14	12,268	11,655
93	7409	973	578	837	101	120		14	10,032	9,530
94	6955	569	338	214	97	115		7	8,295	7,880
95	6851	216	128	34	95	113			7,437	7,065
96	6814	37	22		92	109			7,074	6,720
97	6532				85	101			6,718	6,382
98	6174				39	46			6,259	6,042
99	6038								6,038	5,736
2000	5998								5,998	5,698
01	5899								5,899	5,604
02	5096								5,096	4,841
03	4254								4,254	4,041
04	4035								4,035	3,833
05	3925								3,925	3,729
06	3865								3,865	3,672
07	3182								3,182	3,023
08	1709								1,709	1,624
09	521								521	495
10	98								98	93
11	20								20	19

Notes

- (a) Cash flow figures available only for Dept. of Commerce serviced loans, of \$10,473.7 principal balance. Estimate of cash flow of bank serviced loans of \$6,221.3 balance assumed to be proportional to relative principal balances, i.e.  $6,221.3 / 10,473.7 = .594$
- (b) Cash flow figures available only for Dept. of Commerce serviced loans, of \$1,097.4 principal balance. Estimate of cash flow of bank serviced loans of \$1,300.0 balance assumed to be proportional to relative principal balances, i.e.  $1,300.0 / 1,097.4 = 1.185$
- (c) No cash flow figures are included for Fishery Enhancement loans since they were not available. It is expected that any significant cash flows would be well into the future and hence not available during the critical early years.
- (d) Net figures are adjusted to take into account estimated delinquency and defaults as well as servicing costs, assuming net figures are 95% of gross figures.

ATTACHMENT II

Balance in Economic Development Fund in response to Question 3. Assumes that funds can be reinvested at a 10% rate of return.

<u>Fiscal Year</u>	<u>Cash Flow from Loans (000)</u>	<u>Fund Balance (000)</u>
1995	7,060	7,060
96	6,720	14,486
97	6,382	22,317
98	6,042	30,590
99	5,736	39,385
2000	5,698	49,022
01	5,604	59,528
02	4,841	70,322
03	4,041	81,395
04	3,833	93,367
05	3,729	106,433
06	3,672	120,749
07	3,023	135,846
08	1,624	151,055
9	495	166,656
10	93	183,414
11	19	201,775
12		221,952
13		244,147
14		268,562
15		295,418

ATTACHMENT III

Calculation of a hypothetical fund balance, based upon cash flows of Attachment I, \$18 million on July 1, 1985, and assumed reinvestment rate of 10%.

<u>Fiscal</u> <u>Year</u>	<u>Cash Flow from Loans (000)</u>	<u>Fund Balance (000)</u>
1986	17,615	37,415
87	17,040	58,197
88	16,282	80,298
89	14,753	103,081
90	14,084	127,473
91	13,269	153,489
92	11,655	180,493
93	9,410	207,952
94	7,880	236,628
95	7,065	267,355
96	6,720	300,811
97	6,382	337,274
98	6,042	377,043
99	5,736	420,484
2000	5,698	468,230
01	5,604	520,657
02	4,841	577,564
03	4,041	639,361
04	3,833	707,130
05	3,729	781,572
06	3,672	863,401
07	3,023	952,764
08	1,624	1,049,665
09	495	1,155,126
10	93	1,270,732
11	19	1,397,824
12		1,537,607
13		1,691,367
14		1,860,504
15		2,046,555

BILL SHEFFIELD, GOVERNOR

**DEPARTMENT OF REVENUE**

TREASURY DIVISION

ELEVENTH FLOOR  
STATE OFFICE BUILDING  
POUCH SB  
JUNEAU, ALASKA 99811  
PHONE:

April 15, 1985

The Honorable Arliss Sturgulewski  
Chairman  
Resources Committee  
Alaska Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Sturgulewski:

This letter is in response to the requests contained in your April 1 letter on state loans that may be used in financing the DeLong Mountain Transportation project. The responses are in as much detail as is available at this time.

1. It has been suggested that \$142 million in state loans held by the Department of Revenue be transferred to AIDA bonds. I would like to know the make up of those loans. What is the amount of each category (such as veterans, commercial fishing, small business, tourism, fisheries enhancement, child care and historical districts), the interest rates by category and the maturity dates? What is the amount of money by category that returns to a revolving loan fund pool and what amount returns to the general fund? If any revolving loan funds are transferred to AIDA, how does that affect the future ability of those revolving funds to meet the public demand for loans?

The following amounts of loans are held in the general fund and serviced by the Department of Commerce and Economic Development as of February 28, 1985:

Type	Amount (\$ 000)	Average Interest Rate <sup>1/</sup>	Average Maturity
Veterans	82,291.4	6.92%	2003
Small Business	18,573.5	8.49	1993
Commercial Fish	29,809.3	7.81	1991
Tourism	2,575.2	8.07	1996
Child Care	18.0	5.83	1989
Historical District	123.7	6.67	1993
Fisheries Enhancement	6,804.2	7.96	N/A
Total	140,195.3	7.39	

<sup>1/</sup> Net of .5% service fee on loans serviced by Commerce and an estimated .125% Commerce service fee on loans serviced by banks. The bank services fees are also netted out.

Hon. Arliss Sturgulewski  
April 15, 1985  
Page 2

These loans would be transferred to AIDA with the exception of an estimated \$19,873,000 of commercial fish loans which are secured by permits. Only the state is authorized to hold permits as collateral.

To make up for this deficiency, AIDA would take up to \$19,873,000 in loans held by the Department of Commerce and Economic Development. Commerce had \$48,402,500 of commercial fish loans as of January 31, 1985 of which an estimated \$16,118,000 were not backed by permits and would be taken by AIDA.

All of the payments on the general fund loans, both principal and interest, return to the general fund. Transfer of these loans to AIDA will reduce the amount of general funds available for appropriation in FY 86 and future years. It will not affect the ability of the revolving loan funds to meet loan demand.

Even with AIDA taking some Commerce loans, the Department's ability to meet loan demand should not be impaired. The estimated \$16,118,000 in Commerce's commercial fish loans taken by AIDA would be replaced with a roughly equivalent amount, the \$19,873,000 in estimated general fund commercial fish loans secured by permits, by transferring these loans from the general fund to Commerce.

2. What is the expected cash flow (principal and interest) by year from July 1, 1985 that would return to the state over the term of the loans if they remained in the Department of Revenue?

See attached table for scheduled cash flow. Actual cash flow may be accelerated due to loan prepayments, resulting in a reduction of total interest from that scheduled.

3. What is the expected financial shortfall in state revenue in FY 86 as a result of transferring these loans to AIDA? Has any adjustment been made to the Administration's budget for FY 86 to reflect this income reduction?

In our effort to minimize the impact on the FY 86 general fund revenues, the administration believes that no net adjustment will be required to the FY 86 budget by the appropriation of the loans to AIDA. The administration proposes to utilize the \$17.8 million cash flow from loans held by the Department of Revenue as a substitute for the appropriation of \$18 million in general funds now contained in the Governor's loan budget for this project. This will offset the reduction in general funds available for appropriation arising from the appropriation of the loans. This reduction would be \$17.8 million for FY 86 based on the scheduled payments shown in the attached table. This would be composed of approximately \$10 million in interest and \$7.8 million in principal repayments.

The administration would propose that the cash needed to support the project could be obtained in part by giving AIDA the authority to use \$12 million already appropriated to that agency. This would be combined with approximately \$3 million of funds available from last year's appropriation for this project.

It should be noted that the amount of cash flow from these loans included in the Executive Budget 1986 as amounts available for appropriation is \$31.3 million, composed of \$13.3 million interest and \$18 million principal repayments. The budget estimate is higher than the scheduled payments for two reasons. One is that prepayments on loans result in greater amounts of principal receipts than scheduled. The other is that this response to your questions has been done in much greater detail than the budget estimates.

A fiscal note for \$17.8 million, reflecting the scheduled reduction in FY 86 revenue, will be submitted for the appropriation of the \$142 million in loans. The difference between the scheduled payments and the budget estimate, \$13.5 million, will be a downward adjustment to the next revenue estimates which will be made in June. This adjustment has not been incorporated in the Administration's FY 86 budget. The Administration does not believe this adjustment materially affects the March revenue forecast.

4. What is the total amount of interest that is expected to be returned to the state from the \$142 million over the life of the loans calculated as of July 1, 1985?

Approximately \$71.6 million in interest would be received by the state from July 1, 1985 through 2011 from the loans. The loan balances are estimated to total \$135.9 million on July 1, 1985. The amount received by the general fund would be somewhat reduced by service fees retained by Commerce.

5. What is the total amount of interest that the state would expect from the \$142 million in loans plus the \$18 million in general fund expenditure if this \$160 million were not transferred to AIDA?

Over the period of years to 2015, assuming compounding and an average rate of interest of 10%, total interest would come to \$1,984.3 million. The present value of this interest would be \$113.7 million at a 10% discount rate.

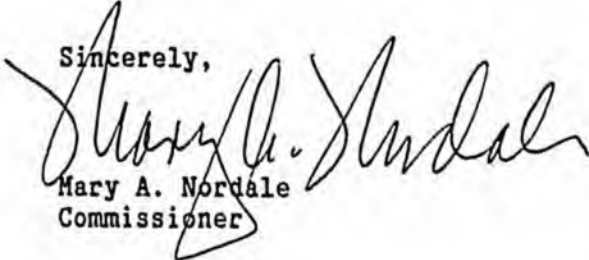
Implicit in the question is an assumption that the cash flow from the loans and the \$18 million will not be spent if it is not appropriated to AIDA. If it is spent, the state would of course receive no interest on the \$18 million and only the \$71.6 million on the loans.

Hon. Arliss Sturgulewski  
April 15, 1985  
Page 4

6. Will the transfer of the \$142 million in loans to AIDA result in increased requests this year or in future years for the various state loan programs since the principal and interest will not flow back to the general fund or a revolving fund as expected?

Transfer of the \$142 million will not generally affect revolving fund cash flow and will not require increased requests for Commerce loan programs in the future. See question #1.

Sincerely,



Mary A. Nordale  
Commissioner

MAN/gb  
85-57

Enclosure

cc: Hon. Loren Lounsbury, Commissioner DCED  
Bert Wagnon, Executive Director, AIDA

General Fund Loans to be Appropriated to AIDA  
 Estimated Cash Flow (Principal and Interest)  
 (\$ 000)

<u>Fiscal Year</u>	<u>Veterans</u>	<u>Small Business</u>	<u>Commercial Fish</u>	<u>Tourism</u>	<u>Child Care</u>	<u>Historical District</u>	<u>Fisheries Enhancement</u>	<u>Total</u>
1986	9,247	2,855	6,105	308	5	22	N/A	18,542
1987	9,034	2,783	5,786	308	4	22		17,937
1988	8,784	2,613	5,409	308	3	22		17,139
1989	8,554	2,404	4,243	308	2	18		15,529
1990	8,379	2,279	3,870	282	1	14		14,825
1991	8,343	2,134	3,233	243		14		13,967
1992	8,042	1,946	2,037	229		14		12,268
1993	7,409	1,551	837	221		14		10,032
1994	6,955	907	214	212		7		8,295
1995	6,851	344	34	208				7,437
1996	6,814	59		201				7,074
1997	6,532			186				6,718
1998	6,174			85				6,259
1999	6,038							6,038
2000	5,998							5,998
2001	5,899							5,899
2002	5,096							5,096
2003	4,254							4,254
2004	4,035							4,035
2005	3,925							3,925
2006	3,865							3,865
2007	3,182							3,182
2008	1,709							1,709
2009	521							521
2010	98							98
2011	20							20
<b>Total</b>	<b>145,758</b>	<b>19,875</b>	<b>31,768</b>	<b>3,099</b>	<b>15</b>	<b>147</b>	<b>6,804</b> (principal only)	<b>207,466</b>

1. This table represents the cash flow to the Department of Commerce and Economic Development. Cash flow to the general fund would be further reduced by .5% service fee on loans serviced by Commerce and .125% service fee to Commerce on loans serviced by banks.
2. Cash flow has not been adjusted for delinquency or default. Except for commercial fish non-permit loans, the state expects complete recovery on defaults. Thus, delinquency and default merely produce lags in receipts.

**DEPARTMENT OF REVENUE**

ELEVENTH FLOOR  
STATE OFFICE BUILDING  
POUCH SA  
JUNEAU, ALASKA 99811

Summary of Changes to Tax Revenue Forecast

Red Dog Project Analysis - Section V

Prepared By:  
Alaska Department of Revenue  
March 21, 1985

I. Special Industrial Incentive Investment Tax Credit

The Alaska Legislature passed CCSHB 258 late in the 1984 session instituting a tax credit for new mining and gas processing operations. This legislation was not considered in developing the estimate of taxes to be paid by Cominco. Provisions and limitations of this legislation applicable to Cominco are:

a. The credit is granted to mining operations which begin production after December 31, 1984;

b. Investments in property which are entitled to the federal investment tax credit qualify for the incentive credit;

c. To qualify for the credit, the investment must be made by December 31, 1993;

d. The credit may be applied against the taxpayer's Alaska mining license tax and corporate net income tax liabilities.

e. The credit may not exceed 60 percent of the total tax liability for these two tax types in any given year.

f. Unused credits may be carried forward by federal tax law. However, unused credits may not be carried forward to tax years after December 31, 1999.

g. The credit is in place of the regular investment tax credit granted by AS 43.20.036(b).

h. The amount of investment subject to credit is limited to the first \$250 million placed in service in the state; and is further limited to:

- 1) 100% of the 1st \$50 million investment
- 2) 80% of the 2nd 50 million investment
- 3) 70% of the 3rd 50 million investment
- 4) 60% of the 4th 50 million investment
- 5) 40% of the 5th 50 million investment

i. The amount of credit which may be applied against the tax liability is the amount of credit allowed against federal taxes for the same investment. Currently, the Internal Revenue Code allows a regular credit of 10% of the qualified investment with mandatory reduction in the asset's depreciable basis of one-half of the credit, or an optional 8% rate with no basis adjustment.

j. Exhibit I recalculates the estimated tax liability of Cominco on an annual basis giving the effect of the special incentive credit. This schedule updates the schedule at V-66 of the Red Dog Project Analysis, February 1984 report for the "probable" metal price forecast scenario.

## II. Update on Tax Consequence to NANA Development Corporation

a. NANA will be subject to the corporate income tax and the mining license tax on its royalty income from Red Dog.

b. The computation of NANA's mining license tax liability in the February 1984 Red Dog Project Analysis at page V-68 did not consider the depletion deduction. Exhibit II recalculates NANA's total tax exposure given the effect of a 15% depletion deduction from the net proceeds royalties.

c. NANA will not be entitled to a credit under the special incentive investment tax credit provisions of AS 43.20.042.

## III. Mining License Tax Regulations

### a. Status

The Department of Revenue has drafted proposed mining license tax regulations. Public hearings have been held in Fairbanks, Anchorage and Juneau. Also, a teleconference was held with Nome. The deadline for written comments and testimony concerning the regulations is March 31, 1985.

### b. Intent

The current draft of the regulations attempts to interpret the statute and provide rules for its administration. The regulations should have no effect upon the estimate of Cominco or NANA's mining tax liabilities as portrayed in the original report. The draft provides:

1) clarification of who must apply for a mining license and file mining tax returns

2) instructions for obtaining the three and one-half year exemption certificate

3) methods for determining income when mined resources are exported from the state or commingled with non-mining products to form a salable product

4) an explanation of the types of expenses deductible from mining income.

RED DOG MINE

EXHIBIT I

COMINCO'S ESTIMATED ANNUAL TAX PAYMENT  
 UPDATED TO REFLECT  
 INCENTIVE INVESTMENT TAX CREDIT

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u> <u>2008</u>	<u>20 Year</u> <u>TOTALS</u>
MLT "Probable"	Exempt	Exempt	Exempt	\$2.13	\$5.25	\$ 78.75	\$ 86.13
CIT "Probable"	\$ <u>4.83</u>	\$ <u>4.83</u>	\$ <u>4.83</u>	<u>4.83</u>	<u>4.83</u>	<u>72.45</u>	<u>96.60</u>
Total Tax Liability	4.83	4.83	4.83	6.96	10.08	151.20	182.73
*Incentive Investment Tax Credit (limited to 60% of tax liability)	<u>(2.90)</u>	<u>(2.90)</u>	<u>(2.90)</u>	<u>(4.20)</u>	<u>(1.76)</u>	<u>-0-</u>	<u>(14.66)</u>
Net Income Tax Liability	\$ 1.93	\$ 1.93	\$ 1.93	\$ 2.76	\$ 8.32	\$151.20	\$168.07
MFT "Probable"	<u>.13</u>	<u>.13</u>	<u>.13</u>	<u>.13</u>	<u>.13</u>	<u>2.25</u>	<u>2.90</u>
Total Cominco Estimated Tax Liability	\$ <u>2.06</u>	\$ <u>2.06</u>	\$ <u>2.06</u>	\$ <u>2.89</u>	\$ <u>8.45</u>	\$ <u>153.45</u>	\$ <u>170.97</u>

MLT = Mining License Tax  
 CIT = Corporate Income Tax  
 MFT = Motor Fuel Tax

*Estimated Investment Qualifying for Credit	\$ <u>186.0</u>	million
Available Credit:		
\$50 million x 100% x 10%	5.0	million
50 million x 80% x 10%	4.0	million
50 million x 70% x 10%	3.5	million
36 million x 60% x 10%	<u>2.16</u>	million
Total Available	\$ <u>14.66</u>	million

Please note: Many of the figures used herein were provided to Revenue and the Red Dog Project Committee by Cominco. They are not the result of any independent audit activity of this Department.

Prepared by:  
 Alaska Department of Revenue  
 Audit Division  
 March 21, 1985

NANA AVERAGE ANNUAL STATE TAX LIABILITY  
 BASED ON ROYALTIES RECEIVED  
 UPDATED TO MARCH 21, 1985  
 (Millions of 1983 Dollars)

					CIT and MLT Combined After <u>1991</u>	
	<u>Average Annual Royalties</u>	<u>Average Annual CIT Due*</u> (Begins In 1988)	<u>Average Annual Net Proceeds Royalties***</u>	<u>Average Annual MLT Due**</u> (Begins In Mid-1991)	<u>Annual Taxes Due State During 1988-91</u>	<u>Average Annual Taxes Due State After 1991</u>
"Low"	\$15.24	\$1.43	\$29.72	\$2.08	\$1.43	\$3.51
"Probable"	25.11	2.36	41.28	2.89	2.36	5.25
"High"	33.78	3.18	50.05	3.50	3.18	6.68

CIT=Corporate Income Tax  
 MLT=Mining License Tax

\*Payable on all royalties received over the life of the mine.

\*\*Payable on all net proceeds royalties due (in addition to CIT).

\*\*\*Net of 15% depletion

Prepared by:  
 Alaska Department of Revenue  
 Audit Division  
 March 21, 1985

Please note: Many of the figures used herein were provided to Revenue and the Red Dog Project Committee by Cominco. They are not the result of any independent audit activity of this Department.

HOUSE SPECIAL COMMITTEE  
ON STATE LOANS  
March 26, 1985  
3:00 p.m.

Members Present: Representative John Sund, Chair  
Representative Rick Uehling  
Representative Sam Cotton  
Representative Jim Duncan

Members Absent: Representative Jack Fuller

COMMITTEE CALENDAR

SB 186 "An Act authorizing the governor to lend up to \$3,400,000 from the disaster relief fund for a breakwater failure on St. Paul Island; and providing for an effective date."

Red Dog Mine Hearing

WITNESS REGISTER

Bert Wagnon, Executive Director  
Alaska Industrial Development Authority  
1577 "C" Street, Suite 304  
Anchorage, AK 99501  
274-1651  
Position Statement: Testified in favor of appropriations for Red Dog.

John Sims, Office of Mineral Development  
DCED  
675 7th Ave. Stn. A  
Fairbanks, AK  
462-7464  
Position Statement: Observer

Anselm Staack  
Dept. of Administration  
Pouch C  
Juneau, AK 99811  
465-2200  
Position Statement: Testified re. SB 186

Terry Elder  
Dept. of Commerce and Economic Development  
Pouch D  
Juneau, AK 99811  
465-2502  
Position Statement: Testified in favor of Red Dog.

Loren Lounsbury  
Dept. of Commerce and Economic Development  
Pouch D  
Juneau, AK 99811  
465-2500  
Position Statement: Observer

Clark Gruening,  
representing City of St. Paul  
217 Second St., Suite 204  
Juneau, AK 99811  
586-8110  
Position Statement: Testified in favor of SB 186

Hank Giegerich, President and General Manager  
Cominco Alaska, Inc.  
6562 Cabeway  
Anchorage, AK 99502  
243-0908  
Position Statement: Observer

Don Argetsinger  
Nana Regional Corporation  
4706 Harding Drive  
Anchorage, AK  
248-3030  
Position Statement: Observer

Randy Phillips, Representative  
Pouch V  
Juneau, AK 99811  
465-4949  
Position Statement: Questions and Statements

Steve Frank, Representative  
Pouch V  
Juneau, AK 99811  
465-3709  
Position Statement: Questions and Statements

Fred Zharoff, Senator  
Pouch V  
Juneau, AK 99811  
465-3844  
Position Statement: in favor of SB 186

PREVIOUS ACTION

SB 186: Read the first time 02/22/85 and referred to State Affairs Rpt 4DP. Passed by the Senate on 03/15/85.

Red Dog Mine: Please refer to House Special

Committee on State Loans dated 02/08/85.

ACTION NARRATIVE

TAPE #17, Side 1  
Recording  
Number 001

Chairman Sund Called the meeting to order at 3:46 p.m. Members present were Representatives Sund, Cotten, and Uehling. Representative Phillips and Representative Frank also attended. Representative Duncan arrived at 4:05 p.m.

Number 015

Senator Zharoff said that the St. Paul Breakwater has received damage from two storms. SB 186 would authorize a loan for \$3.4 million from the Disaster Relief Fund to the Division of Risk Management to repair damage. Zharoff continued to say that the project is covered by insurance and the loan will be repaid from proceeds. A \$2.5 million Federal EDA grant is conditional upon completion of Phase 1 by June 30.

Number 119

Mr. Anselm Stack, Deputy Commissioner for the Department of Administration, with responsibility for the Division of Risk Management. He said that the St. Paul Breakwater falls under an "all risk" policy held by the Division. He added that the deductible under the "all-risk" program coverage amounted to \$600,000, \$300,000 per storm. The deductible would be paid out of the annual cash flow appropriation to the Division. \$3.4 million would eventually be covered by the insurance, which added to the \$600,000 deductible equals \$4 million total to repair the damage.

Number 170

Chairman Sund asked if there were any design defects.

Number 175

Mr. Staack answered that he was not aware of any.

Number 179

Representative Frank asked if all capital projects are covered by all risk insurance.

Number 183

Mr. Staack answered that most projects are covered, but not all.

Number 203

Representative Frank then asked if the builders were responsible to provide risk

insurance.

- Number 206 Mr. Staack answered that, in this case, St. Paul contracted out the Phase 1 construction through a transfer of responsibility agreement. He said that often builders carry insurance.
- Number 226 Representative Frank said he thought it was the builder's responsibility while under construction to provide this insurance.
- Number 230 Mr. Staack answered that, in this case, there will be claims against the builder, but that the Division of Risk Management believes they have the first responsibility to go in and get their claims reimbursed.
- Number 240 Representative Uehling asked what kind of insurance they carry.
- Number 245 Mr. Staack said that there were several and that it is good coverage.
- Number 250 Representative Uehling then continued by asking when they expected payment from the insurance company.
- Number 280 Mr. Stack said that partial payment will be in 120 days, but will not receive full reimbursement until late in the year.
- Number 285 Chairman Sund asked if the 4 million dollars was an estimated cost and who would make up the \$600,000 deductible.
- Number 290 Mr. Staack said that it was an estimated cost and appropriations from loss reserves in the Division of Risk Management would make up the \$600,000 difference.
- Number 314 Representative Frank asked what the state policy was regarding insurance, because he thought the state wasn't at risk until the project was completed.
- Number 319 Mr. Staack said the department has accepted that the project was substantially completed at the time of the damage.
- Number 354 Mr. Clark Gruening, representing the City of St. Paul, made himself available to answer questions.

- Number 356                    There was some discussion regarding insurance coverage, and assurances given that the state would be repaid the full \$3.4 million before St. Paul received any money.
- Number 450                    Chairman Sund suggested that the committee draft a letter of intent saying that St. Paul agrees to relinquish all claims to the insurance settlement and any other claims they may have, including the amount of the deductible.
- Number 470                    Mr. Staack said that if the insurance payment was low, the Division of Risk Management would pay extra and request an appropriation from the legislature.
- Number 515                    Representative Cotten made a motion to move SB 186 with a letter of intent and individual recommendations. There were no objections, so the motion passed.
- Number 525                    Chairman Sund opened the meeting for Red Dog testimony.
- Number 536                    Mr. Terry Elder, Deputy Commissioner of DCED, testified that the Administration supports Red Dog, and urged legislative approval of the \$18 million loan. He added that the Board of AIDA supports the project, and expressed his belief that the project makes sound social and economic sense for Alaska.
- Number 590                    Chairman Sund commented that it is appropriate for the state to function as a facilitator in financing projects, but that the state should not be put at risk in this project. He also expressed concern for the opportunity cost to the state.
- Number 610                    Mr. Elder addressed the question of risk by saying that Cominco is agreeing to pay toll fees that would repay the state investment, the operation and maintenance, minimum toll payments and other payments necessary to repay the state's investment if the mine is delayed or if production is suspended after operation commences. Also, if the price of zinc goes higher than expected, then the state should recover its investment at an accelerated rate. He added that Nana Regional Corporation has agreed to provide necessary land to accomodate reasonable

expansion for future users.

Number 624 Chairman Sund asked if these guarantees are being made by Cominco Ltd. in Canada or C.P. Railroad.

Number 626 Mr. Bert Wagnon, Executive Director of AIDA, answered that the guarantees are made by Cominco Ltd., which has most of the financial strength. He emphasized that the road and port would be owned and operated by the State of Alaska but that all the operations and maintenance expense would be paid by the users, 100% by Cominco as long as they are the only user. The \$18 million requested would be appropriated to the Economic Development Fund. Additional security will be required to satisfy the bond market. He said that the finance plan, being prepared by Stanford Research institute, will be available in late April or early May of 1985. He said that they also want to appropriate loans through the Department of Revenue and deposit them in the Economic Development Fund. He said that this would keep them from coming back to ask for more money next year. He said that Cominco is willing to pay about \$260 million over a 25 year period in the form of toll fees alone. Interest rate on the loans is still hypothetical.

CHANGE TAPE #17, SIDE TWO

Number 119 Chairman Sund asked how the loan funds would be obtained from where they are now into the Economic Development Fund.

Number 125 Mr. Wagnon said that an appropriation bill for about \$130 million would be needed.

Number 140 Chairman Sund noted that the total being requested is then \$148 million (\$130 million plus \$18 million.)

Number 147 Mr. Elder said that any finance plan by SRI will include some bonding for the project, which would require bonding authorization and assets in the Economic Development Fund. The cash itself would not be used for the project, he said, but rather the bonds. He also said that he and Paul Engleman have estimated that the present value of the direct corporate taxes and the avoided

transfer costs alone is \$210 million, not including user fees or anything else.

- Number 200            Chairman Sund asked for a detailed account of Mr. Elder's statement about the \$210 million. He also asked Mr. Elder to explain what an avoided transfer payment is.
- Number 210            Mr. Elder answered that an avoided transfer payment is like a welfare payment that the state is currently making that it won't have to make after the person is employed.
- Number 220            Representative Cotten asked who calculated that this would amount to \$40 million. Someone answered that the \$40 million is based on estimates of the total transfer payments going into the region.
- Number 222            Representative Phillips asked about the alleged conflict of interest rising from the fact that the SRI representative preparing the finance plan was a former Cominco employee.
- Number 230            Mr. Wagnon explained the process by which SRI was selected, and that it was later discovered that Olaf Wolf had been employed by Cominco and was drawing a pension. Mr. Wagnon said that he then became concerned about the appearance of a conflict of interest and requested that Mr. Wolf be removed from the study. SRI then substituted Eugene Thayers for the study, and since he had good qualifications, the Board of AIDA decided to go ahead with contract with SRI. There was an appeal, which was dismissed by the Commissioner of Administration, so the Commissioner's decision to go with SRI is final.
- Number 265            Representative Duncan asked which is being suggested in the March 19th letter to Chairman Sund.
- Number 273            Mr. Wagnon answered that they are advocating Case 4, which asks for all the money this year. By contrast, Case 3 requires AIDA to come back to the Legislature each year for more money.
- Number 316            Mr. Elder explained that the timing and amount of the bond sale is different in the different cases.

- Number 366 Chairman Sund asked about the statement in the same letter which says that no provision has been made to repay the state contribution.
- Number 372 Mr. Wagon said that the statement results from the assuming a bond interest rate of 10.5% and that \$155 million in bonds would be issued. In this case, the state would not be repaid until the \$155 million in bonds had been liquidated, after 25 years.
- Number 387 Representative Duncan asked if SRI shares the concern that there should not be a large or repeated appropriation.
- Number 395 Mr. Elder answered that since SRI is working for AIDA, they would share AIDA's concern.
- Number 410 Chairman Sund expressed concern that, since AIDA (as represented by the commissioners) and the Governor are in favor of this project, there are varying reports as to what the cost to the state will be, depending on who you talk to. By the time the SRI report is ready, the \$148 million will already have been appropriated.
- Number 420 Mr. Elder said that if you look at the returns, the cost to the state is in fact a profit.
- Number 457 Chairman Sund requested a draft of the appropriation bill. The meeting was adjourned at 5:00 p.m., to be reconvened at 3:30 p.m. on March 27, 1985.

HOUSE SPECIAL COMMITTEE  
ON STATE LOANS  
March 27, 1985  
3:30 p.m.

Members Present: Representative John Sund, Chair  
Representative Rick Uehling  
Representative Jack Fuller  
Representative Sam Cotten  
Representative Jim Duncan

COMMITTEE CALENDAR

Red Dog Mine Hearing

WITNESS REGISTER

John Sims, Office of Mineral Development  
DCED  
675 7th Ave. Stn. A  
Fairbanks, AK  
462-7464

Position Statement: Observer

Terry Elder, Deputy Commissioner  
Dept. of Commerce and Economic Development  
Pouch D  
Juneau, AK 99811  
465-2502

Position Statement: Testified in favor of Red Dog Development

Hank Giegerich, President and General Manager  
Cominco Alaska, Inc.  
6562 Cabeway  
Anchorage, AK 99502  
243-0908

Position Statement: Testified in favor of Red Dog

R.R. Stone  
Cominco, Ltd.  
385 Moyne Dr.  
West Vancouver, B.C.  
926-2595

Position Statement: Testified on behalf of Cominco, Ltd.

Don Argetsinger  
Nana Regional Corporation  
4706 Harding Drive  
Anchorage, AK  
248-3030

Position Statement: Testified re. acquisition of monument land.

Representative Steve Frank  
Pouch V  
Juneau, AK 99811  
465-3709  
Position Statement: Questions and Statements

Steve Kettel  
Dept. of Revenue  
Pouch SA  
Juneau, AK 99811  
465-2343  
Position Statement: Observer

Philip S. Barnett  
Sierra Club Legal Defense Fund  
419 6th St., Suite 321  
Juneau, AK 99811  
586-2751  
Position Statement: Observer

Michael Cushing  
Dept. of Community & Regional Affairs  
Pouch BH  
Juneau, AK 99811  
465-4750  
Position Statement: Observer

Mary Nordale, Commissioner  
Department of Revenue  
Pouch S  
Juneau, AK 99811  
465-2300  
Position Statement: Testified in favor of appropriation for road  
and port.

#### PREVIOUS ACTION

Red Dog Mine: Refer to House Special  
Committee on State Loans Minutes dated  
02/08/85 and 03/26/85.

#### ACTION NARRATIVE

TAPE #18, SIDE ONE  
Recording  
Number 001

The meeting was called to order by Chairman  
Sund at 3:36 p.m. Members present were  
Representative Sund, Representative Cotten,  
Representative Fuller, and Representative  
Uehling. Representative Duncan arrived at  
3:45 p.m. Representative Frank was also  
present. Representative Uehling and

Representative Frank left at 4:05 p.m.  
Representative Uehling returned at 4:30 p.m.  
Chairman Sund asked Mr. Terry Elder, Deputy  
Commissioner of DCED, to explain Case #4 in  
terms of the loan appropriation.

- Number 012 Mr. Elder explained that the fourth scenario was put together by AIDA, and that what they hope to do is create a bonding mechanism for construction of the port and the road. Both the \$18 million appropriation and the loan appropriation from the Department of Revenue would be deposited in AIDA's Economic Development Fund.
- Number 035 Chairman Sund asked what type of loans are in that portfolio, what the maturities are.
- Number 040 Mr. Elder answered that there was \$141 million worth of outstanding principal amount as of January 31, 1985. The average interest rate is about 7.9%. The average maturity is about 10 years or less, though he said he wasn't sure.
- Number 076 Representative Uehling asked if money that is lapsing from the loan programs would now be made available to AIDA.
- Number 085 Mr. Elder answered no, these loans are owned by the Department of Revenue and serviced by DCED, as distinguished from cash that could be reappropriated because it had not been loaned out yet.
- Number 125 Representative Frank asked if the bonds would also be collateralized by a financial arrangement with Cominco.
- Number 130 Mr. Elder answered that, as part of the finance plan, there would be a contract with Cominco for user fees.
- Number 140 Representative Frank asked how the \$100 million estimated par value of the loans relates to the \$141 million figure.
- Number 145 Mr. Elder answered that there is \$100 million in "good loans", but that there is a high delinquency rate.
- Number 167 Representative Frank asked how bonds could be collateralized by bad loans.

- Number 170 Mr. Elder answered that they were not all bad loans, just that there is a high delinquency rate.
- Number 180 Representative Frank noted a sentence that says no provision has been made to repay the state's contribution but that it might be paid out of excess revenues. He asked how this fits with Cominco's pledge to repay the state.
- Number 200 Mr. Elder answered that perhaps it does not fit, and said that he anticipates that the finance plan will reflect all the income that the state will receive.
- Number 230 Chairman Sund asked what is the cash flow of the existing loans.
- Number 235 Mr. Elder estimated that it is the neighborhood of \$15 to \$20 million annually. He added that the assets and the cash flow will collateralize the bonds, as well as the user fees. However, cash from user fees will not happen until the mine is in production. The cash flow would be used to meet annual obligations on the debt service in the meantime.
- Number 257 Chairman Sund asked Mr. Elder what the legislature has to do in order to implement the plan that he is discussing.
- Number 265 Mr. Elder answered that the legislature would have to appropriate \$18 million to AIDA, to appropriate the outstanding principal amounts of the loans held by the Department of Revenue to AIDA, and to give AIDA the authority to issue bonds in an amount not to exceed \$175 million.
- Number 280 Chairman Sund asked if these bonds would go against the state's bonding capacity.
- Number 283 Mr. Elder answered no, they would be the obligation of AIDA.
- Number 292 Representative Frank asked Mr. Elder why \$18 million appropriation plus \$141 million in loans is needed in order to proceed on schedule.
- Number 298 Mr. Elder answered that they want to proceed with construction in calendar year 1986.

The \$18 million plus some of the proceeds from the bond sales would be required to do the final engineering and design, to bring them up to the point of construction. Some of the \$18 million might also be used to pay the debt service on the bonds. The project would be delayed another year if the money is not appropriated for FY 86.

- Number 310 Chairman Sund asked if the bonds will be tax exempt.
- Number 314 Mr. Elder answered that they would be, if possible, but that the IRS would have to rule on it. He added that they are fairly sure that the bonds for the port will be tax exempt, but less sure about the road.
- Number 330 Representative Cotten asked if it is unusual for AIDA to take an active role in promoting this kind of project.
- Number 335 Mr. Elder answered that is not unusual, but this is the first owner-operator project for AIDA.
- Number 340 Representative Cotten asked how the possibility of cost overruns is being considered.
- Number 344 Mr. Elder answered that the estimates have been reviewed by experts, and they feels comfortable that the estimates are accurate.
- Number 355 Representative Cotten said that there is always a good chance of cost overruns and asked how they would deal with a 25% overrun.
- Number 380 Mr. Elder answered that some contingency had been worked into the plan, and that a change in the estimate of cost could be handled by the bond financing.
- Number 390 Chairman Sund asked if there is a guarantee of completion with Cominco.
- Number 395 Mr. Elder answered that, as a part of the finance plan, there will be a contract that would obligate the users to meet the debt obligations of the authority.
- Number 402 Representative Frank asked why AIDA was chosen instead of DOTPF to build the

project.

- Number 410 Mr. Elder answered that AIDA was chosen because of their expertise in putting financing packages together. Number
- Number 420 Mr. Hank Giegerich, President of Cominco Alaska, introduced himself and Mr. Bob Stone, Vice President of Finance for Cominco, Ltd.
- Number 430 Representative Cotten noted that the finance plan may not be ready until May 1, even though originally they thought it would be available April 15.
- Number 435 Mr. Elder answered that there had been delays and that the first draft would be available on May 6, but that SRI would be available in mid to late April to discuss the plan.
- Number 460 Representative Cotten expressed concern that the legislature would only have one week to review the finance plan and make a decision.
- Number 465 Mr. Elder answered that what is being requested of the legislature is the tools for the finance plan, and that there has been a verbal promise of safeguards by Cominco. The committee might want to draft a letter of intent which addresses these safeguards and making the use of the \$18 conditional upon meeting the conditions of the letter.
- Number 480 Chairman Sund said that the committee will work on language for such a letter. He asked Mr. Giegerich when Cominco will start spending money.
- Number 485 Mr. Giegerich answered that Cominco would start spending money about the same time the state does, in order to get modules constructed.
- Number 495 Chairman Sund asked how much of Cominco's money would be spent in Alaska.
- Number 500 Mr. Giegerich answered that the modules would be built outside, but that all the on-site work would of course be in Alaska, and offered to provide the committee with a breakdown of where the money would be spent.

- Number 520 Chairman Sund asked how the congressional action to provide access across the monument is coming.
- Number 540 Mr. Don Argetsinger of the Nana Corporation answered that a land exchange agreement with the Department of Interior has been signed, requiring confirming legislation which was introduced early in February. He said that he expects passage by the time Congress recesses in early August. He added that if the bill does not pass by then, it will delay construction, but that there has been no significant objection to the bill so far.
- Number 556 Representative Duncan asked what Cominco would do if the legislature does not act this session on the requests for appropriations.
- Number 565 Mr. Giegerich answered that Cominco would not trash the whole project, but that Cominco is concerned that the mine be operational by the end of the decade because of the anticipated market opportunity at that time.
- Number 620 Representative Duncan expressed concern that the first draft of the finance plan would not be ready until May 6, hinting that the money should not be appropriated until 1986 when the plan has been completed. He asked if Cominco would use their own resources until that time.
- Number 630 Mr. Giegerich answered that Cominco must make a commitment to the construction of the modules early in 1986 and must have a contractor ready to go to work in July. He said that Cominco's board probably would not give the authority to proceed with the project if the state did not appropriate the money.
- Number 618 Mr. Stone added that Cominco had already spent about \$25 million by the end of 1984 and that the 1985 expenditures will be about \$12 million. He guessed that, if an agreement with the state is reached this session, it would be presented to the Board in the August meeting, after which the board would give the authority to proceed.

CHANGE TAPE #18, SIDE TWO

- Number 056 Mr. Elder said that, since this is being developed as a publicly owned and operated regional transportation system, the state would not want a private corporation to develop the road and port. He added that all the details would be worked out before the sale of any bonds.
- Number 108 Chairman Sund asked if the bond people would put a requirement of completion of the entire project on the bonds, since they will be paid off by toll fees after the mine is operational.
- Number 120 Mr. Elder answered that the bond people would probably require some sort of take or pay contract.
- Number 150 Ms. Mary Nordale, Commissioner of the Department of Revenue, said that the finance plan may not be complete in every detail when it comes out, and that they want a commitment from the legislature with the needed guarantees, so that AIDA can "fine tune" the finance plan.
- Number 155 Mr. Giegerich said that Cominco is prepared to make a guarantee that the mine will be operational within a definite time period after completion of the transportation system, providing they can work out an agreement with AIDA. He added that Cominco understands that AIDA is committed to working out the details of a financial arrangement with Cominco during the next month.
- Number 180 Representative Duncan asked Mr. Elder if they have talked to some bond people about the acceptability of the plan for bonding.
- Number 190 Mr. Elder answered that AIDA has run it by its own financial advisor.
- Number 200 Representative Duncan asked what would happen if the fund were capitalized but there was no appropriation this year.
- Number 212 Mr. Elder answered that there would be expenditures early in 1986, and that without the \$18 million appropriation, the project would probably be delayed.
- Number 237 Mr. Giegerich added that the \$18 million is

necessary to both AIDA and Cominco.

Number 250

Ms. Nordale said that the finance package must be put together by AIDA. The \$18 million would fund the preliminary work necessary to determine construction costs and the amount needed for the total financing of the project. Since AIDA, as an agency of the state, will own the transportation system, then they must borrow the money.

Number 290

Chairman Sund said that there is a \$100 million cap on loan programs this year, requiring \$30 million to be cut from existing loan programs. If \$18 million is appropriated to AIDA, then other programs will have to be chopped. He said that it is an important decision to be made with insufficient data.

Number 300

Mr. Giegerich said that it is his understanding that AIDA needs the \$18 million in order to put together the total financial plan, and Cominco must see the financial plan in order to make a commitment.

Number 310

Representative Duncan asked Mr. Elder how much money would be needed between January and May of 1986.

Number 312

Mr. Elder answered that he did not know, but that funds will be needed up front for construction of the project so that they can make commitments.

Number 338

Ms. Nordale said that the \$18 million will go for engineering for designing the project, and costs will not be determined until that is done.

Number 345

Representative Duncan asked why the cash flow from the loans could not be used instead of an \$18 million appropriation.

Number 350

Ms. Nordale offered to meet with Representative Duncan to explain it. She said that starting July 1 there will be no money, and if they wait until January 1 when there will be money, they will have lost a year on the project.

Number 375

Chairman Sund asked how much of the \$18

million and the \$141 million would ever come back to the General Fund.

Number 380

Mr. Elder answered that, if the mine is developed, taxes and avoided transfer payments would be worth \$210 million (present value), which goes to the General Fund.

Number 408

Representative Duncan asked if it would be possible to outline what the \$18 million will be used for. He also asked that they investigate how the \$18 million could be reduced.

Number 420

Mr. Elder answered that they would do as Representative Duncan requests and that they will not ask for more than is needed.

Number 437

Representative Uehling agreed with Representative Duncan that the legislature should know what the \$18 million will be spent for, and asked what is the time line for cost estimates, engineering the road, etc.

Number 450

Mr. Elder said that he did not know.

Number 465

Chairman Sund said that a meeting needs to be set to draft a letter of intent. The meeting was adjourned at 4:50 p.m.

HOUSE SPECIAL COMMITTEE ON LOANS  
Joint meeting with House Resources Committee  
February 8, 1985  
8:30 a.m.

Members Present:

Loans: Representative John Sund, Chair  
Representative Rick Uehling  
Representative Jack Fuller

Resources: Representative Dick Shultz, co-chair  
Representative Kay Wallis  
Representative Dave Thompson  
Representative Mike W. Miller  
Representative Bette Cato  
Representative Drue Pearce  
Representative Roger Jenkins

Members Absent:

Loans: Representative Sam Cotten  
Representative Jim Duncan

Resources: Representative Adelheid Herrmann

Also Present: Representative Steve Rieger  
Representative Randy Phillips  
Representative Steve Frank

COMMITTEE CALENDAR

Red Dog Mine: Cominco and Alaska Industrial Development Authority presentations.

WITNESS REGISTER

Bert Wagnon, Executive Director  
Alaska Industrial Development Authority  
1577 "C" Street, Suite 304  
Anchorage, AK 99501  
274-1651

Position Statement: Testified in favor of DeLong Mountains Transportation Project.

Hank Giegerich, President and General Manager  
Cominco Alaska, Inc.  
5660 "B" Street  
Anchorage, AK 99502  
563-3686

Position Statement: Testified in favor of Red Dog mine.

Bill Wilson, President  
Cominco, Ltd.  
Suite 2300

200 Granville St.  
Vancouver, B.C. V6C2R2  
No phone given  
Position Statement: Testified in favor of Red Dog.

John Schaeffer, President  
Nana Regional Corporation  
4706 Harding Drive  
Anchorage, AK  
248-3030  
Position Statement: Testified in favor of Red Dog

David S. Kennedy, Senior Geologist  
GCO Minerals Co.  
1031 W. 4th Ave.  
Anchorage, AK  
274-9541  
Position Statement: Observer

Geoffrey Snow, President  
Noranda Exploration, Inc.  
139 E. 51st Ave.  
Anchorage, AK  
561-1036  
Position Statement: Observer

#### ACTION NARRATIVE

Tape #5

Side 1

Recording

Number 001 Chairman Sund called the meeting to order at 8:35 a.m. Members present were Representatives Thompson, Jenkins, M.W. Miller, Cato, Shultz, Sund and Pearce. Representative Wallis arrived at 8:35, Representatives Uehling and Fuller arrived at 8:47. Chairman Sund introduced Bert Wagnon, Executive Director of AIDA.

Number 020 Mr. Wagnon testified on behalf of AIDA in favor of the DeLong Mountains Transportation Project, including a port and a 55 mile long road in Western DeLong Mountains area near Kevalina. Estimated costs are \$65 million for the port and \$85 million for the road. Proposed mineral development in the region includes Red Dog Mine. He added that the entire region is heavily mineralized with good potential for future development. AIDA is proposing to construct the transportation project and then charge user fees to all users. Initially, Cominco would be the only significant user. Mr. Wagnon said that the \$150 million to build the project can come from tax exempt revenue bonds, loans to AIDA and possibly state grants. So far the \$3.4 million appropriation to AIDA by the legislature in 1984 has been used to pay for financial plan costs, engineering services, and miscellaneous AIDA expenses. An additional \$18 million state loan is in the governor's FY 86 budget request. Mr. Wagnon justified the project on the grounds that it would bring jobs, tax revenues and increase economic stability to Alaska. He added that there has been a resolution of intent

between the Department of Commerce and Cominco. A RFP for the finance plan has been distributed (deadline 2/15/85,) as well as a RFP for civil engineering services.

Number 150 Representative Thompson asked Mr. Wagnon if the cost estimates for the port and road were AIDA's or Cominco's.

Number 154 Mr. Wagnon responded that they are Cominco's figures, stated in 1985 dollars.

Number 156 Chairman Sund asked if the finance plan will have to be submitted to the legislature.

Number 158 Mr. Wagnon answered that it must be submitted to the legislature, governor and State Bond Committee, but does not require legislative approval.

Number 208 Representative Frank asked if the debt to AIDA would be retired by fees from the initial user (Cominco).

Number 216 Mr. Wagnon responded that fees from future users would be required, and that about a \$10 million tariff is expected from the first significant user of the project.

Number 240 There was discussion regarding the use of tax exempt bonds to finance the project beyond the \$18 million in direct loan from the state.

Number 258 Representative Uehling asked what the projected costs of the project for the next several years would be.

Number 262 Mr. Wagnon answered that AIDA anticipates bonding for at least a portion of the remainder of the project beyond the \$18 million loan for FY 86, but that if general funds were to be used for the entire project, the requirement would be \$18 million in FY 86, \$50 million for the second year, \$50 million for the third year, and \$10 or \$20 million for the fourth year. He said that AIDA feels that that would be an unacceptable burden for the general fund to bear. Therefore, AIDA is working on alternative finance plans.

Number 313 John Schaeffer, president of Nana Regional Corporation, owner of the Red Dog deposit, testified in favor of the project. The reasons he cited are that the project would provide about 400 jobs, more than half of which would be filled locally. Nana Regional Corporation would also get 4% of the net smelter return until Cominco recovers its investment, then 25% of net profits after that, increasing by 5% every 5 years to a maximum of 50%. Of this money, Nana would get one third and the remaining two thirds would be distributed among eleven other regional corporations state-wide.

Number 465 Mr. Bill Wilson, president of Cominco, Ltd., summarized Cominco's activities world wide, discussed shifts in markets for zinc in recent years, and said that Cominco wants to bring Red Dog into production by the end of the decade. He said that Cominco was prepared to make guarantees covering repayment of the state financing and start-up of the

mine, backed by \$2 billion in Cominco assets (Canadian dollars). He said that the current price of zinc is \$.43 per pound.

Number 585 Mr. Giegerich gave a slide presentation to emphasize what Cominco believes the Red Dog development would mean to Alaska. He emphasized that 300 people would be employed during the construction phase, and about 400 when the mine is in operation and about 230 in the service industries. Cominco anticipates expenditures in Alaska of about \$100 million yearly: \$20 million in wages, \$5 million in Alaskan purchases (services and materials,) \$20 million in transportation payments, and \$30 million in royalty payments. He emphasized that timing is critical because the world zinc industry is competitive and that a commitment is needed from the legislature in 1985 so that Red Dog can be brought into production by the end of the decade. He said that the capital cost of Red Dog is estimated at \$400 million in 1985 dollars, \$250 million of which is for the mine facilities and \$150 million for transportation. He said that Cominco's proposal provides for a 30 year payback of the state's investment: \$260 million in toll fees and taxes of \$360 million (shared by Cominco and the Regional Corporations.) He said that Cominco has invested \$25 million in the project to date, and will reach \$40 million by the end of 1985.

Side 2

Recording

Number 106 Chairman Sund asked how Cominco feels about the risk involved in going ahead with the project before getting a commitment from the state.

Number 110 Mr. Wilson answered that Cominco's willingness to go ahead with the project depends on obtaining the AIDA loan, settling on an appropriate route to the sea, and location of the mine in terms of management. Currently, the proposed mine site is in the North Slope Borough, and there is talk of moving boundaries and organizing a borough in the Nana Region.

Number 167 Representative Pearce asked Mr. Giegerich about the length of the shipping season.

Number 170 Mr. Giegerich responded that the shipping season is about 100 days, but the mine would operate year-round. He added that working capital (what it takes until the mine is operational and product is sold) is 35-50% of the capital cost. This compares with about 10% for a non-arctic project.

Number 180 There was some discussion regarding the marketing of ore when the shipping season is short.

Number 205 Representative Frank asked how the \$10 million tariff was determined.

Number 208 Mr. Giegerich said that \$10 million is based on the \$150 million estimated capital cost, plus the payment schedule Cominco felt they could afford.

Number 215 There was some discussion regarding the price of zinc and what it would take for Cominco to recover its investment, and also about the

quality of ore, the stripping ratio and cost of transportation as those variables affect the cost of operation.

Number 306 There was some discussion regarding the average mining rate of return on investments and Cominco's expectation of a 20% return.

Number 350 Chairman Sund expressed doubts about the state becoming a risk taker in a private enterprise, unless the risk factors are identified, and concern about the cost of the state being a facilitator in financing the project. He said he would want to see the financial plan.

Number 357 Representative Frank asked when the financial plan would be ready.

Number 368 Mr. Wagnum answered that it should be ready by April 15th.

Number 372 The meeting was adjourned at 9:45 a.m.

### Article 3. International Airports Revenue Bonds.

Section	Section
410. Bond authorization	490. Bond negotiability
420. Construction fund	500. Airport charges
430. Revenue fund	510. State improvements to airports
440. Redemption fund	520. Refunding
450. Bond terms	530. Bonds as legal investments
460. Bond resolution	540. Statutory construction
470. Enforcement by holder	550. Definitions
480. Amounts required for payments	

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Legislative history reports. — For report on ch. 149, SLA 1972 (CSHB 531), see 1972 House Journal, p. 1233.

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**Sec. 37.15.410. Bond authorization.** For the purpose of providing part or all of the money to be used, with or without any grants or other money which may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$62,825,000 is authorized to acquire, equip, construct and install the additions, improvements, extensions and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use and operation of the airports, and of all the facilities of them and out of any other revenues or money which the state legislature may provide exclusive of any state tax or license. (§ 1 ch 149 SLA 1972; am § 1 ch 66 SLA 1974; am § 1 ch 68 SLA 1979; am § 1 ch 11 SLA 1982; am § 1 ch 25 SLA 1983)

**Effect of amendments.** — The 1979 amendment substituted "\$43,325,000" for "\$34,825,000" in the first sentence.

The 1982 amendment substituted "\$34,825,000" for "\$43,325,000" in the first sentence.

The 1983 amendment substituted

"\$62,825,000" for "\$34,825,000" in the first sentence.

**Editor's notes.** — See ch. 69, SLA 1979 in Temporary and Special Acts and Resolves for the appropriation of the increase in bonds authorized by ch. 68, SLA 1979.

**Sec. 37.15.420. Construction fund.** (a) There is a special fund of the state known as the "International Airports Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except any accrued interest paid on them, which shall be paid into the bond redemption fund) and any grant or other money which is legally provided for the same purposes for which the bonds are authorized. The money in the construction fund shall be used to pay the costs of acquiring, equipping, constructing and installing additions and improvements to and extensions and facilities for the airports and costs incidental thereto, including costs of the authorization, issuance and

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sale of the bonds. To the extent provided in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the period of actual construction, and for such further period, not exceeding one year after the period of construction, as may be provided in the bond resolution. Money in the construction fund may also be transferred to the bond redemption fund, to the extent provided in the bond resolution, to establish a reserve for the payment of the principal of and interest on the bonds.

(b) The bond resolution may provide for the investment of money in the construction fund in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the construction fund. (§ 1 ch 149 SLA 1972)

Cross references. — For initial appropriations to fund, see section 2, ch. 149, SLA 1972. Temporary and Special Acts.

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution con-

tains an implied exception for revenue derived from bond issues and for revenue derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982. Op. Att'y Gen.

**Sec. 37.15.430. Revenue fund.** (a) There is another special fund of the state, known as the "International Airports Revenue Fund," which shall be completely segregated and set apart from all other funds of the state, which is a trust fund for the uses and purposes provided in AS 37.15.410 — 37.15.550, and into which shall be paid all revenues, fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them and facilities and improvements used in connection with them. These revenues, charges, fees and rentals shall not include the proceeds of any state tax or license. The money in the revenue fund shall only be used for the purpose of paying or securing the payment of the principal of and interest on the bonds and of and on any other revenue bonds issued by authorization of the legislature to provide funds to acquire, equip, construct and install additions and improvements to, and extensions of and facilities for, the airports and to be payable out of the revenue fund, the purpose of paying the normal and necessary costs of maintaining and operating the airports and all of the improvements and facilities of them, the purpose of paying the costs of renewals, replacements and extraordinary repairs to the airports and all of the improvements and facilities of them, the purpose of redeeming before their fixed maturities any and all revenue bonds issued for the purposes of the airports, the purpose of providing funds to acquire, construct and install necessary additions and improvements to and extensions of and facilities for the airports and all of their facilities, and the purpose of providing funds to pay any and all other costs relating to the ownership, use and operation of the airports.

(b) The investment of money in the revenue fund may be made in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the revenue fund. (§ 1 ch 149 SLA 1972)

**Opinions of Attorney General.** — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

**Sec. 37.15.440. Redemption fund.** There is another special fund of the state, known as the "International Airports Revenue Bond Redemption Fund," which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. The committee, on behalf of the state, shall obligate and bind the state to set aside and pay into the bond redemption fund any part or parts of, or all of, or a fixed proportion of, or a fixed amount of the money in the revenue fund sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if it considers it necessary, to set aside and maintain reserves for this purpose. The bond redemption fund shall be drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state. (§ 1 ch 149 SLA 1972)

**Opinions of Attorney General.** — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

**Sec. 37.15.450. Bond terms.** (a) The bonds shall be sold in such amounts or series and at such time or times as determined by the committee. Before selling a series of bonds, the committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. The bonds, or each series of them, shall be sold at such a price so that the effective interest rate over the life of the bonds does not exceed 11 percent per year or that

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rate of interest which is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. Interest shall be payable annually or semiannually.

(b) The bonds shall mature at such time or times as fixed by the committee. The bonds may be subject to redemption before their fixed maturities as determined by the committee and with such premium or premiums as fixed by the committee, but no bond may be subject to redemption before its fixed maturity date unless the right so to redeem that bond is expressly mentioned on the face of the bond. The bonds may be in denominations determined by the committee; may be issued in coupon form or in fully registered form, and may be registrable as to principal or both principal and interest, all under such regulations and conditions as the committee shall provide; shall be payable as to principal and interest at such place or places as may be determined by the committee; shall be signed on behalf of the state by the governor and shall be attested by the lieutenant governor, both of which signatures may be facsimile signatures; shall have the seal of the state impressed, printed or lithographed on them, and each of the interest coupons attached to them shall be signed by the facsimile signatures of these officials; shall be issued under and subject to such terms, conditions and covenants providing for the payment of the principal of them and interest on them and such other terms, conditions, covenants and protective features safeguarding this payment and relating to the maintenance, operation and improvement of the airports as found necessary by the committee, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of this principal and interest. The committee may provide that any additional bonds authorized after June 27, 1972 by the legislature to be payable out of the same source or sources as the bonds authorized as of that date may later be issued on a parity with the bonds authorized as of that date upon compliance with any conditions which the committee may prescribe.

(c) If found reasonably necessary, the committee may select a trustee or trustees for the holders of the bonds or any series of them, for the safeguarding and disbursement of any of the money in any of the funds created by AS 37.15.420, 37.15.430 and 37.15.440, or for such duties with respect to the authentication, delivery and registration of the bonds as the committee may determine, and shall fix the rights, duties, powers and obligations of the trustee or trustees.

(d) In its determination of all of the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, conditions and covenants of them as provided in (a), (b) and (c) of this section, the decisions of the committee shall be those found to be reasonably necessary for the best interests of the state and its inhabitants, and those which will accomplish the most advantageous sale of

the bonds, with due regard, however, to necessary or normal costs of maintenance and operation, renewals and replacements of and repairs to the airports and to all improvements to them and facilities of them owned, used, operated or leased in connection with them, the future growth and expansion of the airports and all of such facilities, and the possibility of additional revenue bond financing for airports purposes. Any such decisions of the committee, as expressed in any bond resolution, are final and conclusive when any bonds have been issued pursuant to the bond resolution.

(e) A bond resolution may provide that the bonds issued shall contain a recital that they are issued under AS 37.15.410 — 37.15.550, and any such bonds containing this recital shall be conclusively considered to be valid and to have been issued in conformity with AS 37.15.410 — 37.15.550.

(f) The validity of the authorization and issuance of bonds is not affected by any proceedings for the acquisition or construction of the additions, improvements, extensions or facilities for which the bonds have been issued or by any contracts in connection with the acquisition or construction. (§ 1 ch 149 SLA 1972; am §§ 1, 2 ch 19 SLA 1973; am § 4 ch 85 SLA 1980; am § 5 ch 110 SLA 1982)

**Revisor's notes.** — AS 37.15.450 was derived from § 7, ch. 88, SLA 1961, as amended by § 8, ch. 62, SLA 1968 and § 3, ch. 173, SLA 1970. In the last sentence of what is now designated subsection (b), the only differences between the wording here and in those earlier versions are that "hereafter" was changed to "after the effective date of this Act" and "authorized by this Act" (in two places) was changed to "authorized as of that date." The latter change suggests that the date referred to in the former change is June 27, 1972, the effective date of the Act putting these provisions in the Alaska Statutes, rather than

April 15, 1961, the effective date of the original international airports bond authorization Act. Therefore, under AS 01.05.031(b)(5), the 1972 date has been inserted in the text.

**Effect of amendments.** — The 1980 amendment substituted "10" for "eight" preceding "percent per year" near the end of the next-to-last sentence of subsection (a).

The 1982 amendment substituted the language beginning "11 percent per year" for "10 percent per year" at the end of the next-to-last sentence of subsection (a).

**Sec. 37.15.460. Bond resolution.** The committee is authorized and directed to adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale and delivery of the bonds or any part or series of them. The bond resolution shall fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.450. (§ 1 ch 149 SLA 1972)

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**Sec. 37.15.470. Enforcement by holder.** The holder of any bonds or the trustee for the holders of the bonds or any series of them, may by appropriate proceedings in the courts of record of the state, require and compel the transfer, setting aside and payment of money and the enforcement of all of the terms, conditions and covenants as required and provided in AS 37.15.410 — 37.15.550 and in the bond resolution. (§ 1 ch 149 SLA 1972)

**Sec. 37.15.480. Amounts required for payments.** The committee shall, before December 31 of each year, commencing with the year in which the bonds are issued, certify to the commissioners of revenue and transportation and public facilities the amounts required in the next ensuing calendar year by the bond resolution or resolutions to be paid out of the revenue fund into the bond redemption fund and to be paid into and maintained in any reserve fund or account or any other fund or account created by the bond resolution or resolutions, and shall also certify to the commissioners the last date or dates upon which payments may be made. (§ 1 ch 149 SLA 1972)

**Sec. 37.15.490. Bond negotiability.** The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state. (§ 1 ch 149 SLA 1972)

**Sec. 37.15.500. Airport charges.** The commissioner of transportation and public facilities shall fix and collect such fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them or used in connection with them as will provide revenues sufficient to comply with all of the covenants of the bond resolution. (§ 1 ch 149 SLA 1972)

**Sec. 37.15.510. State improvements to airports.** The state is authorized to acquire, equip, construct and install additions and improvements to and extensions of the airports, facilities for the landing, parking, loading, storing, repairing, safety and utility of aircraft at the airports and passenger, freight and terminal facilities, including safety equipment and devices at the airports, found to be necessary by the commissioner of transportation and public facilities. (§ 1 ch 149 SLA 1972)

**Sec. 37.15.520. Refunding.** (a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the state if in the opinion of the committee refunding is advantageous to and in the best interests of the state and its inhabitants.

(b) The issuance of refunding bonds need not be authorized by an Act of the legislature, and the committee is authorized and directed to adopt the resolution or resolutions and prepare all other documents and proceedings necessary for the issuance, exchange or sale, and

delivery of such bonds. All provisions of AS 37.15.410 — 37.15.550 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale or exchange of them, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide funds for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest upon the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid pursuant to the call of them or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on them to the date of the call or retirement. (§ 1 ch 149 SLA 1972)

**Collateral references.** — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

**Sec. 37.15.530. Bonds as legal investments.** The bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees and other fiduciaries. The bonds may be accepted as security for deposits of all funds of the state and its political subdivisions. (§ 1 ch 149 SLA 1972)

**Sec. 37.15.540. Statutory construction.** AS 37.15.410 — 37.15.550 shall be liberally construed in order to carry out the purposes for which they were enacted, and all existing laws in conflict with any of these sections are superseded insofar as necessary to accomplish the purposes of and carry out the provisions of these sections. (§ 1 ch 149 SLA 1972)

**Sec. 37.15.550. Definitions.** As used in AS 37.15.410 — 37.15.550, unless the context otherwise requires:

(1) "airports" means the international airports owned and operated by the state and located at or near the cities of Anchorage and Fairbanks;

(2) "bond redemption fund" means the International Airports Revenue Bond Redemption Fund created by AS 37.15.440, including any accounts which are created in that fund after June 27, 1972;

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(3) "bond resolution" means the resolution or resolutions authorizing the issuance of bonds, adopted by the committee under AS 37.15.460;

(4) "bonds" means the international airports revenue bonds authorized by AS 37.15.410 — 37.15.550;

(5) "commissioner of transportation and public facilities" means the principal executive officer of the Department of Transportation and Public Facilities of the state as provided in AS 44.42.010, or a successor;

(6) "commissioner of revenue" means the principal executive officer of the Department of Revenue of the state as provided in AS 44.25.010, or a successor;

(7) "committee" means the state bond committee created by AS 37.15.110, or any other committee, body, department or officer of the state which or who succeeds to the rights, powers, duties and obligations of the state bond committee by lawful Act of the legislature;

(8) "construction fund" means the International Airports Construction Fund created by AS 37.15.420;

(9) "revenue fund" means the International Airports Revenue Fund created by AS 37.15.430. (§ 1 ch 149 SLA 1972)

## Chapter 20. Acceptance of Federal Funds.

### Section

10. Acceptance of federal grants and transfers of property  
20. Federal Transitional Grants Account

### Section

30. Jurisdiction of accepted property  
40. Alaska Native Fund

**Sec. 37.20.010. Acceptance of federal grants and transfers of property.** The governor is authorized to accept on behalf of the state all federal grants and transfers of property of an emergency, transitional or omnibus nature upon conditions imposed by the federal government. (§ 1 ch 176 SLA 1959)

**Sec. 37.20.020. Federal Transitional Grants Account.** There is established in the general fund a special account designated the Federal Transitional Grants Account. All grants of money accepted under this chapter shall be deposited in this special account. (§ 2 ch 176 SLA 1959)

**Sec. 37.20.030. Jurisdiction of accepted property.** (a) All chattels accepted under the provisions of AS 37.20.010 and 37.20.020 are subject to the jurisdiction of the Department of Administration for distribution to the appropriate department.

(b) All land accepted under the provisions of AS 37.20.010 and 37.20.020 is subject to the jurisdiction of the Department of Natural Resources.

Offered: 4/19/85  
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS  
2 CS FOR HOUSE BILL NO. 105 (Loans)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to the authorization of bonds or  
7 notes, establishing conditions under which the bonds  
8 or notes for the DeLong Mountain transportation  
9 project may be issued; and providing for an effective  
10 date."  
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
12 \* Section 1. AS 37.15.410 is amended to read:  
13 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-  
14 ing part or all of the money to be used, with or without any grants or  
15 other money that [WHICH] may become available, the issuance and sale  
16 of revenue bonds of the state in the total principal sum of not to  
17 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,  
18 construct, and install the additions, improvements, extensions, and  
19 facilities authorized in AS 37.15.510. The principal of and interest  
20 on these bonds shall be paid out of and secured by the gross revenues  
21 derived by the state from the ownership, lease, use, and operation of  
22 the airports, and of all the facilities of them and out of any other  
23 revenues or money that [WHICH] the state legislature may provide  
24 exclusive of any state tax or license.  
25 \* Sec. 2. The Alaska Industrial Development Authority is authorized to  
26 issue bonds or notes in a principal amount not to exceed \$175,000,000 to  
27 provide financing for the DeLong Mountain transportation project.  
28 \* Sec. 3. Before bonds or notes authorized under sec. 2 of this Act may  
29 be issued the Alaska Industrial Development Authority shall comply with

1 AS 44.88.173 and shall incorporate into the final finance plan for the  
2 DeLong Mountain transportation project the following terms and conditions:

3 (1) Cominco, Ltd. is required to agree in writing that

4 (A) Cominco, Ltd. will pay for all or a portion of the  
5 operation and maintenance of facilities constructed as part of the  
6 project based on the use Cominco Alaska makes of the facilities com-  
7 pared to the use made by others;

8 (B) if Cominco Alaska ceases to develop the Red Dog Mine  
9 after costs or debts have been incurred for the project, Cominco, Ltd.  
10 will repay the Alaska Industrial Development Authority for those costs  
11 and debts;

12 (C) toll fees paid by Cominco Alaska for the use of facil-  
13 ities constructed as part of the project to the Alaska Industrial  
14 Development Authority may be periodically adjusted if the price of  
15 zinc rises above a level that yields a return on investment: commen-  
16 surate with risk;

17 (2) land in the Cape Krusenstern National Monument is conveyed  
18 to NANA Regional Corporation by the United States Department of the In-  
19 terior;

20 (3) NANA Regional Corporation is required to agree in writing to  
21 make available to the Alaska Industrial Development Authority, at no more  
22 than fair market value, land needed for the port and road constructed as  
23 part of the project and land needed for future expansion of the road and  
24 port;

25 (4) tax exempt financing for the project is used to the maximum  
26 extent possible;

27 (5) a toll schedule, that may be periodically adjusted, is  
28 established for use of facilities constructed as part of the project that

29 (A) ensures a reasonable return on the state's investment

1 in the project; and

2 (B) guarantees equitable access to the facilities by all  
3 users.

4 \* Sec. 4. Before bonds or notes authorized under sec. 2 of this Act may  
5 be issued the Alaska Industrial Development Authority shall

6 (1) report in writing to the legislative budget and audit  
7 committee that the conditions under sec. 3 of this Act have been met; and

8 (2) agree with the Department of Revenue in writing to deliver  
9 all money generated by the DeLong Mountain transportation project, other  
10 than money necessary for payment of the principal and interest on bonds or  
11 notes issued under sec. 2 of this Act, to the Department of Revenue for  
12 deposit in the general fund.

13 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
14 10.070(c).

Offered: 4/19/85  
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS  
2 CS FOR HOUSE BILL NO. 105 (Loans)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to the authorization of bonds or  
7 notes, establishing conditions under which the bonds  
8 or notes for the DeLong Mountain transportation  
9 project may be issued; and providing for an effective  
10 date."  
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
12 \* Section 1. AS 37.15.410 is amended to read:  
13 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-  
14 ing part or all of the money to be used, with or without any grants or  
15 other money that [WHICH] may become available, the issuance and sale  
16 of revenue bonds of the state in the total principal sum of not to  
17 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,  
18 construct, and install the additions, improvements, extensions, and  
19 facilities authorized in AS 37.15.510. The principal of and interest  
20 on these bonds shall be paid out of and secured by the gross revenues  
21 derived by the state from the ownership, lease, use, and operation of  
22 the airports, and of all the facilities of them and out of any other  
23 revenues or money that [WHICH] the state legislature may provide  
24 exclusive of any state tax or license.  
25 \* Sec. 2. The Alaska Industrial Development Authority is authorized to  
26 issue bonds or notes in a principal amount not to exceed \$175,000,000 to  
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8 (2) agree with the Department of Revenue in writing to deliver  
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12 deposit in the general fund.

13 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
14 10.070(c).

Alaska House of Representatives

MEMO



Phone: 465-3725  
Room: 214 Capitol

From the desk of CHIEF CLERK

TO: FINANCE

DATE: 4/10/85

Please return HB 105 to the Chief Clerk--  
IT has been referred to Loans- will return  
to Finance later.

Thanks, Kris

Introduced: 1/23/85  
Referred: Transportation and  
Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 105

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the international airports reve-  
7 nue bonds authorization; and providing for an effec-  
8 tive date."

9

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

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\* Section 1. AS 37.15.410 is amended to read:

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10.070(c).