

Offered: 5/1/85
Referred: Rules

Original sponsor: Resources Committee

IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 280 (Finance) am
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 or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; and providing for an effective date."

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

* Section 1. The Alaska Industrial Development Authority is authorized to issue bonds or notes in a principal amount not to exceed \$175,000,000 to provide financing for the DeLong Mountain transportation project.

* Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may be issued, the Alaska Industrial Development Authority shall comply with AS 44.88.173 and shall incorporate into the final finance plan and agreement for the DeLong Mountain transportation project the following terms and conditions:

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

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

(B) if Cominco Alaska ceases to develop the Red Dog Mine after costs have been incurred by the Alaska Industrial Development Authority for the project, Cominco, Ltd. will pay the authority for those costs together with interest from the date the costs were incurred;

(C) toll fees paid by Cominco Alaska for the use of facilities constructed as part of the project to the Alaska Industrial Development Authority may be periodically adjusted if the price of zinc rises above a level that yields a return on investment commensurate with risk;

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

(3) NANA Regional Corporation is required to agree in writing to sell, lease for a prepaid term of at least 99 years or grant a perpetual easement to the Alaska Industrial Development Authority, at no more than fair market value, land needed for the port and road constructed as part of the project and land needed for future expansion of the road and port, subject to no terms or conditions inconsistent with use as a public road and port;

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

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

(A) ensures full repayment of and a reasonable return on the state's investment in the project; and

(B) guarantees equitable access to the facilities by all users and potential users, including access to private property and ~~access for travel necessary and related to resource exploration and~~ development for which valid permits have been obtained and travel in support of resource exploration and development;

(6) contracts for the construction of the port and road are subject to AS 36;

(7) reasonable access to the port and road is guaranteed to all users and potential users;

(8) the Alaska Industrial Development Authority will own and operate the facilities collectively referred to as the DeLong Mountain transportation project.

* Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may be issued, the Alaska Industrial Development Authority shall

(1) report in writing to the legislative budget and audit committee that the conditions under sec. 2 of this Act have been met; and

(2) agree with the Department of Revenue in writing to deliver all money generated by the DeLong Mountain transportation project to the Department of Revenue for deposit in the general fund, other than money necessary for payment of the principal and interest on bonds or notes issued under sec. 1 of this Act and except as may otherwise be provided in the bond or note covenants.

* Sec. 4. As used in this Act, "reasonable return" means a rate of return on the total investment of the state of at least five percent.

* Sec. 5. This Act takes effect July 1, 1985.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSB 280 (Fin)
 Title: Delong Mountain transportation project
 Sponsor: Senate Resources Committee
 Requestor: House Finance Committee
 Date of Request: 5/6/85

FISCAL DETAIL

Agency Affected: Department of Commerce
 Program Category Affected: ATDA
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-					
FEDERAL FUNDS	-0-					
OTHER	-0-					
TOTAL	-0-					

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Loan appropriations are provided in SB 279.

Prepared By: Representative Adams - Chairman Phone: 465-3706
 Division: House Finance Committee Date: 5/6/85

Approved by Commissioner: _____ Date: _____
 Agency: _____

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

7/1/84

SECTIONAL ANALYSIS OF CS SB 280 (FIN) am

Section 1

Authorizes the Alaska Industrial Development Authority (AIDA) to issue \$175 million in bonds to finance the Red Dog transportation project.

Section 2

The following terms and conditions must be incorporated into the final finance plan and agreement for the project before AIDA can sell bonds:

1. Cominco must agree in writing to pay operation and maintenance costs, to pay back AIDA any costs incurred plus interest if it ever ceases to develop Red Dog, and to adjust tolls if the price of zinc rises.
2. The Cape Krusenstern National Monument land exchange is consummated between NANA and the US Park Service. (The land the Park Service is granting to NANA under the exchange will be used for construction of a portion of the Red Dog road.)
3. NANA agrees in writing to sell, lease or grant land to AIDA for the port, the road, and any future expansion.
4. Tax exempt financing is maximized.
5. Toll fees are established that assure full repayment and a reasonable return on the state's investment and equitable access to other users.
6. Contracts for the port and road are subject to AS 36, the little Davis Bacon Act.
7. Reasonable access is guaranteed to all users and potential users.
8. AIDA owns and operates the facilities.

Section 3

Before issuing bonds, AIDA must:

1. Report to LB&A in writing that the conditions listed in section 2 have been met.
2. Agree with Revenue in writing that any funds generated by the project in excess of amounts needed to retire debt will be returned to the general fund.

Section 4

Defines "reasonable return" as 5%.

Section 5

The Act takes effect on July 1, 1985.

Offered: 5/1/85
Referred: Rules

Original sponsor: Resources Committee

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2 CS FOR SENATE BILL NO. 280 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

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7 notes for the DeLong Mountain transportation project,
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13 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
14 provide financing for the DeLong Mountain transportation project.

15 * Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may
16 be issued, the Alaska Industrial Development Authority shall comply with
17 AS 44.88.173 and shall incorporate into the final finance plan for the
18 DeLong Mountain transportation project the following terms and conditions:

19 (1) Cominco, Ltd. is required to agree in writing that
20 (A) Cominco, Ltd. will pay for all or a portion of the
21 operation and maintenance of facilities constructed as part of the
22 project based on the use Cominco Alaska makes of the facilities com-
23 pared to the use made by others;

24 (B) if Cominco Alaska ceases to develop the Red Dog Mine
25 after costs have been incurred by the Alaska Industrial Development
26 Authority for the project, Cominco, Ltd. will pay the authority for
27 those costs together with interest from the date the costs were in-
28 curred;

29 (C) toll fees paid by Cominco Alaska for the use of

1 facilities constructed as part of the project to the Alaska Industrial
2 Development Authority may be periodically adjusted if the price of
3 zinc rises above a level that yields a return on investment commen-
4 surate with risk;

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

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

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

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

18 (A) ensures a reasonable return on the state's investment
19 in the project; and

20 (B) guarantees equitable access to the facilities by all
21 users and potential users, including access to private property and
22 access for travel necessary and related to resource exploration and
23 development for which valid permits have been obtained and travel in
24 support of resource exploration and development;

25 (6) contracts for the construction of the port and road are
26 subject to AS 16;

27 (7) reasonable access to the port and road is guaranteed to all
28 users;

29 (8) the Alaska Industrial Development Authority will own and

1 operate the facilities collectively referred to as the DeLong Mountain
2 transportation project.

3 * Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may
4 be issued, the Alaska Industrial Development Authority shall

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6 mittee that the conditions under sec. 2 of this Act have been met; and

7 (2) agree with the Department of Revenue in writing to deliver
8 all money generated by the DeLong Mountain transportation project to the
9 Department of Revenue for deposit in the general fund, other than money
10 necessary for payment of the principal and interest on bonds or notes
11 issued under sec. 1 of this Act and except as may otherwise be provided in
12 the bond or note covenants.

13 * Sec. 4. As used in this Act, "reasonable return" means a rate of
14 return on the total investment of the state of at least five percent.

15 * Sec. 5. This Act takes effect July 1, 1985.

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

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CS FOR SENATE BILL NO. 280 (Resources)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - FIRST SESSION

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23 pared to the use made by others;

24 (B) if Cominco Alaska ceases to develop the Red Dog Mine
25 after costs or debts have been incurred by the Alaska Industrial
26 Development Authority for the project, Cominco, Ltd. will pay the
27 authority for those costs and debts together with interest from the
28 date the costs or debts were incurred;

29 (C) toll fees paid by Cominco Alaska for the use of

1 facilities constructed as part of the project to the Alaska Industrial
2 Development Authority may be periodically adjusted if the price of
3 zinc rises above a level that yields a return on investment commen-
4 surate with risk;

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

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

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

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

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21 users and potential users, including access to private property and
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24 support of resource exploration and development;

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5 all money generated by the DeLong Mountain transportation project to the
6 Department of Revenue for deposit in the general fund, other than money
7 necessary for payment of the principal and interest on bonds or notes
8 issued under sec. 1 of this Act and except as may otherwise be provided in
9 the bond or note covenants.

10 * Sec. 4. This Act takes effect July 1, 1985.

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

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CS FOR SENATE BILL NO. 280 (Resources)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - FIRST SESSION

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21 operation and maintenance of facilities constructed as part of the
22 project based on the use Cominco Alaska makes of the facilities com-
23 pared to the use made by others;

24 (B) if Cominco Alaska ceases to develop the Red Dog Mine
25 after costs or debts have been incurred by the Alaska Industrial
26 Development Authority for the project, Cominco, Ltd. will pay the
27 authority for those costs and debts together with interest from the
28 date the costs or debts were incurred;

29 (C) toll fees paid by Cominco Alaska for the use of

1 facilities constructed as part of the project to the Alaska Industrial
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5 (2) the United States government makes available land in the
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7 exchange with NANA Regional Corporation to the corporation for construction
8 of a transportation system;

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

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15 extent possible;

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17 established for use of facilities constructed as part of the project that

18 (A) ensures a reasonable return on the state's investment
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24 support of resource exploration and development;

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28 users.

29 * Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may

1 be issued, the Alaska Industrial Development Authority shall
2 (1) report in writing to the legislative budget and audit com-
3 mittee that the conditions under sec. 2 of this Act have been met; and
4 (2) agree with the Department of Revenue in writing to deliver
5 all money generated by the DeLong Mountain transportation project to the
6 Department of Revenue for deposit in the general fund, other than money
7 necessary for payment of the principal and interest on bonds or notes
8 issued under sec. 1 of this Act and except as may otherwise be provided in
9 the bond or note covenants.
10 * Sec. 4. This Act takes effect July 1, 1985.

Introduced: 4/11/85
Referred: Resources
and Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

SENATE BILL NO. 280

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - FIRST SESSION

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9 notes 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. The Alaska Industrial Development Authority is authorized
13 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
14 provide financing for the DeLong Mountain transportation project. Bonds or
15 notes may not be issued under this section until

16 (1) Cominco, Ltd. agrees in writing to terms and conditions
17 under which

18 (A) adequate access to the road and port constructed as
19 part of the DeLong Mountain project is guaranteed to other users;

20 (B) Cominco, Ltd. will pay for all or a portion of the
21 operation and maintenance of facilities constructed as part of the
22 project based on the use Cominco, Ltd. makes of the facilities com-
23 pared to the use made by others;

24 (C) Cominco, Ltd. will repay all expenditures by the state
25 for the project through toll fees for the use of facilities construct-
26 ed as part of the project and other payments;

27 (D) payments by Cominco, Ltd. to the state will be accel-
28 erated if the price of zinc rises above a level determined by the
29 Alaska Industrial Development Authority to yield a reasonable profit;

1 (2) the United States Congress approves the Cape Krusenstern
2 National Monument land exchange between NANA Regional Corporation and the
3 United States Department of the Interior;

4 (3) NANA Regional Corporation agrees in writing to convey to the
5 Alaska Industrial Development Authority, at no more than fair market value,
6 land needed for the port and road constructed as part of the DeLong Moun-
7 tain transportation project and land needed for future expansion of the
8 road and port;

9 (4) NANA Regional Corporation agrees in writing to lease land
10 for the Red Dog Mine to Cominco, Ltd. and to provide easements and right-
11 of-ways needed to operate the mine to Cominco, Ltd.;

12 (5) the Alaska Industrial Development Authority obtains a ruling
13 from the Internal Revenue Service that bonds or notes issued under this
14 section will qualify for tax exempt status; and

15 (6) the Alaska Industrial Development Authority establishes a
16 toll schedule for use of facilities constructed as part of the DeLong
17 Mountain transportation project that ensures the greatest return on the
18 state's investment in the project and guarantees equitable access to the
19 facilities by all users; the toll schedule may be periodically adjusted.

20 * Sec. 2. Notwithstanding limitations on the establishment of a capital
21 reserve fund under AS 44.88.105, the authority may covenant and agree with
22 the trustee or holders of the bonds or notes authorized under sec. 1 of
23 this Act that the authority will establish a capital reserve fund for the
24 purpose of securing the bonds or notes, that the chairman of the authority
25 will, by January 2 of each year, certify in writing to the governor and the
26 legislature the amount required to restore the capital reserve fund to the
27 capital reserve fund requirement, and that the legislature may appropriate
28 to the authority the amount certified by the chairman. Nothing in this
29 section creates a debt or liability of the state.

1 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
2 10.070(c).