



Mitsubishi Bank

Dennis W. Smith

Vice President and
Assistant General Manager
Chicago Branch

115 S. LaSalle Street
Chicago, Illinois 60603
Phone (312) 269-0439

CHAIRMAN:
WINTHROP T. HOVEY

BOARD MEMBERS:
MARY NORDALE
EMIL NOTTI
GLENDA RHODES
MICHAEL B. SALAZAR



601 WEST FIFTH AVENUE
SUITE 430
ANCHORAGE, ALASKA 99501
(907) 274-7366

EXECUTIVE DIRECTOR:
PERRY T. DAVIS

ALASKA MUNICIPAL BOND BANK AUTHORITY

March 19, 1986

The Honorable Frank Ferguson, Senator
Alaska State Legislator
P.O. Box V
Juneau, Alaska 99811

Dear Senator:

Your staff has ask that I provide you with an update on the Bond Bank, and how it could interface with lending to communities, using a State back guarantee.

First an update, as you are aware the State currently assists the Bond Bank by Direct appropriation from the General Fund. These appropriations are used by the Bond Bank as Reserves, to be used in event of default by a community. The Reserves generally total 10% of our outstanding debt, for each \$1 we receive from the State we borrow \$10 in the National Markets. In addition to the Reserve we have the State Moral Obligation supporting our issues.

The Bond Bank has an unused bonding capacity of approximately \$180 million.

At June 30, 1985 we had available Reserves for future issues of \$4,489,000 since that date our reserves have increased to approximately \$8,500,000 primarily due to defeasing prior issues.

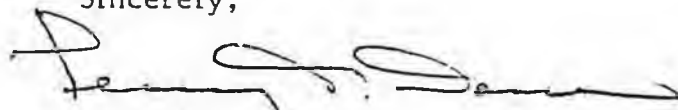
Currently we are working toward refunding approximately \$29,785,000 in G.O. Bonds and \$9,405,000 in Revenue Bonds, which will use some of the available reserves.

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Senator Frank Ferguson
March 15, 1986

The Bond Bank is in a position to administer a direct debt service guarantee program if adopted by the State. Under such a program I don't believe the 10% Reserve requirement would be necessary, and the rating on such an issue may be closer to that of the State, rather than that of the Bond Bank.

If I can be of further assistance please don't hesitate to call.

Sincerely,



Perry T. Davis
Executive Director

?TD/kjm

STATE OF ALASKA
POOLED CAPITAL PROJECTS PROGRAM

- Purpose:** To provide financing for revenue-producing municipal capital projects that would otherwise have been funded in part, or in whole, by direct grants from the State.
- Bond Issue Size:** Capital projects would be identified in advance and limited to those governmental units and their enterprise activities whose credit is sufficiently strong that they can fund part or all of the debt service from their own revenues, if necessary. Attached is a list of typical projects. Credit analysis of each project will be reviewed by AMBB staff.
- Structure:** Variable rate demand bonds are issued by a Alaska Municipal Bond Band Authority. After payment of costs of issuance, net bond proceeds are deposited with the Trustee. Bond proceeds are invested at variable interest rates pegged to the rate on the bonds and guaranteed in advance by a major bank.
- Disbursement:** Variable rate loans would be issued to each community to meet the disbursements as needed for construction. The rate on the loans would be pegged to the rate on the bonds plus annual fees. The State shall keep any interest earned on bond proceeds to help pay for debt service.
- Bond Security:**
- (1) Letter of Credit from a major bank
 - (2) Debt Service Reserve Fund--funded from bond proceeds or a combination of bond proceeds and State appropriations
 - (3) Moral obligation of the State, accessed via make-up provision of the Debt Service Reserve Fund
 - (4) Revenues from the revenue-producing capital projects

Source of Debt

Service Payment

- (1) The State would contribute total annual debt service payments for an estimated three to five years. This matter would be subject to negotiation with the letter of credit bank. A ten year payback would be the outside limit.

- (2) Revenues from the municipal capital projects would be used for debt service payments to the extent that State revenues are not available.

Timing:

The Joint Statement issued by Senate Finance House Ways and Means and the Secretary of the Treasury on March 14, 1986 lifts many of the restrictions, including arbitrage limitations, for this type of bond until September 1, 1986. It is important to use this "window," or financing costs will be increased.

MUNICIPAL BOND BANK PROJECTS
Possible Communities and Projects

Anchorage	Eklutna Water	60,900.0
Fairbanks	Utilitor Project	40,000.0
Ketchikan	Water and Sewer	4,860.0
Soldotna	Water and Sewer	2,400.0
Homer	Water and Sewer	850.0
North Pole	Water and Sewer	4,500.0
Juneau	Water and Sewer	23,361.0
Kodiak	Water and Sewer	4,720.0
Palmer	Water and Sewer	2,754.0
Bethel	Dock Stabilization	4,000.0
Wasilla	Water and Sewer	2,050.0
Kenai	Water and Sewer	1,500.0
Kotzebue	Jail Facility	3,000.0
Seward	Hospital	4,000.0
Galena	Water and Sewer	2,000.0
Seward	Marine Indst'l Eqp.	1,700.0
Nome	Port	4,000.0
Sitka	Hydro Electric	2,100.0
<i>Dillingham</i>	<i>Industrial Park</i>	<i>6.6 --</i>
	<i>Leases to</i>	TOTAL
	<i>Japanese Fishery.</i>	168.7 Million

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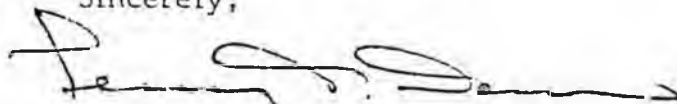
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PTD/kjm

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Disbursement: Variable rate loans would be issued to each community to meet the disbursements as needed for construction. The rate on the loans would be pegged to the rate on the bonds plus annual fees. The State shall keep any interest earned on bond proceeds to help pay for debt service.

Bond Security:

- (1) Letter of Credit from a major bank
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Fairbanks	Utilitor Project	40,000.0
Ketchikan	Water and Sewer	4,850.0
Soldotna	Water and Sewer	2,400.0
Homer	Water and Sewer	850.0
North Pole	Water and Sewer	4,500.0
Juneau	Water and Sewer	23,361.0
Kodiak	Water and Sewer	4,720.0
Palmer	Water and Sewer	2,754.0
Bethel	Dock Stabilization	4,000.0
Wasilla	Water and Sewer	2,050.0
Kenai	Water and Sewer	1,500.0
Kotzebue	Jail Facility	3,000.0
Seward	Hospital	4,000.0
Galena	Water and Sewer	2,000.0
Seward	Marine Indst'l Eqp.	1,700.0
Nome	Port	4,000.0
Sitka	Hydro Electric	2,100.0
	TOTAL	168.7 Million

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