

COMMITTEE REPORT  
SENATE

FURTHER:

4/29/85

Date \_\_\_\_\_

Mr. President

The Committee on FINANCE considered TD 780

Authorization of bonds or notes for the DeLong Mountain Transportation project, establishing conditions under which the bonds or notes may be issued, etc.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Chairman

Chairman recommendation

57C-85  
5/1/85  
Faiks

PROPOSED AMENDMENTS TO SB 280 (Resources)

*M* Amendment #1 *Enacted 3) 84. 84.*

Page 1, Line 25 After the word "costs" delete "or debts".

Page 1, Line 27 After the word "costs" delete "and debts".

Page 1, Line 28 After the word "costs" delete "or debts".

*M* Amendment #2 *Faiks - Ruttula En 5 to 1 Had out.*

Page 2, Line 25 After the word "construction" delete ", operation, and maintenance".

*M* Amendment #3 *Ruttula 3*

Page 2, Line 27 Delete the word "adequate" and insert "reasonable".

Amendment #4 *Faiks - Ruttula 3*

*M* Page 2, Line 28 Insert new subsection "(8) The Alaska Industrial Development Authority will own and operate the facilities collectively referred to as the DeLong Mountain transportation project."

Amendment #5 *Faiks Ferguson 3*

*M* Page 3, Line 10 Insert new Section 4 "Definitions (a) Reasonable return means a rate of return on the state's total investment of at least five percent."

Renumber remaining section accordingly.

*Proposed Amendments  
Attached*

Offered: 4/29/85  
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE

*Finance*  
BY THE RESOURCES COMMITTEE

2

CS FOR SENATE BILL NO. 280 (*Finance*) (Resources)

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 for the DeLong Mountain transportation project,  
8 establishing conditions under which the bonds or  
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.

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 ~~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

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, ~~operation, and maintenance~~  
26 of the port and road are subject to AS 36;

27 (7) <sup>reasonable</sup> ~~adequate~~ access to the port and road is guaranteed to all  
28 users. (8) <sup>See amendment</sup>

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

MEMORANDUM TO THE FILE

Re: CSSB 280 (Finance)

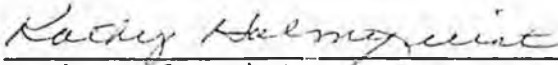
Date: May 3, 1985

A discrepancy between an amendment moved in committee and language prepared by Legal Services was inadvertently not noted when CSSB 280 (Fin) was returned in final form and transmitted to the Senate Secretary's office for printing. Sec. 4 of the committee substitute should read as follows:

Sec. 4 "Definitions (a)

Reasonable return means a rate of return on the state's total investment of at least five percent.

A phone call to Dick Bradley at Legal Services disclosed that when he read the amendment he considered it to be unclear and assumed that the five percent return would be figured on a per annum basis. He thus added "per annum" to the above amendment and failed to advise anyone of the change. The addition does not represent the intent of the committee at the time the amendment was offered.

  
\_\_\_\_\_  
Kathy Holmquist  
Senate Finance Committee Secretary

Offered: 5/1/85  
Referred: Rules

Original sponsor: Resources Committee

1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 CS FOR SENATE BILL NO. 280 (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 for the DeLong Mountain transportation project,  
8 establishing conditions under which the bonds or  
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.

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 commensurate  
4 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 36;

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

5 (1) report in writing to the legislative budget and audit com-  
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 per  
15 annum.

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

5/2/85 Review  
MB (R)

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

REQUEST

Bill/Resolution No: CSSB 280 (Resources)  
 Title: DeLong Mountains Bond  
 Authorization \_\_\_\_\_  
 Sponsor: Senate Resources  
 Requestor: Senate Finance  
 Date of Request: April 30, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected:  
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB  
 Division: Treasury  
 Approved by Commissioner: Thomas G. Skudlarek  
 Agency: Department of Revenue

Phone: 465-2350  
 Date: May 1, 1985  
 Date: 5/2/85

Distribution (by Agency preparing fiscal note):

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



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
BILL ANALYSIS

DEPARTMENT Revenue	DIVISION Treasury	BILL NUMBER CSSB 280 (Res)	SPONSOR Senate Resources
DEPARTMENT POSITION Support			
PREPARED BY Milt Barker MB	DATE 5-1-85	COMMISSIONER'S SIGNATURE Mary A. Nordale	DATE

SUMMARY

OTHER AGENCIES AFFECTED BY BILL AIDA	CONSTITUENT GROUPS AFFECTED BY BILL Cominco, NANA, Northwest Alaska region, all native corporations
ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT:  NONE  FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

Bond authorization for DeLong Mountains transportation project.

ANALYSIS OF BILL/PROGRAM EFFECTS

1. \$175 million authorized for DeLong subject to finance plan containing:
  - a. Cominco agreeing to pay its share of operating and maintenance;
  - b. Cominco agreeing to repay state costs if it ceases development;
  - c. Cominco agreeing to adjust toll fees if zinc price rises;
  - d. NANA receiving Krusenstern corridor from Congress;
  - e. NANA yielding corridor to AIDA at no more than fair market value;
  - f. AIDA tolls set to ensure reasonable return and equitable access;
  - g. port and road contracts subject to AS 36

and subject to:

  - a. AIDA report to Budget & Audit that above conditions met; and
  - b. AIDA agrees to pay general fund tolls in excess of debt service.

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

Offered: 4/29/85  
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SENATE BILL NO. 280 (Resources)  
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 for the DeLong Mountain transportation project,  
8 establishing conditions under which the bonds or  
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.

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 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

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, operation, and maintenance  
26 of the port and road are subject to AS 36;

27 (7) adequate access to the port and road is guaranteed to all  
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.

## SECTIONAL ANALYSIS FOR SENATE BILL 280

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

### Section 1

Authorizes the Alaska Industrial Development Authority to issue bonds or notes in an amount not to exceed \$175 million to provide financing for the DeLong Mountain transportation project.

### Section 2

This sections requires that before AIDA can sell bonds, it must develop a financing plan for the DeLong project which requires of Cominco Limited the following terms in writing:

- 1) All operation and maintenance costs of the road and port are to be paid by Cominco unless other make use of these facilities.
- 2) Should Cominco cease to develop the Red Dog Mine, they will repay AIDA for all costs including interest incurred in building the road and port.
- 3) Toll fees for use of the road and port may be adjusted upward if the price of zinc rises
- 4) Use of tax exempt financing shall be maximized
- 5) A toll schedule shall be established which ensures a reasonable return for the state's investment as well as guaranteeing equitable access for other users.
- 6) Contracts for the construction, operation and maintenance are subject to the Davis-Bacon Act.
- 7) Adequate access to the port and road is guaranteed to all users

### Section 3

Before AIDA may offer the bonds or notes for sale, it must report to the Legislative Budget and Audit Committee whether the conditions stipulated in Section 2 have been met. It must agree in writing that any excess funds generated by this project over and above the cost of repaying the bonds shall be deposited in the general fund.

### Section 4

Effective date of July 1, 1985.

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

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

SENATE BILL NO. 280

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 for the DeLong Mountain transportation project,  
8 establishing conditions under which the bonds or  
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).

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

4/11/85

Date 4/26/85

Mr. President

The Committee on Resources considered SB 280

authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 280 (Resources)
- new title
- same title and recommends ~~it with individual recommendations~~
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

[Signature]

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

2 Rick Stalder do not pass

3 [Signature] no rec

\_\_\_\_\_

\_\_\_\_\_

[Signature]  
Chairman

[Signature]  
Chairman recommendation