

HB

249.5

SENATE COMMITTEE REPORT

FURTHER:

5/13/87

DATE TURNED INTO OFFICE 5/16/87

Mr. President:

FINANCE Committee considered HB 249

issuance of bonds of the University of Alaska for refinancing housing; efd.

and recommended:

replace with _____ CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

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[Handwritten Signature] DO PASS
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 249
Publish Date: HOUSE 4/17/87

REQUEST:

Revision Date: _____
Title: University of Alaska Housing
Refinancing Bonds
Sponsor: Frank
Requestor: House HESS

Agency Affected: Department of Revenue
BRU: Treasury
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

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 14, 1987

Approved by Commissioner: *J. Maloe*
Agency: Department of Revenue

Date: 4/14/87

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

1 IN THE HOUSE

BY FRANK, BOYER AND
KOPONEN

2

HOUSE BILL NO. 249

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the issuance of bonds of the
7 University of Alaska for refinancing housing; and
8 providing for an effective date."

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

10 * Section 1. For the purpose of refinancing the existing mortgage loan
11 on housing of the University of Alaska at Fairbanks known as Yak Estates,
12 the issuance of revenue bonds of the university in the total principal
13 amount not to exceed \$2,400,000 is authorized. The principal of and inter-
14 est on the bonds shall be paid out of and secured by the amounts required
15 in sec. 3, ch. 56, SLA 1961, to be paid into the housing system revenue
16 fund.

17 * Sec. 2. The bonds shall be issued and sold as provided in ch. 56, SLA
18 1961, as amended by ch. 47, SLA 1962. The provisions of ch. 56, SLA 1961,
19 as amended by ch. 47, SLA 1962, apply to the bonds authorized by this Act
20 except that the limitation on investments of money in the revenue fund and
21 on the rate of interest do not apply. The provisions of sec. 8 (relating
22 to legal investments), sec. 9 (relating to exemption from taxation), sec.
23 10 (relating to pledge of the state) and sec. 11 (relating to the effec-
24 tiveness of the pledge) of ch. 93, SLA 1974, as amended, apply to the bonds
25 authorized by this Act.

26 * Sec. 3. The revenue bonds authorized by this Act and the interest due
27 on them do not constitute a general obligation of the state or of the
28 University of Alaska.

29 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: HB 249
Publish Date: _____

Revision Date: 4/13/87
Title: Relating to the issuance of bonds of Univ. Ak. for refinancing housing
Sponsor: Rep. Frank
Requestor: House HESS

Agency Affected: University of Alaska
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0				
CAPITAL						
REVENUE		0				

FUNDING: (Thousands of Dollars)

GENERAL FUND		0				
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

No cost to general fund. See attached.

Prepared by: Brian Rogers, Director of Budget Development Phone: 474-6490
Division: University of Alaska Date: 4/13/87

Approved by Commissioner: _____ Date: 4/13/87
Agency: University of Alaska

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. House Bill 249

Analysis:

The primary purpose of the legislation is to clean up the current debt structure of the University of Alaska housing system. This will simplify management of the housing by eliminating restrictive bond covenants, allowing all segments of the housing system to be accounted for and handled in the same manner. A single debt structure will also make future expansion of the housing system through new issues of revenue bonds more marketable, and eliminate the potential of having to refinance the Yak Estates debt under less favorable market conditions. Based on recent favorable low interest rates, the university also hopes to obtain a lower long-term debt service cost.

The housing system currently supports three separate types of debt issues: a 1958 GO Bond issue, six series of 1961 through 1968 Revenue Bonds, and a 1972 deed of trust note on the Yak Estates facility. Commitments for the 1958 GO Bond issue will be paid off this year. The university is currently working with the U.S. Department of Education and the State Bond Committee on a proposal to obtain a discount of approximately \$2 million on the early redemption of the 1961-1968 Revenue Bonds, which will make refinancing of these low-interest loans economically viable. Refinancing of the Yak Estates deed of trust note with a tax-exempt issue which is comparable to the revenue bond refinancing series will provide the housing system with one consistent set of covenants, restrictions, and debt service requirements.

There is no cost to the general fund of this legislation. Passage is supported by the University of Alaska Board of Regents.

Alaska State Legislature

STEVE FRANK

DISTRICT 20A
Finance Committee

1125 Sunset Drive
Fairbanks, Alaska 99701
(907) 452-3421



While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 465-3709

House of Representatives

TO: Senate Finance Committee
FROM: Rep. Steve Frank
RE: House Bill 249
DATE: May 16, 1987

The purpose of House Bill 249 is to allow the University to refinance a deed of trust note in order to clean up its housing debt portfolio and manage its housing system more effectively.

Currently the University housing system has three kinds of debt; a 1958 General Obligation Bond issue that will be paid off this summer, six series of Revenue Bonds and a 1972 deed of trust note on the Yak Estates housing complex in Fairbanks. This legislation deals only with the Yak Estates refinancing.

HB 249 would authorize the University to issue revenue bonds to pay off the deed of trust note on Yak Estates. Refinancing of the Yak Estates deed of trust note with tax exempt revenue bond will give the housing system one consistent set of covenants, restrictions and debt service requirements.

Timing is important in this effort. While interest savings resulting from refinancing Yak Estates is not a primary concern of the University, it is a consideration. Thus, timely passage of this legislation would facilitate the University's ability to refinance when it is most advantageous. Finally, it should be noted that the state general fund impact of this legislation is zero.

Thank you for your consideration.

House Bill No. 249
University of Alaska
Refinancing Yak Estates Indebtedness
Summary

Purpose of the refinancing:

The primary purpose for refinancing the Yak Estates debt is to clean up the current debt structure of the university housing system. One consistent debt structure will make management of the housing system less complex by eliminating restrictive bond covenants and allowing all segments of the housing system to be accounted for and handled the same. One debt structure will also make future expansion of the housing system through new issues of revenue bonds more marketable and eliminate the potential of having to refinance the Yak Estates debt under less favorable market conditions. In addition, based on recent favorable low interest rates, the university also hopes to obtain a lower long-term debt service cost.

4 The housing system currently supports three separate types of debt issues; a 1958 General Obligation Bond issue, six series of 1961 through 1968 Revenue Bonds, and a 1972 deed of trust note on the Yak Estates facility. Commitments for the 1958 General Obligation Bond issue will be paid off this year. The university is currently working with the U.S. Department of Education and the State Bond Committee on a proposal to obtain a discount of approximately \$2 million on the early redemption of the 1961-1968 Revenue Bonds which will make refinancing of these low interest loans economically viable. Refinancing of the Yak Estates deed of trust note with a tax exempt issue which is comparable to the revenue bond refinancing series will provide the housing system with one consistent set of covenants, restrictions and debt service requirements. In addition, the refinancing will provide an enhanced ability to market additional issues of revenue bonds if future expansion of the housing system is needed and issuance of bonds is approved by the legislature.

Sectional analysis of the bill:

Section 1.

Authorizes the issuance of revenue bonds in an amount not to exceed \$2,400,000. Section 1 also provides that the principal and interest on the bonds will be paid from the housing system revenue fund which was established by ch. 56, SLA 1961 for the repayment of the 1961-1968 series revenue bonds. Revenues from the facility will also be deposited to the housing system revenue fund.

Section 2.

Applies all provisions of the 1961 Act to this issue except for the limitation on the rate of interest which was included in the original legislation. The 1961 Act limited the interest rate of the bonds issued to six percent. Section 2 also makes specific sections of ch. 93, SLA 1974, as amended, which authorized the issuance of revenue bonds for the Anchorage Campus Student Center revenue bonds applicable to this issuance. The sections of the 1974 Act relate to technical provisions of the issue which provide that the bonds can be accepted as security for deposits of state funds, that the bonds are issued for an essential public purpose which is required for tax exempt status, that the state will not impair the ability of the university to meet its commitments to the bondholders, and that no pledge needs to be filed under the uniform commercial code.

Section 3.

Indicates that the revenue bonds are not a general obligation of the State of Alaska or the University of Alaska. The bond will be payable exclusively from revenues of the housing system.

Section 4.

Sets an immediate effective date.

Attachments:

1. Long-term Debt Summary for the University of Alaska
2. 1961-1968 Revenue Bond Redemption Proposal
3. Yak Estates Refinancing Scenarios
4. Detailed Refinancing Alternative Comparisons
5. Copy of House Bill 249
6. Copy of ch. 56, SLA 1961
7. Copy of ch. 47, SLA 1962, amendment to ch. 56, SLA 1961
8. Copy of ch. 93, SLA 1974
9. Copy of ch. 34, SLA 1975, amendment to ch. 93, SLA 1974

**University of Alaska
Long-term Debt Summary**

	<u>Maturity</u>	<u>Rate</u>	<u>Balance 12/31/86</u>
General:			
UAF Campus Center Note, 1970	1995	5%	2,017,000
ACC/UAA Campus Center Revenue Bonds, 1975	2000	8%	4,115,000
UAF Housing System:			
G.O. Bonds, 1958	1988	3%	130,000 ✓
Revenue Bonds, 1961-68	2008	3%-3.75%	6,920,000
Yak Estates Note, 1972	2012	8.50%	1,993,915
UA Heating Corporation:			
Revenue Bonds:			
1969 Series	1993	5%-6%	990,000
1978-1 Series	2001	7%-7.5%	3,665,000
1978-2 Series	2001	9.50%	665,000
Interim Financing, 1986	1989	Prime*.80%	1,100,000