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543

SENATE COMMITTEE REPORT

DATE: 4/20/90

FURTHER: Finance

DATE TURNED INTO OFFICE: 5/1/90

Labor & Commerce

Committee considered

SB 543

Authorizing the Alaska Industrial Development and Export Authority to issue bonds for an aircraft maintenance facility located at the Anchorage International Airport; granting the authority an exemption from the state procurement code for contracts relating to airports; efd.

and recommended:

[x] replace with SB543 (L+C) CS [x] same title
[] or adopt CS [] new title
[] attached amendment(s) [] technical title change (HB only)
[] letter of intent adopted

[x] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

[] fiscal note(s) Dept/Date:

[] fiscal note(s) Dept/Date:

[x] zero fiscal note(s) Dept of Commerce 4/2/90

[] zero fiscal note(s)

[] appropriation-no fiscal note

[] Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Handwritten signatures: Peter Rodery, J. K. ...

Blank lines for other recommendations.

Chair: Signature and Recommendation

SENATE BILL 543 - AIRCRAFT MAINTENANCE FACILITY

Senate Bill 543 provides the necessary authorization for the Alaska Industrial Development and Export Authority to issue bonds to finance the acquisition, design, and construction of a multi-bay aircraft maintenance facility to be located at the Anchorage International Airport.

Currently, few facilities exist in the State to handle major and minor maintenance of the commercial jet aircraft that serve the State. Instead, most aircraft maintenance is conducted out of the state. An aircraft maintenance facility in Alaska would create jobs for Alaskans and could strengthen Alaska's role as an international air crossroads at a time when overflights are reducing some of Alaska's international passenger flights. The facility could also make maintenance activities more convenient for interstate and intrastate airlines by locating a maintenance base at the same airport through which many of the aircraft are routed.

The Senate Labor and Commerce Committee Substitute added sections 3 and 4 which modify AIDEA's current statute to facilitate this project. This aircraft maintenance facility will be an asset to the State and I recommend passage of Senate Bill 543.

ADDITIONAL INFORMATION

1. The Maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging.
2. Currently while no major airlines have committed to lease the facility, both Alaska Airlines and Federal Express have officially notified AIDEA of their interest. SB 543 will give AIDEA the ability to move quickly to finance the facility once negotiations for leases with potential users are successfully concluded.
3. Sec. 2 contains an exemption from the state procurement code (AS 36.30). This exemption would give airport projects owned by AIDEA the same treatment under the state procurement code afforded to the Department of Transportation and Public Facilities. Airports projects are specialized facilities that must be tailored to industry standards.
5. Sections 3 and 4 are from HB 123 which are necessary to allow the aircraft maintenance facility to proceed.
6. Sec. 3 establishes the scope of the revolving fund. The revolving fund is currently made up of two separate accounts: the Enterprise Development Account where loans are originated and financed through banks, and the Economic Development Account designated for major development projects. The additions allow the Authority to create additional accounts within the unrestricted accounts of the revolving fund, and transfer monies between accounts subject to bond-holder agreements. The investment powers are moved into the revolving fund, allowing it to function as the general fund and be invested in accordance with Title 37.
7. Sec. 4 is a conforming change. The deletion in this section is in conjunction with the changes in Section 3 and moves the investment powers limitation into the revolving fund as opposed to applying only to an account within the fund.
8. AS 44.88.172(b) is deleted as the CS sets up a revolving fund and all accounts become part of the revolving fund.

**AIRCRAFT MAINTENANCE FACILITY
ANCHORAGE INTERNATIONAL AIRPORT**

I. PROJECT DESCRIPTION

The Alaska Industrial Development and Export Authority (AIDEA) has agreed to explore with the Alaska International Airport System (AIAS), Federal Express, Alaska Airlines and other airlines the feasibility of developing an aircraft maintenance facility at Anchorage International Airport. Contacts within the airline industry indicate there is a need for a maintenance facility to serve both widebody and narrowbody aircraft.

II. PROJECT SCOPE

The maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging. The final scope would be subject to negotiations with facility users.

III. COST ESTIMATE

Preliminary cost estimates range from \$25 million to \$50 million, depending on the number of users and their requirements. In addition, up to \$8 million would be required for site preparation, an aircraft parking apron, and a possible taxiway extension.

Financing of the facility would be through the issuance of AIDEA debt backed and financial guarantees secured from the airlines that will use the facility.

IV. DEVELOPMENT SCHEDULE

The project development sequence is as follows:

- Phase I - Obtain Airline consensus and commitments.
- Phase II - Design development, permitting, and financing.
- Phase III - Construction

Phases I and II are expected to be complete in 1990 and early 1991 with construction (Phase III) activities scheduled to start during mid to late 1991.

V. OPTIONS FOR FACILITY USE, OWNERSHIP, AND OPERATION

There are a wide variety of options for use, ownership, and operation of the maintenance facility. Private sector users could include either airlines, nonairline users such as Boeing Co., or perhaps a consortium of users. Public sector ownership by AIDEA will be advantageous because of the financial benefits of tax exempt financing.

Options for operation include:

- a) operation by a single airline such as Federal Express, Alaska Airlines, or another airline;
- b) operation by multiple airlines who lease parts of the facility; or
- c) operation by a third party nonairline operator.

VI. FACILITY NEEDS AND BENEFITS ANALYSIS

Anchorage and Fairbanks International Airports handle over 75,000 commercial aviation flights per year. Yet few facilities exist in the state to handle major and minor maintenance of the commercial jet aircraft that serve or transit the state. Instead, most aircraft maintenance is conducted in facilities in the lower 48 states.

- ° An aircraft maintenance facility in Alaska would create a high-tech industry and a new income source for Alaskans.
- ° The facility could strengthen Alaska's role as an international air cross roads at a time when overflights are reducing some of Alaska's international passenger flight.
- ° The facility would help to attract new international air carriers and solidify the presence of existing airlines by providing one of the basic support services that the international airlines need.
- ° The facility could also make maintenance activities more convenient for interstate and intrastate airlines by locating a maintenance base at the place from which many of their aircraft are operated.
- ° Approximately 125 construction jobs will be created by the project.
- ° Approximately 100 direct and indirect permanent jobs would be created as a result of the project.

H.B. 594

AIRCRAFT MAINTENANCE FACILITY
ANCHORAGE INTERNATIONAL AIRPORT

OPPORTUNITY

Anchorage and Fairbanks International Airports handle over 75,000 commercial aviation flights per year. Yet few facilities exist in the State to handle major and minor maintenance of the commercial jet aircraft that serve the State. Instead, most aircraft maintenance is conducted in facilities in the Lower 48 States.

An aircraft maintenance facility in Alaska would create jobs and income for Alaskans. The facility could strengthen Alaska's role as an international air crossroads at a time when overflights are reducing some of Alaska's international passenger flights. The facility would help to attract new international air carriers and solidify the presence of existing airlines by providing one of the basic support services that the international airlines need. The facility could also make maintenance activities more convenient for interstate and intrastate airlines ~~such as Alaska and Markair~~ by locating a maintenance base at the same place as many of their aircraft are operated.

DEVELOPMENT CONCEPT

The Alaska Industrial Development and Export Authority (AIDEA) has agreed to explore with the Alaska International Airport System (AIAS), Federal Express, Alaska Airlines and other airlines the feasibility for development of an aircraft maintenance facility at Anchorage International Airport. Initial contacts within the airline industry indicate that there is a need for a maintenance facility to serve both widebody and narrowbody aircraft.

● Project Scope

The maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging. ~~A schematic drawing of one possible hangar concept is attached. This concept shows a 2-bay hangar capable of holding 3 aircraft at one time.~~ The final scope would be subject to negotiations with hangar users.

● Cost Estimate

Preliminary cost estimates range from \$25 million to \$50 million, with the final cost depending on the number of users and their requirements. In addition, up to \$8 million would be required for site preparation, aircraft parking apron, and possible taxiway extension.

• Ownership and Use Options

There are a wide variety of options for ownership and use of the maintenance facility. Private sector users could include either an airline or nonairline user, or perhaps a consortium of users. Public sector ownership by AIDEA will be advantageous because of the financial benefits of tax exempt financing.

Operation and use options include: (a) operation by a single airline such as Federal Express, Alaska Airlines, or another airline, (b) operation by multiple airlines who lease parts of the facility, or (c) operation by a third party nonairline operator.

STEVE COWPER
GOVERNOR



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 4, 1990

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the development of an aircraft maintenance facility at the Anchorage International Airport. This bill provides the authorization necessary for the Alaska Industrial Development and Export Authority (AIDEA) to issue bonds to finance the acquisition, design, and construction of a multi-bay aircraft maintenance facility. The facility will be owned by AIDEA.

The maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging. An aircraft maintenance facility in Alaska would create jobs and income for state residents. The facility could strengthen the state's role as an international air crossroads at a time when overflights are reducing some of the state's international passenger flights. The facility would help to attract new international air carriers and solidify the presence of existing airlines by providing one of the basic support services that the international airlines need. The facility could also make maintenance activities more convenient for interstate and intrastate airlines by locating a maintenance base at the same airport through which many of the aircraft are routed.

While no major airlines have committed to lease the facility, both Alaska Airlines and Federal Express have officially notified AIDEA of their interest. This bill will give AIDEA the ability to move quickly to finance the facility once negotiations for leases with potential users are successfully concluded. Out of respect for a coordinate branch of state government, I am seeking the authorization required by AS 44.88.172(c) to issue bonds to finance the maintenance facility; I have been advised by the attorney general that I am not required to obtain this

approval because sec. 172(c) is of doubtful constitutional validity.

The bill also contains an exemption from the state procurement code (AS 36.30). This exemption would give airport projects owned by AIDEA the same treatment under the state procurement code afforded to the Department of Transportation and Public Facilities (DOT/PF). Under AS 36.30.850(b)(8), contracts relating to airports are exempt from the code. Airport projects are specialized facilities that must be tailored to industry standards. DOT/PF has learned that the primary users of airport facilities are eager to take responsibility for facilities that they will ultimately be required to use under the terms of a long-term financing lease. Such a transfer of responsibility not only assures a satisfied customer, it also shifts the responsibility from the state to the user for liability stemming from the implementation of the project.

The Alaska International Airport System will be submitting a separate budget amendment that will authorize the expenditure of up to \$8,000,000 in airport revenue for site development for the maintenance facility.

I urge you to pass this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name below.

Steve Cowper
Governor

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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to issuance of bonds and procurement of an Aircraft Maint.
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Commerce & Economic Dev.
BRU: Alaska Industrial Development and Export Authority
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Analysis is attached as page 2.

Prepared by: William R. Snell, Deputy Director - Development Phone: (907) 561-8050
Division: Alaska Industrial-Development and Export Authority Date: 4/2/90

Approved by Commissioner: Larry Mercier Date: 4/2/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):

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

LW/dg16663D/0402

ANALYSIS

Section 1 of this bill would give AIDEA the authority to issue up to \$50 million in bonds for the acquisition, design and construction of a multi-bay aircraft maintenance facility located at Anchorage International Airport to be owned by the authority.

Preliminary cost estimates range from \$25 million to \$50 million, with the final cost depending on the number of users and their requirements.

o Development Schedule

The project development sequence is as follows:

- Phase I - obtain airline consensus and commitments
- Phase II - design development and permitting
- Phase III - construction

It is expected that Phases I and II would be completed in 1990 and Phase III in 1991.

Section 2 of this bill would exempt AIDEA from the competitive bidding requirements of the state procurement code (AS 36.30) for contracts related to airport construction. The exemption would give the project the same status under the procurement code as other airport projects undertaken by the Department of Transportation and Public Facilities (see AS 36.30.850(b)(8)).

This would allow the delegation to users the responsibility for the design and construction facilities that are intended for a special airport use. This approach recognizes that the state and primary users are partners in the project and that the facility should be designed with the special needs of the user in mind. The state also benefits by extracting indemnification from the user for any liability related to the performance under the delegation.

No separate legislative appropriation is required for AIDEA to issue the revenue bonds; therefore, the fiscal note is zero.

PROJECT TITLE: AIAS DEVELOPMENT FUND

FISCAL YEAR 1991

REGION: A1

LOCATION: STATEWIDE

COMPLETION DATE:

ELECTION DISTRICT: 99

APPROPRIATION TO: DOT&PF

WORK TYPE:

PROGRAM: AVINTL

FUNDING	CAPITAL REQUEST	OPERATING COSTS	NEW POSITIONS (PFT)
1002 FEDERAL RECEIPTS:			
1003 GENERAL FUND MATCH:			0
1004 GENERAL FUND:		\$0.0
1005 PROGRAM RECEIPTS:		
1007 INTER-AGENCY RECEIPTS:			
1026 HWCF:			
1027 IARF:	\$8,000.0		
1061 CIP RECEIPTS:			
OTHER FUND:			
TOTALS:	\$8,000.0		

****PROJECT DESCRIPTION:**

DEVELOPMENT FUNDS WILL BE USED TO STIMULATE NEW PRIVATE SECTOR DEVELOPMENT AT ANCHORAGE AND FAIRBANKS INTERNATIONAL AIRPORTS. FUNDS WILL BE USED FOR DESIGN AND CONSTRUCTION OF BASIC SITE PREPARATIONS AND LAND IMPROVEMENTS INCLUDING, BUT NOT LIMITED TO, EXCAVATION AND BACKFILL OF LEASELOTS, UTILITIES, RAMP, TAXIWAY, ACCESS ROAD DEVELOPMENT, VEHICLE PARKING AREAS, LOT DRAINAGE, AND SECURITY FENCING. PRIVATE DEVELOPMENTS MAY INCLUDE SUCH FACILITIES AS AIRCRAFT FACILITIES, CARGO STORAGE AND HANDLING, AIRCRAFT PARKING AND REFUELING AND OTHER PRIVATE DEVELOPMENTS.

****PROJECT JUSTIFICATION:**

THE AIAS HAS HAD EXPRESSIONS OF INTEREST FROM A NUMBER OF TENANTS FOR MAJOR NEW DEVELOPMENTS AT ANCHORAGE AND/OR FAIRBANKS INTERNATIONAL AIRPORTS. DEVELOPMENT FUNDS ARE NEEDED TO RESPOND QUICKLY TO AIRPORT TENANT NEEDS FOR CONSTRUCTION OF SITE IMPROVEMENTS, SUCH AS WAS PROVIDED TO FEDERAL EXPRESS IN 1989 AND 1990. IF THE AIAS IS UNABLE TO RESPOND QUICKLY TO TENANT NEEDS, THE PROPOSED DEVELOPMENT MAY NOT OCCUR OR IT MAY OCCUR AT ANOTHER AIRPORT OUTSIDE ALASKA. THE ABOVE FUNDING AMOUNT HAS BEEN DETERMINED BASED ON INFORMATION FROM COMPANIES WHO HAVE INDICATED THEIR INTEREST IN DEVELOPMENT AT AIAS IN FY 91.

AIAS Budget amendment

Original sponsor(s): Rules/Governor

1 IN THE SENATE

BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 543 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Industrial Development
7 and Export Authority to issue bonds for an aircraft
8 maintenance facility located at the Anchorage Inter-
9 national Airport; relating to the accounts of the
10 authority and the financing of development projects
11 by the authority; granting the authority an exemption
12 from the State Procurement Code for contracts relat-
13 ing to airports; and providing for an effective
14 date."

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

16 * Section 1. The Alaska Industrial Development and Export Authority may
17 issue bonds to finance the acquisition, design, and construction of a
18 multi-bay aircraft maintenance facility located at Anchorage International
19 Airport, to be owned by the authority. The principal amount of the bonds
20 may not exceed \$50,000,000. This section grants the legislative approval
21 required by AS 44.88.090 and 44.88.172(c).

22 * Sec. 2. AS 36.30.850(b)(8) is amended to read:

23 (8) acquisitions or disposals of property or other con-
24 tracts relating to airports under AS 02.15.070, 02.15.090, [AND]
25 02.15.091, and AS 44.88;

26 * Sec. 3. AS 44.88.060 is amended to read:

27 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-
28 THORITY REVOLVING FUND. The Alaska Industrial Development and Export
29 Authority revolving fund is established in the authority. The

1 revolving fund consists of appropriations made to the revolving fund
2 by the legislature, money or other assets transferred to the revolving
3 fund by the authority, and unrestricted payments on loans made or
4 purchased by the authority. Unless otherwise expressly stated, the
5 accounts created in this chapter are accounts in the revolving fund.
6 The authority may create additional accounts either in the revolving
7 fund or outside the revolving fund. Subject to agreements made with
8 the holders of the authority's bonds or with other persons, the
9 authority may transfer amounts in an account in the revolving fund to
10 another account in the revolving fund. Amounts deposited in the
11 revolving fund may be pledged to the payment of bonds of the authority
12 or expended for the purposes of the authority under this chapter. The
13 authority has the powers and responsibilities established in AS 37.-
14 10.071 with respect to the investment of amounts held in the revolving
15 fund.

16 * Sec. 4. AS 44.88.155(c) is amended to read:

17 (c) Money and other assets of the enterprise development account
18 may be used to secure bonds of the authority issued to finance the
19 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
20 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
21 chase loans for projects.

22 * Sec. 5. AS 44.88.172(b) is repealed.

23 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
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