

HB

74

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER HB 74

SPONSOR House Finance Comm.

BILL TITLE Lease - finance Seward Student Service Center

DATE REFERRED 3/20/89

HEARING SCHEDULED 3/31/89

FISCAL NOTE PREPARED ✓

SPONSOR CONTACTED ✓ Milt

INTERESTED PARTIES CONTACTED

✓ Milt Barker, DOR 2350

✓ Julia Tucker, ASBA 562-2813

NO ✓ Mary Hakala, DOE 2800
doesn't affect directly

in lease budget in Admin.

OTHER

SENATE COMMITTEE REPORT

FURTHER

FIN

3/20/89

DATE TURNED INTO OFFICE 4-5-89

Mr. President:

STATE AFFAIRS

Committee considered CSHB 74 (FIN)

acquisition and financing of the Seward Student Service Center by the Alaska State Building Authority, and relating to the use of a lease-financing agreement for the project; efd and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Al Adams

Paul Healy (NO REC)

Pat Lumsden do pass
Chairman signature and recommendation

Committee Backup attached

Alaska State Legislature



Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling

P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members

FROM: Senator Pat Pourchot, Chairman

RE: March 31 Committee Hearing

DATE: March 30, 1989

On Friday, March 31 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:

SR 8, Requesting a hiring freeze for state employees

SR 8 would request that the Governor institute an immediate hiring freeze. The resolution is intended to address the projected FY 90 budget deficit.

SB 232, An Act relating to certain beverage dispensary licensees

SB 232 would authorize the holder of a beverage dispensary license issued to a hotel, motel, resort or similar business to stock alcoholic beverages in guest rooms. The beverages could be consumed only on the premises. Access would be restricted to guests age 21 and older, and would be controlled through a lock system.

The bill is intended to address the expectations of travelers accustomed to receiving hospitality services in their rooms.

HB 74, An Act relating to the acquisition and financing of the Seward Student Service Center by the Alaska State Building Authority, and relating to the use of a lease-financing agreement for the project

HB 74 gives the approval required under AS 18.55.100(d) for ASBA to provide lease financing for the Seward Student Service Center. The proposal is essentially the refinancing of an existing State

March 31 Memo

Page 2

lease-financed project. The refinancing is estimated to result in present value savings in state rental payments of \$1,203,001 over the ten year repayment term. Savings in FY 90 would be \$433,229, and from \$68,000 to \$87,000 in subsequent years.

Under AS 18.55.100(d), ASBA may not proceed with any public building project until it is approved by law. HB 74 would also serve as the legislative approval required under AS 36.30.080(c) for any lease financing agreement that has annual rent in excess of \$1 million.

The Seward Student Service Center is a student lounge and recreation complex for the Alaska Vocational-Technical Center (AVTEC) at Seward. AVTEC is the only state-operated adult vocational training facility in Alaska. The Center was completed and occupied by the state in April 1985.

HB 74 LEASE-FINANCING OF SEWARD STUDENT SERVICE CENTER

TO TESTIFY

MILT BARKER, DEPT. REVENUE

(A.S.B.A. AND DEPT. EDUCATION BOTH SAY DEPT. REVENUE IS HANDLING)

F.Y.I.

UNDER HB 74, STATE'S ANNUAL LEASE PAYMENT WOULD BE LESS THAN CURRENT -- BEGINNING FY 90 IF BILL PASSES THIS SESSION. HOWEVER, FISCAL NOTE SAYS DON'T REDUCE FY 90 DEBT SERVICE APPROPRIATION YET BECAUSE ACTUAL AMOUNT OF SAVINGS WON'T BE KNOWN UNTIL THE BONDS ARE SOLD. INSTEAD, JUST EXPECT THE MONEY TO LAPSE.

GOVERNOR'S FY 90 BUDGET FOR DEBT SERVICE IS \$12,106.3:
6,551.1 A.S.B.A. BONDS (OLD A.S.H.A. STUFF)
4,333.9 SPRING CREEK
366.5 PALMER COURTHOUSE
850.7 SEWARD STUDENT CENTER (ANTICIPATE 764.3 IF
HB 74 PASSES)

GOVERNOR'S TRANSMITTAL LETTER SAYS HE'S SENDING THIS TO LEGISLATURE FOR OUR APPROVAL OUT OF THE GOODNESS OF HIS HEART, SINCE HE THINKS THE APPROVAL REQUIREMENT VIOLATES THE CONSTITUTIONAL SEPARATION OF POWERS. PACKET CONTAINS MEMO FROM LEGISLATIVE LEGAL EXPLAINING THIS A LITTLE BIT MORE.

NAME: JERRY MCUTCHEON
TITLE:
ADDRESS: 121 W. 11TH
CITY: ANCHORAGE ZIP: 99501
PHONE: 277-3076
BILL NO: HB 74
SUBJECT: SEWARD STUDENT SERVICE CENTER
MESSAGE: NO HOUSE MEMBER KNEW FACTS? BEING CURIOUS AS TO WHICH PRIVATE DEVELOPER HAS BENEFITING I ASKED THE LIO OFFICE TO ASK HOUSE FINANCE WHO DIDN'T KNOW, AND REFERRED THE LIO OFFICE TO THE GOVERNOR'S OFFICE. DO WE HAVE AN ARMS LENGTH TRANSACTION? WHO AUTHORIZED THE CONSTRUCTION AND RENTAL AGREEMENT? IF IT WAS SOUND JUDGEMENT THEN, WHAT CHANGED? WHAT WERE THE ORIGINAL TERMS AND CONDITIONS? WILL THE SENATE DO ANY BETTER?

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

32
MB 74

January 9, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that gives legislative approval to a lease-financing project: the acquisition and refinancing of the Seward Student Service Center by the Alaska State Building Authority (ASBA). The terms of AS 36.30.080(c) and AS 18.55.100(d) require this legislative approval.

Provisions such as those in AS 18.55.100(d) and AS 36.30.-080(c), requiring specific executive-branch activities to be submitted to the legislature for approval before they may proceed, raise a substantial question of constitutionality under the separation-of-powers doctrine. It has long been the Administration's position that such provisions are invalid. However, like my predecessors, I am aware of the legislature's interest in projects such as these and am, as a courtesy to the legislature, submitting these projects for approval.

Under AS 18.55.100(d), the bill authorizes ASBA to acquire the Seward Service Center and to provide financing for the acquisition. Under AS 36.30.080(c), the Department of Administration may enter into a lease-financing agreement with ASBA for the student center.

Sincerely,

A handwritten signature in cursive script, appearing to read "Steve Cowper".

Steve Cowper
Governor

HB 74
3

RECEIVED JAN 20 1989

January 12, 1989

list to all Senators



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

Dear Senator Kelly:

The assistance of the Alaska State Building Authority has been requested by the Alaska Department of Administration to provide lease-financing for a public building--the Seward Student Service Center. The project is being submitted for review by the legislature pursuant to AS 18.55.100(d).

The project is essentially a refinancing of an existing State lease-financed project. The refinancing would result in substantial savings in lease rental payments over the payment schedule to which the State is now committed. The refinancing contemplates a purchase by the Authority of the facility from the current lessor, Delta Fox, Ltd. (formerly Dick Fischer Development, Inc.). The Authority would issue financing in an amount sufficient to provide the \$4,988,016 needed for the purchase as well as a reserve fund and costs of issuance. The Department of Revenue has estimated an issuance of \$5,600,000 for the Student Center. The new lease of the facility to the State is estimated by the Department of Revenue to result in present value savings in State rental payments of \$1,203,001. The enclosed letter from Commissioner John Andrews contains information in more detail concerning this refinancing.

Under AS 18.55.100(d), approval by law of the project is a prerequisite to the undertaking of any public building project by the Authority.

The Alaska State Building Authority welcomes this opportunity to serve the State in realizing cost savings in the financing of public building projects.

Sincerely,

ALASKA STATE BUILDING AUTHORITY

Ray Price
Executive Director

Enclosure

jt:ss:c:\wp50\rp\1\rptk.1

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX C
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200

Distressed to all members.
January 18, 1989

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

Dear Mr. President:

In compliance with AS 36.30.080(c), I wish to inform you that the Department of Administration intends to enter into a lease-financing agreement for the Seward Student Service Center which may have annual rent in excess of \$1,000,000 to be paid by the State. The agreement is expected to be with the Alaska State Building Authority (ASBA) as lessor. The State would assign its purchase option under an existing lease-financing agreement to ASBA. ASBA would issue debt and use the proceeds to exercise the purchase option. State lease rental payments under the new lease-financing agreements with ASBA would pay the debt service on ASBA debt. The reason for this undertaking is that the State's lease rental payments would decrease significantly under the new lease-financing agreement as a result of declines in interest rates. The current lessor's proceeds from sale of the leased facilities to ASBA will be used to payoff currently outstanding debt issued by the current lessor.

Under the proposed lease-financing agreement, ASBA would acquire the Seward Student Service Center from Delta Fox, Ltd. (formerly Dick Fischer Development, Inc.) at one of the prices listed below:

Seward Student Service Center

<u>Closing Date of Property Sale</u>	<u>Price</u>
July 1 - July 30, 1989	\$4,988,016.00
July 1 - July 30, 1990	\$4,717,860.00
July 1 - July 30, 1991	\$4,422,324.00
July 1 - July 30, 1992	\$4,094,640.00
July 1 - July 30, 1993	\$3,778,756.00
July 1 - July 30, 1994	\$3,360,876.00
July 1 - July 30, 1995	\$2,942,952.00
July 1 - July 30, 1996	\$2,474,832.00
July 1 - July 30, 1997	\$1,952,004.00
July 1 - July 30, 1998	\$1,370,520.00
July 1 - July 30, 1999	\$ 722,484.00

The Seward Student Service Center is a student lounge and recreation complex for the Alaska Vocational-Technical (Vo-Tec) Center at Seward. The Vo-Tec Center is the only State-operated adult vocational training facility in the State. The Center was completed and occupied by the State in April 1985.

Assuming the sale is closed during July 1 to July 30, 1989, the purchase price would be \$4,988,016. The anticipated amount of the ASBA financing for this project would be \$5,600,000 including the costs of issuance. The resulting anticipated annual lease rental payments by the State compared to existing payments would be:

Seward Student Service Center

<u>Fiscal</u> <u>Year</u>	<u>Anticipated Rent</u>	<u>Existing Rent</u> ^{1/2/}	<u>Savings</u> ^{3/}
1990	\$ 764,307	\$ 803,160	\$ 433,229
1991	737,872	806,348	68,476
1992	741,840	809,550	67,710
1993	738,102	812,763	74,661
1994	742,352	815,990	73,638
1995	738,915	819,230	80,315
1996	738,037	822,482	84,445
1997	739,337	825,747	86,410
1998	742,097	829,025	86,928
1999	<u>181,202</u>	<u>832,317</u>	<u>651,115</u>
TOTAL	<u>\$6,864,061</u>	<u>\$8,176,612</u>	<u>\$1,706,927</u>

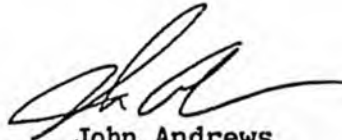
Notes to Seward Student Service Center Table:

- 1990 and later existing rents are reduced by the credit for payment one year in advance.
- 1991 and later existing rents have been escalated by the July 1984 to July 1986 increase in the Anchorage CPI pursuant to inflation adjustment provision of the lease.
- 1990 savings includes \$394,375.30 rebate under existing lease calculated as follows: June 10, 1989 Existing Rent Payment of \$842,275.20 - \$39,115.40 credit for payment one year advance - (\$6,090,000 certificates outstanding + 2% call premium of \$121,800 - \$4,988,016 purchase price - \$815,000 reserve fund).

Page 3

The present value of the savings to the State is estimated at \$1,203,001 using the estimated 6.7542 percent true interest cost on the proposed ASBA financing.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'John Andrews', written in a cursive style.

John Andrews
Commissioner of Administration

JA/MB/gb

8534H

CITY OF SEWARD

P.C. 73, 167
SEWARD, ALASKA 99664



- Main Office (907) 224-3331
- Police (907) 224-3338
- Harbor (907) 224-3341
- Telecopier (907) 224-3248

CERTIFICATE OF OCCUPANCY

IT IS HEREWITH CERTIFIED THAT A FINAL INSPECTION OF THE WORK AUTHORIZED BY BUILDING PERMIT NO. 84-24, ISSUED TO Dick Fischer Development

FOR THE BUILDING OR STRUCTURE DESCRIBED AS:

AVTEC Student Service Center, Block 29 OTS

HAS BEEN PERFORMED,

AND THE DESCRIBED WORK COMPLIES WITH THE PROVISIONS AND REQUIREMENTS OF THE CITY OF SEWARD CODE CHAPTER 6, AND ALL APPLICABLE CODES REFERENCED THEREIN, FOR THE GROUP AND DIVISION OF OCCUPANCY AND THE USE FOR WHICH THE PROPOSED OCCUPANCY IS CLASSIFIED.

USE AND OCCUPANCY OF THE ABOVE DESCRIBED BUILDING OR STRUCTURE IS HEREBY AUTHORIZED BY THE CITY OF SEWARD BUILDING DEPARTMENT.

This Certificate of Occupancy is issued with the provision that the parking requirements established for the building be completed within a reasonable time, weather permittting.

[Signature]
BUILDING INSPECTOR

CITY OF SEWARD
SEWARD, ALASKA

DATE April 29, 1975

APR 29 1975
32-2-110 2-110-111

Alaska State Legislature



Sen. Pat Pourchot, Chairman

Sen. Jan Falks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling

P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members
FROM: Senator Pat Pourchot, Chairman
RE: April 5 Committee Meeting
DATE: April 4, 1989

On Wednesday, April 5 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:

SB 201, An Act making a special appropriation to the Department of Transportation and Public Facilities for an environmental impact statement concerning Seward and Kodiak as homeports for navy ships

SB 201 would appropriate \$750,000 to the Department of Transportation for preparation of an environmental impact statement on the establishment of homeports in Seward and Kodiak. At the sponsor's request, a draft committee substitute has been prepared that clarifies funds would also be used for work associated with feasibility assessments, the negotiation of agreements with the Navy, and any necessary legal activity. Unused funds would lapse to the general fund June 30, 1990.

In 1988 the legislature approved a resolution (SJR 55) supporting a homeport, and indicating the state's willingness to consider investment of as much as \$100 million for capital improvements. The resolution specified that the commitment of funds was contingent upon the completion of a cost-benefit analysis demonstrating that the state would derive net benefits from its investment.

The Navy's January 1989 letter to DOT, which announced Kodiak and Seward as the preferred Alaskan sites, indicated that "due to the constrained budget climate in Washington, the entire capital cost of a new homeport facility in Alaska would be an Alaskan investment". The letter also indicated that the next step would be joint preparation of an EIS.

SB 232, An Act relating to certain beverage dispensary licensees

SB 232 would authorize the holder of a beverage dispensary license issued to a hotel, motel, resort or similar business to stock alcoholic beverages in guest rooms. The beverages could be consumed only on the premises. Access would be restricted to guests age 21 and older, and would be controlled through a lock system.

The bill is intended to address the expectations of travelers accustomed to receiving hospitality services in their rooms.

HB 73, An Act making technical amendments to public employee benefits statutes

HB 73 would correct changes to statute inadvertently made last year. Section 1 reinstates the policy of income and interest earned on the Teachers Retirement Fund being returned to the fund.

Section 2 clarifies the procedure under which judges who have had contributions to the retirement account involuntarily refunded can repay the contributions, conforming the procedure to that currently followed under TRS and PERS.

Section 3 clarifies that, because municipal as well as state employees can be members of PERS, the "employer" of a supplemental benefits system member -- not the Department of Administration -- is required to make payments to the member's account.

In addition, HB 74, An Act relating to the financing of the Seward Student Service Center by ASBA, will be back before the committee. The Department of Revenue is preparing additional information on the current and proposed financing agreements.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 21, 1989

SUBJECT: Separation of powers doctrine and HB 74
TO: Representative H.A. "Red" Boucher
FROM: Theresa Bannister *TB*
Legislative Counsel

You have requested our views regarding the constitutional issue raised by Governor Cowper in his transmittal letter for HB 74. In that letter he maintains that the position of the executive branch is that the legislative approval requirement of AS 18.55.100(d) and AS 36.30.080(c) violates the separation of powers doctrine in the state constitution. He does not challenge the statutory provisions but is content with expressing the position while complying with the statutes.

The purpose of the separation of powers doctrine is to avoid too great a concentration of power in one branch of government. The doctrine precludes one branch from exercising the powers of another branch or intruding into the functions of another branch. This separation of powers doctrine has been held to be implicit in the state constitution. Alaska State-Operated School System v. Mueller, 536 P.2d 99 (Alaska 1975); Public Defender Agency v. Superior Court, 534 P.2d 947 (Alaska 1975); State v. Carlson, 555 P.2d 269 (Alaska 1976). The separation of powers doctrine requires that the blending of governmental powers will not be inferred in the absence of an express constitutional provision. Bradner v. Hammond, 553 P.2d 1 (Alaska 1976).

The issue that is raised here is whether the legislature can require the executive branch to obtain the legislature's approval before proceeding with certain projects. AS 18.55.100(d) prohibits the Alaska State Building Authority from proceeding with a public building project unless the project has been approved by the legislature. AS 36.30.080(c) prohibits the executive branch from entering into a lease or lease-financing agreement over \$1,000,000 without legislative approval.

Representative H. A. "Red" Boucher

Page 2

February 21, 1989

The governor can argue that the decision whether to proceed with these projects is committed to the discretion of the executive branch, and, that, therefore, the legislature has no right to interfere. This is based on the governor being charged constitutionally with executing the laws. Sec. 16, art. III, Constitution of the State of Alaska. Once the legislature establishes the criteria for the projects by statute, the executive branch applies the criteria and makes the decisions. The governor can then argue that by reserving to itself the power to decide whether to implement a project, the legislature is actually administering the statutes.

The legislature's response to such an argument would be that the approval requirement serves the important purpose of legislative oversight over large projects. Since the projects are the type that will require continuing budget appropriations by the legislature, initial legislative approval will help to insure that the projects will continue to receive legislative appropriations in the future. The legislature could also argue that the approval is just an adjunct to the legislature's undisputed power to provide for the appropriation of money. Enourato v. New Jersey Building Authority, 448 A.2d 449, 453-455 (N.J. 1982); Baliles v. Mazur, 297 S.E.2d 695, 700-701 (Va. 1982).

The Alaska supreme court has not decided this exact issue, and it would be difficult to predict what it would do. However, as you can see, there is precedent in other states for the legislative position proposed above.

If I may be of further assistance, please advise.

TB:kb
wkk2/029

AS 18.55.100 (d) - Leg. Approval - ASBA Projects

§ 18.55.105

ALASKA STATUTES

§ 18.55.110

§ 18.55.120

(3) [Repealed, § 1 ch 116 SLA 1968.]

(4) for the purposes of this subsection, AS 18.55.130 and 18.55.330 do not apply.

(c) Any two or more authorities may join or cooperate with one another in the exercise of any or all of the power conferred by the housing authorities law for the purpose of financing, planning, undertaking, constructing or operating a housing project or projects located within the area of operation of one or more of the authorities.

(d) Notwithstanding (a)(7) and (15) of this section, a proposed public building project shall be submitted by the authority to the legislature for review. The authority may proceed with the public building project only if it is approved by law. An appropriation does not constitute approval by law for purposes of this subsection. (§ 40-7-6 ACLA 1949; am § 2 ch 8 SLA 1949; am § 1 ch 38 SLA 1964; am § 1 ch 79 SLA 1964; am §§ 3, 4 ch 99 SLA 1965; am § 2 ch 60 SLA 1966; am § 2 ch 118 SLA 1967; am §§ 1, 2 ch 116 SLA 1968; am § 1 ch 151 SLA 1975; am § 2 ch 103 SLA 1986)

Effect of amendments. — The 1986 amendment added subsection (d).

NOTES TO DECISIONS

Cited in *Hardy v. Island Homes, Inc.*, Sup. Ct. Op. No. 48 (File No. 39), 363 P.2d 637 (1961).

Sec. 18.55.105. Lease of authority's public buildings to political subdivisions. [Repealed, § 3 ch 118 SLA 1967.]

Sec. 18.55.110. Cooperation with and aid of federal government. The authority may do all things necessary or desirable to cooperate with or act as agent for the federal government, or to secure financial aid for housing projects for veterans of World War II and other citizens of the state, provided that those projects may not be undertaken unless an acute shortage of housing exists. With respect to those projects, the authority may not be subject to limitations, restrictions or requirements of other laws, except those relating to land acquisition, prescribing or limiting the procedure or action to be taken in the development or administration of any buildings, property, public works, undertakings or projects of municipal or public corporations or agencies of the state. (§ 40-7-7 ACLA 1949; am § 3 ch 8 SLA 1949)

Projects

Sec. 18.55.1 authority shall rentals fixed a tary dwellings operated for p state. Rentals the authority with all other pay, as they meet the cost insurance and than the six reserve suffic due in any on ACLA 1949;

Cited in *Hardy v. Island Homes, Inc.*, Sup. Ct. Op. No. 48 (File No. 39), 363 P.2d 637 (1961).

Sec. 18.55.110. Cooperation with and aid of federal government. The authority may do all things necessary or desirable to cooperate with or act as agent for the federal government, or to secure financial aid for housing projects for veterans of World War II and other citizens of the state, provided that those projects may not be undertaken unless an acute shortage of housing exists. With respect to those projects, the authority may not be subject to limitations, restrictions or requirements of other laws, except those relating to land acquisition, prescribing or limiting the procedure or action to be taken in the development or administration of any buildings, property, public works, undertakings or projects of municipal or public corporations or agencies of the state. (§ 40-7-7 ACLA 1949; am § 3 ch 8 SLA 1949)

(b) Except States House 89-117; 79 income limit and rer United Sta taking into

(1) the fa factors tha

(2) the e vency of t

(c) Rent projects as lished that family or Housing A

Sec. 36.30.070. Supply management. The commissioner shall adopt regulations governing the

- (1) management of supplies during their entire life cycle;
- (2) sale, lease, or disposal of surplus supplies by public auction, competitive sealed bidding, or other appropriate method;
- (3) purchase of surplus supplies by an employee of the using or disposing agency; and
- (4) transfer of excess supplies. (§ 2 ch 106 SLA 1986)

Sec. 36.30.080. Leases. (a) The department shall lease space for the use of the state or an agency wherever it is necessary and feasible, subject to compliance with the requirements of this chapter. A lease may not provide for a period of occupancy greater than 40 years. An agency requiring office, warehouse, or other space shall lease the space through the department.

(b) The department may enter into lease-financing agreements, including lease-purchase agreements and agreements related to the issuance of certificates of participation. A lease-financing agreement must provide that lease payments are subject to annual appropriation.

(c) If the department intends to enter into a lease or lease-financing agreement with an annual rent to the state anticipated to exceed \$1,000,000, the department shall provide notice to the legislature. The notice must include the anticipated annual lease obligation amount and the anticipated total construction, acquisition, or other costs of the project. The department may not enter into an agreement under this subsection unless the project has been approved by the legislature by law. An appropriation for the project does not constitute approval of the project for purposes of this subsection. (§ 2 ch 106 SLA 1986)

Article 2. Competitive Sealed Bidding.

Section

- 100. General policy
- 110. Invitation to bid
- 115. Subcontractors
- 120. Bid security
- 130. Public notice of invitation to bid
- 140. Bid opening

Section

- 150. Bid acceptance and bid evaluation
- 160. Late bids; correction or withdrawal of bids; cancellation of awards
- 170. Contract award after bids
- 190. Multi-step sealed bidding

Effective date of article. — Section 69, ch. 106, SLA 1986, as amended by § 27, ch. 65, SLA 1987, provides that this article takes effect January 1, 1988.

Collateral references. — Right of mu-

nicipal corporation to recover back from contractor payments made under contract violating competitive bidding statute. 33 ALR3d 397.

Sec.
in this
contrac
(b) C
(1) v
ing, or
studies
(2) v
(3) f
vided
(4) f
tional
(5) f
(6) f
(c) I
gram t
ical or
employ

Collat that pub

Sec.
bidding
bid. It
receive
terms
(b) V
ply evic
a const
istratio

Sec.
ter the
bidder
use in t
and loc
dence c
for a co
tractor
(b) A
(1) fi
(2) fi

MEMORANDUM

STATE OF ALASKA

DEPARTMENT OF REVENUE

TO: Alison Elgee
Director
Budget Review

DATE: September 23, 1988

FILE NO:

TELEPHONE NO: 465-2350

THRU:

SUBJECT: FY 90 Debt Service
and Front Sections

FROM: Milton B. Barker *MB*
Deputy Commissioner
Department of Revenue

The amounts required for debt service and trustee fees to be paid by the State Bond Committee during FY 90 are:

	<u>Debt Service</u>	<u>Trustee fees</u>	<u>Fund Source</u>
General Obligation Bonds	\$120,306,290	\$80,000	General Fund
International Airports Revenue Bonds	8,707,584	30,000	International Airports Revenue Fund

"Front sections" of the general appropriations bill also are needed to appropriate the lease rental payments that the State is required to make to

1. the Alaska State Building Authority for lease of facilities constructed with the proceeds of lease revenue bonds issued by that agency, at the time, the Alaska State Housing Authority;
2. the City of Seward for lease of the Spring Creek Correctional Center which was constructed with the proceeds of Certificates of Participation issued by the City;
3. Delta Fox, Ltd. for lease of the Seward Student Service Center which was constructed with the proceeds of Certificates of Participation issued by Delta Fox, Ltd.; and

Alison Elgee
 Page 2
 September 23, 1988

4. the City of Palmer for lease by the Court System of a courthouse in Palmer which was constructed with the proceeds of revenue bonds issued by the City.

The State's lease payments are the security for the bond and certificates. As indicated by the attached letter from Standard & Poor's, failure to make these lease payments would have similar consequences for the State's credit standing and ability to borrow as a default on the State's general obligation bonds would have.

The "front section" should read:

* Sec. . The sum of \$12,106,257.68 is appropriated from the general fund to the State Bond Committee for lease payments to the Alaska State Building Authority, City of Seward, Delta Fox, Ltd., and the City of Palmer.

This appropriation is not net of a \$39,115.40 rebate of Seward Student Service Center rent that the Department of Administration receives pursuant to Section 5.6 of the Seward Student Service Center Commercial Lease (attached). The rebate is deposited in the general fund as unrestricted revenue.

The amounts of lease payments to maturity of the lease revenue bonds and certificates are as follows:

	<u>ASBA Bonds</u>	<u>Spring Creek</u>	<u>Student Service Center¹</u>	<u>Palmer Courthouse</u>
FY 90	\$ 6,555,108.39	\$ 4,333,923.84	\$ 850,697.95	\$ 366,527.50
FY 91	6,550,775.90	4,333,923.84	850,697.95	365,577.50
FY 92	6,567,048.41	4,333,923.84	850,697.95	366,117.50
FY 93-94	9,096,153.75	8,667,847.68	1,701,395.90	726,545.00
FY 95-06	<u>1,536,107.50</u>	<u>53,090,568.18</u>	<u>4,295,603.52</u>	<u>5,008,528.75</u>
	\$30,305,173.95	\$74,760,187.38	\$8,549,093.27	\$6,971,072.50

¹ These amounts are not net of the \$39,115.40 rebate. The amounts for FY 90 through FY 94 are escalated per Section 5.2 of the Commercial Lease assuming a 10% increase in the CPI and escalated further for FY 95 - 99 assuming a further 10% CPI increase to \$859,120.70 per annum.

Like previous general appropriations acts, an additional "front section" for FY 90 is required which would read as follows:

Alison Elgee
Page 3
September 23, 1988

* Sec. . . The amount of the Rebate Requirement, as defined by Resolution No. 86-5 of the state bond committee, is appropriated from the International Airports Revenue Fund to the state bond committee for deposit in the Rebate Fund established by Resolution No. 86-5 of the state bond committee.

The section appropriates the arbitrage earned on International Airports Revenue Bonds, Series G, to a Rebate Fund for payment to the United States government. The arbitrage rebate is required by the Internal Revenue Code and regulations. The appropriation request from the International Airports Revenue Fund is required by section 16.09 of Resolution No. 86-5 of the State Bond Committee which authorizes the Series G bonds and which reads in part:

"Rebate Fund. There is hereby created and established with the Trustee a Rebate Fund. Notwithstanding anything in the Resolution to the contrary, amounts deposited in the Rebate Fund shall not constitute Revenues and are not pledged as security for payment of the Bonds of Series G or any other Bonds or obligations issued pursuant to the Resolution, but shall be held by the Trustee hereunder solely in trust for the benefit of the United States.

Prior to December 31 of each Fiscal Year, the State shall estimate the amount of the Rebate Requirement for the next succeeding Fiscal Year (including any deficiencies in the amounts deposited in the Rebate Fund with respect to any prior Fiscal Year), and shall include such amount in the budget for the Revenue Fund for such next succeeding Fiscal Year."

MBB/gb

Attachment

cc: Hugh Malone, Commissioner of Revenue
Bob Link, Director, Division of General Services and Supply,
Department of Administration

Standard & Poor's Corporation
25 Broadway, New York, New York 10004



December 29, 1983

RECEIVED

JAN 03 1984

ALASKA DEPARTMENT OF REVENUE
TREASURY DIVISION
JUNEAU

Mr. Milt Barker
Deputy Commissioner
Department of Revenue
11th Floor State Office Bldg.
Pouch, SB
Juneau, Alaska 99811

Dear Mr. Barker:

I would like to respond to your letter of December 13, regarding our views on lease obligations.

Lease Payments are viewed in essentially the same light as debt service on general obligation bonds; regardless of whether the obligation is cancellable due to non-appropriation. In fact, debt obligations secured by lease payments are included in our computations for overall debt burden.

Many states do not consider lease rental debt under debt limitation laws, primarily because legal interpretations view the obligations to pay rent as an annual budget item, and not a long term debt with a continuing appropriation. The fact remains, however, that the debt is still outstanding, and payable for as long as the property is being used by the lessee. While many leases permit non-payment of rent and cancellation of lease obligations, Standard & Poor's would be very concerned about an issuer's general obligation rating, in those cases where leases were cancelled as a ploy to avoid paying debt obligations.

I've enclosed some information regarding our approach to rating lease-rental debt obligations. If you have any further questions, feel free to contact Vladimir Stadnyk or myself at (212) 201-1767.

Very Truly Yours,

Richard P. Larkin
Managing Vice President
Municipal Finance Department

cc: V. Stadnyk
T. Arthur

issued for each July. The percentage increase, if any, in the CPI issued for July 1989 and July 1994 over the CPI issued for July 1984 will determine the maximum allowable adjustment of variable costs over the original Rent. The adjustment is not cumulative; it is to be computed from the base CPI, July 1984 for both the 1990 and the 1995 adjustment actions. Adjusted annual Rental Rate will be computed as follows:

$$[(10\% \times \text{Rent}) \times \% \text{ of change in CPI}] + \text{Rent} = \text{Adjusted Annual Rental Rate}$$

No retroactive adjustments will be allowed:

5.3. State's Obligations and Remedies

State's obligation to pay Rent due with respect to the Premises and to perform and observe all other covenants and agreements of State contained herein shall be absolute and unconditional except for the failure of the Legislature to appropriate funds; and the Rent due and payable hereunder shall be made without notice or demand and without set-off, counterclaim, abatement, deduction or defense except that State may offset against the Rent an amount not to exceed \$10,000 for claims due to State by Landlord under this Lease and the Ground Lease. However, nothing herein shall be construed to release Landlord from the performance of its obligation and State may institute such legal action against Landlord as State may deem necessary to compel the performance of such obligation.

5.4 Nonsubstitution

If this Lease is terminated by State in accordance with Section 3.1, State agrees for a period of one year that its Department of Education will not to construct, purchase, lease, operate, contract for or use any facilities which are functionally similar to the Premises or any of the uses which are functionally similar to any of the uses of the Premises, and agrees not to permit functions similar to those performed through the use of the Premises to be performed by an agency or entity affiliated with or hired by or for the Department of Education.

5.5 Budget Request and Appropriation

State will, prior to the commencement of each fiscal year for which this Lease is in effect, include the Rent due in such fiscal year in its annual budget request to the Legislature. State agrees to use any appropriation legally available for the Rent and to immediately encumber available appropriations for such payments prior to allocating or encumbering funds for the projects or costs for which no legal obligation to pay exists.

5.6 Consideration for Advance Rent

Concurrently with the payment by State of the Annual Rent, Landlord shall pay to State the sum of \$39,115.40 as consideration for payment of the Rent one year in advance, except that such payment shall be proportionately reduced to the extent that State exercises a right of

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION
April 5, 1989

STEVE COWPER, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
P.O. BOX SB
JUNEAU, ALASKA 99811-0400

The Honorable Pat Pourchot
Chairman
Senate State Affairs Committee
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Rec'd 1:30 pm
4-5-89

Dear Senator Pourchot:

At the request of the Senate State Affairs Committee, I submit the following information regarding HB 74, "An Act relating to the acquisition and financing of the Seward Student Service Center by the Alaska State Building Authority, and relating to the use of a lease-financing agreement for the project."

interest
current
7.3336%
FIN analysis
6.7542%
estimate
7.25%

The true interest cost on the existing debt (Refunding Certificates of Participation in Rent, 1986) is 7.3336%. The true interest cost assumed in the fiscal note is 6.7542%. The fiscal note analysis was done September 27, 1988. Since that time interest rates have risen to the point that the estimated true interest cost on the Alaska State Building Authority ("ASBA") financing for the project would be about 7.25%, only slightly below the rate on the existing debt.

Using last fall's estimated interest cost, the expected savings on rent payments by the State would be as follows if ASBA were to acquire the facility this July:

Fiscal Year	Seward Student Service Center		
	Anticipated Rent	Existing Rent 1/2/	Savings
1990	\$ 764,307	\$ 803,160	\$ 433,229 3/
1991	737,872	806,348	68,476
1992	741,840	809,550	67,710
1993	738,102	812,763	74,661
1994	742,352	815,990	73,638
1995	738,915	819,230	80,315
1996	738,037	822,482	84,445
1997	739,337	825,747	86,410
1998	742,097	829,025	86,928
1999	181,202	832,317	651,115
Total	<u>\$6,864,061</u>	<u>\$8,176,612</u>	<u>\$1,706,927</u>

at 6.7542% - what if 7.25%?

Notes

- 1990 and later existing rents are reduced by the credit for payment one year in advance.
- 1991 and later existing rents have been escalated by the July 1984 to July 1986 increase in the Anchorage CPI pursuant to inflation adjustment provisions of the lease.
- 1990 savings includes \$394,375.80 rebate under existing lease calculated as follows:
June 10, 1989 Existing Rent Payment of \$842,275.20 - \$39,115.40 credit for payment one year advance - (\$6,090,000 certificates outstanding + 2% call premium of \$121,800 - 4,988,016 purchase price - \$815,000 reserve fund).

The present value of the total projected savings in rent (\$1,706,927) would be \$1,203,001 using the assumed 6.7542% interest rate.

Since current interest rates are up from last fall, ~~so close to the rate on the existing debt, the savings would be significantly reduced.~~ The State would still receive a rebate of \$394,375.80 as explained in note 3 to the above table if the acquisition by ASBA took place. However, with interest rates and the economy appearing to be approaching peaks in their cycles and with a difference of only 50 basis points (.5 percent) required to produce the savings projected above, the State would probably refrain from executing this refinancing until interest are back closer to the 6.75% or less of last fall. Similar analyses to that shown above would be performed to determine when to proceed. The State Bond Committee has used a present value savings of 3 percent of the amount of new debt issued to warrant a refinancing. The interest rates of last fall would produce a present value savings of 21.5 percent.

It would be desirable to have the authorizing statutes in place, so that this financing can proceed when interest rates warrant. The acquisition can only take place in July of any year at one of the following prices specified in the State's current lease:

Seward Student Service Center

<u>Closing Date of Property Sale</u>	<u>Price</u>
July 1 - July 30, 1989	\$4,988,016.00
July 1 - July 30, 1990	\$4,717,860.00
July 1 - July 30, 1991	\$4,422,324.00
July 1 - July 30, 1992	\$4,094,640.00
July 1 - July 30, 1993	\$3,778,756.00
July 1 - July 30, 1994	\$3,360,876.00
July 1 - July 30, 1995	\$2,942,952.00
July 1 - July 30, 1996	\$2,474,832.00
July 1 - July 30, 1997	\$1,952,004.00
July 1 - July 30, 1998	\$1,370,520.00
July 1 - July 30, 1999	\$ 722,484.00

Financing does not necessarily have to take place at the time of acquisition, but can be done in advance when interest rates warrant.

The purchase price basically tracks the amount of debt outstanding as follows

<u>July 1</u>	<u>Purchase Price</u>	<u>Certificates Outstanding</u>	<u>Redemption Price</u>
1989	\$4,988,016	\$6,090,000	102.0%
1990	4,717,860	5,705,000	101.5
1991	4,422,324	5,300,000	101.0
1992	4,094,640	4,865,000	100.5
1993	3,778,756	4,400,000	100.0
1994	3,360,876	3,905,000	100.0
1995	2,942,952	3,370,000	100.0
1996	2,474,832	2,795,000	100.0
1997	1,952,004	2,175,000	100.0
1998	1,370,520	1,500,000	100.0
1999	722,484	775,000	100.0

Section 2.6 of Amendment Number Two to the Commercial Lease between Delta Fox, Ltd. and the State of Alaska (enclosed) gives the State the option to purchase the facility at the above times and prices. Section 2.7 of Amendment Number Two provides for amounts remaining in the reserve fund for the existing debt (\$815,000) to be paid to the State upon purchase so long as the amount paid does not exceed the preceding annual rent payment less the credit of \$39,115.40 under Section 5.6 of the Lease (enclosed) for early payment.

Dick Fischer

Under Section 2.7 of the Amendment, it appears the current lessor, Delta Fox, Ltd. (formerly Dick Fischer Development, Inc.) has an incentive to defer the sale as long as possible in that the purchase price gradually comes closer to the redemption price of the Certificates (the amount outstanding multiplied by the redemption price). Thus, by 1999 very little of the \$815,000 reserve fund is needed to make up the shortfall of the purchase price relative to the redemption price. Thus, delay increases the amount of the reserve fund that will remain with the lessor after redemption of the outstanding certificates (which is required upon exercise of the State's option to purchase) and rebate to the State of an amount up to its preceding rent payment less the early payment credit (\$800,000+). The early payment would still be on deposit in the Payment Fund at the time of acquisition and together with the reserve fund would constitute the cash available for the redemption and rebate. Currently part of the early payment is needed in addition to the reserve fund to make up the shortfall between the purchase price and redemption price. In later years that is not the case and the early payment suffices to fund the State's rebate, leaving most of the reserve fund for the lessor.

Rent

Current rental payments and existing debt service payments are as follows:

<u>Fiscal Year</u>	<u>Existing Rent</u>	<u>Existing Debt Service</u>
1990	\$ 803,160	\$ 820,657.50
1991	806,348	824,737.50
1992	809,550	826,027.50
1993	812,763	824,407.50
1994	815,990	829,757.50
1995	819,230	831,237.50
1996	822,482	833,687.50
1997	825,747	842,187.50
1998	829,025	840,887.50
1999	<u>832,317</u>	<u>835,062.50</u>
	\$8,176,612	\$8,308,650.00

The Honorable Pat Pourchot
April 5, 1989
Page 4, 1989

The rent was in excess of the debt service on the original certificates issued by the lessor to allow for maintenance costs and profit to the lessor. The rent is now less than debt service because the original certificates were refunded and the present value savings were all taken up front, split 50 - 50 between the State and lessor.

Dick Fischer Development, Inc. was selected as developer and lessor for the project by a competitive sealed bid according to the Department of Administration. The bid was awarded solely on the basis of cost, with Dick Fischer Development, Inc. submitting the low bid.

compet-
itive
sealed
bid

Sincerely,



Milton B. Barker
Deputy Commissioner

MBB/ph

enclosures

89-102

option between the date of State's acceptance pursuant to Section 4.2 and June 30, 1987."

Section 2.7 Section 24.2 of the 1984 Commercial Lease is hereby amended to read as follows:

"The following Net Prices include all closing costs:

<u>Closing Date of Property Sale</u>	<u>Price</u>
July 1 - July 30, 1987	\$5,467,416.00
July 1 - July 30, 1988	\$5,236,740.00
July 1 - July 30, 1989	\$4,988,016.00
July 1 - July 30, 1990	\$4,717,860.00
July 1 - July 30, 1991	\$4,422,324.00
July 1 - July 30, 1992	\$4,094,640.00
July 1 - July 30, 1993	\$3,778,756.00
July 1 - July 30, 1994	\$3,360,876.00
July 1 - July 30, 1995	\$2,942,952.00
July 1 - July 30, 1996	\$2,474,832.00
July 1 - July 30, 1997	\$1,952,004.00
July 1 - July 30, 1998	\$1,370,520.00
July 1 - July 30, 1999	\$ 722,484.00

Upon payment of the option price set forth above, the Landlord shall cause the Trustee to call the 1986 Certificates for redemption on the earliest practicable date and to apply to the payment of the redemption price, in addition to the option price, to the extent necessary, any moneys remaining in the Payment Fund, the Reserve Fund or any other funds or accounts held under the Indenture. Upon the payment or defeasance of the 1986 Certificates, the Landlord shall cause the Trustee for the 1986 Certificates to pay to the State any funds held by the Trustee remaining in the Payment Fund, Reserve Fund or any other fund or account held under the Indenture but not in excess of the preceding Rent payment less the amount paid to the State pursuant to Section 5.6 hereof.

Section 2.4 Section 15.1 of the 1984 Commercial Lease is hereby amended to read as follows:

"STATE'S DEFAULT

The occurrence of any of the following shall constitute an event of default:

- (a) A default in the payment of the Rent due for a period of thirty (30) days after notice in writing.
- (b) A default in the performance of any other covenant or condition on the part of State to be performed for a period of thirty (30) days after service by Landlord on State of a written notice specifying a particular default or defaults, provided, however, that State shall not be in default of this Lease if steps to cure the default have been commenced promptly by State and in good faith State continues to prosecute those steps to completion, and provided, further, however, any failure to pay Rent as a result of specific legislative prohibition as described in Section 3.4 hereof shall not constitute an event of default."

Section 2.5 Article XX of the 1984 Commercial Lease is hereby amended to provide that the "NOTICE TO LANDLORD" shall read as follows:

"NOTICE TO LANDLORD: Delta Fox, Ltd.
880 "H" Street, Suite 209
Anchorage, AK 99501."

Section 2.6 Section 24.1 of the 1984 Commercial Lease is hereby amended to read as follows:

"State shall have the option to purchase outright the Student Service Center at the times and at the prices listed herein. Funds for such purchase may be provided from the proceeds of the issuance of refunding certificates of participation or bonds or from any other source. State shall not have any purchase

issued for each July. The percentage increase, if any, in the CPI issued for July 1989 and July 1994 over the CPI issued for July 1984 will determine the maximum allowable adjustment of variable costs over the original Rent. The adjustment is not cumulative; it is to be computed from the base CPI, July 1984 for both the 1990 and the 1995 adjustment actions. Adjusted annual Rental Rate will be computed as follows:

$$[(10\% \times \text{Rent}) \times \% \text{ of change in CPI}] + \text{Rent} = \text{Adjusted Annual Rental Rate}$$

No retroactive adjustments will be allowed:

5.3. State's Obligations and Remedies

State's obligation to pay Rent due with respect to the Premises and to perform and observe all other covenants and agreements of State contained herein shall be absolute and unconditional except for the failure of the Legislature to appropriate funds; and the Rent due and payable hereunder shall be made without notice or demand and without set-off, counterclaim, abatement, deduction or defense except that State may offset against the Rent an amount not to exceed \$10000 for claims due to State by Landlord under this Lease and the Ground Lease. However, nothing herein shall be construed to release Landlord from the performance of its obligation and State may institute such legal action against Landlord as State may deem necessary to compel the performance of such obligation.

5.4 Nonsubstitution

If this Lease is terminated by State in accordance with Section 3.1, State agrees for a period of one year that its Department of Education will not to construct, purchase, lease, operate, contract for or use any facilities which are functionally similar to the Premises or any of the uses which are functionally similar to any of the uses of the Premises, and agrees not to permit functions similar to those performed through the use of the Premises to be performed by an agency or entity affiliated with or hired by or for the Department of Education.

5.5 Budget Request and Appropriation

State will, prior to the commencement of each fiscal year for which this Lease is in effect, include the Rent due in such fiscal year in its annual budget request to the Legislature. State agrees to use any appropriation legally available for the Rent and to immediately encumber available appropriations for such payments prior to allocating or encumbering funds for the projects or costs for which no legal obligation to pay exists.

5.6 Consideration for Advance Rent

Concurrently with the payment by State of the Annual Rent, Landlord shall pay to State the sum of \$39,115.40 as consideration for payment of the Rent one year in advance, except that such payment shall be proportionately reduced to the extent that State exercises a right of offset pursuant to Section 5.3.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

Bill Version: HB 74
Publish Date: HOUSE 1/9/89

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: State Bond Committee
 Title: Authorizing Acquisition and BRU: _____
Refinancing of Seward Student Service Center
 Sponsor: Rules Committee Components: _____
 Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	(433.2)	(68.5)	(67.7)	(74.7)
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	(433.2)	(68.5)	(67.7)	(74.7)
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	(433.2)	(68.5)	(67.7)	(74.7)
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: 12-19-88

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 12/19/88

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

Fiscal Note Analysis

The projected annual savings on refinancing the Seward Student Service Center through its acquisition by the Alaska State Building Authority is estimated in the table below.

The present value of the savings on the Seward facility would be \$1,203,001, representing a savings of 21.5 percent of the amount of bonds issued. This is far above the State Bond Committee's criteria of 3 percent savings to justify a refinancing.

The Seward refinancing would reduce the required lease payments to be made by the State Bond Committee for Seward as detailed in the attached September 23, 1988 memo. However, because the actual interest rate on the refunding debt--and therefore the actual reduction in debt service--will not be known until the bonds are sold, no reduction should be made to the \$12,106,257.68 appropriation to the State Bond Committee for FY 90 lease payments. The FY 90 savings would lapse and future appropriations would be reduced.

Please see the attached letter of _____ from John Andrews for additional information on the Seward refinancing.

Lease-Financing Costs (Savings)

<u>Fiscal Year</u>	<u>Seward Student Service Center</u>
1990	\$(433,229)
1991	(68,476)
1992	(67,710)
1993	(74,661)
1994 to maturity	<u>(1,062,851)</u>
Total	\$(1,706,927)

30

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Refinance of Seward Student Center
Sponsor: Rules
Requestor: Governor

Agency Affected: Alaska State Building Auth
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Julia Tucker *Julia Tucker* Phone: 562-2813
Division: Legal Department Date: 12/3/88

Approved by Commissioner: *[Signature]* Date: 12/23/88
Agency: Alaska State Building Authority

Distribution (by preparer):

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

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Acquisition and Refinancing of
the Seward Student Service Center
Sponsor: Rules
Requestor: Governor

Agency Affected: Education
BRU: Alaska Vocational Technical
Center
Components: Alaska Vocational Technical
Center

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mary Hakala Phone: 465-2800
Division: Commissioner's Office Date: 12/12/88
Approved by Commissioner: William G. Demmert Date: 12/12/88
Agency: Education

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

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

April 8, 1989

Jerry McCutcheon
121 West 11th
Anchorage, Alaska 99501

Dear Jerry:

Just a short note to let you know that earlier this week the Senate State Affairs Committee gave its approval to HB 74, which would authorize the Alaska State Building Authority to acquire the Seward Student Service Center.

I appreciated your public opinion message on the bill, and asked the Department of Revenue the questions that you had asked me. I have enclosed their response, which the committee found satisfactory. Hopefully, it will alleviate many of your concerns, too.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat", written over a large, stylized flourish.

Senator Pat Pourchot
Chairman

PP/ss