

**SB**

**16**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/19/93

FURTHER:

DATE TURNED INTO OFFICE: \_\_\_\_\_

The Finance Committee considered SENATE BILL NO. 16

"An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date."

*Died in SFC Inc. into SB 171 - See Amend. #3 SB 171 file.*

and recommends:

- replace with \_\_\_\_\_ CS \_\_\_\_\_ (FINANCE)
- or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

- do pass
- do not pass
- no recommendation
- individual recommendations

**NEW FISCAL NOTES**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTES**

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

**DO PASS.**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

1. \_\_\_\_\_  
 Co-Chair: Signature/Recommendation

2. \_\_\_\_\_  
 Co-Chair: Signature/Recommendation

# SENATE COMMITTEE REPORT

DATE: 3/18/93

FURTHER: FINANCE

DATE TURNED INTO OFFICE: \_\_\_\_\_

Committee considered SENATE BILL NO. 16

"An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date."

and recommends:

- replace with \_\_\_\_\_ CS \_\_\_\_\_ ( )
- or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_ ( )
- attaches amendment(s)

- same title
- new title
- technical title change (HF. only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

### NEW FISCAL NOTES

Department	Date	Zero	Fiscal

### PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

OTHER RECOMMENDATIONS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Chair: Signature and Recommendation

**SENATE COMMITTEE REPORT**  
FIRST COMMITTEE OF REFERRAL

*JK*

DATE: 1/11/93

FURTHER: L&C  
FINANCE

Date of 5-Day Notice: 3-11-93  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3-16-93

TRANSPORTATION Committee considered SENATE BILL NO. 16

"An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date." and recommends:

- replace with \_\_\_\_\_ CS \_\_\_\_\_ ( ) and report ( back as follows
- attaches amendment(s)
- same title  
 new title  
 technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

- do pass  
 do not pass  
 no recommendation  
 individual recommendations

*JK*

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal
DOTPF	1/15/93	✓	
DCED	3/16/93	✓	

Department	Date	Zero	Fiscal

- Appropriation No Fiscal Note       Governor's Bill with Previous Fiscal Notes (enter information above)

**DO PASS:**

*① Tim Kelly*  
*② Kelly & Kelly - Do Pass*  
*③ Kuttel - Do Pass*

**OTHER RECOMMENDATIONS:**

*① Lincoln*  
*② NE*

*①* *Bartholomew - No Rec*  
*Chair: Signature and Recommendation*

**ALASKA STATE LEGISLATURE**  
**SENATE BILL NO. 16**

**HISTORY IN THE SENATE**

**HISTORY IN THE HOUSE**

1993  
 1/11 Read first time and referred to:  
TRA L+C FIN

---

3/18 *ma* RPT( ) CS 3 DP 2 NR DNP AM  
 New Title Same Title Previous FN  
 FN 2 OFN To L+C

---

3/19 *L+C* RPT( ) CS DP NR DNP AM  
 New Title Same Title Previous FN  
 FN OFN Waived To FIN

---

RPT( ) CS DP NR DNP AM  
 New Title Same Title Previous FN  
 FN OFN To

---

Rules Calendar( ) CS AM Other  
 New Title Same Title Previous FN  
 FN OFN

Read second time

CS Adopted ( ) New Title  
 Amended Advanced

Read third time

Letter of Intent adopted  
 Return to second for specific amendment

PASSED EFD Same \_\_\_ or  
 Yeas Yeas  
 Nays Nays  
 Excused Excused  
 Absent Absent

Reconsideration  
 Reconsideration not taken up

PASSED EFD Same \_\_\_ or  
 Yeas Yeas  
 Nays Nays  
 Excused Excused  
 Absent Absent

Reported correctly engrossed  
 Signed by President, to House

---

Secretary of the Senate

19  
 Read first time and referred to:

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RPT CS( ) New Title  
 DP DNP NR AM  
 FN OFN Previous FN

---

RPT CS( ) New Title  
 DP DNP NR AM  
 FN OFN Previous FN

---

RPT CS( ) New Title  
 DP DNP NR AM  
 FN OFN Previous FN

Read second time  
 CS( ) Adopted

Amended

Advanced

Read third time

Return to second for specific amendment

PASSED EFD Same \_\_\_ or  
 Yeas Yeas  
 Nays Nays  
 Excused Excused  
 Absent Absent

Intent adopted

Reconsideration  
 Reconsideration not taken up

PASSED ON RECON. EFD Same \_\_\_ or  
 Yeas Yeas  
 Nays Nays  
 Excused Excused  
 Absent Absent

Intent adopted

Reported correctly engrossed, signed by the Speaker  
 and returned to the Senate

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Chief Clerk of the House

SENATE-HOUSE HISTORY Continued

19

Received from the House

Version: \_\_\_\_\_

Concur in House amendment

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

\_\_\_\_\_ Efd same or Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

Failed to concur in House amendment, ask House recede

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

House failed to / receded from amendment

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

CC appointed by Senate \_\_\_\_\_ Chair

CC appointed by House \_\_\_\_\_ Chair

(S) Granted Limited Powers of Free Conference

(H) Granted Limited Powers of Free Conference

19

(S) Adopted CC Rpt \_\_\_\_\_

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_  
\_\_\_\_\_ Efd same or Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

(H) Adopted CC Rpt \_\_\_\_\_

Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_  
\_\_\_\_\_ Efd same or Y \_\_\_ N \_\_\_ E \_\_\_ A \_\_\_

To enrolling  
Received from enrolling  
Sent to Governor

\_\_\_\_\_ By Governor

Chapter Number \_\_\_\_\_

Filed with Lieutenant Governor

Revision Date: \_\_\_\_\_ Department Affected: DOT&PF  
 Title: AIDEA Bonds: Anchorage Seafood Facility BRU: AIA  
 Sponsor: Ellis Component: AIA Administration  
 Requestor: Ellis Component Serial Number: 613

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL FUNDING:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS

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

Estimate of current year (FY93) impact: \$0

ANALYSIS: (Attach a separate page if necessary)

No Fiscal Impact

Prepared by: Gina Marie Lindsey

Phone: 266-2540

Division: Anchorage International Airport

Date: January 15, 1993

Approved by Commissioner: Frank G. Turpin

Phone: 465-3900

Agency: Department of Transportation and Public Facilities

Date: January 15, 1993

FISCAL NOTE

No. 1

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

Bill Version: SB 16

(S) Publish Date: 3-18-93

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

Title: An Act relating to the financing authority of AIDEA and  
the Alaska Seafood Center

Sponsor: Senator Ellis

Requestor: \_\_\_\_\_

Department Affected: Commerce and Economic Development

BRU: Alaska Industrial Development and Export Authority

Component: Alaska Industrial Development and Export Authority

COMPONENT SERIAL NO. 1234

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Revenue bonds will be sold to finance the project. It will have no fiscal impact on the General Fund or AIDEA.

Prepared by: William R. Snell, Executive Director

Division: Alaska Industrial Development and Export Authority

Phone: (907) 561-8050

Date: 3/15/93

Approved by Commissioner: Paul Fuhs

Agency: Commerce and Economic Development

Date: 3/16/93

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**JOHNNY ELLIS**  
SENATOR



STATE CAPITOL, ROOM 9  
JUNEAU, ALASKA 99801-1182  
(907) 465-3704  
FAX: (907) 465-2529

ALASKA STATE LEGISLATURE  
**SENATE**

**Sponsor Statement for  
Senate Bill 16  
The Alaska Seafood Center**

SB 16 authorizes revenue bonds to the Alaska Industrial Development and Export Authority in the amount of \$50 million for design and construction of the Alaska Seafood Center, to be located in Anchorage. This investment would leverage an additional \$115 million in private investment for a total project cost of \$165 million.

The Alaska Seafood Center would employ 450 people full time in addition to employing roughly 200 people during the construction phase of the project. The facility will be designed, engineered and built by Alaskan contractors whenever possible.

The facility would be the first of its kind in Alaska, with secondary processing and cold storage capacities far beyond what is currently available anywhere in the state. Instead of storing product in freezer-vans in their warehouse yards before shipping them to cold storage facilities in Seattle, processors could store product for future sales locally.

Since ASC will be the only major secondary, or value added, processing facility available in Alaska, it will create a new, year-round market within the state to which primary processors can sell their product.

This project is good for the processors, and good for the state's economy. Too many of our fisheries profits are diverted to other states and countries. It's time to turn that trend around by supporting local projects like the Alaska Seafood Center.

I urge your support of Senate Bill 16. Thank you for your consideration.



# Matanuska-Susitna Borough

350 EAST DAHLIA AVE, PALMER, ALASKA 99645-6488 • PHONE 745-9682  
BOROUGH MAYOR

April 5, 1993

Honorable Steve Frank and Drue Pearce, Co-Chairs  
Senate Finance Committee  
State Capitol Building, Room 518  
Juneau, Alaska 99801-1182

Dear Senators Frank and Pearce:

Attached are the schedules of expenditures by the Matanuska-Susitna Borough for the development of the industrial property at Pt. MacKenzie since 1987. As this information shows, the Borough has invested over \$2 million to make this site suitable for major private industries, such as MIDREX, to locate and operate in the state of Alaska.

The expected return on this investment will be in the form of more jobs for Alaskans, lease payments, property sales, an expanded tax base, and other positive economic benefits for the state and local economies.

S.B. 171 would authorize AIDEA and the Borough to work with the private investors to arrange financing for the public-owned assets associated with this project. Such financing will be accomplished as a loan, and not as a grant.

The basis of both AIDEA's and the Borough's involvement in the MIDREX project is as investors seeking a return for our citizens/shareholders.

PORT DEVELOPMENT OPERATING EXPENDITURES

BY FISCAL YEAR

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Salaries	53,805	80,913	28,234	-0-	-0-
Benefits	15,539	26,083	10,547	-0-	-0-
Expenses Within Borough	1,905	3,542	3,341	263	523
Expenses Outside Borough	6,471	17,197	8,406	8,443	6,877
Communications	663	2,348	1,208	12,749	185
Advertising	645	2,495	3,781	6,902	-0-
Printing	470	824	492	10,589	20
Rental/Leases	210	-0-	200	134	-0-
Professional Charges	-0-	111,044	27,223	12,391	3,309
Maintenance	-0-	85	20	361	-0-
Contractual	3,294	19,758	78,688	116,946	68,721
Office Supplies	830	1,162	648	501	-0-
Miscellaneous Supplies	1,131	1,654	199	759	-0-
Equipment Under \$300	546	346	230	-0-	-0-
Other Equipment	9,916	1,250	-0-	1,120	-0-
Furnishings	-0-	356	-0-	-0-	-0-
<b>TOTAL</b>	<b>95,425</b>	<b>269,057</b>	<b>163,217</b>	<b>171,158</b>	<b>79,635*</b>

\* Note the amounts for fiscal year 1993 represent only amounts actually expended or encumbered through December 3, 1992.



# Matanuska-Susitna Borough

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The basis of both AIDEA's and the Borough's involvement in the MIDREX project is as investors seeking a return for our citizens/shareholders.

Senate Finance Committee, Page 2

It is my hope that you will find the attached information helpful in making a decision on S.B. 171, and that you will share this information with the other members of the Senate Finance Committee. If I can be of any further assistance, please contact me at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Donald L. Moore". The signature is written in dark ink and is positioned above the typed name.

Donald L. Moore, Manager  
Matanuska-Susitna Borough

DLM:whk

Attachments (4 pages)

PORT DEVELOPMENT OPERATING EXPENDITURES

BY FISCAL YEAR

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
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Maintenance	-0-	85	20	361	-0-
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Office Supplies	830	1,162	648	501	-0-
Miscellaneous Supplies	1,131	1,654	199	759	-0-
Equipment Under \$300	546	346	230	-0-	-0-
Other Equipment	9,916	1,250	-0-	1,120	-0-
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<b>TOTAL</b>	<b>95,425</b>	<b>269,057</b>	<b>163,217</b>	<b>171,158</b>	<b>79,635*</b>

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**SPECIFIC PROJECTS ASSOCIATED WITH THE PORT  
EXPENDITURE BY FISCAL YEAR**

Port MacKenzie Port Road

	FY87	FY88	FY89	FY90	FY91	FY92	TOTAL
<b>LAND</b>							
Consultants		21,500.00	9,600.00			665.41	31,765.41
Design/Recon.		91,877.00	14,825.00				106,702.00
Printing Costs						5,000.00	5,000.00
Construction					43,829.03		43,829.03
Materials Purchased					92.25		92.25
Misc. Expenses	26.55	96.30	133.00		387.31	26.00	669.16
Advertising	226.40	360.90					587.30
<b>ENGINEERING STAFF</b>							
Administrative Time	3,805.34	5,283.64	1,367.14	5.75			10,461.87
Inspection Time		391.16					391.16
Survey Time		4,994.27					4,994.27
Design Time	1,511.27	503.25	1,742.27				3,756.79
<b>TOTALS</b>	<b>5,569.56</b>	<b>125,006.52</b>	<b>27,667.41</b>	<b>5.75</b>	<b>44,308.39</b>	<b>5,691.41</b>	<b>208,249.24*</b>

\* The funding for this project was from the following revenue sources: General Fund Balance (\$21,460), Land Management Fund (\$90,000) and a State Administration Municipal Grant (\$96,789.24).

Point MacKenzie Phase III Road\*\*

	FY88	FY89	FY90	FY91	FY92	TOTAL
<b>LAND</b>						
Land		10,653.62				10,653.62
Survey		5,100.00				5,100.00
Administration (PS&E)		387.00				387.00
Construction		673,043.21	2,940.47			675,983.68
Rental		5,113.03				5,113.03
Materials Purchased		46,197.86				46,197.86
Legal Expense		1,000.65				1,000.65
Advertising		12,757.87				12,757.87
Film Processing		836.30				836.30
Mail Delivery		424.11				424.11
		15.00				15.00
<b>ENGINEERING STAFF</b>						
Administrative Time		37,521.25				37,521.25
Inspection Time		9,239.35				9,239.35
Survey Time		32,985.19				32,985.19
Design Time		1,674.94				1,674.94
<b>FURNISHINGS/EQUIP.</b>						
Furnishings/Equip.		40,006.10				40,006.10
Advertising		104.05				104.05
<b>TOTALS</b>		<b>877,859.53</b>	<b>2,940.47</b>			<b>880,000.00*</b>

\* Funding for this project was from the Land Management Fund.

\*\* Phase II related to agricultural parcels only.

Point MacKenzie Transportation Corridor

	FY88	FY89	FY90	FY91	FY92	FY93	TOTAL
<b>BUILDINGS</b> Advertising						223.20	223.20
<b>LAND</b> Design/Recon. Advertising					50,000.00	89.25	50,000.00 89.25
<b>IMPROVEMENTS</b> Survey					23,835.89		23,835.89
<b>TOTALS</b>					<b>73,835.89</b>	<b>312.45</b>	<b>74,148.34*</b>

\* Funding for this project was from the General Fund Balance (\$50,000) and the Land Management Fund (\$24,148.34).

Point MacKenzie East Port Site

	FY88	FY89	FY90	FY91	FY92	FY93	TOTAL
<b>IMPROVEMENTS</b>		38,600.00					38,600.00
<b>TOTALS</b>		<b>38,600.00</b>					<b>38,600.00*</b>

\* Funding for this project was from the Land Management Fund.

Point MacKenzie AMSA Plan

	FY88	FY89	FY90	FY91	FY92	FY93	TOTAL
<b>PLANNING STUDIES</b>	32,400.00	12,833.53	38,766.47				84,000.00
<b>OTHER CONTRACTUAL</b>					24,070.00	7,930.00	32,000.00
<b>TOTALS</b>	<b>32,400.00</b>	<b>12,833.53</b>	<b>38,766.47</b>		<b>24,070.00</b>	<b>7,930.00</b>	<b>116,000.00*</b>

\* Funding for this project was from the General Fund.

In Summary:

Total expenditures from operating funds

\$ 778,492.00

Total expenditures from projects

1,316,997.58

**GRAND TOTAL**

**\$2,095,489.58**

SB 16: "An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date."

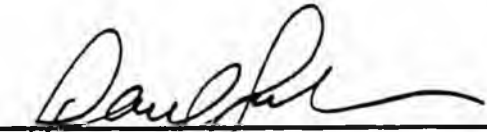
The bill as proposed provides authority for the Alaska Industrial Development and Export Authority (AIDEA) to issue up to \$50,000,000 in bonds to finance the acquisition, design, and construction of a facility for the offloading, processing, storage, and transloading of seafood to be located at or near the Anchorage International Airport. This portion of the Alaska Seafood Center's (ASC) secondary processing project would be owned by the Authority.

The Authority supports this project because of its value in creating jobs, the importance of the seafood industry throughout Alaska, and the potential role the project may have in diversifying seafood exports through value-added secondary processing and storage. The project developer has indicated the project may create 450 direct full-time jobs in addition to 750 indirect jobs. The developer's business plan also indicates the project will support all primary processors in Alaska by the direct purchase of raw material and through the project's 45 million pound public use cold storage facility.

Because of concerns expressed by the Department of Transportation and Public Facilities (DOT&PF) and airlines serving the Anchorage International Airport that a facility located at the airport may attract birds which may cause safety hazards and because the developer has analyzed three additional sites that would be sufficient for the project, the Authority recommends that language saying the facility located at the airport is removed.

In addition, because the project must prove to be feasible prior to AIDEA selling bonds to construct and own the specific portion of the project as indicated, we encourage additional language be added to the bill that would require the developer to obtain additional financing, obtain contracts with primary processors to supply the facility, and obtain market contracts for the sale of the products.

Staff at the Authority recommends full support of the bill with the revised language as indicated above.

  
\_\_\_\_\_  
Paul Fuhs, Commissioner  
\_\_\_\_\_  
3/15/02  
\_\_\_\_\_  
Date

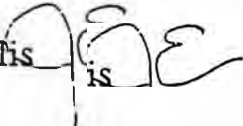
JOHNNY ELLIS  
SENATOR



STATE CAPITOL, ROOM 9  
JUNEAU, ALASKA 99801-1182  
(907) 465-3704

ALASKA STATE LEGISLATURE  
SENATE  
M E M O R A N D U M

TO: Senator Bert Sharp, Chairman  
Senate Transportation Committee

FROM: Senator Johnny Ellis 

DATE: March 4, 1993

RE: Scheduling Senate Bill 16

MAR 11 1993

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I respectfully request that you schedule Senate Bill 16 for a hearing in the Senate Transportation Committee at your earliest possible convenience.

SB 16 would authorize revenue bonds to the Alaska Industrial Development and Export Authority in the amount of \$50 million for design and construction of the Alaska Seafood Center, to be located in Anchorage. This investment would leverage an additional \$110 million in private investment for a total project cost of \$160 million.

The Alaska Seafood Center would employ 450 people full time in addition to employing roughly 200 people during the construction phase of the project.

The facility would be the first of its kind in Alaska, with secondary fish processing facilities and cold storage capacities far beyond what is currently available anywhere in the state. Instead of storing product in freezer-vans in their warehouse yards and shipping them to cold storage facilities in Seattle, processors could store product for future sales locally. It's good for the processors, and good for the state's economy. Too many of our fisheries profits are diverted to other states and countries. It's time to turn that trend around by supporting local projects like the Alaska Seafood Center.

I urge your support of Senate Bill 16. Thank you for your consideration.



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

February 5, 1993

*Nina*

The Honorable Senator Johnny Ellis  
Alaska State Legislature  
State Capitol  
Juneau, AK 99811

Dear Senator Ellis:

I recently reviewed a copy of SB 16 that you introduced, "An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date," and thought it appropriate to provide you with background material regarding the project.

Late in the 1992 regular session last year, legislation was introduced calling for the Authority's involvement in the Alaska Seafood Center Project (ASC). At that time the project sponsor represented that its financing plan and market contract commitments were nearing completion, and without the Authority's ability to participate in the cold storage component of the project, the project would not be able to maintain its schedule for a 1992 design and construction start.

Based on these representations and to not impact the developers progress, it was agreed that specific project legislative authorization would be requested as soon as possible and that the Authority would start its due diligence and feasibility analysis of the project at once.

The legislation was not acted upon, however, during the general session, and when the Legislature went into the Special Session on May 13, sufficient information had not been compiled by the project sponsor to in all likelihood satisfy the minimum requirement necessary for AIDEA participation during 1992.

For this reason, project authorization for the ASC was not included in HB 598. However, in support of the project, at their May 29, 1992 meeting, the Authority's Board of Directors authorized staff to spend up to \$50,000 to retain consultant services to review formalized agreements with the prospective financiers, supply contracts (customers) and to determine the overall financial feasibility of the ASC business plan (Resolution 92-7 is attached). To date, no funds have been expended. The project sponsor has indicated a major international bank has agreed to be the lead lender on the project subject to AIDEA's participation and market contracts.

It may further be of interest to you that in early discussions between AIDEA, the Department of Transportation and Public Facilities (DOT/PF) and ASC, DOT/PF indicated there were concerns expressed by the Alaska International Airport System (AIAS) and airlines serving the Anchorage airport that a seafood facility located on airport property would attract birds. AIAS and the airlines were concerned the birds

could potentially create a safety hazard. While the developer has indicated the facility will be a secondary processor and will do over 80% of its processing with frozen products which would minimize this problem, in recognition of the concern of the airlines and the AIAS, the developer has analyzed three additional sites that are adjacent to or near the airport. These sites were found to be sufficient to develop the facility on.

The Authority remains interested in the success of the project and has continued to work and support the ASC effort due to its value in creating jobs, the importance to the seafood industry throughout Alaska, and the potential role the project would have to diversify seafood exports through value-added secondary processing. ASC could be the first major secondary processor in Alaska and may create 450 direct full-time year-round jobs in addition to 750 indirect jobs in Anchorage. ASC's business plan indicates the project will support all primary processors in Alaska by purchasing its raw materials from them and making the projects 45 million pound cold storage facility available to them - a seafood infrastructure Alaska has discussed for a number of years.

A mid-February meeting has been scheduled between ASC and the Authority to review progress of the project. I would be happy to provide you with any information that is generated at the meeting and will keep you informed of issues related to the project's progress.

If you have questions or wish to discuss this project in greater detail, please do not hesitate to contact me.

Sincerely,

  
William R. (Riley) Snell  
Executive Director

attachment

WRS:KO

cc: Commissioner Paul Fuhs  
Kris Lethin  
Darrel Rexwinkle  
Mayor Tom Fink  
Howard Benedict

FILE MEMORANDUM

IN RE: ALASKA SEAFOOD CENTER (ASC)

DATE: January 25, 1993

BRIEFING BY: Katelyn Ohmer, Development Specialist  
Alaska Industrial Development & Export Authority

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**Projected cost and financing:**

ASC asked AIDEA to participate by buying into the project to the tune of \$50 million to develop freezer facility(ies). ASC represented that it would obtain the remaining \$115 million in financing elsewhere; total projected project cost -- \$165 million.

**Financing Authority:**

- (1) Failed to be acted upon in last session of Alaska Legislature.
- (2) Thereupon, AIDEA Board approved spending up to \$50,000 to help and assist ASC project -- to develop a business plan, seek financing sources and sales contracts, etc.
- (3) Senators Drue Pearce, Dave Donley and Johnny Ellis have introduced "new" bill for financing authority into the 18th Alaska Legislature.
- (4) AIDEA Board remains very interested in ASC and continues to support and work on this effort. ASC and AIDEA are next scheduled to meet in mid-February.

**ASC projected activities:**

processing and freezing for forwarding and distribution; secondary processing -- for value added; for local market.

In response to a direct question, K.O. opined that ASII's "gas" packaging technology has application to the ASC program/project.



*Department of Transportation  
and Public Facilities*

# POSITION PAPER

BILL NO: SB 16

APPROVED:

*[Handwritten signature]* for FT

TITLE: AIDEA Bonds: Anchorage Seafood Facility DATE: January 15, 1993

The department has no objection to a bill granting AIDEA approval to issue bonds for a seafood facility but has serious concern with the possibility of locating such a facility on or near airport property. We recognize that such a facility could generate revenue through lease payments, but the department objects to a seafood center on airport property for the following reasons:

1. Seafood facilities tend to attract birds and could create a major safety hazard. A seafood center was proposed for Anchorage International several years ago and airlines serving the airport strenuously objected to such a facility in close proximity to aircraft operations.
2. There is a finite amount of developable or leasable airport land and as much as possible should be reserved for activities which must operate on the airport.



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

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480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

**PROJECT FACT SHEET: Alaska Seafood Center/Cold Storage**

**DATE:** November 25, 1992

**STATUS:** The Legislature failed to act on bonding authority for this project in 1992. The AIDEA Board approved an expenditure of up to \$50,000 to work with the Alaska Seafood Center to develop a business plan. The project may be brought before the Legislature in 1993.

**PROJECT BUDGET:** \$50 million

**SOURCE OF FUNDS:** Revenue bonds sold by AIDEA

**PURPOSE:** To expand the capabilities of the Alaska seafood industry to provide secondary processing, freight forwarding, and commercial cold storage services.

**PARTICIPANTS:** AIDEA will finance construction in Anchorage of a cold storage warehouse facility as part of the proposed Alaska Seafood Center. The facility will be an integral part of the state-of-the-art fish processing, cold storage, and distribution center planned by ASC.

**BACKGROUND:** The cold storage warehouse will allow ASC to perform secondary (value added) processing of bottomfish, surimi, and salmon; provide freight forwarding for salmon and other seafood products; and provide commercial cold storage services for seafood and non-seafood products. The secondary processing capabilities will create a local market for shore-based primary processors. Other Alaskan processors will be able to use the frozen storage and chill room capacities at cost-efficient rates. The facility will be located near the Anchorage International Airport, making it accessible to processors throughout the state.

**ECONOMIC EFFECTS:** ASC operations will provide about 450 new year-round jobs at the Anchorage facility and additional employment in related business sectors, including transportation.

**SOCIAL EFFECTS:** The facility should strengthen the entire seafood industry in Alaska by enhancing the cold storage, secondary processing, and freight forwarding capabilities available.

**SCOPE OF PROJECT:** The cold storage warehouse will have a storage capacity of 45 million pounds, capable of handling as much as 2 million pounds of product in one day. The warehouse will include an energy-efficient ammonia refrigeration system, a high-bay racked storage system with automatic closure entrances and air-curtain walls, chill rooms, blast freezers, ice makers, a standby electrical generation system, and electric-powered lift cranes, conventional forklifts, and similar handling equipment.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. A92-7

A RESOLUTION OF THE ALASKA INDUSTRIAL  
DEVELOPMENT AND EXPORT AUTHORITY RELATING  
TO THE ALASKA SEAFOOD CENTER

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WHEREAS, the Alaska Industrial Development and Export Authority ("Authority") is committed to the consideration of qualified Development Projects which promote economic growth and development;

WHEREAS, the seafood industry is a critical component of the Alaska economy;

WHEREAS, there is a need to promote and develop shore-based facilities which enhance the value and marketability of Alaska seafood resources;

WHEREAS, the Alaska Seafood Center ("Center") has proposed the development of a seafood processing facility to be located in Anchorage, Alaska;

WHEREAS, the Facility under consideration will provide for the processing and enhancement of Alaska seafood product;

WHEREAS, the Facility will provide a critical economic benefit to the seafood industry in Alaska;

WHEREAS, the Center has discussed with the Authority the possibility of the Authority's financial participation in development of the Center;

WHEREAS, the Center intends to enter into negotiations with prospective financiers, suppliers and customers to formalize a Business Plan for the Center;

NOW, THEREFORE, BE IT RESOLVED:

1. The Authority is fully supportive of development of the Center.

2. Staff is directed, if requested, to work in coordination with the Center to assist in the formalization of those agreements with prospective financiers, suppliers, and customers as are necessary to formalize a Business Plan for the Center.

3. The Authority looks forward to an opportunity to review a request for participation in the financing of the Center once the Business Plan is formalized.

4. Staff is authorized to expend up to \$50,000 in assets of the Economic Development Account, A.S. 44.88.172, for expenses incurred under Item 2 of this Resolution.

DATED at Anchorage, Alaska, this 29th day of May 1992.

\_\_\_\_\_  
Chairman

(SEAL)  
ATTEST

\_\_\_\_\_  
Secretary

~~CONFIDENTIAL~~

# ALASKA SEAFOOD CENTER

Executive Summary

April 3, 1992

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

## EXECUTIVE SUMMARY

### Introduction

The Alaska Seafood Center, Inc., a privately-owned company ("ASC" or "the Company"), proposes to develop, build, own and operate a state-of-the-art fish processing, cold storage and distribution center ("the Facility") to be located in Anchorage, Alaska. ASC is being developed at a time of profound change in the seafood industry in Alaska and the eating habits of Americans, i.e., a rapid reduction in the consumption of red meat and an escalation in the demand for seafood. ASC believes that the combination of these circumstances has created a significant opportunity for ASC and for Alaska.

ASC's operations will be based on producing high quality, value added seafood products. ASC will create approximately 450 new year round jobs at the Facility itself and support many other jobs in Anchorage in indirectly related businesses. For example, a great number of jobs will be created in the State transportation system (airline, railroad and trucking) to serve ASC. ASC will also provide economical cold storage and transportation services to smaller fish processors in the State, giving them faster and more profitable access to their customers. The Company's business segments will be:

- Secondary processing of bottomfish based on Alaskan raw material of blocks and fillets from pollock and cod (frozen products).
- Secondary processing of surimi based on Alaskan raw material of surimi blocks, a fish paste primarily made from minced Alaskan pollock (frozen products).
- Secondary Processing of salmon based on Alaskan wildlife salmon (frozen products).
- Primary processing of salmon (chilled products).
- Freight forwarding of salmon and other native fish owned by ASC and others (chilled products).
- Commercial cold storage services for seafood and non-seafood products.

Secondary processing consists of adding value to primary processed raw materials such as fish blocks and individual quick frozen fillets (IQF's). The finished product consists of a portion controlled piece of fish and added coatings, sauces or toppings in order to prepare it for consumption.

When fully on-line, the Facility will have the capacity per day to process (raw material) approximately 210,000 pounds ("lbs") of bottomfish products, 13,000 lbs of surimi products and 180,000 lbs of salmon (during the salmon season). Upon completion, it will have a cold storage capacity of approximately 45 million lbs of seafood and non-seafood products and a chill room capacity for receiving and shipping of chilled fish of approximately 2.2 million lbs. The fish resources of the Bering Sea and the Gulf of Alaska will provide the raw materials for the Company's seafood processing business segments. In 1991, Alaskan waters within the Alaskan Exclusive Economic Zone ("EEZ") produced 4.4 billion lbs of bottomfish which included cod and pollock, the most important species for ASC's production. The salmon harvest was a 60-year record of 725 million lbs.

U.S. fisheries harvest all bottomfish coming from the EEZ. The primary processing (heading, gutting, filleting and in certain cases mincing) and freezing into IQF fillets and fish blocks is done on shore based primary processing plants and on board catcher/processing ships, within hours after the catch so as to avoid spoilage. The resulting products (fish blocks and IQF fillets) are shipped by refrigerated cargo ships to Japan, Korea, Europe and the contiguous 48 states (the "Lower 48") for secondary processing.

ASC offers the opportunity for Alaska to have secondary (value added) processing take place within the State, resulting in a substantial number of year round jobs for Alaskans. ASC will be a major customer of shore based primary processors, buying substantial quantities of product from them, which will eliminate their transportation disadvantage.

ASC offers other Alaskan processors the opportunity to store frozen seafood and offers other food businesses the opportunity to store non-seafood products on a commercial basis. Commercial fisheries can take advantage of ASC's location to store their products in Anchorage and reduce their transportation and storage costs. ASC will provide greater flexibility to other food businesses and distributors by providing them the ability to store larger quantities in Anchorage instead of the Lower 48.

ASC offers freight forwarding of chilled fish products to other Alaskan processors. ASC's logistic capabilities and chill room capacity located close to the airport are essential for air transportation of chilled fish in a regularly scheduled and therefore cost efficient manner.

### The Facility

ASC has located several sites on which it has negotiated an acceptable price. They are zoned for processing, storage, wholesaling and distribution operations. All have sewer, water and utility services up to or near the property line which are considered by ASC to be satisfactory for the contemplated uses. Before notice to proceed is given to the contractor, a complete geotechnical study will be done. There are various permits and approvals that are required to be obtained prior to the start of construction and operation of the Facility. ASC is confident that the Facility will receive all these necessary permits on a "fast track basis" based on assurances from the city.

The sites have been selected because of their access to all forms of transportation. They are two to seven minutes from the Anchorage International Airport and about 15 minutes from the Port of Anchorage. All have direct rail access by rail from a spur off the main line to the property boundary via a dedicated easement.

ASC has entered into a \$62,736,000 lump sum turnkey fixed price contract with National Projects, Inc., a subsidiary of Morrison-Knudsen Corporation, ("National") for the design and construction of the Facility. The cost of processing equipment is not included in the contract price. ASC will procure all processing equipment directly from the vendors. Allowances, rather than fixed prices, are included for landscaping, stonework, permits, signs and installation of the first processing line. The contract calls for a construction schedule of 20 months with liquidated damages in the amounts of \$29,000 per day for late completion subject to a cap of \$1,500,000. The contract also provides National with a \$14,500 per day early completion bonus.

The Facility will consist of approximately 245,000 square feet. The first floor will be used for processing, freezing and storage of fresh and frozen fish and other foods. The second floor will be used for sanitary facilities, an employee lunchroom, administrative offices, and a guest lunchroom. The Facility will include a paved parking area and the dock areas will be paved as well, to accommodate refrigerated vans and other trucks. In addition, the truck staging area will provide space for refrigerated vans. The fish processing, processing support and office areas, dock facilities and cold storage building will be constructed with concrete and steel. In the cold storage area, the structure will be approximately 63 feet high, while the racks used to store product will be approximately 50 feet high. The energy building will house the refrigeration equipment, battery charger and heating equipment as well as the maintenance department.

The Facility will use state-of-the-art equipment designed to include the latest proven technological developments. The heart of the ASC seafood processing system will be two secondary bottomfish processing lines, one for battered and breaded products (sometimes called "B&B"), and one line for prepared foods. There will also be a line for the secondary processing of surimi and a line for secondary processing of fish blocks into portions and headed and gutted salmon into steaks. The Facility will have a single line for primary salmon processing (i.e., heading, gutting and filleting). Such salmon then will be either flown out fresh as chilled fillets or glazed and blast frozen in preparation for cold storage as frozen fillets and headed and gutted salmon for later steaking.

ASC's state-of-the-art equipment will make it possible to process chilled and frozen products in a cost efficient manner. Strict hygiene and quality control standards, which meet or exceed U.S. inspection criteria, will ensure that the finished products can meet customers' demands for the highest quality.

### Employment

When fully on line, ASC's operations will provide approximately 450 new year round jobs to Alaskans who will be employed directly at the Facility. In addition, numerous other existing and newly created jobs will be supported in the businesses that serve and service the Facility. For example, many jobs will be created in the transportation sector (airline, railroad and trucking). Also, the wages paid to the employees at ASC and the related service businesses will benefit the local economy according to the economic multiplier for the community.

While Anchorage can provide a well educated labor force, ASC will need to train new staff at many different levels of the organization. For this reason, and because ASC needs to start up new functions in the areas of technical operations, processing, sales/marketing, logistics and administration, a start up schedule for the operation has been carefully worked out. ASC's production and service activities will be ramped up over several years and the employees will be hired in accordance with this schedule.

### Location

The Facility's location in Anchorage will place it close to the bottomfish harvesting grounds and at the center of the four major Alaskan salmon fishing areas. Anchorage is a beautiful modern city, the largest in Alaska, with a year-round moderate climate and a population of approximately 225,000 people. The Anchorage location will provide a competent and stable labor force and a readily available supply of workers, many already experienced in seafood processing.

Transportation of frozen raw materials to the Facility and of frozen finished products to the market will be by surface transportation.

To get the chilled fish products to the U.S. market and abroad ASC will take advantage of Anchorage International Airport, which is the biggest air cargo center in the U.S. The airport provides access to all destinations served by the eleven international and ten domestic airline companies operating there. Major air cargo carriers such as Japan Airlines and Korea Airlines have facilities at the airport and United Parcel Service and Federal Express have recently completed major international cargo and package terminals as well.

### Raw Materials

ASC, with its location in Anchorage, Alaska, will have access to one of the world's most important fisheries. The Alaska Seafood Center will process three of the top four fish species in the U.S., based on landed seafood tonnage - Alaska Pollock #1, Salmon #3, and Cod #4. In 1990, Alaska handled 5.4 billion pounds of landed fish, five times as much as the state with the second highest tonnage, Louisiana (which is predominantly shrimp). Based on the dollar amount of seafood products, Alaska handled five times as much fish as the second highest state, Massachusetts. Alaska is a reliable and well-managed source of high quality fish. Access to high quality raw materials is a worldwide problem for the seafood industry. In the northern hemisphere there are only three major areas (the North Sea in Europe, the Grand Banks of New England and Nova Scotia, and Alaska) that have the shallow cold water which can support commercial levels of bottomfishing. The processing industries of the North Sea and the Grand Banks lack adequate raw materials because the fish stock has been greatly overfished. Alaskan fisheries, however, are not overfished and are extremely well managed by Federal and State authorities. ASC will have direct access to the world's largest fishery of high quality wild salmon, unlike other processors which may use farmed salmon, which is often of lower quality and is often chemically treated.

ASC has entered into contracts with three suppliers which either procure or otherwise control seafood products in adequate quantities and qualities to more than meet its requirements. ASC also has received expressions of interest from other seafood product suppliers.

### Demand for Seafood Products

As the U.S. population ages and becomes more health conscious, Americans are turning to fish, among other items, as an essential part of a healthy low cholesterol and low fat diet. Consumer expenditures for fish in 1990 totalled \$26.7 billion, of which one-third was sold in stores (primarily supermarkets) and two-thirds were sold through the food service sector, including restaurants. The demand for seafood in the U.S. has been steadily increasing over the last ten years based on an increased consumption per capita and a growing U.S. population.

The National Fisheries Institute indicates that if the 20 pound per capita goal for the year 2000 is met (1990 consumption was 15.5 pounds per capita), U.S. consumers will eat over 5.3 billion pounds of seafood. Comparing this to the 3.9 billion pounds consumed in 1990, an additional 1.4 billion pounds of edible weight of seafood must enter the market by the year 2000. 75 percent of this growth can be attributed to the increase in per capita consumption. Although domestic fish consumption has grown at a rapid rate, Americans still eat approximately one-tenth as much fish as the Japanese and one-fourth as much as the Europeans. ASC believes that this also supports the estimated growth of domestic consumption in the coming years.

The countries in the Far East, i.e. Japan, Taiwan and Korea represent strong markets for seafood products. Because of the lack of raw material, European countries such as France, Italy and Spain also represent markets with sharply increasing demands for frozen and especially chilled seafood products.

### The Market

ASC has successfully developed a market niche for selling its products through extensive studies of the market and competitors and by working with several large buyers of seafood products. ASC's concept for doing business with its customers will be:

- ASC will work with a few large customers on a long term contractual basis.
- ASC will not develop its own brand name but instead will be a reliable supplier of customized private label seafood products based on consistent quality and availability.
- ASC will provide its customers with a one-stop shopping program based on a full range of value added table ready seafood products made from Alaskan raw materials.
- ASC will provide research and development services by working with the customers to develop their private label program of customized products.

In this way ASC will meet the customers needs; for fewer, larger, more reliable, flexible, quality oriented suppliers that will work with them in a one-stop shopping program to develop and maintain their private label products.

ASC will sell its processed seafood products to wholesale grocery and food service distributors, retail supermarket chains, institutional food service establishments, seafood and family style restaurant chains and fast food chains. ASC will market its fresh and frozen seafood products in the United States and abroad through a direct sales organization, brokers and distributors.

ASC contemplates that the Facility will offer services such as cold storage and freight forwarding of chilled fish on a commercial basis.

### Cold Storage

ASC believes that there will be a demand for commercial cold storage services because no large-scale, centralized cold storage facilities exist in Alaska. At present, salmon cold storage is handled primarily by staging refrigerated vans around local processing plants during the salmon season and then bringing the salmon directly to Japan by tramper or taking it through Anchorage for further shipment to Seattle by barge for longer term storage. This approach is costly and inefficient and lowers product quality. Local commercial fishermen can take advantage of ASC's Anchorage based facility to reduce transportation costs and increase product quality. Alaska imports the majority of its foodstuffs from the Lower 48 by barge, which takes from five to seven days to reach Anchorage from Seattle. There is little cold storage in the State and none that could service the overall demand in Anchorage for any extended period of time. The State and Anchorage can take advantage of the greater flexibility by storing imported foodstuffs in Anchorage, i.e., closer to the end users.

### Freight Forwarding

ASC will provide freight forwarding services for chilled fish products owned by ASC and others. The facility will be located close to Anchorage International Airport and will have the necessary chill room capacity and size of operation to work with the airlines on a regularly scheduled and therefore cost efficient basis.

### Ownership and Management of ASC

All of the outstanding stock of ASC is currently owned by members of the family of Howard M. Benedict, President and Chief Executive Officer of ASC. Howard M. Benedict is President of The Benedict Companies formed in New Haven, Connecticut in 1947, and a principal of various other corporate and partnership interests of the Benedict family. For 35 years, he has been actively engaged in commercial real estate development. Over the past several years, Mr. Benedict expanded into other diversified business interests. As an outgrowth of his real estate activities in Anchorage, he became interested in broadening his economic base in Alaska and in 1986 began work which led to the development of ASC. Keld Andersen, an experienced Danish seafood executive, has been appointed Chief Operating Officer and Managing Director of ASC.

Experienced Management. From 1985 to 1989, Mr. Keld Andersen, Chief Operating Officer and Managing Director of ASC, was the general manager of a large modern seafood processing plant, Royal Greenland, in Aalborg, Denmark, which produces ready-made fish dishes, smoked salmon and Greenland turbot, shrimp in brine and other advanced seafood products. During the Royal Greenland plant's development stage, Mr. Andersen was in charge of all feasibility studies, preliminary engineering and construction. After completion of the Royal Greenland plant, Mr. Andersen was in charge of the entire processing plant and was also involved in the marketing and distribution of finished products. During the years 1975-85, Mr. Anderson was Technical Director for one of Denmark's largest primary seafood processors, Skagerak Fiskeexport A/S, and General Manager for a large commercial cold storage operation.

### Financing

Based on construction cost estimates provided by ASC, the total Facility cost is projected to be \$146.4 million. The construction takeout and term financing structure is assumed to be a combination of strategic limited partnership equity and term debt.

ASC is seeking strategic partners and/or investors to invest up to \$50 million equity in the Company. The strategic partners would provide, in addition to the capital investment, significant marketing and distribution expertise for the fish products produced by the Facility.

The debt financing which will be solicited from commercial banks, insurance companies and institutional investors will be arranged after the equity investment has been committed. The Construction Loan will be for 100% of the Facility cost and, at completion will be replaced by the equity investment with the remaining term debt amortized over seven years.

### Sources and Uses of Funds

The following table shows the estimated cost of the Facility and the sources of permanent financing (\$ in thousands).

<b>Sources:</b>	
Senior Debt	\$ 68,432
Tax Exempt Debt	40,000
Equity	<u>50,000</u>
Total Sources of Funds	<u>\$158,432</u>
<b>Uses:</b>	
Turnkey Fixed Price Construction Contract	\$ 62,736
Allowance for ASC-Designated Equipment	27,132
Construction Contingency <sup>(1)</sup>	5,989
Land	6,432
Construction Management	2,780
Start-Up Expenses	11,886
Insurance	<u>525</u>
Placement, Legal, Engineering, Accounting and Miscellaneous Fees and Third-Party Reimbursables	8,775
Development Fee	2,000
Lender Fees	3,254
Escalation	7,199
Capitalized Interest	<u>1,724</u>
Total Construction Financing	<u>146,432</u>
Working Capital Reserve	5,000
Debt Service Reserve	<u>7,000</u>
Total Term Financing	<u>158,432</u>
Total Uses of Funds	<u>\$158,432</u>

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(1) Includes a 5% building contingency and a 10% equipment contingency.

# **Alaska Seafood Center, Inc.**

## **Anchorage, Alaska**

### **BACKGROUND INFORMATION**

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#### **Advantages for Alaska**

- ASC will be the first major Alaska-based seafood manufacturer shipping finished value-added products to markets in the lower '48 and overseas
- ASC has developed a business strategy to overcome Alaska's biggest manufacturing disadvantage, its remoteness from consumer markets and higher shipping costs
- ASC will start a new Alaska infrastructure - high technology secondary fish processing and will demonstrate for the first time that a value-added secondary processing plant in Alaska makes economic sense
- The \$165 million ASC manufacturing facility will be designed, engineered and built by Alaska contractors to the fullest extent possible

#### **Impact on Anchorage**

- 450 new year-round jobs and as many as 750 indirect jobs throughout Alaska
- Largest private user of electricity in the city
- Substantial new business for Alaska Railroad and Anchorage International Airport

#### **Impact on Alaska's Fishing Industry**

- ASC will not compete with existing primary processors and will do no fishing
- ASC will make major year-round product purchases from Alaska's primary processors for use in secondary (value-added) processing
- ASC will have 45 million pounds of cold storage which it will make available to Alaska processors and other Alaska firms in need of commercial cold storage
- ASC will provide reliable and economical transportation services to primary processors

#### **To make this happen...**

- ASC is not asking for any state subsidies. The AIDEA bill will authorize a bond issue for funding which will be paid back in full by ASC on the same basis as outside conventional lenders
- ASC will bring to Alaska \$100 million in outside funds. The State's financial participation is necessary as outside lenders will not invest in Alaska without evidence of State support. The financing provided by AIDEA will not be used until after the outside funds are in place

# AIDEA PROGRAMS

## 1. CREDIT PROGRAM (AS 44.88.150 (d))

\* PRIVATE BANK IN THE LEAD

\* 80% OF LOAN UP TO \$10 MILLION = AUTHORITY'S PARTICIPATION

\* PROJECT/PROPERTY REMAINS IN PRIVATE HANDS

## 2. DEVELOPMENT FINANCE PROGRAM (AS 44.88.172)

\* TERMED THE "OWN AND OPERATE" PROGRAM

\* PROJECTS OVER \$10 MILLION REQUIRE PRIOR LEGISLATIVE APPROVAL

\* ADVANTAGE - TAX EXEMPT FINANCING

- PORTS

- AIRPORTS

- WATER, ELECTRICITY, SEWER SYSTEMS

- OTHER PROJECT CATEGORIES AS PERMISSIBLE UNDER THE IRS CODE

\* STATUTORY SAFEGUARDS (AS 44.88.095 (c) & (d))

\* AIDEA BONDS

- REVENUE OR GENERAL OBLIGATION

- TAX EXEMPT OR TAXABLE

\* PROCESS DESIGNED TO ATTRACT PRIVATE SECTOR

## STATUTORY SAFEGUARDS (AS 44.88)

### AS 44.88.095(c):

BEFORE ENTERING INTO A LEASE OR OTHER AGREEMENT THE AUTHORITY SHALL FIND ON THE BASIS OF ALL INFORMATION AVAILABLE :

- 1) PROJECT IS ECONOMICALLY ADVANTAGEOUS TO THE STATE AND GENERAL PUBLIC WELFARE
- 2) THE PROJECT APPLICANT IS FINANCIALLY RESPONSIBLE (CREDIT ANALYSIS)
- 3) DEMAND ON PUBLIC FACILITIES CAN BE SUPPLIED REASONABLY
- 4) PROJECT WILL PROVIDE/RETAIN EMPLOYMENT CONSISTENT WITH THE SIZE OF THE INVESTMENT

### AS 44.88.095(d):

BEFORE ADOPTING A RESOLUTION APPROVING A PROJECT UNDER AS 44.88.172 [THE "DEVELOPMENT FINANCE PROGRAM"] FOR WHICH BONDS MUST BE ISSUED THE AUTHORITY SHALL FURTHER FIND THAT :

- 1) THE PROJECT IS ECONOMICALLY AND FINANCIALLY FEASIBLE AND ABLE TO PRODUCE REVENUE ADEQUATE TO REPAY THE BONDS
- 2) THE PROJECT COMPLIES WITH APPLICABLE LAW
- 3) ISSUING THE BONDS IS NOT EXPECTED TO ADVERSELY AFFECT OTHER CREDIT INSTRUMENTS OF THE STATE

## AIDEA BONDS

### "REVENUE" BONDS vs. "GENERAL OBLIGATION" BONDS

- \* AS VIEWED BY INVESTORS, ALL AIDEA BONDS ARE "REVENUE" BONDS SINCE THEY ARE BACKED BY A PLEDGE OF REVENUES.
- \* BONDS SUPPORTED BY A CREDIT PLEDGE OF THE AUTHORITY ARE REFERRED TO AS "GENERAL OBLIGATION" BONDS, FOR CONVENIENCE. THE TERM DOES NOT IMPLY SUPPORT OF TAXING POWER.
- \* UNDER AIDEA'S "GENERAL OBLIGATION" CREDIT PLEDGE, THE AUTHORITY WILL MAKE PRINCIPLE AND INTEREST PAYMENTS REGARDLESS OF A DEFAULT BY THE USER. HENCE THE IMPORTANCE OF STATUTORY SAFEGUARDS AND CREDIT ENHANCEMENTS.
- \* THE AUTHORITY IS COMPENSATED FOR USE OF ITS CREDIT PLEDGE BY A MARKUP ON INTEREST RATE CHARGES.

### TAXABLE vs. TAX EXEMPT BONDS

- \* IDB'S PRACTICALLY ELIMINATED IN 1986
- \* TAX EXEMPT STATUS REQUIRES GOVERNMENTAL OWNERSHIP
- \* THE AIDEA "DEVELOPMENT FINANCE PROGRAM" TAKES ADVANTAGE OF THE TAX EXEMPT STATUS FOR QUALIFIED FACILITIES (eg PORTS)
- \* PROJECTS ARE TO BE OPERATED BY THE PRIVATE SECTOR
- \* TAXABLE DEBT DIMINISHES THE ADVANTAGES OF AIDEA

## AIDEA PROCESS - PRIVATE SECTOR PARTICIPATION DEVELOPMENT FINANCE PROGRAM

1. REIMBURSEMENT AGREEMENT - ATTACHMENT A
  - \* RECOGNIZES POTENTIAL BENEFITS OF AIDEA PARTICIPATION
    - AIDEA TAX EXEMPT FINANCING
    - STATE GOVERNMENT SUPPORT FOR PROJECTS
  - \* PROVIDES FULL REIMBURSEMENT TO AIDEA FOR FEASIBILITY AND RELATED STUDIES SHOULD THE DEAL NOT GO FORWARD.
  - \* IF THE DEAL CLOSSES, COSTS FOR FEASIBILITY ANALYSIS AND NEGOTIATIONS ARE INCLUDED IN THE FINANCING.
  
2. FEASIBILITY ANALYSIS FINANCE PLAN - ATTACHMENT B
  - \* CREDIT STRENGTH, RISK ANALYSIS, MARKET REVIEW
  - \* REVENUES SUFFICIENT FOR DEBT AND OPERATIONS
  - \* BONDS WILL NOT ADVERSELY AFFECT OTHER CREDIT INSTRUMENTS OF THE STATE.
  - \* SOURCES AND USES OF FUNDS FOR THE PROJECT ARE CLEARLY DESCRIBED
  
3. LEASE/ USER AGREEMENT
  - \* FULL INDEMNIFICATION - ALL CAUSES
  - \* PROVISIONS FOR MAINTENANCE AND UPKEEP
  - \* TAKE OR PAY CONTRACT
  - \* ADDITIONAL CREDIT ENHANCEMENTS, AS REQUIRED
  - \* ALASKA WIRE
  - \* LOCAL GOVERNMENT APPROVAL / PAYMENT IN LIEU OF TAXES ("PILOT") AGREEMENTS

ATTACHMENT A

## REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT (herein, the "Agreement") is made this 12<sup>th</sup> day of March, 1993, between Anchorage Fueling and Service Company ("AFSC") and the Alaska Industrial Development and Export Authority (the "Authority").

### RECITALS:

WHEREAS, pursuant to AS 44.88 (the "Act"), the purpose of the Authority is to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment by providing means of financing and facilitating the financing of industrial, manufacturing, export, small business and other business enterprises, and other facilities, including facilities for transportation; and

WHEREAS, AFSC desires to operate a new tank farm and fuel pipelines connecting to its existing aircraft fueling hydrant system and supply pipelines, and is considering the construction of a new maintenance and operational base building and replacement of existing facilities (the "Facility" as more particularly described in Exhibit "A" attached hereto) located at the Anchorage International Airport; and

WHEREAS, to facilitate the interests of the State of Alaska, the Authority and AFSC in constructing and operating the Facility, the parties hereto desire to obtain all available information as to the Facility, including information as to the feasibility and planning thereof, and thereafter enter into an agreement with AFSC providing for the ownership, financing and management of the development of the Facility; and

WHEREAS, the Authority is willing to acquire the necessary interest in the site on which the Facility is to be constructed; and

WHEREAS, AFSC desires to lease the Facility from the Authority, or otherwise enter into an agreement for the use and/or management of the Facility, providing that the Facility is constructed in accordance with Plans and Specifications to be later developed by consultants to AFSC and reviewed by the Authority; and

WHEREAS, the Authority encourages the use of competitive procurement principles in the study, development, financing, design, and construction of the Facility except for those portions of the Facility as to which AFSC and the Authority mutually determine that only one firm or a select number of firms possess the requisite expertise; and

WHEREAS, in connection with such review the Authority plans to retain feasibility, planning, financial, design and engineering consultants, as well as bond counsel and such other qualified professionals as are necessary as consultants to assist it in obtaining and evaluating information related to the Facility and the development thereof and to provide professional advice to the Authority in that regard (the "Study"); and

WHEREAS, the consultants are expected to gather and review all available information concerning the Facility and to inform the Authority as to, among other things, the adequacy of such information for making investment decisions as to the Facility, the nature of the financial risks involved in investment in the Facility, the engineering and other considerations involved in the selection and site development for the Facility, and the design and construction of the Facility; and

WHEREAS, Resolution No. A93-1 of the Authority provides that the Authority shall enter into an agreement with AFSC related to the costs of such a study and evaluation by the Authority and provides further that AFSC shall reimburse the Authority for the costs thereof, and this Agreement is intended to fulfill that requirement; and

WHEREAS, the Authority has determined that it is in the public interest to enter into this Agreement with AFSC with respect to the Facility; and

WHEREAS, the Authority and AFSC are each legally authorized to enter into this Agreement and each is legally authorized to perform its respective duties as set forth herein; and

WHEREAS, the parties hereto to expect that if the results of the Study are favorable they will enter into an amendment to this Agreement or an another similar agreement providing for the undertaking of additional pre-construction activities and tasks including, but not limited to, design of the Facility.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, and for other valuable consideration, the receipt and sufficiency of which is acknowledged, the Authority and AFSC do hereby agree as follows:

1. Subject to the reimbursement requirements set out herein, the Authority agrees that it will expend not to exceed \$500,000 for costs of the Study. The Authority shall have the sole authority to enter into contracts with the consultants and other professionals who will conduct the Study, shall administer such contracts and direct the activities of those persons working on the Study. The Authority agrees that it will

consult with AFSC and seek the concurrence of AFSC before entering into any commitment or engagement as to the Study which is material.

2. If the results of the Study are favorable and the Authority and AFSC enter into a lease or other final agreement with respect to the use and/or management of the Facility, AFSC agrees that all costs of the Study incurred under this Agreement will be included as a qualified cost for purposes of determining any user fee, lease or other payment to be negotiated between the parties ("costs" of the Study as such term is used in this Agreement means the out-of-pocket costs of the Authority).

3. AFSC agrees to reimburse the Authority for all costs of the Study if (a) AFSC withdraws or otherwise declines to proceed with negotiation of an agreement providing for ownership, financing and management of the development of the Facility or a lease or other final agreement with respect to the use and/or management of the Facility, (b) the Authority, for whatever reason, declines to approve financing and/or construction of the Facility under the Development Finance program, or (c) the Authority and AFSC are unable to execute an agreement as to ownership, financing and management of development of the Facility, or a lease or other final agreement for use and/or management of the Facility. Payment of such costs of the Study is due within ninety (90) days following the date which the Authority notifies AFSC in writing of the amount of repayment which is due. If any portion of such amount is not timely paid to the Authority, interest shall accrue on the unpaid amount from the date of such notice by the Authority as provided in the preceding sentence at a rate per annum

equal to the "Prime Rate" as reported in the Wall Street Journal plus one percent (1%), such rate to be adjusted quarterly of the first days of January, April, July, and October.

4. The obligation of the Authority pursuant to this Agreement is strictly limited to participation in the Study as described herein. The Authority may impose such further terms and conditions with respect to the Study as the Authority, in its sole and absolute discretion, determines to be reasonable and prudent.

5. AFSC may instruct the Authority to terminate the Study at any time, and the Authority agrees to use its best efforts to conclude the work undertaken as part of the Study as economically as possible.

6. AFSC shall defend, indemnify and hold harmless the Authority from and against any all suits, claims, actions, losses, costs, penalties and damages (of whatever kind or nature, including reasonable attorney's fees and litigation costs) arising in favor of government agencies or third parties (including employees of the parties) on account of any damages arising out of, or in connection with, the Study or this Agreement unless due to the negligence or misconduct of the Authority or its contractors (excepting AFSC).

7. This Agreement shall be governed by and construed under the laws of the State of Alaska.

8. Any action or judicial proceeding arising out of this Agreement shall be filed and prosecuted in the Superior Court for the State of Alaska, Third Judicial District, at Anchorage.

9. This Agreement may not be modified or amended except by a writing signed by the parties.

IN WITNESS WHEREOF, the parties hereto, in consideration of the mutual covenants set forth herein and intending to be legally bound, have caused this Agreement to be executed and delivered as of the date first written above.

**ANCHORAGE FUELING AND SERVICE COMPANY**

By   
**FRED KETZEBACK**  
Chairman

**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

By   
**WILLIAM R. SNELL**  
Executive Director

## EXHIBIT A

### Description of Tank Farm and Aircraft Fueling Facility

The Facility will consist of a tank farm on the west side of the Anchorage International Airport consisting of three 100,000 barrel steel tanks, a pump house and filtration building, and two 20 inch and one 8 inch buried pipelines from the tank farm through an existing utilidor under the north-south runway to connect to existing pipelines and hydrant system.

A maintenance and operational base building of approximately 16,000 square feet which may be included as part of the Facility will occupy a four acre site in the area near the domestic terminal presently utilized by Anchorage Fueling and Service Company for a tank farm and associated facilities.

Also under consideration for inclusion in the Facility are the replacement of old facilities including provisions for DART loading, DART de-fueling, refueling DART and hydrant cart vehicles; a meter prover-loop system; and related improvements

**KPMG** Peat Marwick

CCX WRS  
REN

ATTACHED B

Airport Consulting Services

Post Office Box 8007  
San Francisco International Airport  
San Francisco, CA 94128-8007

Telephone 415 571 7722

Teletax 415 571 5220

Office Location  
160 Bovet Road  
San Mateo, CA 94402-3107

RECEIVED

MAR 30 1993

Alaska Industrial Development  
and Export Authority

March 26, 1993

Mr. John Olson  
Manager, Design and Construction  
Alaska Industrial Development  
and Export Authority  
480 West Tudor  
Anchorage, Alaska 99503

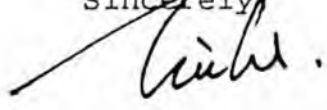
Re: Proposal, Anchorage Fueling and Service Company Financing  
Project, Anchorage International Airport

Dear Mr. *John Olson*:

Enclosed is our letter proposal to serve as airport consultant  
in connection with the financing of a proposed major fueling  
facility re'ocation and expansion at Anchorage International  
Airport.

We look forward to receiving an executed contract from you.

Sincerely,



Michael G. Moroney  
Principal

MGM/et  
Enclosure  
ANC115

**KPMG** Peat Marwick

Airport Consulting Services

Post Office Box 8007  
San Francisco International Airport  
San Francisco CA 94128-8007

Telephone 415 571-7722

Telex 415 571 7722

Office Location  
1150 Bovee Road  
San Mateo, CA 94402-3107

March 26, 1993

Mr. William R. Snell  
Executive Director  
Alaska Industrial Development  
and Export Authority  
480 West Tudor  
Anchorage, Alaska 99503

Re: Anchorage Fueling and Service Company Financing  
Project, Anchorage International Airport

Dear Mr. Snell:

In accordance with our March 10, 1993, telephone conversation, KPMG Peat Marwick is pleased to submit this letter proposal to serve as airport consultant in connection with the financing of a proposed major fueling facility relocation and expansion at Anchorage International Airport (the Airport). Our proposal consists of this letter and its attachment.

BACKGROUND

The proposed financing would be undertaken by the Alaska Industrial Development and Export Authority (AIDEA) on behalf of the airline consortium (Anchorage Fueling and Service Company [AFSC]) that operates the fueling facilities at the Airport. The project consists of the development of fuel storage facilities at a new site and certain other modifications and improvements to fueling facilities at the Airport. The financing may also involve refinancing or defeasing some existing AFSC debt. The estimated amount of the financing is about \$40 million, and is expected to be in the form of general obligation bonds.

Goldman Sachs & Co. and Prudential Securities Incorporated have been selected by the AIDEA to serve as underwriters for the transaction. Public Financial Management will serve as financial advisor for the transaction.

~~KPMG~~ Peat Marwick

Mr. William R. Snell  
March 26, 1993

#### REPORT OF THE AIRPORT CONSULTANT

As you indicated, our role would be to prepare the Report of the Airport Consultant, which would be organized in three sections: background, airline traffic analysis (market analysis), and financial analysis.

#### Background

The background section would present pertinent information concerning (1) the AIDEA, (2) the AFSC, (3) the Airport, (4) the Airport System (including Fairbanks International Airport), (5) existing and proposed fueling facilities, (6) the basis of need for proposed fueling facilities, including the balance of proposed capacity and demand, (7) the contractual basis for operation of the fueling system, (8) existing and proposed agreements with the users of the system, and (9) a brief discussion of competitive factors.

#### Airline Traffic Analysis

The airline traffic analysis would present the following: (1) an analysis of the demographic and economic basis for airline traffic in the region served by the Airport, (2) historical and forecast airline traffic (international and domestic passenger and cargo traffic) and fuel demand, (3) an analysis of international refueling stopovers, and (4) a discussion of the key factors affecting future airline traffic and demand for fuel. The airline traffic analysis would identify and present a discussion of the origin and destination passenger and cargo activity at the Airport (that is generated by the Anchorage region), cargo transit activity, and refueling stopover activity. We would give particular attention to a review of changing air service patterns for passenger and cargo airlines. The analysis will focus on the market as a whole, not on the needs of specific airlines.

Airline Traffic Forecasts. The base case forecast of airline traffic would be based on the analysis of the demographic and economic bases for airline traffic at the Airport, and discussions with the airlines serving the Airport regarding their projected traffic and their key assumptions regarding airline traffic.

Mr. William R. Snell  
March 26, 1993

In addition, to facilitate the sensitivity analysis, alternative high and low forecasts of airline traffic would be presented. The forecast period would extend five years beyond the estimated completion date of the project.

As part of our current master planning assignment at the Airport, we are preparing generalized forecasts of airline activity for planning purposes only. The forecasts would provide the basis from which we would develop forecasts suitable for financing purposes.

The master plan forecasts are prepared for long-term facilities planning, in terms of planning activity levels that correspond to Airport facilities requirements in 5-, 10-, and 20-year increments. Forecasts for financing purposes reflect the most likely level of activity for the immediate period following completion of the project, and are typically developed for a shorter time horizon.

In addition, the forecasts for the financing of the proposed fuel project would place particular emphasis on activity that specifically affects fuel flowage at the Airport, including transit and refueling aircraft activity; the master plan forecasts are more broad-based to consider overall Airport facilities planning. Further, the master plan forecasts do not include the sensitivity analyses that would be considered in forecasting airline traffic for the proposed financing.

Specific forecasts of fuel demand, and an analysis of the competitive factors affecting fuel demand, would be developed for the proposed financing.

Competitive Factors Affecting Fuel Demand. On the basis of the forecasts of airline traffic (aircraft operations in particular), as well as historical and projected trends in aircraft fueling activity, fuel demand at the Airport would be forecast. To forecast fuel demand, we would review key factors affecting airlines' fueling decisions, including (1) unit price, (2) alternative supply (including tankering and trucking of fuel), (3) diversion of traffic, and (4) contractual or other obligations. We would also review the capacity of the Airport and availability of Airport facilities (fueling, airfield, etc.) to accommodate passenger and cargo operations implied by fueling demands. The forecast of fuel demand would be based on the base case forecast of airline traffic. In addition, to facilitate the sensitivity analysis, an alternative low fuel demand forecast would be prepared to accommodate either (1) the

Mr. William R. Snell  
March 26, 1993

alternative low forecast of airline traffic, (2) adverse effects of price and/or other competitive factors on fuel demand, or (3) some combination of the two.

### Financial Analysis

The financial analysis would present the following: (1) the framework of the relationship between the AIDEA and the AFSC, (2) an analysis of the financial operations of the AFSC, (3) project cost estimates (Source: AFSC), (4) project financing--sources and uses of funds (Source: underwriters), (5) annual debt service and other requirements, including status of outstanding debt (Source: underwriters), (6) fuel system operating and maintenance expenses (from current cost experience by AFSC in Anchorage and information provided by AFSC), (7) calculation of the fueling system revenue requirement, and (8) calculation of average fueling cost per gallon and per aircraft departure.

To prepare the financial analysis, we would review the estimated costs, schedule, and cash drawdowns for the planned improvements to be included in the bond financing, as provided by the project engineers. We would also review and incorporate relevant information on the plan of finance provided by the senior underwriter and other members of the finance team. We would also review the bond authorizing legislation (bond indenture/statutes). Comments on these documents would be presented to the AIDEA and its bond counsel, financial advisors, underwriters, and the AFSC at a review meeting.

Base Case. The base case financial analysis would be based on the base case forecast of airline traffic and fuel demand at the Airport, from the results of the airline traffic analysis.

Sensitivity Analysis. In addition to the base case financial analysis, our report would present the results of a sensitivity analysis of the effects on the forecast financial results of lower airline traffic and reduced fuel demand based on the results of the airline traffic analysis.

The ability of the AFSC member airlines collectively to pay the fees and charges necessary to support the financing is a derivative of (1) the strength of the origin and destination markets at the Airport, (2) the demand for stopover and transit activity, (3) competitive factors affecting fuel demand, and

~~KPMG~~ Peat Marwick

Mr. William R. Snell  
March 26, 1993

(4) the forecast level of fees and charges required to amortize the project, all of which would be analyzed and presented in the report, under both base case and sensitivity case assumptions. This information would be provided to Public Financial Management for airline credit analysis. Public Financial Management's airline credit analysis would not be included in our report.

Our report would be prepared in a format suitable for inclusion in an Official Statement for the sale of bonds, as well as to accommodate AIDEA conformity with requirements of the finance plan under AS 44.88.173 and 3 AAC 99.510, and would be made available to rating services, bond insurance companies, and institutional and retail investors in connection with the marketing of the bonds. If our report is included or referred to in the Official Statement, it must be included in its entirety.

#### CONTRACTUAL BASIS

We would prepare the Report of the Airport Consultant described above under the terms and conditions of our Professional Services Agreement (the Agreement) dated October 29, 1992, between the State of Alaska Department of Transportation and Public Facilities and KPMG Peat Marwick, which expires October 31, 1994. In addition to the terms and conditions in the Agreement, our services would be performed in accordance with the General Conditions Regarding Financial Studies for Public Offerings, included as Attachment A to this letter.

Before we issue our final report, we would require a letter from the Chairman of the AFSC indicating that he has reviewed our report, provided us with all relevant information, and concurs with the assumptions and financial forecasts contained in the report. We would also require a letter from the Executive Director of the AIDEA stating that the AIDEA has made available to us all relevant information concerning the financing arrangement described in the report, and concurs with the characterization of that financing arrangement.

If this proposal is acceptable, we request that the State of Alaska Department of Transportation and Public Facilities amend our Agreement to (1) authorize the work discussed herein and (2) extend the term to the expected completion date of this financing.

Mr. William R. Snell  
 March 26, 1993

PROFESSIONAL SERVICES FEE AND FINANCING SCHEDULE

We propose to undertake this engagement for a fixed fee of \$70,000 plus out-of-pocket expenses (not to exceed \$15,000) for airfare; lodging, meals, and ground transportation while in the field; telephone, postage, computer services, and express mail services; and printing and other report production costs. The distribution of fees and estimated schedule for each task is as follows:

<u>Task</u>	<u>Fixed Fee</u>	<u>Not-to-exceed</u>	<u>Schedule from start date</u>
Airline Traffic Analysis	\$15,000	\$ --	6 weeks
Financial Analysis	25,000	--	8 weeks
Report of the Airport Consultant	20,000	--	8 weeks (a)
Meetings and Coordination	10,000	--	Ongoing
Expenses	--	<u>15,000</u>	n.a.
Total	\$70,000	\$15,000	n.a.

(a) Complete draft report.

As shown, we would expect to produce a complete draft report eight weeks from the project start date. Review and revision of the report would follow, based on the schedule of the finance team. We would prepare a draft final report for presentation to the rating agencies. We would thereafter finalize the report for inclusion in the Official Statement. The budget assumes there would be no need for material changes in the final version.

This proposed fee is predicated on the assumption that the project will move forward expeditiously and that the financing will be concluded within four months of the project start date. If the financing is delayed for any reason after we have performed a substantial portion of our work or if significant time passes and subsequent events necessitate the update of the report, we reserve the right to request an increase in the fee to cover any increased cost that may result from such delay.

The fee estimate is based on an assumption of four working group meetings and preparation of two drafts of our report; additional meetings, including any meetings required in connection with rating agency/credit analysis presentations, if required, would be billed in addition on a time-and-materials basis.

Mr. William R. Snell  
March 26, 1993

QUALIFICATIONS AND EXPERIENCE

Our experience with airport fueling systems has been developed through the performance of general studies involving airport master planning and financial planning and specific studies involving fueling system requirements, fueling system business planning, and fueling system financial feasibility studies. Through this experience, we have developed an understanding of current airline industry practices related to current trends in fueling system business arrangements at some of the country's busiest airports.

As you may know, we provided similar services in connection with the issuance of industrial development bonds for the expansion of the airline fueling system at Lambert-St. Louis International Airport. Also, we have recently completed a series of fueling system studies for Massport (Boston Logan International Airport), including a survey of fuel system facilities and management at major U.S. airports. In addition, we have been involved in a variety of planning and business consulting efforts regarding the development and operation of airline fueling facilities at a number of other large hub airports.

For the State of Alaska Department of Transportation and Public Facilities, we prepared forecasts of airline traffic and fuel system throughput in association with airline negotiations in 1984 and the 1986 Series G State of Alaska International Airport Revenue Bonds. In 1987, we updated the forecast of airline activity at the Airport. Therefore, we are familiar with the Airport, its existing facilities, airline operations in Anchorage, the Airport traffic mix, and trends in the industry.

Finally, we have extensive experience in airport financing and in preparing feasibility studies that explain and document the financial aspects of complicated financing/leasing structures related to airport facilities. We believe that we can provide the AIDEA with a report that will be effective in explaining the complicated nature of this financing, thereby enhancing the marketability of the bonds.

\* \* \* \* \*

~~KPMG~~ Peat Marwick

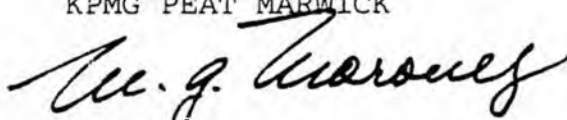
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Mr. William R. Snell  
March 26, 1993

We very much appreciate the opportunity to present this proposal and look forward to the opportunity to participate in this financing. If you have any questions or if we can be of further assistance, please call me at (415) 571-7722.

Respectfully submitted,

KPMG PEAT MARWICK



Michael G. Moroney  
Principal

MGM/et  
Enclosure

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## Attachment A

GENERAL CONDITIONS REGARDING  
FINANCIAL STUDIES FOR PUBLIC OFFERINGS

With regard to services to be provided by KPMG Peat Marwick in connection with the proposed fueling system financing program by the Alaska Industrial Development and Export Authority (AIDEA), the following general conditions shall apply:

A. Use of Reports

Any draft or preliminary financial reports prepared by us are to be used solely for the internal purposes of AIDEA and for discussion and coordination with members of AIDEA's financial working group, including AFSC. Any such draft or preliminary reports are not to be made available to any other party or to be used for securing financing or for any other purpose.

It is understood that our final Report of the Airport Consultant may be included in a prospectus or offering circular to be issued in connection with the proposed financing. We will consent to such use of our final report provided that:

1. The report with attachments, assumptions, and financial exhibits is included in its entirety in any such prospectus or offering circular.
2. We approve in advance any reproduction of our report or part thereof or any reference to the report or Peat Marwick's engagement included in the prospectus or offering circular or transmitted to other parties.

It is further understood that any information quoted or abstracted from our report and reproduced in the prospectus or offering circular will make appropriate reference to (1) the sources for and assumptions underlying such information, as described in our report, and (2) the need for the report to be read in its entirety for an understanding of the information and the underlying assumptions.

B. Information Sources

The data, information, and assumptions used to develop the financial forecasts will be derived from published information and other appropriate sources. We will not assume responsibility for the accuracy of such data, information, and assumptions.

C. Achievability of Forecasts

Any financial forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, we cannot provide any form of assurance that the forecasts will be achieved. The actual financial results achieved will vary from those forecast, and the variations may be material. Our report will contain statements drawing attention to these uncertainties.

D. AIDEA and AFSC Representations

Before we issue our final report, we will require a letter from the Chairman of the AFSC stating that (1) they have made available to us all relevant information of which they are aware, (2) they consider the assumptions underlying the financial forecasts to be reasonable and appropriate and reflect expected conditions and expected course of action, and (3) they agree with and adopt the forecasts as representing, to the best of their knowledge and belief, the expected financial position and results of operations of the AFSC. We will also require a letter from the Executive Director of the AIDEA stating that the AIDEA has made available to us all relevant information concerning the financing arrangement described in the report, and concurs with the characterization of that financing arrangement.

E. Project Costs and Schedule

Before we issue our final report, we may require a written opinion from the legal counsel for the AIDEA, professional engineers, and/or the Chairman of the AFSC, as appropriate, stating that the projects and improvements to be financed will comply with applicable regulations and that the estimated costs and schedule for the planned projects and improvements are reasonable and achievable.

F. No Obligation to Update Report

Our final report will be dated as of the date we complete our work. It is understood that we will have no responsibility or obligation to update the final report or to revise the associated financial forecasts because of events, circumstances, or transactions occurring after the date of the report. We will not issue any form of "comfort letter" or other assurance regarding the effects of any such subsequent events, circumstances, or transactions on the conclusions of our report.

G. No Contingent Fees

It is understood that neither our fees nor the payment thereof will be contingent upon the results of our work or upon your obtaining the proposed financing.

H. General Conditions

We would express no opinion as to the ability of individual airlines or AFSC members collectively to pay scheduled rates.