

HB

84

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 5, 1999

FURTHER REFERRALS:

Date of Committee Action: 4/13/99

The FINANCE Committee considered:

HB 84

HOUSE BILL NO. 84

INTERNATIONAL AIRPORTS REVENUE BONDS

"An Act relating to international airports revenue bonds; and providing for an effective date."

recommends it be replaced with the following committee substitute _____ the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____ fiscal note(s) gov 2/10/99

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gene Therriault</i> Therriault			X	
<i>Gene Mulder</i> Mulder	X			
<i>Core Bunde</i> Bunde				✓
<i>Vivian Kehring</i> Kehring	X			
<i>John Austerma</i> Austerma			X	
<i>John M. Davies</i> DAVIES	X			
<i>Ben Grussendorf</i> Grussendorf			X	
<i>Frank Davis</i> Davis	X			
<i>William Williams</i> Williams			X	
<i>John Foster</i> Foster			X	

CHAIR'S SIGNATURE _____

Gene Mulder
 Mulder

STATE OF ALASKA
1998 LEGISLATIVE SESSION

FISCAL NOTE

Bill Version: HB 84
(H) Publish Date: 2/10/99

Revision Date: _____ Dept. Affected: Revenue
 Title: Anchorage International Airport BRU: Revenue Operations
 Component: Treasury
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES					
TRAVEL					
CONTRACTUAL					
SUPPLIES					
EQUIPMENT					
LAND & STRUCTURES					
GRANTS, CLAIMS					
Debt Service	0.0	0.0	1,598.3	2,188.6	2,189.8
TOTAL OPERATING	0.0	0.0	1,598.3	2,188.6	2,189.8
CAPITAL EXPENDITURES					
CHANGE IN REVENUES ()					

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts					
1003 GF Match					
1004 GF					
1001 CBRF					
International Airports Revenue Fund	0.0	0.0	1,598.3	2,188.6	2,189.8
Other					
TOTAL	0.0	0.0	1,598.3	2,188.6	2,189.8

Estimate of any current year cost \$ 0.0

POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary)

The bill authorizes the State Bond Committee to issue an additional \$25.0 million of revenue bonds to complete the Anchorage International Airport Terminal Redevelopment Project. The debt service on these bonds will be funded from the International Airports Revenue Fund. Assuming an interest rate of 7% when the bonds are sold, two years of capitalized interest, and a 25 year term, estimated annual debt service is approximately \$2.2 million.

These funds are being requested for cash flow purposes. The Airport has secured a federal grant called a 'Letter Of Intent' (LOI) for \$25.0 million which will be appropriated by Congress over a 10-year period. However, the Terminal Redevelopment Project anticipates cash flow needs from calendar year 1999 through 2001 for these funds.

See attached debt service analysis for low, mid, and high rates. The mid rate was used in this fiscal note.

Prepared by: Deven Mitchell, Acting State Debt Manager Phone: 465-3750
 Division: Treasury Division Date: January 13, 1999
 Approved by Commissioner: Wilson L. Condon *[Signature]* Date: January 13, 1999
 Agency: Revenue

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Schedule 1
 State of Alaska
 International Airports Revenue Bonds - Completion Bonds
 Series 1999
 Sources & Uses of Funds; Summary of Key Dates, Assumptions & Results

Sources & Uses of Funds

	Non-AMT	AMT	Total
Sources of Funds			
Par Amount of Bonds:	-	25,000,000.00	25,000,000.00
Plus Premium / Less Discount:	-	236,682.30	236,682.30
Interest Earnings on Existing Notes:	-	-	-
Accrued Interest:	-	-	-
Total Sources of Funds:	-	25,236,682.30	25,236,682.30
Uses of Funds			
Deposit to Construction Fund:	-	21,535,076.59	21,535,076.59
Deposit to Cap. Int. Fund:	-	2,855,775.00	2,855,775.00
DSRF:	-	-	-
Surety Bond:	-	49,325.31	49,325.31
Costs of Issuance:	-	500,000.00	500,000.00
Insurance:	-	146,505.39	146,505.39
Underwriters' Discount:	-	150,000.00	150,000.00
Accrued Interest:	-	-	-
Rounding:	-	-	-
Total Uses of Funds:	-	25,236,682.30	25,236,682.30

Key Results

	Non-AMT	AMT	Combined
Arbitrage Yield:	N/A	5.698761%	5.698761%
All-in Tie:	N/A	5.958927%	5.958927%
Average Life (Years):	N/A	16.62	16.62
Average Coupon:	N/A	5.738%	5.738%
Average Dollar Price:	N/A	100.947	100.947

Key Dates

Dated Date:	6/1/99
Delivery Date:	6/1/99
First Interest Date:	10/1/99
Underwriters' Discount (\$/1000):	6.000
Underwriters' Discount (%):	0.600%
Costs of Issuance (\$):	\$ 500,000
Costs of Issuance (%):	2.000%
Insurance:	Yes
Insurance Premium:	0.300%
Surety Bond Cost (% of DSRF):	2.500%
Use Surety Bond:	Yes
DSRF Earnings Rate:	0.000%
DSRF Negative (Positive) Arbitrage:	-
First Construction Draw Date:	6/1/99
Funds Needed for Completion:	9,928,520
Percent Spent In	
Year 1:	40.000%
Year 2:	40.000%
Year 3:	20.000%
Year 4:	0.000%
Construction Fund Earnings Rate:	0.000%
Negative (Positive) Arbitrage:	1,412,816
Average Life of Construction Fund:	1.21
Capitalize Interest Through:	6/1/01
Cap. Int. Fund Earnings Rate:	0.000%
Net Total Cap. Int. Fund Deposit:	2,855,775
Negative (Positive) Arbitrage:	192,157
Average Life of Cap. Int. Fund:	1.25

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Schedule 2
 State of Alaska
 International Airports Revenue Bonds - Completion Bonds
 Series 1999
 Proposed New Money Debt Service - AMT

	Coupon	Yield	Price	Principal	Interest	Gross Semi-Annual Debt Service	Gross Bond Year Debt Service	Accrued Interest	Capitalized Interest	Earnings from Const. Fund	Earnings from DSRP	Net Semi-Annual Debt Service	Net Bond Year Debt Service
04/01/99					473,963	473,963	473,963		473,963				
10/01/99					713,944	713,944	713,944		713,944				
04/01/00					713,944	713,944	1,427,888		713,944				
10/01/00					713,944	713,944	713,944		713,944				
04/01/01	5.500%	4.400%	102.427	175,000	709,131	709,131	1,607,888		237,941			850,963	850,963
10/01/01					709,131	709,131	709,131					709,131	709,131
04/01/02	5.500%	4.550%	102.900	550,000	694,008	694,008	1,968,283					894,008	894,008
10/01/02					694,008	694,008	694,008					1,279,106	1,279,106
04/01/03	5.500%	4.650%	103.254	585,000	677,919	677,919	1,973,013					877,919	877,919
10/01/03					677,919	677,919	677,919					1,292,919	1,292,919
04/01/04	5.500%	4.750%	103.490	615,000	661,006	661,006	1,970,818					661,006	661,006
10/01/04					661,006	661,006	661,006					1,311,006	1,311,006
04/01/05	5.500%	4.850%	103.501	650,000	643,131	643,131	1,972,013					643,131	643,131
10/01/05					643,131	643,131	643,131					1,328,131	1,328,131
04/01/06	5.500%	4.900%	103.651	685,000	624,294	624,294	1,971,263					624,294	624,294
10/01/06					624,294	624,294	624,294					1,344,294	1,344,294
04/01/07	5.500%	4.950%	103.711	720,000	604,494	604,494	1,968,588					604,494	604,494
10/01/07					604,494	604,494	604,494					1,364,494	1,364,494
04/01/08	5.500%	5.050%	103.308	760,000	583,594	583,594	1,968,988					583,594	583,594
10/01/08					583,594	583,594	583,594					1,388,594	1,388,594
04/01/09	5.750%	5.150%	104.753	825,000	560,450	560,450	1,972,188					560,450	560,450
10/01/09					560,450	560,450	560,450					1,410,450	1,410,450
04/01/10	5.750%	5.200%	104.657	850,000	536,013	536,013	1,972,900					536,013	536,013
10/01/10					536,013	536,013	536,013					1,436,013	1,436,013
04/01/11	5.750%	5.300%	104.028	900,000	510,138	510,138	1,972,023					510,138	510,138
10/01/11					510,138	510,138	510,138					1,460,138	1,460,138
04/01/12	5.750%	5.400%	103.113	950,000	482,823	482,823	1,970,273					482,823	482,823
10/01/12					482,823	482,823	482,823					1,487,823	1,487,823
04/01/13	5.875%	5.500%	103.217	1,005,000	453,203	453,203	1,970,657					453,203	453,203
10/01/13					453,203	453,203	453,203					1,518,203	1,518,203
04/01/14	5.875%	5.600%	102.416	1,065,000	422,019	422,019	1,971,608					422,019	422,019
10/01/14					422,019	422,019	422,019					1,547,019	1,547,019
04/01/15	5.875%	5.650%	101.970	1,125,000	388,972	388,972	1,969,038					388,972	388,972
10/01/15					388,972	388,972	388,972					1,583,972	1,583,972
04/01/16	5.875%	5.700%	101.526	1,195,000	353,869	353,869	1,972,944					353,869	353,869
10/01/16					353,869	353,869	353,869					1,618,869	1,618,869
04/01/17	5.625%	5.750%	98.543	1,265,000	318,291	318,291	1,972,738					318,291	318,291
10/01/17					318,291	318,291	318,291					1,653,291	1,653,291
04/01/18	5.625%	5.750%	98.543	1,335,000	280,744	280,744	1,971,581					280,744	280,744
10/01/18					280,744	280,744	280,744					1,690,744	1,690,744
04/01/19	5.750%	5.850%	98.678	1,410,000	240,206	240,206	1,971,488					240,206	240,206
10/01/19					240,206	240,206	240,206					1,730,206	1,730,206
04/01/20	5.750%	5.850%	98.678	1,490,000	197,369	197,369	1,970,413					197,369	197,369
10/01/20					197,369	197,369	197,369					1,772,369	1,772,369
04/01/21	5.750%	5.850%	98.678	1,575,000	152,088	152,088	1,969,738					152,088	152,088
10/01/21					152,088	152,088	152,088					1,817,088	1,817,088
04/01/22	5.750%	5.850%	98.678	1,665,000	104,219	104,219	1,969,175					104,219	104,219
10/01/22					104,219	104,219	104,219					1,864,219	1,864,219
04/01/23	5.750%	5.850%	98.678	1,760,000	53,619	53,619	1,968,438					53,619	53,619
10/01/23					53,619	53,619	53,619					1,918,619	1,918,619
04/01/24	5.750%	5.850%	98.678	1,865,000	-	-	1,972,238					-	-
10/01/24					-	-	-					-	-
04/01/25					-	-	-					-	-
10/01/25					-	-	-					-	-
04/01/26					-	-	-					-	-
10/01/26					-	-	-					-	-
04/01/27					-	-	-					-	-
10/01/27					-	-	-					-	-
04/01/28					-	-	-					-	-
10/01/28					-	-	-					-	-
04/01/29					-	-	-					-	-
10/01/29					-	-	-					-	-
04/01/30					-	-	-					-	-
10/01/30					-	-	-					-	-
04/01/31					-	-	-					-	-
				25,000,000	21,835,151	48,835,151	48,835,151	-	2,855,775	-	-	45,979,356	45,979,356

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Schedule I
 State of Alaska
 International Airports Revenue Bonds - Completion Bonds
 Series 1999
 Sources & Uses of Funds; Summary of Key Dates, Assumptions & Results

Sources & Uses of Funds

	Non-AMT	AMT	Total
Sources of Funds			
Par Amount of Bonds:	-	25,000,000.00	25,000,000.00
Plus Premium / Less Discount:	-	-	-
Interest Earnings on Existing Notes:	-	-	-
Accrued Interest:	-	-	-
Total Sources of Funds:	-	25,000,000.00	25,000,000.00
Uses of Funds			
Deposit to Construction Fund:	-	20,630,002.95	20,630,002.95
Deposit to Cap. Int. Fund:	-	3,500,000.00	3,500,000.00
DSRF:	-	-	-
Surety Bond:	-	55,182.50	55,182.50
Costs of Issuance:	-	500,000.00	500,000.00
Insurance:	-	164,814.55	164,814.55
Underwriters' Discount:	-	150,000.00	150,000.00
Accrued Interest:	-	-	-
Rounding:	-	-	-
Total Uses of Funds:	-	25,000,000.00	25,000,000.00

Key Results

	Non-AMT	AMT	Combined
Arbitrage Yield:	N/A	7.071804%	7.071804%
All-In Tic:	N/A	7.356673%	7.356673%
Average Life (Years):	N/A	17.11	17.11
Average Coupon:	N/A	7.000%	7.000%
Average Dollar Price:	N/A	100.000	100.000

Key Dates

Dated Date:	6/1/99
Delivery Date:	6/1/99
First Interest Date:	10/1/99
Underwriters' Discount (\$/1000):	6.000
Underwriters' Discount (%):	0.600%
Costs of Issuance (\$):	\$ 500,000
Costs of Issuance (%):	2.000%
Insurance:	Yes
Insurance Premium:	0.300%
Surety Bond Cost (% of DSRF):	2.300%
Use Surety Bond:	Yes
DSRF Earnings Rate:	0.000%
DSRF Negative (Positive) Arbitrage:	-
First Construction Draw Date:	6/1/99
Funds Needed for Completion:	9,928,520
Percent Spent In	
Year 1:	40.000%
Year 2:	40.000%
Year 3:	20.000%
Year 4:	0.000%
Construction Fund Earnings Rate:	0.000%
Negative (Positive) Arbitrage:	1,660,373
Average Life of Construction Fund:	1.21
Capitalize Interest Through:	6/1/01
Cap. Int. Fund Earnings Rate:	0.000%
Net Total Cap. Int. Fund Deposit:	3,500,000
Negative (Positive) Arbitrage:	288,364
Average Life of Cap. Int. Fund:	1.25

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Schedule 2
 State of Alaska
 International Airport Revenue Bonds - Completion Bonds
 Series 1999
 Proposed New Money Debt Service - AMT

	Coupon	Yield	Price	Principal	Interest	Gross Semi-Annual Debt Service	Gross Bond Year Debt Service	Accrued Interest	Capitalized Interest	Earnings From Const. Fund	Earnings From OSRF	Net Semi-Annual Debt Service	Net Bond Year Debt Service
06/01/99					583,333	583,333	583,333		583,333				
10/01/99					875,000	875,000	875,000		875,000				
04/01/00					875,000	875,000	1,750,000		875,000				
10/01/00					875,000	875,000			875,000				
04/01/01	7.000%	7.000%	100.000	143,000	875,000	1,020,000	1,895,000		291,667				
10/01/01					869,925	869,925						728,333	728,333
04/01/02	7.000%	7.000%	100.000	463,000	869,925	1,334,925	2,204,350					869,925	2,704,850
10/01/02					853,650	853,650						853,650	2,707,300
04/01/03	7.000%	7.000%	100.000	941,000	853,650	1,333,650	2,207,300					836,150	
10/01/03					836,150	836,150						1,371,150	2,207,300
04/01/04	7.000%	7.000%	100.000	533,000	836,150	1,371,150	2,207,300					817,425	
10/01/04					817,425	817,425						1,347,425	2,204,850
04/01/05	7.000%	7.000%	100.000	570,000	817,425	1,347,425	2,204,850					797,475	
10/01/05					797,475	797,475						1,407,475	2,204,950
04/01/06	7.000%	7.000%	100.000	610,000	797,475	1,407,475	2,204,950					776,125	
10/01/06					776,125	776,125						1,426,125	2,202,250
04/01/07	7.000%	7.000%	100.000	650,000	776,125	1,426,125	2,202,250					757,375	
10/01/07					757,375	757,375						1,433,375	2,206,750
04/01/08	7.000%	7.000%	100.000	700,000	757,375	1,433,375	2,206,750					728,875	
10/01/08					728,875	728,875						1,473,875	2,202,750
04/01/09	7.000%	7.000%	100.000	741,000	728,875	1,473,875	2,202,750					702,800	
10/01/09					702,800	702,800						1,502,800	2,205,600
04/01/10	7.000%	7.000%	100.000	800,000	702,800	1,502,800	2,205,600					674,800	
10/01/10					674,800	674,800						1,529,800	2,204,600
04/01/11	7.000%	7.000%	100.000	831,000	674,800	1,529,800	2,204,600					644,875	
10/01/11					644,875	644,875						1,559,875	2,204,750
04/01/12	7.000%	7.000%	100.000	915,000	644,875	1,559,875	2,204,750					612,850	
10/01/12					612,850	612,850						1,592,850	2,203,700
04/01/13	7.000%	7.000%	100.000	980,000	612,850	1,592,850	2,203,700					578,590	
10/01/13					578,590	578,590						1,623,590	2,202,100
04/01/14	7.000%	7.000%	100.000	1,045,000	578,590	1,623,590	2,202,100					541,975	
10/01/14					541,975	541,975						1,661,975	2,203,950
04/01/15	7.000%	7.000%	100.000	1,120,000	541,975	1,661,975	2,203,950					502,775	
10/01/15					502,775	502,775						1,702,775	2,203,350
04/01/16	7.000%	7.000%	100.000	1,200,000	502,775	1,702,775	2,203,350					460,775	
10/01/16					460,775	460,775						1,743,775	2,206,350
04/01/17	7.000%	7.000%	100.000	1,285,000	460,775	1,743,775	2,206,350					413,800	
10/01/17					413,800	413,800						1,790,800	2,204,600
04/01/18	7.000%	7.000%	100.000	1,375,000	413,800	1,790,800	2,206,600					367,675	
10/01/18					367,675	367,675						1,837,675	2,203,350
04/01/19	7.000%	7.000%	100.000	1,470,000	367,675	1,837,675	2,203,350					316,225	
10/01/19					316,225	316,225						1,886,225	2,202,450
04/01/20	7.000%	7.000%	100.000	1,570,000	316,225	1,886,225	2,202,450					261,275	
10/01/20					261,275	261,275						1,941,275	2,202,350
04/01/21	7.000%	7.000%	100.000	1,680,000	261,275	1,941,275	2,202,350					202,475	
10/01/21					202,475	202,475						2,002,475	2,204,950
04/01/22	7.000%	7.000%	100.000	1,800,000	202,475	2,002,475	2,204,950					139,475	
10/01/22					139,475	139,475						2,064,475	2,203,950
04/01/23	7.000%	7.000%	100.000	1,925,000	139,475	2,064,475	2,203,950					72,100	
10/01/23					72,100	72,100						2,132,100	2,204,200
04/01/24	7.000%	7.000%	100.000	2,060,000	72,100	2,132,100	2,204,200						
10/01/24													
04/01/25													
10/01/25													
04/01/26													
10/01/26													
04/01/27													
10/01/27													
04/01/28													
10/01/28													
04/01/29													
10/01/29													
04/01/30													
10/01/30													
04/01/31													
				25,000,000	29,928,183	34,928,183	34,934,183		3,500,000			31,438,183	31,438,183

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TONY KNOWLES
GOVERNOR



HB 84
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 8, 1999

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker ^{Brian} Porter:

In the 1998 legislative session, I offered bond authorization bills (SB 277 and HB 382) to provide the financing needed for the Anchorage International Airport terminal redevelopment project. This project is the cornerstone of the larger Gateway Alaska initiative to improve the airport and connecting highway transportation infrastructure that makes Anchorage International Airport one of Alaska's most important economic engines. The Legislature approved the proposal, but lowered the bond authorization by approximately \$25 million in anticipation of receiving Federal Aviation Administration (FAA) grant money toward the project in that amount.

Late last year, the FAA approved the Anchorage International Airport's application for grant funds. However, the money will actually be disbursed over a 10-year period, as appropriated annually by Congress. This long-term pass-through of federal funds will disrupt the timely cash flow needed for construction of the project.

Consistent with the Legislature's directive to secure federal funds for the project, today I transmit a bill to authorize the sale of \$25 million in additional revenue bonds for the Anchorage International Airport terminal redevelopment project. This \$25 million will provide the necessary cash flow until federal funds are received and will allow us to complete the project according to schedule.

The airport terminal project is already underway, with the support of air carriers. In order to ensure timely project development pending receipt of federal money, I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Knowles".
Tony Knowles
Governor

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES OFFICE OF THE COMMISSIONER

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March 30, 1999

The Honorable Gene Therriault
Alaska House of Representatives
State Capitol, Room 511
Juneau, Alaska 99811-1182

Dear Representative Therriault:

As a follow-up to joint House Finance Committee meeting on March 10, 1999, I wish to respond to several questions raised relative to the AIA Terminal Redevelopment Project and Passenger Facility Charges (PFCs).

The first question pertained to the 1% for the Arts Program and specifically what architectural components of a project qualify as art. Enclosed is a copy of a letter from Ms. Shannon Planchon, Public Arts Administrator, which addresses this questions and provides several examples. In short, if the feature is designed by an artist and is an integral and permanent feature of the building, it qualifies as art.

The second question was what kind of projects are eligible for funding with PFC monies. For a project to be eligible, Federal Aviation Administration (FAA) regulations require that it must meet one of three criteria. Specifically, the project must preserve or enhance safety, security, or capacity; reduce/mitigate noise impacts; or enhance competition among carriers. Further, the work must be for planning or development of a type that would be eligible for FAA's Airport Improvement Program, the primary federal funding source for Alaskan airports. However, certain terminal work, including gates and related areas for movement of passengers and baggage are eligible, even though such projects do not generally qualify for AIP monies. Nonetheless, a project funded by PFC revenues may not be the subject of a long-term, exclusive-use lease. As such, while public space in a terminal building (hallways, preferential-use gates, moving sidewalks, etc.) would be eligible, exclusive-use airline office space or gate lounge areas would not. Specifically excluded from the eligible list are all concessions and automobile parking facilities.

Enclosed is a copy of the FAA circular that provides additional information regarding the use of PFCs.

I trust this information adequately addressed the questions raised. Please give me a call if you desire any additional information.

Sincerely,


Joseph L. Perkins, P.E.
Commissioner

Enclosures

cc: Kurt Parkan
Dave Eberle



March 26, 1999

David R. Eberle, Director
Construction and Operations
Department of Transportation
P.O. Box 196900
Anchorage, AK 99519-6900

RE: Percent for Art Information Request

Dear David Eberle,

The purpose of AS35.27, Art Works in Public Buildings and Facilities (1% for Art) is outlined clearly in the opening language. "The state recognizes its responsibility to foster culture and the arts and the necessity for the viable development of its artists and craftsmen."

The definition of art is broad, "Including, but not limited to sculptures, paintings, murals or objects relating to Native art".

The 1% for Art regulation requires consultation with the Alaska State Council on the Arts for selection of the artist. AS44.27 states the council is charged with stimulating and encouraging throughout the state the study and presentation of the visual and fine arts. The council is directed to encourage the use of state cultural resources in these art works.

The question often arises in the art selection process if items that are already included in the design can fulfill the art purchase requirement. The answer is an ambiguous yes. An artist can design certain elements of a building that are standard to a building. For example, all buildings have glass. An artist can design stained glass for the space. Or, additional examples of successful integration of design, function and art include an artist design of a terrazzo floor, or functional benches crafted by an artisan. Key to the success of this type of integration, and in keeping with the statute is the artist doing the work.

In the examples above, the budget for the 1% for Art is not to be used to supplant the already budgeted amounts for flooring or windows.

Please call if you have any other questions.

Sincerely,

Shannon Planchon
Public Arts Administrator

Alaska State Council on the Arts

411 West 4th Avenue, Suite 1E, Anchorage, Alaska 99501-2343 • (907) 269-6610 • Fax: (907) 269-6601
Toll Free: 1-888-ARTS GCI (278-7424) • e-mail: info@aksca.org

#2

**AIA Terminal Redevelopment Project
Uses of Funds**



Category	Budget	1999 Series Bonds	Phase II Bonds	FHWA
Concourse "C" Replacement	95,790,241.00	\$95,790,241.00		
Terminal Renovation	42,717,052.00	\$42,717,052.00		
Roads and Parking	30,792,707.00	\$4,492,707.00		\$26,300,000.00
Airside Improvements	36,000,000.00	\$11,475,000.00	\$24,525,000.00	
Finance Costs	24,700,000.00	* \$24,700,000.00		
Total Project	230,000,000.00	\$179,175,000.00	\$24,525,000.00	\$26,300,000.00

* Note: Includes estimated finance cost Phase II Bonds

ANCHORAGE/FAIRBANKS AIRLINES AIRPORT AFFAIRS COMMITTEE

March 16, 1999

The Hon. Jerry Ward, Chair
Senate Transportation Committee
Alaska State Legislature
State Capitol, Room 423
Juneau, AK 99801
FAX (907)465-3766

The Hon. Beverly Masek, Chair
House Transportation Committee
Alaska State Legislature
State Capitol, Room 432
Juneau, AK 99801
FAX (907) 465-4822

Dear Chairmen Ward and Masek

On behalf of the some 25 airlines signatory to the Airport Lease and Operating Agreements at Anchorage and Fairbanks International Airports, I would like to offer a perspective on the Anchorage Terminal Expansion for your committees as you conduct oversight of this important project.

From the very start, this project has been well-coordinated with the airlines. There have been numerous meetings, both with individual carriers and with our committee to review planning, design, financing, and construction details. Airline representatives have been involved in each phase of the effort to date, and the meetings will continue through the end of the project.

The primary interface has been with the Airline Technical Committee; a subcommittee of the Airlines Airport Affairs Committee (AAAC). This Technical Committee is comprised of airline facilities and operations managers who have provided input of all facets of terminal design and function. The frequent Technical Committee meetings are well-documented.

The full AAAC has also met with DOTPF staff and consultants on a regular basis throughout the process. An airline finance expert was a member of the team that successfully sold the \$179 million in airport revenue bonds at a very attractive interest rate.

As in any joint effort, we have not always agreed with DOTPF on everything or even among ourselves. However, for the most part, a spirit of cooperation and partnership has existed which we are certain will result in a final terminal expansion that will serve Anchorage and the entire state very well.

At this stage in the project, it is not uncommon for there to be additions and deletions of scope and costs, changes in plans, rethinking of certain elements and timing. Anyone who has ever built or remodeled a house or been involved in some construction project is aware that circumstances, conditions and requirements often change during the course of the work. The fact remains that the end product will be a fully functional terminal at a cost within the overall financial parameters established for the project, and consistent with industry standards.

On a personal note, having been involved in major airport terminal projects for almost 30 years as an airline representative, I am impressed and pleased with the professional, thorough and coordinated manner in which the Anchorage project is being developed. Other airport operators and governing bodies in the country could use this effort as an example worthy of emulation.

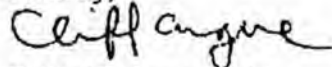
Senate and House Transportation Committee Chairmen
March 16, 1999
Page 2

We welcome and appreciate the Legislature's continued oversight of this major undertaking. At the same time, we request your early favorable action on the bills to authorize an additional \$25 million in airport revenue bonds to bridge the financing under the FAA's Letter of Intent (LOI). The LOI is a promise by the FAA to pay DOTPF \$25 million in Airport Improvement Program Grants over the next ten years, but the bonds are needed now to keep the project on schedule and meet the construction cash flow requirements.

Finally, we invite you or any member of the Legislature who has questions or concerns to contact me or other members of AAAC as the project proceeds.

Thank you for this opportunity to offer these comments.

Sincerely,



Clifford T. Argue, Chair
Anchorage/Fairbanks Airlines Airport Affairs Committee

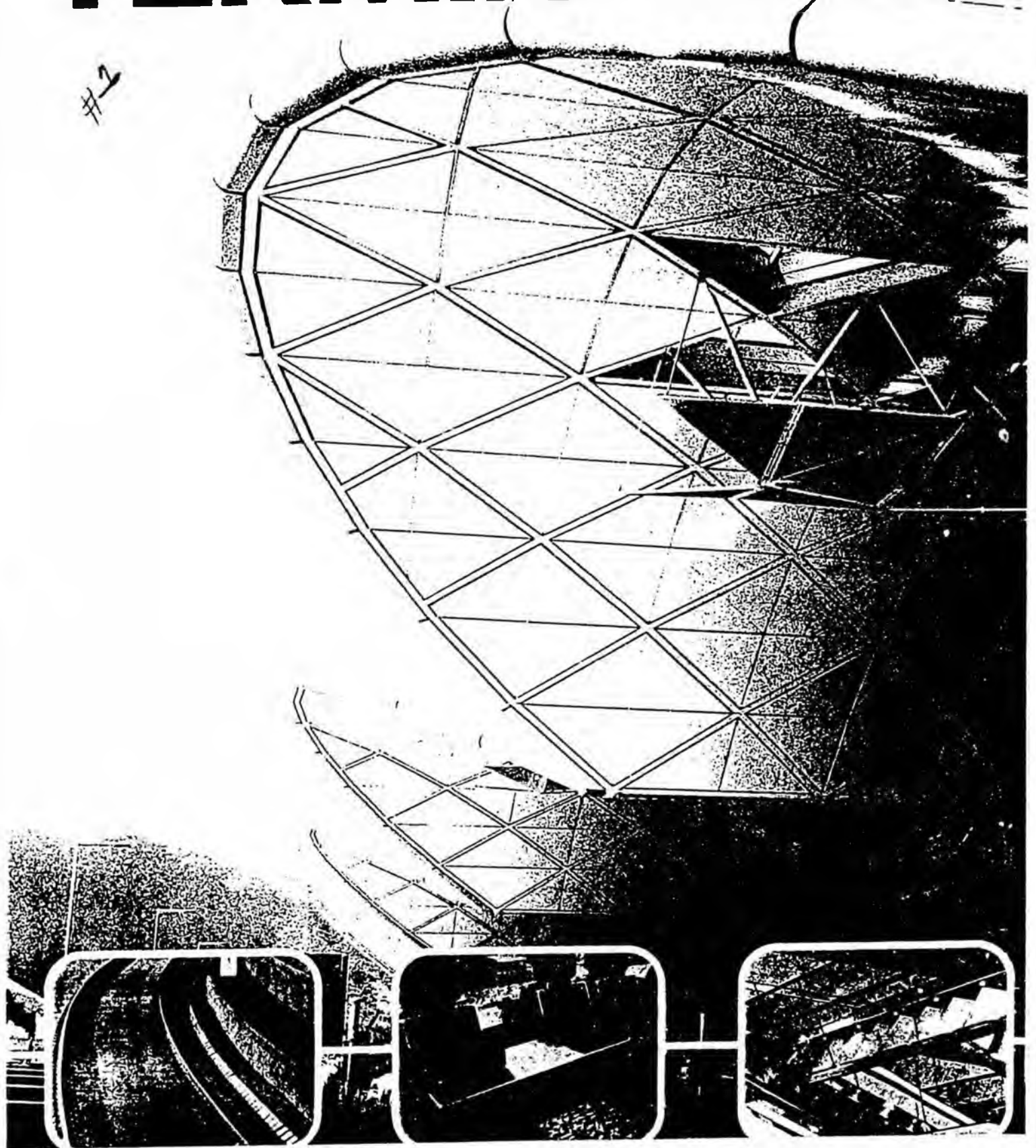
Alaska Airlines
P.O. Box 68900
Seattle, WA 98168

(206) 433-3184

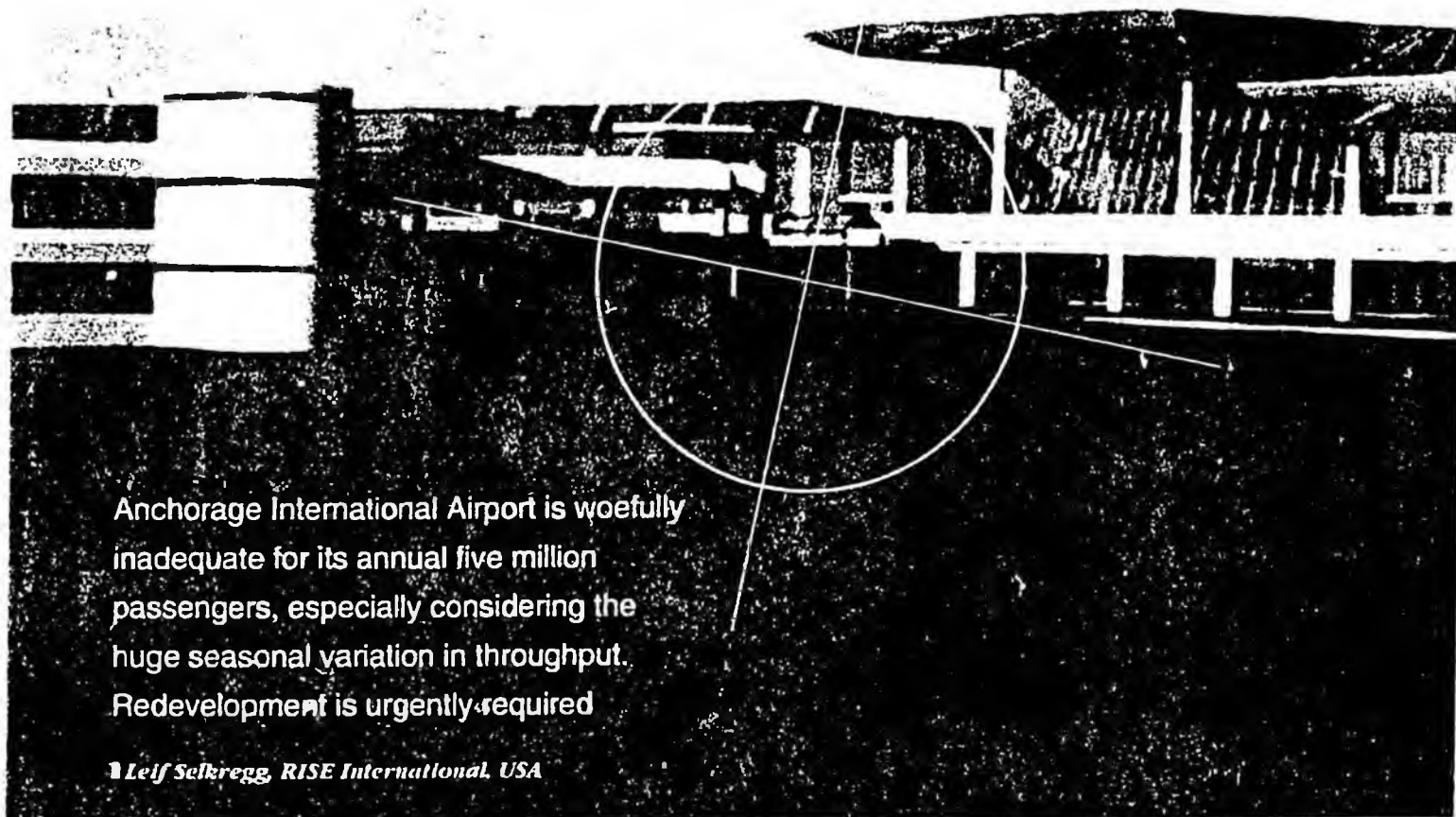
cc: ANC/FAI AAAC

PASSENGER TERMINAL *World*

#2



Northern exposure



Anchorage International Airport is woefully inadequate for its annual five million passengers, especially considering the huge seasonal variation in throughput. Redevelopment is urgently required

■ *Leif Selkregg, RISE International, USA*

Each year millions of visitors from around the world come to Alaska to experience its vast wilderness and beauty. From May through September, the state's population of 600,000 triples as cruise ship passengers, eco-tourists, friends and relatives of Alaskan families arrive. This seasonal peak is called the 'Denali effect', named after the continent's highest mountain located in the interior of Alaska. For the majority of visitors, Anchorage International Airport (AIA) is the first and last impression of Alaska.

The existing 4,700 acre airport has three major full-instrumentation runways over 10,000ft. The airport serves 23 domestic and 38 international air carriers. The

majority of the terminal facility was built in the 1950s and 1960s after the airport was established, by Congress, in 1948. Operational and code deficiencies, coupled with increasing passenger demand, have resulted in overcrowding and delays. The terminal provides only a fraction of what is needed for passenger services. Baggage claim is only 43 per cent and ticket lobbies only 40 per cent of what is required today to serve the five million plus passengers moving through the airport annually.

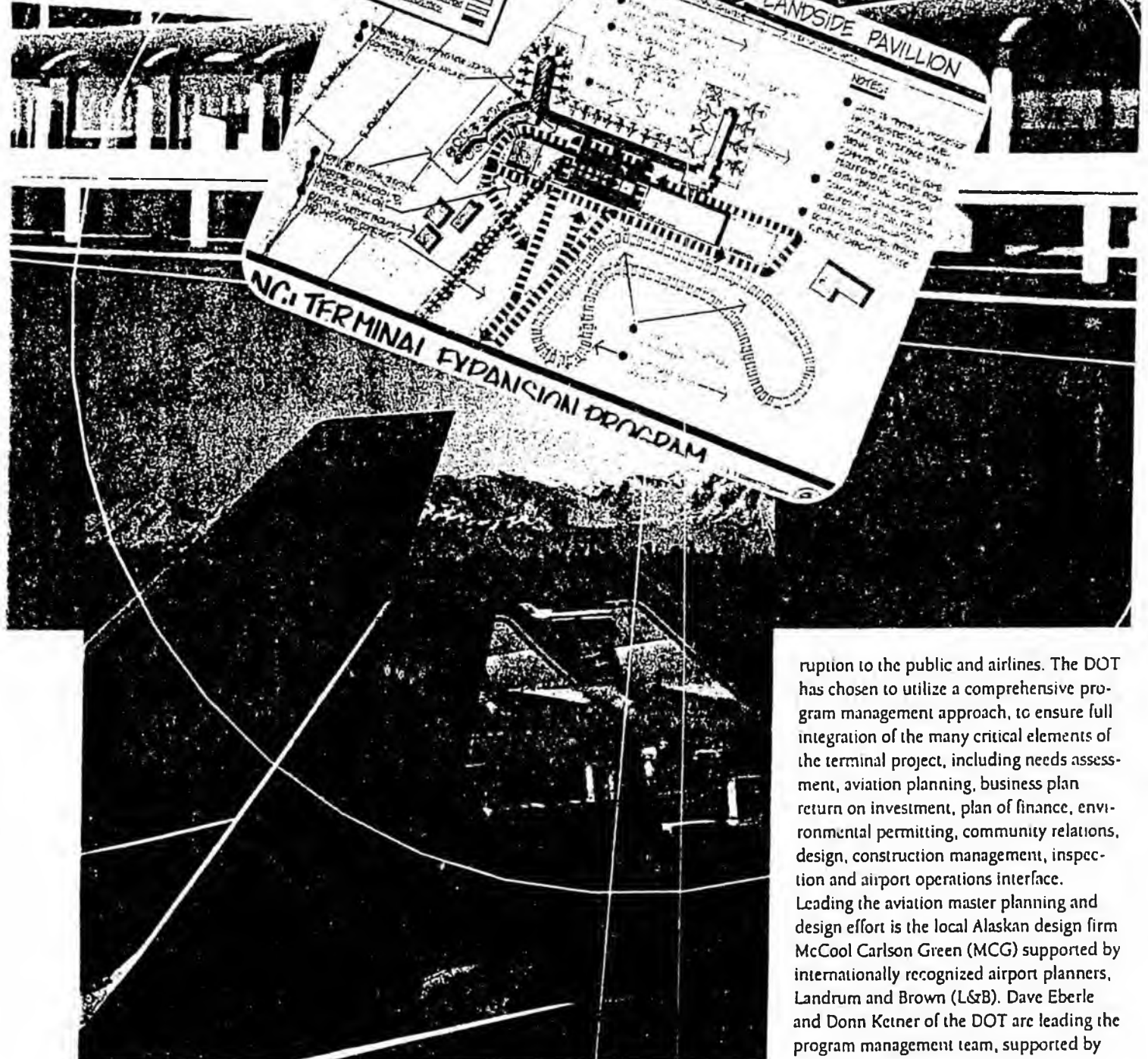
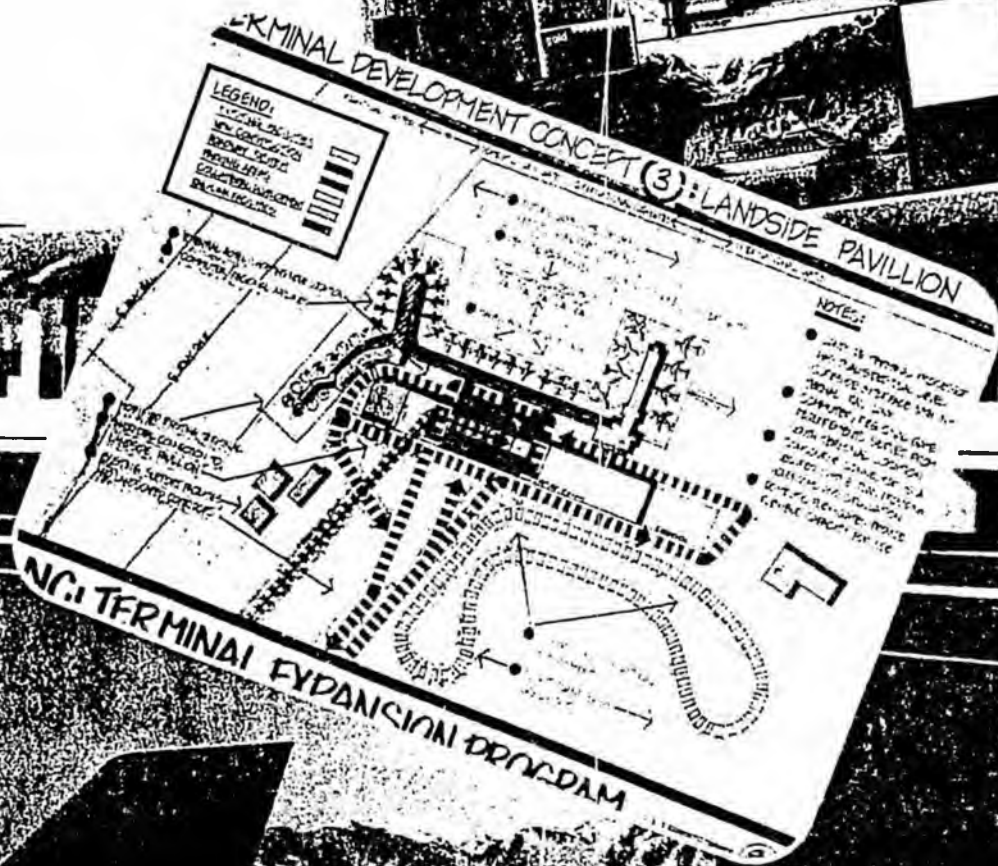
In recognition of the increasing demand of passenger travel and the outdated existing facilities, the Alaska Department of Transportation and Public Facilities (DOT&PF), under the direction of Commissioner Joseph

Perkins, initiated the 'Gateway Alaska' program to include a US\$230 million redevelopment of AIA. Currently in schematic design, construction of the new centerpiece domestic terminal will begin in the first quarter of 1999 and be open to the public by the peak season of 2002.

At the heart of the terminal redevelopment project is airport director Mort Plumb, who has carefully assembled a multidisciplinary team of world class consultants and top Alaskan DOT&PF management to plan and deliver the project. The project team has secured the necessary approval from airlines, federal agencies and the Alaska Legislature to fund the project fully and allow it to proceed on a schedule that will minimize dis-



Outside of it, as much as possible, to be insulated from the heat and the weather and the weather. Here people know they are not in charge. The weather is in charge in the Alaskan.



ruption to the public and airlines. The DOT has chosen to utilize a comprehensive program management approach, to ensure full integration of the many critical elements of the terminal project, including needs assessment, aviation planning, business plan return on investment, plan of finance, environmental permitting, community relations, design, construction management, inspection and airport operations interface. Leading the aviation master planning and design effort is the local Alaskan design firm McCool Carlson Green (MCG) supported by internationally recognized airport planners, Landrum and Brown (L&B). Dave Eberle and Donn Ketner of the DOT are leading the program management team, supported by



an outsourced team of experienced airport construction program management professionals from RISE Alaska, LLC.

Public-private partnerships

The high profile of the project and the unique relationship the airlines have with the airport and the State, has meant the key to the success of this public-private partnership is a carefully structured approach. Airlines, tenants, airport staff, the general public and other stakeholders have been actively engaged and invited to review and comment throughout concept development and design. This involvement is a signature priority of the project.

Under the leadership of Gary Blankenship (L&B), the initial investigation of conceptual terminal alternatives looked at standard configurations such as basic pier, satellite, linear and transporter terminal concepts. Each alternative was developed using consistent criteria, for example aircraft apron depth, wingtip spacing, aircraft mix, concourse and terminal dimensioning and FAA airside dimension criteria. Fourteen concepts were developed, evaluated and narrowed to a shortlist of four. The refinement process for the four short-listed concepts included new plans drawn at larger scale reflecting interior arrangements, massing perspectives, sections, detailed phasing plans, etc. All drawings were done in sketch form to preserve maximum flexibility. These hand-drawn sketches still hang in the AIA Project Room as a resource and historical record of the project's progress.

Terminal components

Following the identification of a recommended concept, the airlines and the project team worked to negotiate and define the short- and long-term aircraft parking

layouts. This critical agreement among the signatory airlines provided the basis for the plans and sections to be redrawn on a larger scale and functionally delineated by computer aided design.

The terminal concept, which is now in design, calls for an upgrade and redevelopment of existing facilities as well as an expansion northward of terminal and aircraft gates toward the existing international terminal. A pedestrian connection between the domestic terminal and the international terminal will fully integrate the AIA terminal complex for the first time. Of the current Anchorage passenger total, 15 per cent is international traffic. The intention of the terminal project is to create a seamless blend of redeveloped, existing and new facilities to accommodate the very diverse mix of airlines, aircraft, passengers and

combination of freight in the front and seats in the rear, creating a large volume of ground-loading activity at AIA. Waste heat from on-site power generation will be recycled through automatic underground pavement systems to melt snow and ice.

An expanded and upgraded main terminal and concourse with state-of-the-art baggage and passenger processing, concessions and a dramatic central hall will accommodate the six million plus passengers forecast for 2005. The current area of 435,000ft² will be nearly doubled to 717,000ft².

Special accommodation for tour and cruise ship check-in and operations will be designed into the new facility. Many touring passengers arrive by ship to Seward (150 miles away by road), and continue on to regional flights, land tours by bus or train, or stay to visit in Anchorage. Cruise ship

AIA has emerged as one of the fastest growing cargo airports in the USA and currently leads the country in landing weight

exotic baggage – e.g. folding kayaks, fish lockers, caribou antlers and fishing poles unique to Alaska. The main components of the program are outlined below.

The expanded airside envelope will initially accommodate 23 jet gates, with the potential for an additional eight gates on a future pier. With the addition of seven new propeller positions, the airport will have 20 ground-loading stations for the regional carriers that are uniquely important to the statewide operations. Alaskans fly seven times more often than residents in the lower 48 states. Many small interior communities are only accessed by air. Aircraft carry a

operations increased by 60 per cent between 1993 and 1997 as a result of aggressive investment in ship building and the fact that Alaska is a high-yield cruise market. These large tour groups present logistical challenges to the AIA facility design and streamlining AIA operations.

An expanded and improved landside envelope will incorporate new approach roads, parking, expanded dual-level curbsides and a potential elevated extension of the Alaska Railroad Corporation (ARRC) track to a new US\$28 million rail depot linked by pedestrian tunnel to the terminal. The current ARRC line comes

within 500ft of the airport terminal. In May 1998, the ARRC commissioned the AIA terminal design team to prepare a concept plan for the rail station, which is now in schematic design. The intention is to parallel the design and construction schedule already underway for the AIA terminal project, so that the rail station could open by peak season in 2002. The rail station could be a key element in the solution of tour group logistics, as ARRC owns and operates the docks used by the cruise ships in Seward and Whittier. The rail station will also support the development of south-central Alaskan passenger and intermodal commuter services.

Architecture and northern nights

At winter solstice Anchorage has just over five hours of daylight, and snow covers the ground from October into April. With the facelift and seismic upgrade planned for AIA, there will be new cantilevered canopies lighting the access roadway and providing protected radiant-heated alcoves for curbside check-in. Arriving passengers will enjoy dramatic views of the Chugach Mountains filtered through the window wall overlaid by freeform art glass. The redeveloped and expanded terminal will place maximum emphasis on the interior environment, where passengers spend most of their time. The design will stress 'intuitive wayfinding' to reduce dependence on signs.

The central theme developed by the design team is the dramatic juxtaposition of sensitively designed technology in the natural landscape. Throughout the terminal there is a combination of modern airport technology, rock outcrops, glacial ice glass walls, stream bed flooring and ethereal lighting – evocative of the subtle northern sunlight and aurora. Passengers arriving from the parking garage or train are treated to a geologic experience as they enter the terminal. From the tunnel level, escalators rise over a stone bedrock wall to a glacial moraine at the baggage claim level. Continuing up over the face of the glacier, passengers walk on a fissured glacial surface fed by meandering stream beds leading through security to the retail hall and concourses. Far from literal representations of the environment, the terminal interiors will enhance anticipation and evoke memories of the Alaskan experience through carefully crafted abstractions.

The main feature of the new terminal on the non-secured side is a large, open area dividing the main ticket lobbies and providing vertical transition to baggage claim and pedestrian tunnels below. This unique

architectural space will visually connect the primary functional areas of the main terminal and provide access to the main security checkpoint. A magnificent central hall will be situated just beyond security. This space is designed for shopping and eating, as a point of orientation providing easy access to the main concourses, aircraft gates and an observation deck. Each concourse will provide its own thematic environment for passenger holdrooms, concessions and support facilities. This reflects the special characteristics of the regional, national and international airline tenants. The lower level of the terminal will house expanded and improved baggage claim, make-up and operations facilities, as well as holdrooms for the regional airlines.

Alaskan aviation

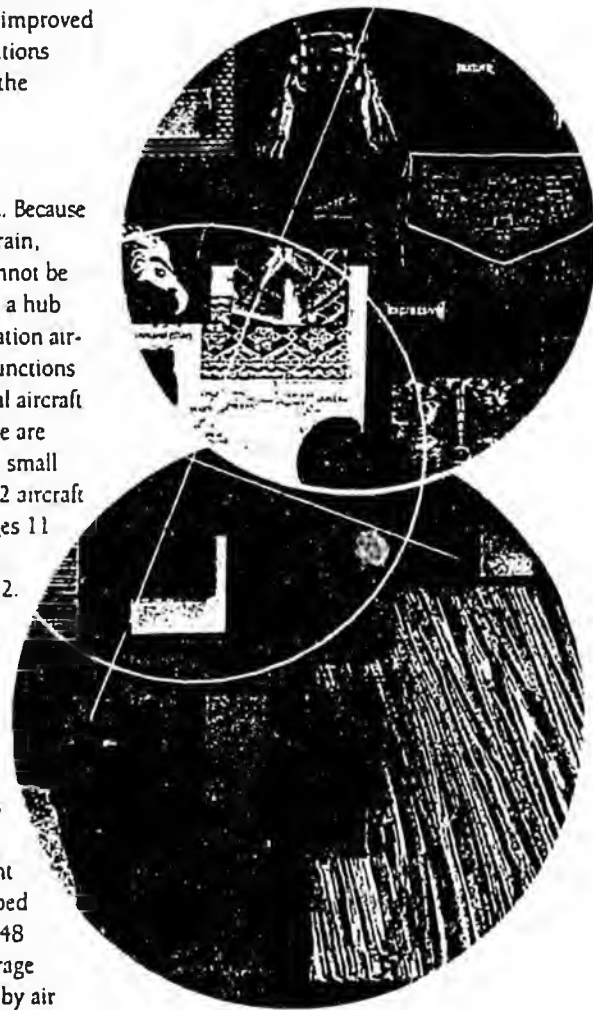
The aviation history of Alaska is rich. Because of its vast land mass and severe terrain, hundreds of small communities cannot be reached by road. As a result, AIA is a hub with the world's largest general aviation airport and busiest seaplane base. It functions as a year-round lifeline with seasonal aircraft conversion from floats to skis. There are over 1,100 floatplanes and wheeled small planes in Anchorage. Alaska has 162 aircraft per 10,000 people. The USA averages 11 planes per 10,000 people, with Montana, the next highest state, at 32.

In more recent times AIA has emerged as one of the fastest growing cargo airports in the USA and currently leads the country in landing weight. Anchorage averages 500 cargo landings per week, with an annual landing weight of over 13 billion pounds in 1997. On a per capita basis, 48 times as much freight and 520 times as much mail is shipped out by air compared with the lower 48 states. The global location of Anchorage means that the airport is nine hours by air from 95 per cent of the industrialized world. Anchorage is at the air crossroads of the world, equidistant between Seoul, Tokyo, London and New York City. This global advantage and transfer opportunity has attracted 30 all-cargo carriers operating more than 500 flights a week through Anchorage.

Major private sector investments in facilities at the airport by FedEx and UPS demonstrate long-term business commitments. Private enterprises have committed over US\$162 million in development over the last three years. Land development for cargo in the last 10 years has been three times the rate of the past 30 years.

With over 7,000 airport employees and a direct annual payroll of US\$228 million, the airport is a driving force in the local and state economy.

Building on the current and projected economic strengths of the airport, including a detailed financial model projecting rates and charges, George King of Hudson AIPF, LLC has developed and executed a Plan of Finance for the terminal expansion project. The project exists in a complex arena of public-private partnerships between the State of Alaska (via the Governor, the



Legislature, the Department of Transportation and the Department of Revenue), the airlines (via the Technical Affairs and Airline Affairs committees), the federal government (via the FAA and the Alaskan delegation in Washington, DC), and many private sector operators of concessions, rental cars and other aviation-related activities. The leadership of the Alaska International Airport System (AIAS) and the program manager for the project jointly decided – at the inception of the project – that the process and the substance of the project plan and the finance plan would insist on full disclosure of carefully

reviewed data and process. This approach was known as the 'good information' standard and this commitment built a high level of trust and confidence among State and airline stakeholders. As a result, the airlines approved the project in November 1997 in the Airline Affairs committee vote, and the 1998 Legislature approved the project by an overwhelming majority of the House and Senate.

The sources of capital funding for the project reflect the broad and diverse support of the project constituencies described previously. The airlines contributed their agreement to pay rates and charges under an operating agreement sufficient to pay for the project. The Governor and the Legislature contributed their authorization of tax-exempt bonds to finance the project over a period of 25 years. The State Department of Transportation contributed an allocation of highway funding to the landside roadway network supporting the terminal project. The federal government contributed discretionary grant funding under the FAA's Letter of Intent program. Working together, the State Department of Transportation, State Department of Revenue and their private sector advisors structured a cash flow plan that matched

sources and uses of funds on a time line consistent with the design and construction of the project. The program manager, in the detailed tracking and control of sources and uses of funds demonstrates accountability and compliance with legal and legislative mandates, while ensuring cash flow in the proper timing and amounts to maintain the project schedule and budget.



Financing a complex design and construction project with multiple sources of funds is a challenging exercise in capital markets strategy and financial structuring. However, the bottom line for the approval or disapproval of many stakeholders is the viability of the finance plan. AIAS and the program manager recognized this fact in the earliest planning stages and incorporated high-quality financial planning, structuring and implementation into the overall process

for delivering the terminal redevelopment project on time and on budget. At the same time, the quality and success of the planning, design and construction activities have been critical in gaining the confidence of the capital markets in supporting the funding of the project. The mutual support of the program management and plan of finance teams soon led to the full integration of the plan of finance activities within the leadership and framework of the program management approach.

At US\$230 million, the airport redevelopment is the single largest facility project in the state. It is complex because of the public-private partnership of the airlines and the DOT, and from the perspective of designing and constructing a major project in the sub-arctic region of the globe. Since Alaska's statehood in 1959, a community of leaders and construction industry experts has emerged and successfully taken on many challenges, including the construction of the Trans-Alaska pipeline and the state-wide military defense infrastructure. Alaska has developed the management expertise to plan and guide large public-private construction programs as well as the technical expertise to design and construct projects in the circumpolar environment. ■

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 8, 1999

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker ^{Brian} Porter:

In the 1998 legislative session, I offered bond authorization bills (SB 277 and HB 382) to provide the financing needed for the Anchorage International Airport terminal redevelopment project. This project is the cornerstone of the larger Gateway Alaska initiative to improve the airport and connecting highway transportation infrastructure that makes Anchorage International Airport one of Alaska's most important economic engines. The Legislature approved the proposal, but lowered the bond authorization by approximately \$25 million in anticipation of receiving Federal Aviation Administration (FAA) grant money toward the project in that amount.

Late last year, the FAA approved the Anchorage International Airport's application for grant funds. However, the money will actually be disbursed over a 10-year period, as appropriated annually by Congress. This long-term pass-through of federal funds will disrupt the timely cash flow needed for construction of the project.

Consistent with the Legislature's directive to secure federal funds for the project, today I transmit a bill to authorize the sale of \$25 million in additional revenue bonds for the Anchorage International Airport terminal redevelopment project. This \$25 million will provide the necessary cash flow until federal funds are received and will allow us to complete the project according to schedule.

The airport terminal project is already underway, with the support of air carriers. In order to ensure timely project development pending receipt of federal money, I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tony Knowles".
Tony Knowles
Governor