

HB

64

TONY KNOWLES
GOVERNOR
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 64
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January 12, 2001

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

Dear Speaker Porter:

The Alaska International Airports System (AIAS), comprised of the Ted Stevens Anchorage International Airport and the Fairbanks International Airport, is a vital and growing part of our economy. The AIAS and the state's major air carriers are now finalizing a new operating agreement aimed at continued system development. Included in the agreement are plans for capital improvements to the system using revenue bonds, which this bill I transmit today would authorize.

This bill increases the current cumulative authorization for revenue bonds for international airport capital improvements by \$147,900,000 -- from \$305 million to \$452,900,000. This is intended to support capital improvement programs for fiscal years 2002 and 2003.

Funding for operations and capital improvements of the two airports is covered by charges for the use of airport facilities, primarily paid by commercial airlines, plus some federal capital grants. The new operating agreement under negotiation with the participating airlines includes a five-year capital improvement program. The airlines have requested, and the airport system has agreed, to shift to revenue bond funding rather than the historic method of financing capital improvements through annual capital charges paid by the airlines. While repayment of the bonded debt and debt service would still be covered with charges paid by the airlines, revenue bonds would allow payments to be spread over the useful life of airport projects.

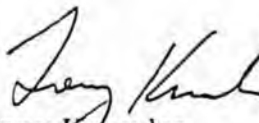
HB 64

The Honorable Brian Porter
January 12, 2001
Page 2

The current bonding authority cap of \$305 million has been exhausted. The authority sought in this bill would increase the revenue bond authorization limit to permit two years of capital improvements to be addressed in a single revenue bond issue, reducing costs related to the debt issuance.

In order to assure timely project development, I urge your prompt and favorable action on this measure.

Sincerely,


Tony Knowles
Governor

HB 64

AIAS
Bond Related Capital Improvement Projects

<u>Airport</u>	<u>Description</u>	<u>Total</u>	<u>AIP</u>	<u>Bonds</u>	<u>IARF/PFC</u>
<u>ANC</u>					
ANC	Field Maintenance Facility	32,000,000	2,800,000	29,400,000	
ANC	Airfield Pavement Maintenance	15,524,000	10,700,000	4,824,000	
ANC	Airfield Electrical/Lighting Rehab/Upgrades	2,237,000	1,950,000	287,000	
ANC	Airfield Safety and Blast Protection	4,868,000	4,600,000	268,000	
ANC	Terminal Rehabilitation	14,538,000		14,538,000	
ANC	NT Waterline Replacement	4,902,000		4,902,000	
ANC	Energy and Terminal Systems Upgrades	1,905,000		1,905,000	
ANC	Security/Safety/Emergency and Access Control/Comm Ctr	14,500,000	4,500,000	10,000,000	
ANC	Environmental Compliance and Cleanup	12,782,000		6,982,000	5,800,000
ANC	Site Development Preparation	7,354,000		7,354,000	
ANC	Advanced Project/Parking Design Study	6,316,000		6,316,000	
ANC	Taxiway/Runway Improvements	6,075,000	5,500,000	575,000	
ANC	Communication System and Relocation	5,515,000		5,515,000	
ANC	Noise Abatement Program Implementation	5,262,000	4,750,000	512,000	
ANC	Equipment	4,999,000		4,999,000	
ANC	Roads, Utilities & Grounds Constr and Upgrades	4,539,000		4,539,000	
ANC	Land Acquisition and Mitigation	3,289,000	2,000,000	1,289,000	
ANC	Deicing System	2,631,000	2,300,000	331,000	
ANC	Master Plan	2,496,000	2,000,000	496,000	
ANC	Security/Safety/Access Control Improvements	1,249,000	750,000	499,000	
ANC	Information Technology Improvements	1,053,000		1,053,000	
ANC	Old International Airport Road Upgrade	998,000		998,000	
ANC	Terminal Relocations	5,000,000		5,000,000	
LHD	GA Parking and Taxiway Relocation	3,186,000	2,700,000	486,000	
LHD	Lake Dredging and Bank Stabilization	1,270,000	1,150,000	120,000	
<u>FAI</u>					
FAI	Terminal Imp. Ph 2 Const.	3,990,000		438,900	3,551,100
FAI	Terminal Roof Repl. Const.	2,450,000	2,284,600	165,400	
FAI	Equipment	1,807,000		1,367,000	440,000
FAI	Drainage Improvements Ph. 3	1,650,000	1,538,700	111,300	
FAI	East Side Utilities Ph.2	1,450,000		1,450,000	
FAI	Environmental	500,000		500,000	
FAI	ARFF Facility Repairs	400,000		400,000	
FAI	Preliminary Planning	400,000		400,000	
FAI	Terminal HVAC	2,700,000	2,517,800	182,200	
Total Bond Projects		179,815,000	51,841,100	118,182,800	9,791,100
<u>AIAS</u>					
	Capitalized Interest	19,517,200		19,517,200	
	Debt Service Reserve Fund	12,700,000		12,700,000	
	Bond Issuance Costs	2,500,000		2,500,000	
Total Bond Related Costs		34,717,200	-	34,717,200	-
Total		\$ 214,532,200	\$ 51,841,100	\$ 152,900,000	\$ 9,791,100
Less estimated interest earnings on bond proceeds				-5,000,000	
Total Bond Authorization Requested			\$	147,900,000	

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898

TEXT: (907) 465-3652
FAX: (907) 586-8365
PHONE: (907) 465-3900

January 17, 2001

The Honorable Vic Khoring
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Representative ^{Vic} Khoring:

I respectfully request that you schedule House Bill 64, an act relating to international airports revenue bonds, for a hearing in the House Transportation Committee. This bill authorizes the sale of \$147.9 million in international airport system revenue bonds to support capital improvement programs of the AIAS for fiscal years 2002 and 2003.

The AIAS and the state's major air carriers propose to continue developing our international airport system through the implementation of a new international airports system operating agreement, now being finalized. Under the agreement, that development would be accomplished by using revenue bonds.

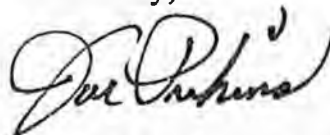
The airlines have requested, and the airport system has agreed, to shift to revenue bond financing rather than the historic method of funding capital improvements through annual capital charges paid by the airlines. While repayment of the bonded debt and annual debt service would still be covered by charges paid by the airlines, revenue bonds would allow payment to be spread over periods of time such as the useful life of airport projects.

The authority sought in this bill would increase the revenue bond authorization limit to permit two years of capital improvements to be addressed in a single revenue bond issue, reducing costs related to the debt issuance.

If you have any questions or need additional information, please contact my special assistant, Dennis Poshard.

Thank you in advance for your favorable consideration.

Sincerely,



Joseph L. Perkins, P.E.
Commissioner

cc: Mike Abbott, Legislative Director, Office of the Governor

AIAS

Bond Related Capital Improvement Projects

Airport	Description	Total	AIP	Bonds	IARF/PFC
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Total		\$ 214,532,200	\$ 51,841,100	\$ 152,900,000	\$ 9,791,100
Less estimated interest earnings on bond proceeds					-5,000,000
Total Bond Authorization Requested				\$ 147,900,000	

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 64
(H) Publish Date: 01/16/01

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Airport Revenue Bonds BRU: Revenue Operations
Component: Treasury Division
Sponsor: Rules Committee
Requester: Governor Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel	25.0					
Contractual	0.0	15.0	15.0	15.0	15.0	15.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service	0.0	0.0	5,087.0	13,250.0	13,249.0	13,240.0
TOTAL OPERATING	25.0	15.0	5,102.0	13,265.0	13,264.0	13,255.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	25.0	15.0	15.0	15.0	15.0	15.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
AIAS Revenue Fund	0.0	0.0	5,087.0	13,250.0	13,249.0	13,240.0
TOTAL	25.0	15.0	5,102.0	13,265.0	13,264.0	13,255.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes the State Bond Committee to issue an additional \$154,460,000 in revenue bonds to support the Alaska International Airport System's capital improvement program

Assuming an interest cost of 6.73% (approximately 1% above current rates), two years of capitalized interest (making the interest payments on the bonds with bond proceeds), and a 25-year term, the annual debt service would be approximately \$13.2 million beginning in fiscal year 2004. Using the interest cost of 5.73% that was available in December 2000, annual debt service would be approximately \$1.1 million less.

Prepared by: Deven Mitchell, Debt Manager Phone 465-3750
Division: Treasury Division Date/Time Nov. 27, 2000
Approved by: Larry Persily, Deputy Commissioner Date Dec. 8, 2000
Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

22-G41060\C
Cook
5/2/01

CS FOR HOUSE BILL NO. 64(TRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE TRANSPORTATION COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to international airports revenue bonds and to the spending plan for
2 the International Airports Construction Fund; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * Section 1. AS 37.15.410 is amended to read:

5 **Sec. 37.15.410. Bond authorization.** For the purpose of providing part or all
6 of the money to be used, with or without any grants or other money that may become
7 available, the issuance and sale of revenue bonds of the state in a total principal sum
8 not to exceed \$447,900,000 [305,000,000] is authorized to acquire, equip, construct,
9 and install the additions, improvements, extensions, and facilities authorized in
10 AS 37.15.510. The principal of and interest on these bonds shall be paid out of and
11 secured by the gross revenue derived by the state from the ownership, lease, use, and
12 operation of the airports, and of all the facilities of them, and out of any other money
13 that may be appropriated for the purpose.

14 * Sec. 2. AS 37.15.420(c) is amended to read:

1 (c) By January 1 of each year, the commissioner of transportation and public
2 facilities shall submit to the legislature an annual spending plan that contains
3 information regarding the planned expenditure of money from the construction fund
4 during the next fiscal year and information on certain expenditures made during
5 the previous fiscal year. The spending plan must include

6 (1) the total amount of money to be spent from the construction fund;

7 (2) a description of the work to be performed on airport facilities that
8 will be financed with money from the construction fund;

9 (3) the amount from the construction fund that will be spent under
10 contracts with the private sector and a description of the goods or services to be
11 provided to the state under each of the contracts;

12 (4) the amounts that the state will spend from the construction fund for
13 purposes other than contract payments and a description of each of those purposes,
14 including financing costs, administrative and other overhead costs, and contingencies;

15 (5) the amounts spent during the previous fiscal year for cost
16 overruns on projects financed in whole or part with money from the construction
17 fund and the sources of money used for those cost overruns;

18 (6) identification of time delays that occurred during the previous
19 fiscal year on projects financed in whole or part with money from the
20 construction fund and amounts spent as a result of the delays.

21 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: CS SB 218 (TRANS)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: International Airports: BRU: Revenue Operations
Bonds / Construction Fund Component: Treasury Division
 Sponsor: Senator Cowdery
 Requester: Senate Finance Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel	25.0					
Contractual		15.0	15.0	15.0	15.0	15.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous			4,705.9	12,260.8	12,263.5	12,250.0
TOTAL OPERATING	25.0	15.0	4,720.9	12,275.8	12,268.5	12,265.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1002 Federal Receipts						
1003 GF Match						
1004 GF	25.0	15.0	15.0	15.0	15.0	15.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
AlAS Revenue Fund			4,705.9	12,280.8	12,253.5	12,250.0
TOTAL	25.0	15.0	4,720.9	12,275.8	12,268.5	12,265.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This legislation authorizes the State Bond Committee to issue an additional \$142,900,000 in revenue bonds to support the Alaska International Airport System's capital improvement program.
BASE ASSUMPTIONS: Project size of approximately \$113.2 million, 25-year term of bonds. True interest cost of 6.76% (approximately 1.5% above current rates). Two years of capitalized interest (making the interest payments on the bonds with bond proceeds). Debt service reserve funded with bond proceeds.
SOURCES OF CAPITAL: Par amount of bonds \$142.9 million, with interest earnings on the construction fund estimated at \$4 million.
USES OF CAPITAL: Project \$113.2 million. Capitalized interest \$18.8 million. Debt service reserve fund \$12.3 million. Costs associated with issuing the bonds \$2.5 million. Total uses of capital are \$142.9 million.

Prepared by: Deven Mitchell, State Debt Manager Phone: 465-3750
 Division: Treasury Division Date/Time: May 2, 2001, 2 p.m.
 Approved by: Larry Persily, Deputy Commissioner Date: 05/02/2001
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office