

**SB**

**24**

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
Bill Version: SB 24  
(S) Publish Date: 1/10/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Environmental Conservatio  
Title: Seafood/Food Safety Lab Facility Construction BRU: Environmental Health  
Sponsor: Rules Committee Component: Laboratory Services  
Requester: Governor Component Number: 2065

**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						
Contractual				97.8	178.1	184.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>97.8</b>	<b>178.1</b>	<b>184.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF				97.8	178.1	184.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>97.8</b>	<b>178.1</b>	<b>184.0</b>

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The current Food Safety Laboratory has operated in a leased facility in Palmer for over 30 years. The facility is now inadequate for current lab operations. In addition the lease will soon expire with no opportunity for long term renewal. The bill would authorize financing and construction of a new Seafood and Food Safety Laboratory to be operated by the Department of Environmental Conservation (DEC).

The Department of Administration (DOA) pays the current lease costs for the lab. DEC reimburses DOA for a portion of these costs through an RSA. DEC will directly pay for all of the utilities and maintenance costs for the new building. These new costs are shown in the contractual line. Annual lease savings partially offset these new utility and maintenance costs as shown on the attached chart.

We expect to begin occupying the building in January 2005, therefore the costs shown for 2005 are for half a year.

Prepared by: Janice Adair, Director Phone (907) 269-7644  
Division: Division of Environmental Health Date/Time 12/13/00 3:00PM  
Approved by: Kurt Fredriksson Date 12/13/00  
Agency: Department of Environmental Conservation

For distribution information, call the Governor's Legislative Office

**FISCAL NOTE**  
**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Line Item Description	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
<b>Contractual Line 300</b>					
<b>* (Operating Expenses)</b>					
<b>Utilities (estimated)</b> DEC will incur costs for utilities at the new facility starting mid - 2005. Utility costs at the existing leased facility are included in the lease paid by DOA and DEC. These costs are offset by the lease savings shown below and shown on DOA's fiscal note.			\$52,965	\$105,930	\$110,040
<b>Building Maintenance (estimated)</b> DEC will incur costs for building maintenance at the new facility starting mid - 2005. Maintenance costs at the existing leased facility are also included in the lease paid by DOA and DEC. These costs are offset by the lease savings shown below and shown on DOA's fiscal note.			\$54,800	\$92,700	\$95,160
<b>* (Lease Savings - Palmer Lab)</b> DEC portion of current lease paid to DOA/GS through a RSA, will no longer be required after completion of the new facility.			(\$9,916)	(\$20,527)	(\$21,245)
<b>Total Contractual:</b>	\$0	\$0	\$97,849	\$178,103	\$183,955

\* Adjusted annually by the probable Consumer Price Index.

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: SB 24  
 (S) Publish Date: 1/10/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Bonding: Food Safety Lab Facility Construction BRU: Revenue Operations  
 Component: Treasury  
 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	10.0					
Contractual	8.0	7.0	7.0	7.0	7.0	7.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service	0.0	1,224.0	1,223.0	1,220.0	1,221.0	1,225.0
<b>TOTAL OPERATING</b>	<b>18.0</b>	<b>1,231.0</b>	<b>1,230.0</b>	<b>1,227.0</b>	<b>1,228.0</b>	<b>1,232.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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	18.0	1,231.0	1,230.0	1,227.0	1,228.0	1,232.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>18.0</b>	<b>1,231.0</b>	<b>1,230.0</b>	<b>1,227.0</b>	<b>1,228.0</b>	<b>1,232.0</b>

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*

Authorizes the issuance of \$13,655,000 in Certificates of Participation for the construction of a seafood and food safety laboratory to be operated by the Department of Environmental Conservation.

Assuming an interest cost of 6.12% (approximately 0.75% above current rates), and a 20-year term, the annual debt service payment would be approximately \$1.22 million beginning in fiscal year 2003 with a total repayment of approximately \$24.4 million.

It is possible that the State Bond Committee might prefer to shorten the term on these bonds by two to five years to maintain a higher credit rating on the bonds. In this event, the required annual payments could increase by as much as \$200,000 per year but total repayment would be reduced by as much as \$3.1 million.

Prepared by: Deven Mitchell, Debt Manager Phone 465-3750  
 Division: Treasury Division Date/Time: Dec. 7, 2000  
 Approved by: Larry Persily, Deputy Commissioner Date: Dec. 8, 2000  
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

Fiscal Note Number: 3 CORRECTED  
 Bill Version: SB 23  
 (S) Publish Date: 1/11/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title: An Act related to entry into and financing of a BRU: Leases  
lease purchase for a seafood/food safety lab. Component: Leases  
 Sponsor: Rules  
 Requester: Governor Component Number: 61

**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						
Contractual	0.0	0.0	0.0	(54.9)	(113.7)	(117.7)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(54.9)</b>	<b>(113.7)</b>	<b>(117.7)</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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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	0.0	0.0	0.0	(54.9)	(113.7)	(117.7)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(54.9)</b>	<b>(113.7)</b>	<b>(117.7)</b>

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*  
 The bill would authorize financing and construction of a new laboratory facility that would replace the current leased location in Palmer. The Division will execute a lease purchase agreement for the lease purchase of a new seafood and food safety laboratory in Anchorage.  
  
 Lease savings would begin mid way through (January) FY2005 when we anticipate occupying the new facility. The specific lease and current costs are shown on the attached page. Annual costs for the Palmer lease in FY2001 are budgeted in the Department of Administration's (DOA) Leases component as \$98.0 of General Funds and in the Department of Environmental Conservation's operating budget and paid to DOA via a \$17.7 RSA. Future years estimated lease savings have been adjusted to reflect the January occupancy date and probable Consumer Price Index adjustments.  
  
 Costs for the design, construction, acquisition and construction contract compliance are not included in this fiscal note as those costs and associated work will be borne by other state departments.

Prepared by: Chris Parce, Director Phone (907)465-2250  
 Division: Division of General Services Date/Time 12/13/00 1pm  
 Approved by: Commissioner Jir. Duncan Date 12/13/00  
 Agency: Department of Administration

For distribution information, call the Governor's Legislative Office

**ORIGINAL**

ANALYSIS: (continued)

SB 24  
#3

Fiscal Note  
State of Alaska  
2001 Legislative Session

Current Palmer Laboratory Lease

Lease #	Location	Property	Sq Ft	FY2001 Cost per Year (Annual)	Annual RSA Amount	Net FY2001 DOA Budget (Annual)	*Estimated FY2005 DOA Reduction (1/2 year)	*Estimated FY2006 DOA Reduction (Annual)	*Estimated FY2007 DOA Reduction (Annual)
2359	Palmer	Palmer Lab	9,252	115,710	17,697	98,013	54,924	113,692	117,671

\*Adjusted annually by the probable Consumer Price Index.

TONY KNOWLES  
GOVERNOR  
*governor@gov.state.ak.us*

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

P.O. Box 110001  
Juneau, Alaska 99811-0001  
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January 10, 2001

The Honorable Rick Halford  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear President Halford:

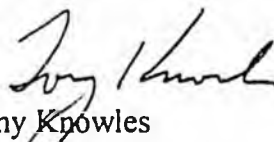
The state's food safety laboratory plays a vital role in protecting the health of Alaskans. It tests finfish, shellfish and dairy products to be certain they're safe for human consumption, certifies private drinking water laboratories, and works with commercial processors in developing food products.

The laboratory facility is now outdated and woefully inadequate. In addition, the current lease will soon expire, requiring the facility to be relocated. The Legislature has recognized the need for replacement through previous planning and design appropriations. This bill I transmit today is the next and final step in providing Alaskans with a worthwhile facility by setting up a bonding structure for its construction. The proposed method is the issuance of certificates of participation for a lease-purchase agreement.

The anticipated total construction, acquisition, and other costs of the project under the lease-purchase agreement are not to exceed \$13,655,000 and the total anticipated annual amount of the rental obligation is \$1,220,000. The total anticipated lease payments for the full term of the lease-purchase agreement amount to \$24,440,000. The state would own the facility at the end of the lease term under the operation of the Department of Environmental Conservation.

In the interest of the public health for Alaskans and consumers of our food, fish and dairy products as well as the economic health of these industries, I urge your prompt and favorable action on this measure.

Sincerely,



Tony Knowles  
Governor

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

## DEPT. OF ENVIRONMENTAL CONSERVATION

**DIVISION OF ENVIRONMENTAL HEALTH  
DIRECTOR'S OFFICE  
555 CORDOVA STREET  
ANCHORAGE, ALASKA 99501  
<http://www.state.ak.us/dec/deh>**

**Telephone: (907) 269-7644  
Fax: (907) 269-7654  
e-mail: [Janice\\_Adair@envircon.state.ak.us](mailto:Janice_Adair@envircon.state.ak.us)**

February 14, 2001

The Honorable John Torgerson  
Chairman, Senate Resources Committee  
Alaska State Senate  
Room 427, Capitol Building  
Juneau, Alaska 99801

FOR HAND DELIVERY

Subject: SB 24, Seafood and Food Safety Laboratory

Dear Senator Torgerson:

The above-referenced bill has been referred to your committee. The purpose of this letter is to request that it be scheduled for a hearing as soon as possible. Its passage this session is critical not only to the long term costs to the state but also to the food industry in Alaska.

Enclosed you'll find several pieces of information that I hope will answer all the questions you may have about this facility, why we find ourselves needing to replace it, and why we have chosen to pursue a state owned facility. I have also included information about the financing as you asked about that specifically when we met on this legislation last month.

In a nutshell:

- ◆ The lease expired in December of last year, and can only be extended on a short-term basis. AS 36.30.083 allows the Division of General Services to extend a lease under two conditions: 1) a 15% lease reduction can be achieved or 2) a 10% reduction can be achieved and the American with Disabilities Act (ADA) requirements met. In the case of our current facility, the lease rate is \$1.03/sq ft and it complies with the ADA. The owners are not interested in a 15% reduction in their lease rate. In addition, the building is up for sale.
- ◆ This means that one way or the other we have to move. With money previously appropriated by the Legislature to look at the most cost-effective way to replace the lab, we hired a private consultant to do an economic evaluation. Hands down, the most cost-effective means is a state-owned facility. In fact, leasing a laboratory rather than owning would cost the state 56% more over the 20-year term of the bond repayment.

*Safe Food, Safe Water, Healthy Communities*

Page 2

The Honorable John Torgerson

February 14, 2001

- ◆ The functions of the laboratory are required regulatory functions for the sale of shellfish and dairy products in national and international commerce. No other laboratory in the state performs these functions, nor could they under the federal rules.
- ◆ The laboratory also certifies private, commercial laboratories to conduct tests required under the Safe Drinking Water Act (SDWA) for public water systems. Unless a private laboratory is so certified, EPA will not accept their test results. Since Alaska is a primacy state for the drinking water program, we cannot accept them either.

This laboratory is currently in Palmer, and our plan includes relocating it to Anchorage. I realize that decision alone is fraught with political considerations, so let me explain why it was made.

- ◆ We had to have a central location that could receive shellfish samples as quickly as possible from many areas of the state since, in most cases, PSP testing is required before the product can be placed into commerce. That meant it had to have easy access to the Anchorage International Airport.
- ◆ We needed a site on a public sewer system, as many of the chemicals used at the lab cannot be placed in a septic tank.
- ◆ We also needed a site without excessive vibration, dust or electromagnetic interference as all of these things interfere with the performance of the analytical equipment.
- ◆ The lot needed to be between 4 – 6 acres in size to accommodate the building, parking, and snow storage from the parking lot.
- ◆ To keep the overall cost of a new facility as low as possible, the land should be state-owned.

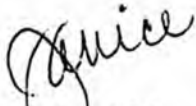
We looked at land in the Municipality of Anchorage and in the Matanuska-Susitna Borough. There was only one lot that met all of the above-criteria -- an undeveloped site on the southern side of Tudor Street. A happy side benefit of this location is that we will be close to the new Public Health Laboratory. That will allow for easier professional interaction, which will be particularly important when investigating a food borne illness.

The location in Anchorage will significantly benefit the shellfish industry and they are fully behind this project. Shellfish growers and harvesters have to arrange and pay for transportation of their product to the laboratory themselves. An Anchorage location will therefore reduce their costs slightly, but most importantly to them, speed up the delivery of these time-sensitive samples to the laboratory for testing. On the other hand, our staff picks up samples for the dairy industry and delivers them to the laboratory as part of their routine tasks, so an Anchorage location will not result in any additional costs to the dairy farmers. Also, their samples are as not time-sensitive as shellfish.

Page 3  
The Honorable John Torgerson  
February 14, 2001

Thank you for your consideration of this request. If you have any other questions or need additional information, don't hesitate to contact me.

Sincerely,



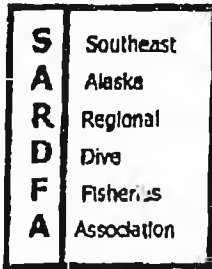
Janice Adair  
Director

Enclosures:

- ◆ Letters of Support
- ◆ Laboratory Bullets
- ◆ Laboratory Brochure
- ◆ State Supported Debt by Deven Mitchell
- ◆ Prior Capital Project budget details (FY 99 and FY 01)
- ◆ Memorandum from Hart Hodges, Northern Economics dated January 29, 2001
- ◆ Sizing Debt Service Schedule dated October 1, 2000
- ◆ Project Budget dated December 6, 2000
- ◆ AS 36.30.080-085 (Leases and lease purchases)
- ◆ Area Picture Overview

Cc: Deven Mitchell (without enclosures)  
Department of Revenue

Walt Harvey (without enclosures)  
Department of Administration



*Mission Statement: To develop, expand, and enhance new and existing dive fisheries in Southeast Alaska.*

Julie Decker, Executive Director  
Gig Decker, Executive Director's Assistant  
Box 2138, Wrangell, AK 99929  
Ph: 907-874-3110; Fax: 907-874-4270  
gigjulie@aptalaska.net

State of Alaska Legislators

February 5<sup>th</sup>, 2001

**RE: SARDFA's support of new Food Safety Lab in Anchorage**

Dear Legislators,

I am writing to you on behalf of the Southeast Alaska Regional Dive Fisheries Association, or SARDFA. SARDFA is a non-profit, economic development corporation whose mission is to develop, expand, and enhance new and existing dive fisheries in Southeast Alaska. SARDFA was created by AS 43.76.100-210. SARDFA's Board of Directors is composed of six harvest diver representatives, one processor representative, and one municipal representative.

SARDFA would like to express its support of HB 51 and SB 24, which provide funding for the construction of a new Seafood & Food Safety Lab in Anchorage.

SARDFA uses the current lab in Palmer for water testing and Paralytic Shellfish Poisoning (PSP) testing in order to conduct the geoduck dive fishery. SARDFA hopes to increase the amount of PSP testing in the future which will allow for greater utilization of the live geoduck markets in Asia, which are worth three to five times the ex-vessel value of processed geoducks. Without a properly certified lab to conduct the PSP testing needed to ship geoducks live, the geoduck industry would be severely hamstrung.

Relocating the lab in Anchorage may, unfortunately, be a hit to Palmer residents, however, it will be better for the statewide users of the lab who will no longer need to have samples make the extra journey from Anchorage to Palmer. This can be a critical factor in getting samples to the lab in time. For example, the water samples which are taken in remote areas of Southeast Alaska must make it to the lab within 30 hours in order to perform testing. If the samples are even one hour late, they must be retaken by sending boats out to the remote areas again, which is very costly.

Again, SARDFA would like to express its support of the construction of a new Seafood & Food Safety Lab in Anchorage. I hope I personally get a chance to speak with you about this subject. Feel free to contact me if there are any questions about this issue.

Sincerely,  
  
Julie Decker, Executive Director



January 19, 2001

Janice Adair, director  
ADEC, Div. of Environmental Health  
555 Cordova Street  
Anchorage, AK 99501

Dear Ms. Adair:

I'm pleased to offer the support of shellfish growers for the construction of a new food safety laboratory in Anchorage. In addition to being cost effective for the state, the new lab will significantly improve service to the overwhelming majority of the customers it serves.

I have visited the lab on several occasions over the past 10 years and I am fully aware of the antiquated nature of the facility. The lapsing of the lease in the current facility may be a blessing in disguise since the facility should have been replaced years ago.

For shellfish growers, the shift to an Anchorage location makes a tremendous amount of sense, since logistics to Palmer have proven to be difficult and expensive. For example, when we send in water samples for analysis, we have 30 hours from the time they are collected until they have to be in the hands of lab technicians. While the leg from Anchorage to Palmer doesn't sound significant, courier service to Palmer is limited and expensive. I've had to have my father, who lives in Anchorage, pick up a sample at the airport and run it out to Palmer simply because my time window would have elapsed if the samples had to wait for a courier delivery.

It is my understanding that roughly 80 per cent of the lab's business involves seafood, and the Anchorage location would be considerably more convenient for most of the customers served by the lab. As a geoduck buyer, I am painfully aware of the difficult and expensive logistics of getting PSP samples to Palmer from the Anchorage airport. From my long involvement on the ASMI board, I am aware that this is a problem that many in the industry have in common.

According to information we received through briefings by DEC personnel, the shift to a facility in Anchorage also makes good fiscal sense since the building would be amortized over a 20-year period, resulting in significant savings in lease fees for the remaining life of the structure.

One of the concerns I've heard voiced about the new lab is that the services should be contracted out to the private sector, rather than investing in a new public structure. I have been active in PSP testing and water certification issues on a national level for ASGA, and have investigated the use of private laboratory services for my own farm. I

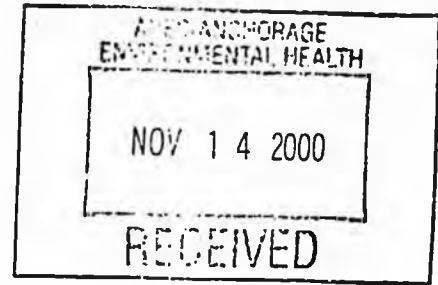
have found that there are no private labs providing PSP tests in the U.S. and the process of obtaining FDA certification for fecal coliform tests in marine waters is too difficult to attract interest from the private sector.

In summary, the aquatic farm industry strongly supports the construction of the new food safety lab in Anchorage. Please let me know if there's anything I can do to further support this important project.

Sincerely,



Rodger Painter



November 7, 2000

Ms. Janice Adair  
Director, Division of Environmental Health  
555 Cordova Street  
Anchorage, Alaska  
USA 99501

Dear Ms. Adair;

I am writing to you to express Jellett Biotek's support for the development of an enhanced Food Testing Laboratory for Alaska.

As you know, Jellett Biotek has been closely partnered with the Department of Environmental Conservation Lab in Palmer for approximately two years. During this time we have developed and validated test kits for marine biotoxins, with the intention to make shellfish safer for consumers in Alaska, as well as ensure high quality fisheries export products.

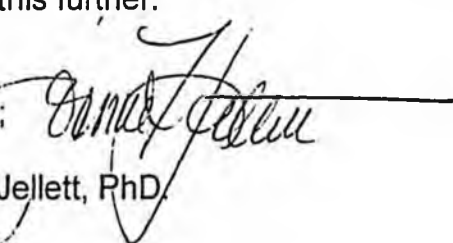
The United Nations Food and Agriculture Organization (FAO) see aquaculture as the fastest growing protein source for the world, and has projected shellfish growth at 15% annually over the next 5 years.

We believe Alaska will participate in this growth and has the right combination of elements to permit a rapid expansion in the shellfish aquaculture industry. A critical factor in the growth of the industry is to ensure the products are of the highest sanitary quality. It is essential for the State of Alaska to maintain state of the art, comprehensive testing services to ensure this quality is maintained.

It is for these reasons we support the development of enhanced testing capabilities for Alaskan shellfish resources.

Attached are excerpts from an online discussion group discussing the shellfish aquaculture potential in Alaska. Please feel free to contact me if you would like to discuss this further.

Yours truly;

  
Joanne F. Jellett, PhD.  
President.

PACIFIC ALASKA SHELLFISH, INC  
P.O. BOX 7498  
NIKISKI, AK 99635

January 24, 2001

Janice Adair  
Director of Environmental Health  
555 Cordova St. Fifth Floor  
Anchorage AK 99501

Dear Janice,

I want to reiterate the point I made last year when we discussed the future of the Lab and its movement to a new location in Anchorage. I am totally behind such a move. A move to Anchorage is, in my opinion, best for everyone involved. And will better be able to serve the industry from a more centralized location.

Let me also give you a little history concerning my involvement with the Lab. I was the first person in the industry to lobby for the Lab to be moved to Anchorage in 1981. I flew to Juneau and personally discussed it with Senator Kurtula & Mr. Malone of the Finance committee.

That effort was successful and the Lab was moved, but to its present location instead of Anchorage. We were thankful to have it in South Central, but Anchorage still seemed a better location due to logistics and its proximity to the industry.

January 24, 2001

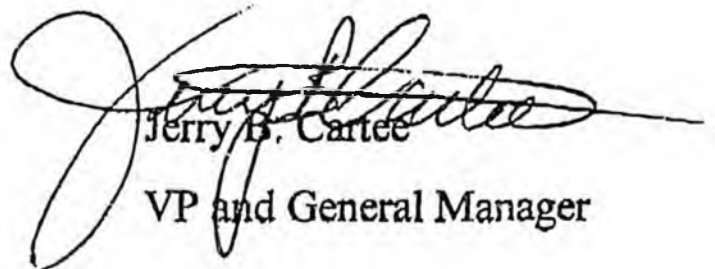
Page 2

This year will be our 21<sup>st</sup> season of using the facility for water, tissuc, PSP and all the other tests that are associated with the harvesting and processing of our razor clams for human consumption. We look forward to another 21years.

Moving the Lab to Anchorage would most definitely enhance the logistics of our operation with regard to getting samples to the Lab. I am sure all the processors in South Central would benefit and support the move. Long term it can only be considered a positive move.

Janice, please cast my vote in favor and keep me posted as to the outcome of the move. If there is anything else I can contribute please call me. Thanks for your continued stellar support of our industry. Kudos to the entire crew.

Sincerely



Jerry B. Cantee

VP and General Manager



Alaska  
Seafood  
International

January 15, 2001

AK Department of Environmental Conservation  
Attn: Janice Adair  
555 Cordova St.  
Anchorage, AK 99501-2617

Dear Janice,

I am writing this letter in support of your endeavors in upgrading the state microbiology lab. I believe that the State of Alaska may better support the seafood industry by having applicable state of the art services to enhance already existing testing abilities. Moreover, the Alaska Department of Environmental Conservation (ADEC) Division of Environmental Health will be better prepared to meet the challenges of the evolving food industry needs such as a third party verifications.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Kang', written over a white background.

David B. Kang  
Manager, Quality Control

# MARINE ADVISORY PROGRAM

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UNIVERSITY OF ALASKA FAIRBANKS

SCHOOL OF FISHERIES AND OCEAN SCIENCES

January 18, 2001

2221 E. NORTHERN LIGHTS BLVD., #110

ANCHORAGE, ALASKA 99508-4140

PHONE: 907-274-9691

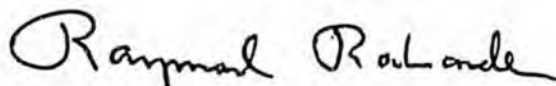
FAX: 907-277-5242

Subject: Proposal to move the Seafood and Food Safety Laboratory

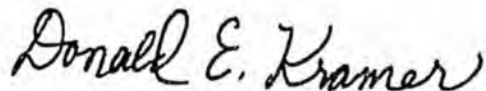
Dear Ms: Adair

The University of Alaska Marine Advisory Program (MAP) applauds the initiative of the Alaska Department of Environmental Conservation and legislative action contained in HB 51, SB 24 to move the Seafood and Food Safety Laboratory to Anchorage. Moving the laboratory to Anchorage is good news for the seafood industry. As an outreach program of the University of Alaska Fairbanks School of Fisheries and Ocean Sciences, MAP provides technical assistance, education, and applied research to the seafood and aquaculture industries. An Anchorage based Seafood and Food Safety Laboratory greatly assist shellfish farmers and seafood processors who often complain about the necessity to shuttle time sensitive seafood and water samples to Palmer. Since the amount of seafood and aquaculture products are expected to increase, an Anchorage based laboratory will best suit the testing needs of these important industries. If you need any additional support information, please contact us.

Respectfully,



Raymond RaLonde  
Aquaculture Specialist



Dr. Donald Kramer  
Seafood Safety Specialist

**Alaska AquaFarms Inc.**

P.O. Box 7  
Moose Pass, Alaska 99631  
(907) 288-3667

Janet Adair, Director  
Department of Environmental Conservation  
555 Cordova Street  
5th Floor  
Anchorage, Alaska 99508

Dear Ms. Adair,

I am writing this letter in encourage keeping the Department of Environmental Conservation lab open to support the Aquatic Farm industry.

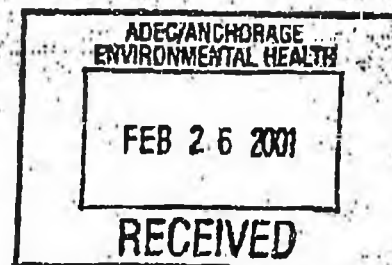
I have been a shellfish farmer since 1986 and have had nothing but good experience with working with DEC professionals and the sampling Lab.

When I sell my product, customers know that it is safe from a Paralytic Shellfish Poisoning (PSP) standpoint and also with water quality issues. This guarantee can offset the extra expenses with production and transportation and allow our farm to compete in the marketplace. The lab has always been very professional, prompt and provided excellent service with water samples and PSP tests for my farm. Without this service I could not be in business.

I strongly suggest fully funding the lab and staff. If I can provide any assistance or information please let me know.

Sincerely,

  
Jeff Hetrick



JUSTHEFAX JUSTHEFAX

MARCH 15, 2001

3 PAGES

TO: THE HONORABLE JOHN TORGERSON  
ALASKA STATE SENATE

FROM: JERRY B. CARTEE  
V.P. & GENERAL MANAGER  
PACIFIC ALASKA SHELLFISH INC.  
NIKISKI, AK

DEAR SENATOR TORGERSON

DUE TO THE POSITIVE IMPACT  
THAT SENATE BILL 24 WILL HAVE  
ON THE SHELLFISH INDUSTRY, I  
HAVE BEEN FOLLOWING IT CLOSELY  
SINCE INCEPTION. IN FACT, I HAVE  
ALREADY RESPONDED BY LETTER  
REQUESTING THAT ALL EFFORTS NEED  
TO BE MADE TO PUSH IT THROUGH  
THIS SESSION. THERE IS NO  
QUESTION THAT THE SHELLFISH

INDUSTRY WILL BENEFIT BY HAVING THE LAB SITUATED IN ANCHORAGE WITH CLOSE PROXIMITY TO THE AIRPORT. IN FACT, THIS IS WHERE IT SHOULD HAVE BEEN FROM THE BEGINNING. CONVERSELY, THE NEGATIVE IMPACT ON ADEC, AND THE SEAFOOD LABORATORY. OF NOT BEING ABLE TO MOVE, COULD BE VERY DETRIMENTAL TO OUR INDUSTRY. FURTHER BUDGET CUTS THAT THEY WOULD INCUR TO OFFSET THE INCREASED COST OF LEASING. WILL ONLY SERVE TO REDUCE THE SERVICES THEY NOW OFFER. AS THE LARGEST RAZOR CLAM PRODUCER IN THE WORLD I FEEL QUALIFIED TO TELL YOU OUR INDUSTRY NEED THEIR FULL SERVICES, IF WE ARE TO MAINTAIN THE QUALITY OF PRODUCT THAT WE NOW TAKE SO MUCH PRIDE IN.

I SINCERELY HOPE THAT YOU  
WILL TAKE EVERY EFFORT INTO  
SPEEDING THIS BILL ALONG AND  
NOT ALLOW IT TO GET HUNG  
UP IN COMMITTEE. WE IN  
THE INDUSTRY NEED YOUR HELP  
NOW.

*Jerry B. Carter*

# Seafood and Food Safety Laboratory

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✿ After 30 years in the same location, the Seafood and Food Safety Lab must move.

✿ The lease expired December 2000 with two one-year extensions available. State law (AS 36.30.083) prohibits a long term extension without significant reductions in the lease payments. These reductions were given during a previous lease extension. Also, the building is for sale.

One way or another, we have to move.

---

# What does the lab do?

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- ☼ PSP and shellfish growing water analysis so **shellfish** can be sold in interstate and international commerce.
- ☼ Domoic acid analysis so **crab** can be sold in interstate and international commerce.
- ☼ Dairy product evaluation so Alaska's **dairy products** can be sold to Alaskan schools, the military, and in interstate commerce.
- ☼ Lab certification so **private labs** can run drinking water analysis for public water systems.
- ☼ Work with **commercial food industry** to develop safe ready-to-eat food products.

No one else can do what we do!

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# What's the recommended plan?

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☼ With money previously appropriated by the Legislature, an independent economic analysis was done

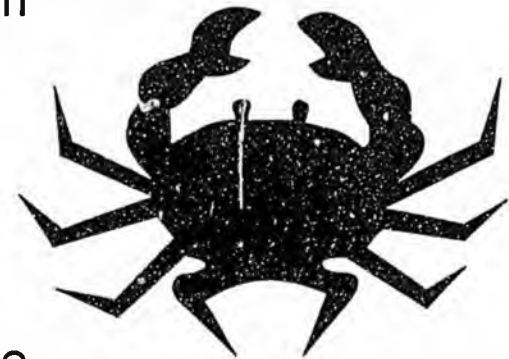
☼ New state-owned laboratory located in Anchorage on state-owned land is the most cost-effective replacement plan

☼ Lease-financing through sale of bonds

☼ Total bond sale: \$13,655,000 (includes \$200,000 issuance costs)

☼ Capital appropriation \$310,000 for non-bondable costs

---



# Why choose this plan?

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☼ **It's cheaper than leasing.** Over a 20 year term, leasing would cost the State 56% more than owning.

☼ **Laboratories are unique.** They require highly specialized work environments that must be incorporated into the design of the structure.

☼ **Affordable laboratory services are needed on a long-term, dependable basis.** This is critical to the growth of our shellfish and dairy industries.

☼ **Why choose Anchorage?** We needed a location that

☼ could receive shellfish samples quickly from the Anchorage International Airport,

☼ was on a public sewer system so wastewater could be disposed of safely, and

☼ did not have excessive vibration, dust, or electromagnetic interference that would affect the analytical equipment.

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# Why not privatize these services?

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- ☛ FDA does not certify private labs to conduct regulatory PSP testing
- ☛ Federal dairy rules require certain tests to be conducted by state regulatory labs
- ☛ The Federal Drinking Water Act requires private labs to be certified by the State

## **In addition, we keep costs for industry down:**

- ☛ All regulatory testing for PSP, domoic acid, and dairy products are free; we charge only for regulatory PSP testing of export-only shellfish
  - ☛ Testing done at the request of food manufacturers is also a bargain because of how state law requires fees be established -- not all overhead is included nor is there any profit built in
-

# What happens if this bill isn't passed?

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- \* The State will have no option but to go out for an RFP this summer or fall.
- \* While the Division of General Services has contract procurement experts, they do not have the expertise to develop an RFP for a laboratory. Professional services contracts -- and the funding to pay them -- would be required.
- \* Lease costs will go up and stay up -- unlike bond repayments, which when paid off, are done.



# Why own instead of lease?

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## Lease when:

---

The program or function to be housed is temporary or the duration of need for the space is uncertain.

---

There is reasonable competition in the marketplace to provide the type and quantity of space required at the time it is required.

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The service is normally provided in the marketplace.

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Space needs can be described in clear terms and conditions so that owner and vendor will easily agree on performance criteria of the space.

---

Life cycle cost analysis indicates cost of lease is less.

---

Internal configuration of space is fairly constant, needs do not change significantly over time.

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## Own when:

---

The program or function to be housed is a basic service needed on a long-term basis in that location.

---

There is little or no competition in the marketplace to provide the type and quantity of space at the time it is required.

---

The service is difficult to find in the marketplace.

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Space needs are complex and difficult to describe, expertise for interpretation of performance are found mainly with the owner.

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Life cycle cost analysis indicates cost of ownership is less.

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Internal configuration of space is subject to significant change.

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# Seafood & Food Safety Laboratory

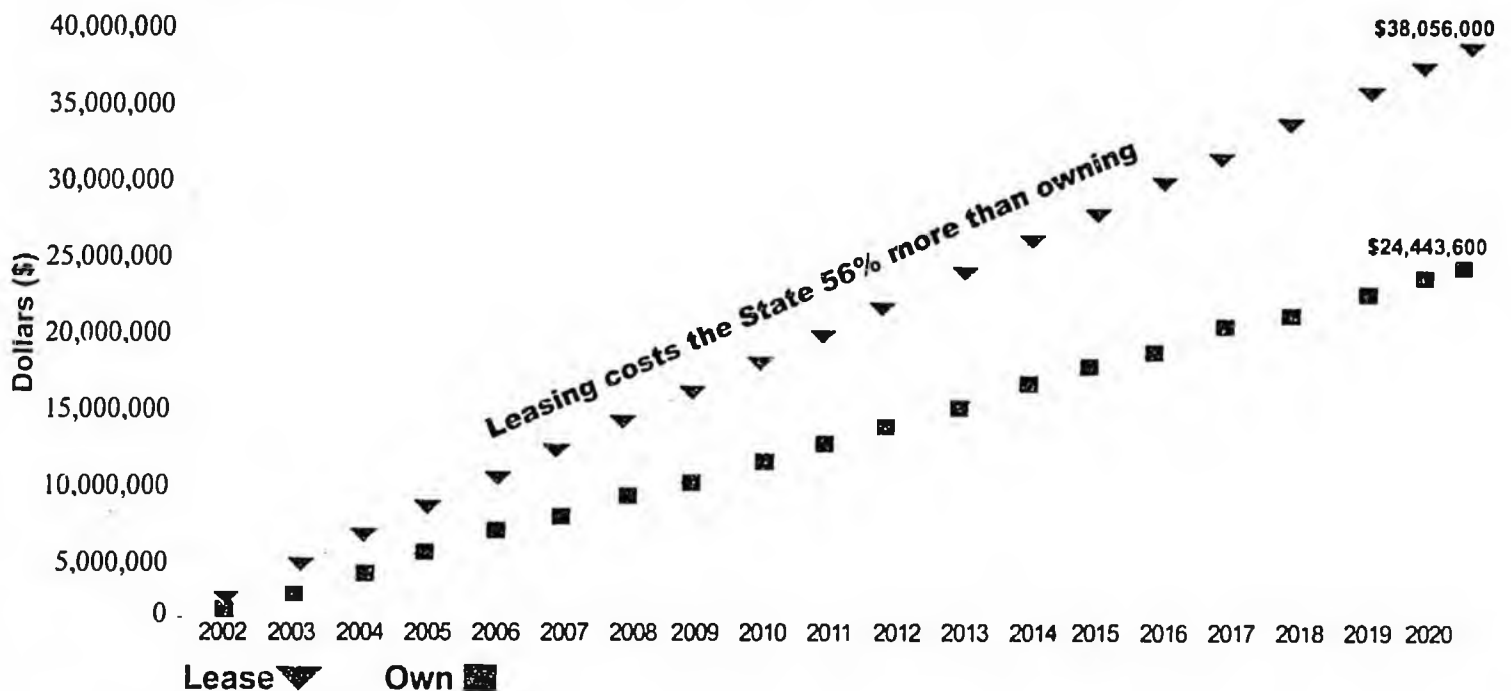
State of Alaska  
 Department of Environmental Conservation  
 Division of Environmental Health

**Our lease is expiring and cannot be extended over the long term. By January 1, 2003, we must have a solid plan for a replacement.**

The State's Seafood and Food Safety Laboratory has resided at its present location in Palmer for over thirty years with only minor renovations or upgrades. The lease expired December 2000 with two one-year extensions available. **A long term renewal is not an option.** By January 2003, we must have a solid plan to replace the current lab.

We want to do our part to **lessen the costs of government and provide long term savings.** With a capital project approved in FY98, we hired a private consultant to evaluate the best option for replacing the Seafood & Food Safety Laboratory. That evaluation showed the most cost effective option to be a state owned facility. Because of the highly specialized needs of any laboratory, building a new facility was found to be much less expensive than renovating pre-existing space.

## Cumulative Cost (No Discounting) - 20 Years



### Assumptions:

- Private developer must repay debt within 10 years.
- Private developer will require lease payments during yrs 11-20 that are 75% of payments for yrs 1-10

# What The Seafood & Food Safety Lab Does

- Conducts product and water sampling required by the National Shellfish Sanitation Program (NSSP) so that **shellfish can be commercially marketed.**
- Routinely tests commercial shellfish for marine toxins responsible for paralytic shellfish poisoning and domoic acid poisoning to **protect both public health and public perception of Alaska shellfish products.**
- Evaluates and randomly samples finfish for parasites and chemical and bacterial contaminants, which help **determine the health and safety of our ocean resources.**
- Evaluates raw and finished dairy products for bacterial contamination, antibiotics, butter fat content, and effectiveness of pasteurization as required under the Pasteurized Milk Ordinance so **Alaskan milk products can be sold to schools and the military.**
- Certifies private laboratories to do bacteriological monitoring - required by the Safe Drinking Water Act - so these **labs can run official drinking water samples.**
- Works with commercial food industry to **develop safe, ready-to-eat, shelf-stable food products** by ensuring the water activity, water phase salt, and moisture of their products are within acceptable levels.
- Performs animal testing to maintain USDA brucellosis certification, which is required for **interstate and international shipment of cattle.**
- Tests for equine infectious anemia in horses intended for interstate shipment or that will be entered in state fairs or other special events to **prevent the spread of disease.**
- Evaluate fish kill samples to **determine possible causes.**



## *Customers of the Seafood & Food Safety Laboratory*

Shellfish Growers/Harvesters

Dairy Farmers and Processors

Private/Commercial Labs

Private/Commercial Horse &  
Cattle Owners

**Seafood and**

**Food Safety**



**Laboratory**

Seafood Processors

Municipalities

Reindeer Herders/Slaughterers

# How much will the new Seafood and Food Safety Lab cost and how will it be financed?

We have examined four basic financing alternatives for design and construction of a new Seafood and Food Safety Laboratory: 1) capital budget appropriation, 2) general obligation financing, 3) lease financing, and 4) private lease. A brief description of each, including advantages and disadvantages, is presented below:

## State Capital Budget Appropriation

Least expensive in the long-run. Debt issuance costs of \$200,000 and all interest could be avoided but the full construction cost of \$13,765,000 would need to be appropriated in one year.

## General Obligation Bonds

In accordance with state law, this option is available for supporting debt only with voter approval, a process that would add at least 2 years to the construction period, meaning a new facility would not be ready for 5-6 years.

## Lease Financing

This is commonly used technique of financing construction of public facilities purchased by State agencies around the U.S. Since the facility would be used for a "public purpose," the interest on such debt would carry the same tax-exempt status as the State's general obligation debt, however, the interest rate would likely be .2 to .3% higher.

## Private Lease

This is the most expensive option. No existing laboratory facilities are currently available for lease. A private developer would need to construct a new, build-to-suit facility to meet requirements. Loan packages available to private developers for construction have higher interest rates, and are typically repaid within 10 years. Annual lease costs would therefore be much higher than finance options available to the State. It is estimated that a new build-to-suit leased facility would cost approximately \$38,056,000 over a twenty year period.

## Recommended Approach

Lease financing through the sale of bonds with a small capital budget appropriation of \$310,000 to cover non-bondable construction costs.

**Step 1:** The Legislature enacts a bill that authorizes the Department of Administration to enter into a lease financing transaction.

**Step 2:** The Legislature approves capital budget appropriation to fund non-bondable project costs.

**Step 3:** The State Debt Manager submits recommended bond sale plan to the State Bonding Committee. After review and approval by the Committee, the State Debt Manager negotiates rate and terms.

**Step 4:** Funds available for project execution (approximately 90 days after legislative approval).

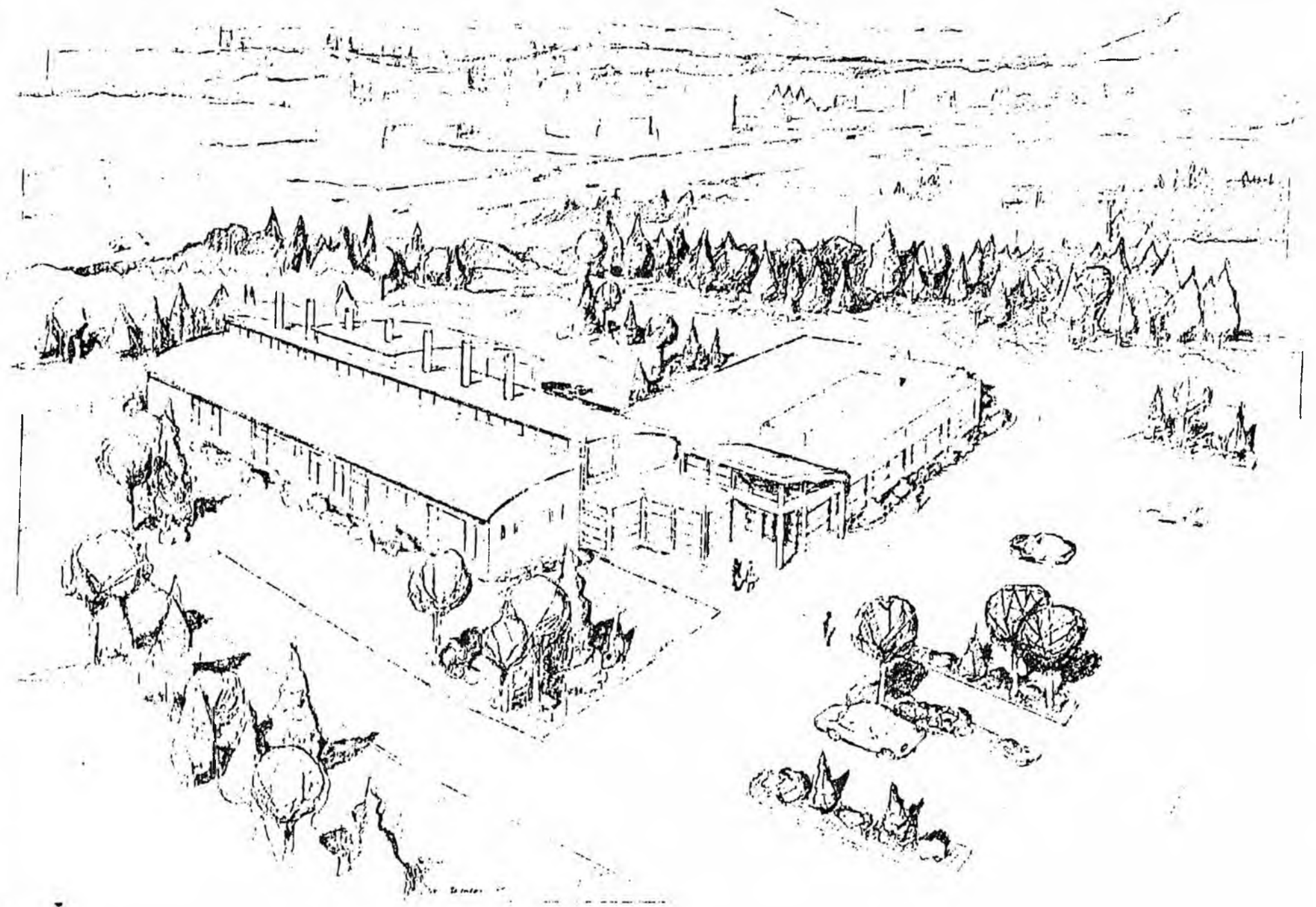
**Recommended approach - lease financing through sale of bonds.**

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**Total bond sale: \$13,655,000 (including \$200,000 issuance costs) with a capital appropriation of \$310,000 for nonbondable construction costs.**

---

**Total debt with interest over 20 year term is estimated at \$24,433,600.**



# How The Lab Supports Private Industry

## **No one else can do what we do**

### **Paralytic Shellfish Poisoning, PSP**

No commercial or private laboratory in the United States tests food products for PSP. U.S. FDA no longer certifies private laboratories for PSP testing. Several factors discourage private industry from PSP testing, such as the legal liability, seasonal need for testing, use of live animals, and high start-up costs.

### **Dairy Product Evaluation**

The Seafood & Food Safety Lab is the only lab in Alaska permitted by FDA to evaluate commercial dairy products. This enables dairy processors to comply with the testing requirements of the U.S. Pasteurized Milk Ordinance, making their products eligible for sale to the military and public schools.

### **Approve Commercial Labs to Test Drinking Water**

Under the federal Safe Drinking Water Act, private laboratories that test public water supplies must be certified by state governments. The Seafood & Food Safety Lab performs this service for those private labs.

## **Affordable laboratory services are needed on a long-term, dependable basis**

*Continued access to national and international markets, especially for Alaska's shellfish and dairy products.*

Over 50% of all seafood processed in the U.S. comes from Alaskan waters. The shellfish industry is a growing, integral

part of Alaska's diverse economy. The Seafood & Food Safety Laboratory helps ensure these products meet federal food safety standards, and in doing so, supports one of the largest industries in Alaska. Since private labs are not legally mandated to conduct PSP testing, a state-owned lab is necessary to guarantee PSP testing availability, which is needed for market access.

### *Continued eligibility for military and school contracts for dairy processors.*

To bid on military and school contracts, dairy processors must be on the Interstate Milk Shippers List, which requires compliance with the Pasteurized Milk Ordinance (PMO). The Seafood & Food Safety Lab staff routinely evaluate Alaska's milk producers and processors to make sure they meet PMO requirements.

### *Private/commercial labs must be certified by the State in order for EPA to accept their analyses of public water system samples.*

The Lab supports private laboratories by certifying their capacity to test public drinking water sources. Thirty-three laboratories, all located in the state, are certified by the Seafood & Food Safety Lab for microbiological analysis of drinking water as required by the federal Safe Drinking Water Act. By having certified laboratories to test their water supplies, the public can be sure that the test results are accurate.

### *Low-cost product testing is helping Alaskan industries.*

The State Seafood & Food Safety Lab is able to keep PSP testing costs low since insurance premiums and profits are not an issue. Milk products are tested for free by the Seafood & Food Safety Lab. Private labs would have to charge for these services.

• The Seafood & Food Safety Lab is the only lab in the state that is or can be approved by FDA to evaluate dairy products and shellfish.

• The shellfish industry depends on the Seafood & Food Safety Lab to quickly test for marine toxins so they can sell their products in interstate commerce.

• To be sold in national and international markets, Alaska's food products must be tested for compliance with federal food standards.

• Alaska is the largest wild salmon producer in world.

• It is the only lab in the state that is approved by EPA to certify private labs for microbial testing of public water supplies.

## Questions and Answers

### Why now?

Our lease expired December 2000 and we cannot obtain another long-term lease. Also, the building the lab is currently in is for sale. **One way or another, we have to move.**

### Why not privatize?

There are no commercial/private PSP/Marine toxin labs in the U.S. FDA will not approve a private lab for these tests. Also, the federal dairy rules require certain tests be done by a state regulatory lab.

### Can you co-locate with new Public Health Lab?

The Public Health Lab has limited expansion capability and is surrounded by wetlands or easements.

### Where will the new Seafood & Food Safety Lab be?

We need a site that:

- Has ability to receive samples as quickly as possible;
- Has access to roads and public utilities;
- Is state-owned;
- Would not be subject to excessive vibration, dust, or electromagnetic interference.

Based on these criteria, we've selected an undeveloped parcel of approximately 5 acres, beside the National Guard facility on the southern side of Tudor Road in Anchorage. The site is up-land - not wetland - and adjacent to the new Public Health Lab.

The Anchorage Planning and Zoning Commission approved the location of our lab at this site, 7-0.

### Why does owning makes more sense than leasing

#### No acceptable space is currently available.

We heavily researched all options. No building in Anchorage or Mat-Su would meet our needs without extensive renovation.

Because of the limited need for laboratory space, private developers do not build them without a pre-existing contract. Thus, there is no "lab" space on the rental market.

#### Labs require highly specialized work environments that must be incorporated into the design of the structure.

Not only do labs have equipment such as incubators and walk-in freezers, they also have specific structural needs such as expanded ventilation systems and vibration-free areas. Because of the highly specialized needs of a lab facility, it's cheaper to build a new facility designed from the get-go as a lab.

#### It's cheaper!

By constructing our own building, the State would immediately realize savings. With construction costs spread out over 20 years, the State would have lower annual loan payments than lease payments. This is primarily because private developers typically try to recover their investment within the first 10 years whereas the State could take 20 years to pay off the debt. Also, private developers would have a larger investment than the State due to higher borrowing rates. But, the most significant cost savings would occur after loan payments end. Lease payments would continue.

Also, AS 36.30.080 limits lease terms to 40 years, and requires the State to consider whether or not leasing is the least costly means to provide space. **It's not - leasing is the most expensive of all options.**

**As the Alaskan economy has grown, so has the demand for laboratory services. The food samples received have increased from 600 in 1966 to over 10,000 in 1999.**



**Division of Environmental Health**  
Safe Water • Safe Food • Healthy Communities



### ***State Supported Debt***

Prepared by Deven Mitchell, State Debt Manager  
Department of Revenue

State Supported Debt is debt for which the ultimate source of payment is, or may include, appropriations from the State's General Fund. The debt does not have the full faith and credit of the State pledged to it but, it may have the full faith and credit of another public issuer, as in the case of municipal school debt.

State Supported Debt is not considered debt under the Alaska Constitution because the State's payments on the debt obligations, even if they are the subject of a contractual commitment, are subject to annual legislative appropriation. As a result, voter approval of such debt is not required.

The total of State Debt and State Supported Debt is the measure of debt burden used by Moody's, Standard & Poor's, and Fitch's in assigning a credit rating to State debt obligations.

State Supported Debt includes a portion of University of Alaska debt, lease-purchase financing obligations, and the share of municipal G.O. bonds issued for school construction which is reimbursable by the State. Lease-purchase financing consists of lease revenue bonds and certificates of participation (COP's) issued by lessors of facilities used by the State. Historically, Alaska State Housing Authority (ASHA) was the lessor for many of the facilities. Beginning July 1, 1992, Alaska Housing Finance Corporation (AHFC) became the lessor of those State facilities as a result of ASHA's merger with AHFC.

Some State Supported Debt has been authorized by voter referendum as in the case of municipal school debt, some by law as in the case of the University, some by legislative resolution pursuant to AS 37.05.280 (now repealed) as in the case of ASHA, and some issued without specific legislative authorization of the obligation as in the case of some COP's.

In 1986, legislation increased legislative control over lease-financing. Chapter 106, SLA 1986, effective January 1, 1988, requires approval by law of any executive branch lease-financing agreements with annual lease payments exceeding \$1 million. Chapter 73, SLA 1992, effective September 14, 1992, adds the requirement of approval by law of leases with total lease payments exceeding \$10 million. Chapter 75, SLA 1994, effective June 7, 1994, generally requires prior legislative approval of all lease-purchase agreements, other than the refinancing of outstanding balances on existing lease purchase agreements and certain University of Alaska transactions.

### **Lease-Purchase Financing**

#### a. General

Lease-purchase financing involves the issuance, by a lessor, of debt which is secured by the lease payments from the lessee (State) and by the leased facilities.

Lease-purchase obligations may provide for the acquisition of the property by the lessee by the end of the lease. Alternatively, the term of the lease, the lease payments, or purchase option price are such that the lessee (State) is considered the owner of the property for accounting, credit, or federal tax purposes from the outset of the lease. As a result, the interest portion of the lease payments is treated as tax-exempt interest income under the federal income tax.

A lease-purchase financing obligation may take the form of either revenue bonds or certificates of participation. In cases where the State is the lessee, the fact that the lease payments are subject to annual appropriations precludes the obligations from being considered State debt under the Constitution and thus requiring voter approval. However, because the debt obligation is paid from the State's General Fund, these obligations are counted by the rating agencies in measuring the State's debt burden.<sup>1</sup>

#### b. Certificates of Participation (COP's)

Certificates of participation in rent (COP's) are similar to lease revenue bonds. The certificates represent fractional interests or shares in lease payments from lessees, in this case the State, and are sold to finance construction or purchase of the leased facilities. The issuer can be a private developer, public agency, or other party acting as lessor. It can be the State itself, utilizing a trustee to hold title to the property and serve as lessor.

COP's are payable solely from the annual lease payments made by the State. These payments are subject to legislative appropriation. Therefore, COP's are not considered State debt and are not subject to voter approval.

The following Table 2.6 summarizes issued and outstanding COPs.

---

<sup>1</sup> The State is also a lessee in a number of buildings financed by private developer lessors by public issuance of debt through AIDEA. In these financings, the leases are also the security for the financing. While the State does not acquire or have an option to acquire the facilities leased, in some cases the term of the lease or amount of lease payments would be such as to qualify the financing as a lease-purchase from an accounting, credit, or federal tax standpoint. In other cases, the leases would not qualify as lease-purchases, and are called operating leases. These financings all relied on the small issues exemption rather than the State leases to obtain tax-exempt status. Most of these lease financings are revenue bonds of AIDEA, backed by the lease revenues, but with a standby purchase agreement from a bank in the event the State fails to renew the lease. If exercised, the bank purchases the bonds as an investment and held not for resale. Other lease financings are general obligations of AIDEA, backed by the Authority's general assets and revenues. At this point, the State has not determined what amount of credit exposure it has for these AIDEA lease financings. It may be that standby purchase agreements and AIDEA's general obligation pledge would cover all financing requirements of lease-purchase obligations. This would provide a layer of credit insulation between the debt and the State that would argue against the debt being considered State Supported Debt.

TABLE 2.6  
State of Alaska Lease-Purchase Financing <sup>1</sup>  
Issued and Outstanding  
\$(thousands)

	Certificates of Participation (COP's)			
	Date	Amount Issued	Outstanding at 6/30/00	Final Maturity
Seward Student Service Center	7/24/90	\$ 4,560	\$ -	6/15/00
Kenai Court House	7/24/92	4,275	1,630	7/1/02
Wildwood Correctional Center Acquisition	12/10/92	5,655	-	4/1/00
Palmer Court House	7/1/93	3,300	1,155	12/1/02
Court Plaza Building	8/1/93	5,500	435	9/1/00
Anchorage Times Building	6/2/94	6,153	2,969	9/1/03
Soldotna Maintenance Facility	9/1/97	4,900	4,165	1/1/08
Fairbanks Courthouse	10/15/97	29,900	27,410	1/1/13
Palmer Airport Fire Facility	12/15/97	5,995	4,460	6/15/07
Anchorage Health Lab	1/1/98	18,440	15,435	1/1/08
Spring Creek Correctional Center (refunding)	6/15/98	28,040	21,881	9/1/06
<b>Total Certificates of Participation</b>		<u>\$ 116,718</u>	<u>\$ 79,540</u>	

<sup>1</sup> Excludes Alaska State Housing Authority lease revenue bonds.  
Source: Department of Revenue official statements

1 is appropriated to the Regulatory Commission of Alaska for fiscal year 2001 expenditures.

2 \* Sec. 26. RETAINED FEES. The amount retained to compensate the collector or trustee  
3 of fees, licenses, taxes, or other money belonging to the state during the fiscal year ending  
4 June 30, 2001, is appropriated for that purpose to the agency authorized by law to generate  
5 the revenue.

6 \* Sec. 27. SALMON ENHANCEMENT TAX. The salmon enhancement tax collected  
7 under AS 43.76.010 - 43.76.028 in calendar year 1999 and deposited in the general fund under  
8 AS 43.76.025(c) is appropriated from the general fund to the Department of Community and  
9 Economic Development for payment in fiscal year 2001 to qualified regional associations  
10 operating within a region designated under AS 16.10.375.

11 \* Sec. 28. SHARED TAXES AND FEES. The amount necessary to refund to local  
12 governments their share of taxes and fees collected in the listed fiscal years under the  
13 following programs is appropriated to the Department of Revenue from the general fund for  
14 payment in fiscal year 2001:

15	REVENUE SOURCE	FISCAL YEAR COLLECTED
16	fisheries taxes (AS 43.75)	2000
17	fishery resource landing tax (AS 43.77)	2000
18	aviation fuel tax (AS 43.40.010)	2001
19	electric and telephone cooperative tax (AS 10.25.570)	2001
20	liquor license fee (AS 04.11)	2001

→ 21 \* Sec. 29. STATE DEBT AND OTHER OBLIGATIONS. (a) The amount required to pay  
22 interest on any revenue anticipation notes issued by the commissioner of revenue under  
23 AS 43.08 is appropriated from the general fund to the Department of Revenue for payment  
24 of the interest on those notes.

25 (b) The amount required to be paid by the state for principal and interest on all issued  
26 and outstanding state-guaranteed bonds is appropriated from the general fund to the state bond  
27 committee for payment of principal and interest on those bonds.

28 (c) The sum of \$13,813,530 is appropriated from the general fund to the Alaska debt  
29 retirement fund (AS 37.15.011).

30 (d) The sum of \$12,857,805 is appropriated from the Alaska debt retirement fund  
31 (AS 37.15.011) to the state bond committee for trustee fees and lease payments relating to

1 certificates of participation issued for real property.

2 (e) The sum of \$7,906,977 is appropriated from the International Airports Revenue  
3 Fund (AS 37.15.430) to the state bond committee for payment of debt service and trustee fees  
4 on outstanding international airports revenue bonds.

5 (f) The sum of \$52,818,852 is appropriated to the Department of Education and Early  
6 Development for state aid for costs of school construction under AS 14.11.100 from the  
7 following sources:

8 Alaska debt retirement fund (AS 37.15.011) \$23,481,517

9 School fund (AS 43.50.140) 29,337,335

10 (g) The sum of \$3,541,385 is appropriated from the general fund to the Department  
11 of Administration for payment of obligations to the Alaska Housing Finance Corporation for  
12 the Robert B. Atwood Building in Anchorage.

13 (h) The sum of \$1,680,000 is appropriated from interest earnings of the Alaska clean  
14 water fund (AS 46.03.032) to the Alaska clean water fund revenue bond redemption fund  
15 (AS 37.15.560) for payment of principal of and interest, redemption premium, and trustee fees,  
16 if any, on bonds issued by the Alaska clean water fund under AS 37.15.560.

17 (i) Section 69, ch. 2, FSSLA 1999, is amended to read:

18 Sec. 69. The [IN ADDITION TO THE AMOUNT REQUIRED TO BE PAID  
19 BY THE STATE FOR PRINCIPAL AND INTEREST ON ALL ISSUED AND  
20 OUTSTANDING STATE-GUARANTEED BONDS, THE] sum of \$2,450,000 is  
21 appropriated from the general fund to the Alaska debt retirement fund  
22 (AS 37.15.011) [STATE BOND COMMITTEE FOR PAYMENT OF ADDITIONAL  
23 PRINCIPAL AND INTEREST ON THOSE BONDS].

24 \* Sec. 30. STATE TRAINING AND EMPLOYMENT PROGRAM. The lapsing balance  
25 of the employment assistance and training program account (AS 23.15.625) on June 30, 2000,  
26 is appropriated to the employment assistance and training program account for the fiscal year  
27 ending June 30, 2001.

28 \* Sec. 31. STATEWIDE PRIMARY AND GENERAL ELECTION YEAR COSTS. (a)  
29 The sum of \$1,629,000 is appropriated from the general fund to the Office of the Governor,  
30 division of elections, for costs associated with conducting the statewide primary and general  
31 elections in the fiscal year ending June 30, 2001.

**Food Safety Laboratory**

**FY1999 Request: \$145,700**  
**Reference No: 30694**

**AP/AL:** Appropriation  
**Category:** Health/Safety  
**Location:** Statewide  
**Election District:** Statewide  
**Estimated Project Dates:** Unknown - Unknown

**Project Type:** Health and Safety

**Contact:**  
**Contact Phone:** ( ) -

**Brief Summary and Statement of Need:**

Funding:	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	Total
Gen Fund	\$145,700	\$3,854,300					\$4,000,000
<b>Total:</b>	<b>\$145,700</b>	<b>\$3,854,300</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,000,000</b>

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased Project	<input type="checkbox"/> On-Going Project
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Total Operating Impact:	0	0
One-Time Startup Costs:	0	
Additional Estimated Annual O&M:	0	0

**Prior Funding History / Additional Information:**

**Food Safety Laboratory****FY1999 Request: \$145,700**  
**Reference No: 30694**

The Palmer laboratory has been in its current leased location for over 25 years. The facility is inadequate for the demands of the microbiology program and must be replaced. This funding request will evaluate the replacement options and prepare the department to pursue the most effective replacement solution.

This request will do the following:

- Prepare laboratory design needs and specifications
- Prepare a conceptual building design
- Estimate cost to construct a new facility including all costs of design, equipment and inspection.
- Estimate maintenance and operations cost for 20 to 40 year occupancy
- Evaluate current lease market conditions for replacement options
- Evaluate potential site locations
- Evaluate economic alternatives of lease versus lease-purchase

Concept Design	85,700
Cost Estimate	5,000
Market/Site Eval	15,000
O&M Estimate	10,000
Lease vs L/P Study	<u>30,000</u>
Total	145,700

**Environmental Health Food Safety Lab Relocation Study  
and Specifications**

**FY2001 Request: \$240,000  
Reference No: AMD32579**

**AP/AL: Appropriation**  
**Historical Category: Health/Safety**  
**Location: Statewide**  
**Election District: Statewide**  
**Estimated Project Dates: 7/1/2000 - 6/30/2005**

**Project Type: Health and Safety**  
**Contact: Janice Adair**  
**Contact Phone: (907)269-7645**

**Brief Project Summary and Statement of Need:**

Current food safety laboratory lease expires in December, 2000 and cannot be extended or renewed. This project contracts for services for programming, site planning and Bid Specification development to relocate the FSL.

**Funding:**

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	Total
Gen Fund	\$240,000						\$240,000

<b>Total:</b>	\$240,000	0	0	0	0	0	\$240,000
---------------	-----------	---	---	---	---	---	-----------

<input type="checkbox"/> State Match Required = Minimum State Match % Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased Project	<input type="checkbox"/> On-Going Project
	<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Total Operating Impact:	0	0
One-Time Startup Costs:	0	
Additional Estimated Annual O&M:	0	0

**Prior Funding History / Additional Information:**

An appropriation of 145.7 was made for FY 1999 for a feasibility study.

## Environmental Health Food Safety Lab Relocation Study and Specifications Cont.

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The Environmental Health (EH) Food Safety Lab (FSL) has been located at its present location for approximately thirty years. During that time, the Lab has received only minor upgrades or renovation. The building does not meet current building codes. In FY99 EH contracted for a feasibility study to relocate the FSL. The study included conceptual design, general layout, equipment requirements, cost estimates, and lease versus build evaluation. The study was further refined in FY00, concluding that a build-to-suit State-owned facility was the most economical option. Property evaluations were performed and a State-owned parcel in Anchorage was selected. This appropriation will allow the Department to contract programming and site planning services. The activities will include spatial delineation of activity areas, internal building utility and equipment requirements, site plan and floor plan design, site analysis, material quality identification, estimate refinement, detailed project schedule development, and partial bid specification development.

## Memorandum

**To:** Janice Adair, Department of Environmental Conservation  
Bert Hartley, Department of Environmental Conservation

**From:** Hart Hodges, Northern Economics

**Date:** January 29, 2001

**Re:** Seafood and Food Safety Lab Figures

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In our report prepared in 1999, Livingston Slone and Northern Economics estimated that project costs for a new seafood and food safety lab would be approximately \$9.3 million. We also estimated that an existing building of the correct size could possibly be renovated at a cost of roughly \$5.1 million. However, in all comparisons of costs between the different options considered in that report (own versus lease, consolidate the SFSL and State Chemistry Lab, etc.), we included a variety of operating and maintenance costs. We did not demonstrate clearly which option had the lowest capital cost.

We subsequently prepared two memoranda in January and February 2000, which focused on the capital cost of different options. In these memoranda, we showed that it would be less expensive for the state to build its own lab, as opposed to having a private developer construct a facility and lease it to the state or to have a private developer renovate an existing facility for the state. Since that time, the design criteria for the lab have changed, more accurate land and building costs have been prepared, and other refinements have been considered. This memorandum attempts to bring together all of the revisions, but still focus on the capital costs of a new seafood and food safety lab.

The following assumptions reflect our best knowledge of the cost of a seafood and food safety lab:

- Public interest rate is 6.1 percent (compared to 5.5 percent in early reports)
- Private interest rate is 9.5 percent (unchanged)
- The capital cost for the project is estimated to be \$13,655,000 (higher than in early reports)

The private rate is higher than the public rate to reflect the cost

of risk and the return necessary to attract a private developer (a private developer would expect to borrow money at a higher rate and earn a return on the investment). Actual rates available to the state or a private developer might differ slightly from the rates used in these calculations, but the relative differences should be similar to the difference in these figures... and it is the difference in the rates that is critical.

The following tables show cost comparisons for two different options (build to own and lease to own) and two different planning horizons. The lease arrangement option does not include adjustments to the interest rate to account for developer profit. However, the same principal amount of \$13.66 million is used for both the state owned option and the lease arrangement. It could be assumed that the private developer would complete the project for a smaller dollar amount and the difference could be viewed as profit.

Table 1 shows costs, by major category, when loans must be repaid within 10 years.

Table 1. Cost of Seafood and Food Safety Lab, State Owned vs. Lease Arrangement - 10-Year Horizon

Fiscal Year	New Build to Suit – State Owned			New Build to Suit – Lease Arrangement		
	Principal	Interest	Total Capital Cost	Principal and Profit	Interest	Total Capital Cost
2002	1,031,122	832,955	1,864,077	877,554	1,297,225	2,174,779
2003	1,094,020	770,057	1,864,077	960,922	1,213,857	2,174,779
2004	1,160,755	703,321	1,864,077	1,052,210	1,122,570	2,174,779
2005	1,231,562	632,515	1,864,077	1,152,169	1,022,610	2,174,779
2006	1,306,687	557,390	1,864,077	1,261,626	913,154	2,174,779
2007	1,386,395	477,682	1,864,077	1,381,480	793,299	2,174,779
2008	1,470,965	393,112	1,864,077	1,512,721	662,059	2,174,779
2009	1,560,694	303,383	1,864,077	1,656,429	518,350	2,174,779
2010	1,655,896	208,181	1,864,077	1,813,790	360,990	2,174,779
2011	1,756,906	107,171	1,864,077	1,986,100	188,679	2,174,779
Total	13,655,000	4,985,768	18,640,768	13,655,000	8,092,793	21,747,793

Table 2 shows costs for a 20 year planning horizon. The capital requirement and interest rates are the same as those given for Table 1. In addition, the following assumptions are added:

- Private developer must repay debt within 10 years.

- Private developer will require lease payments during years 11-20 that are 75 percent of the payments for years 1-10.
- The state could own the leased facility at the end of the 20-year horizon.

Table 2. Cost of Seafood and Food Safety Lab, State Owned vs. Lease Arrangement - 20-Year Horizon

Fiscal Year	New Build to Suit – State Owned			New Build to Suit – Lease Arrangement		
	Principal	Interest	Total Capital Cost	Principal and Profit	Interest	Total Capital Cost
2002	367,233	832,955	1,200,188	877,554	1,297,225	2,174,779
2003	389,634	810,554	1,200,188	960,922	1,213,857	2,174,779
2004	413,402	786,786	1,200,188	1,052,210	1,122,570	2,174,779
2005	438,619	761,569	1,200,188	1,152,169	1,022,610	2,174,779
2006	465,375	734,813	1,200,188	1,261,626	913,154	2,174,779
2007	493,763	706,425	1,200,188	1,381,480	793,299	2,174,779
2008	523,882	676,305	1,200,188	1,512,721	662,059	2,174,779
2009	555,839	644,349	1,200,188	1,656,429	518,350	2,174,779
2010	589,745	610,442	1,200,188	1,813,790	360,990	2,174,779
2011	625,720	574,468	1,200,188	1,986,100	188,679	2,174,779
2012	663,889	536,299	1,200,188	1,631,084	0	1,631,084
2013	704,386	495,802	1,200,188	1,631,084	0	1,631,084
2014	747,354	452,834	1,200,188	1,631,084	0	1,631,084
2015	792,942	407,246	1,200,188	1,631,084	0	1,631,084
2016	841,312	358,876	1,200,188	1,631,084	0	1,631,084
2017	892,632	307,556	1,200,188	1,631,084	0	1,631,084

2018	947,082	253,106	1,200,188	1,631,084	0	1,631,084
2019	1,004,854	195,334	1,200,188	1,631,084	0	1,631,084
2020	1,066,150	134,037	1,200,188	1,631,084	0	1,631,084
2021	1,131,186	69,002	1,200,188	1,631,084	0	1,631,084
Total	13,655,000	10,348,758	24,003,758	29,965,845	8,092,793	38,058,638

These two horizons were chosen for a variety of reasons. The major reason for not considering a longer planning period is the fact that leases for lab facilities would not be expected to extend beyond 20 years. In addition, a private developer would not be likely to receive a loan for much more than 10 years for this type of project.

The option to have a private developer renovate an existing facility and lease it to the state is not presented in the tables because of the finding (presented in earlier reports) that the cost to lease a building that has been renovated is very similar to the cost of leasing a newly constructed facility. In addition, there is a significant amount of uncertainty surrounding the cost of renovation, as well as the operating cost of such a facility, because the actual configuration of the space cannot be known without having a specific building to consider.

Yet another option would be for the state to purchase and renovate a building or renovate an existing state building. No information was available on the stock of buildings that might be considered for this option. In earlier reports, no building was identified that could be renovated (at reasonable cost) to meet the needs of the seafood and food safety lab.

The following two graphs show the same information that is provided in Table 1 and Table 2.

Figure 1. Cumulative Cost (No Discounting) - 10-Year Horizon

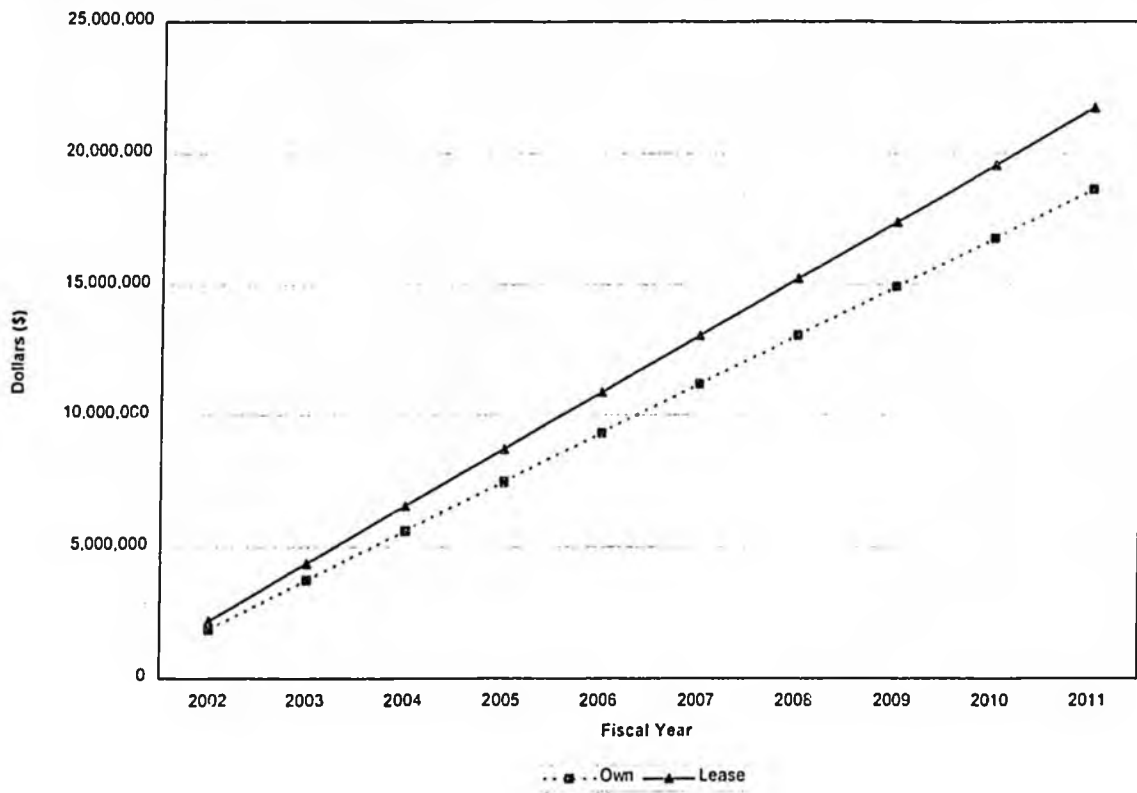
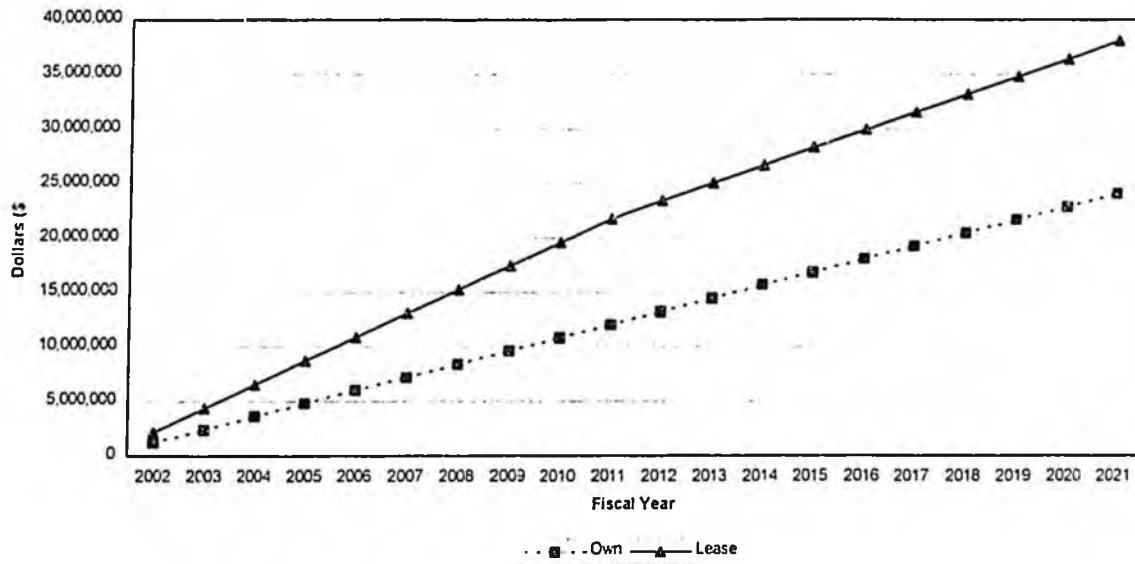


Figure 2. Cumulative Cost (No Discounting) - 20-Year Horizon



**COMPARISON OF NUMBER OF INSPECTIONS<sup>1</sup> PER INSPECTOR FOR  
FY '99, FY '00, and FY '01<sup>2</sup>**

**SEAFOOD (ACTIVITY REPORTS)**

INSPECTOR	# of Inspections			Total Hours/Inspection <sup>3</sup>		
	FY'99	FY '00	FY '01	FY '99	FY '00	FY '01
Carlson	107	50	71	2.4	2.2	2.7
Farrington	63	67	57	3.9	3.1	4.2
Gardner	28	35	45	6.0	4.6	6.8
Lindamood	---	---	1	---	---	17.0
Park	51	20	14	3.1	2.6	3.6
Pearson	39	---	---	5.1	---	---
Pressley	102	41	29	3.0	8.3	5.3
Stark	---	1	---	---	3.0	---
Thomas	36	59	58	3.6	4.3	5.3
Tierney	139	---	33	3.4	---	3.3
Tufto	---	1	7	---	6.5	3.9
Widtfeldt	13	111	9	4.5	4.4	5.5

<sup>1</sup> Inspections do not include field/spotcheck and temporary inspections.

<sup>2</sup> Fiscal years for purposes of comparison are based on the first two quarters of each fiscal year – July through December

<sup>3</sup> Hours are rounded to the nearest tenth. Total time includes actual inspection time, compliance, and file reviews.

20 YEAR

Dated: 10/01/2001  
 Delivered: 10/01/2001

Sizing Debt Service Schedule  
 DBC  
 F&S Lab

1

Fiscal Yr	Coupon Date	Zer Cpn	Maturing Cpn Rate	Periodic Interest	Gross Semi-Annl Dbl Svc	Cap Int	DebtSvcRsv Int&Prin	CntgncyFnd Int&Prin	NetSemi-AnnlDblSvc	Net Fiscal Dbl Svc
2	1/15/2002									
3	7/15/2002			662,988.93	662,988.93				662,988.93	
3	1/15/2003	N	5.370	165,000.00	420,204.25				585,204.25	1,248,193.18
4	7/15/2003			415,774.00	415,774.00				415,774.00	
4	1/15/2004	N	5.620	420,000.00	415,774.00				835,774.00	1,251,548.00
5	7/15/2004			403,972.00	403,972.00				403,972.00	
5	1/15/2005	N	5.470	440,000.00	403,972.00				843,972.00	1,247,944.00
6	7/15/2005			391,938.00	391,938.00				391,938.00	
6	1/15/2006	N	5.510	465,000.00	391,938.00				856,938.00	1,248,876.00
7	7/15/2006			379,127.25	379,127.25				379,127.25	
7	1/15/2007	N	6.550	490,000.00	379,127.25				869,127.25	1,248,254.50
8	7/15/2007			365,529.75	365,529.75				365,529.75	
8	1/15/2008	N	5.570	520,000.00	365,529.75				885,529.75	1,251,059.50
9	7/15/2008			351,047.75	351,047.75				351,047.75	
9	1/15/2009	N	5.830	500,000.00	351,047.75				901,047.75	1,252,095.50
10	7/15/2009			335,565.25	335,565.25				335,565.25	
10	1/15/2010	N	5.680	580,000.00	335,565.25				915,565.25	1,251,130.50
11	7/15/2010			319,093.25	319,093.25				319,093.25	
11	1/15/2011	N	5.740	610,000.00	319,093.25				929,093.25	1,240,186.50
12	7/15/2011			301,586.25	301,586.25				301,586.25	
12	1/15/2012	N	5.880	645,000.00	301,586.25				946,586.25	1,248,172.50
13	7/15/2012			282,623.25	282,623.25				282,623.25	
13	1/15/2013	N	5.900	695,000.00	282,623.25				967,623.25	1,250,246.50
14	7/15/2013			262,415.75	262,415.75				262,415.75	
14	1/15/2014	N	5.890	725,000.00	262,415.75				987,415.75	1,249,831.50
15	7/15/2014			240,702.00	240,702.00				240,702.00	
15	1/15/2015	N	6.080	770,000.00	240,702.00	1,010,702.00			1,010,702.00	1,251,404.00
16	7/15/2015			217,371.00	217,371.00				217,371.00	
16	1/15/2016	N	6.140	815,000.00	217,371.00	1,032,371.00			1,032,371.00	1,249,742.00
17	7/15/2016			192,350.50	192,350.50				192,350.50	
17	1/15/2017	N	6.200	865,000.00	192,350.50	1,057,350.50			1,057,350.50	1,249,701.00
18	7/15/2017			165,535.50	165,535.50				165,535.50	
18	1/15/2018	N	6.260	920,000.00	165,535.50	1,085,535.50			1,085,535.50	1,251,071.00
19	7/15/2018			138,739.50	138,739.50				138,739.50	
19	1/15/2019	N	6.300	980,000.00	138,739.50	1,116,739.50			1,116,739.50	1,253,479.00
20	7/15/2019			105,869.50	105,869.50				105,869.50	
20	1/15/2020	N	6.350	1,040,000.00	105,869.50	1,145,869.50			1,145,869.50	1,251,739.00
21	7/15/2020			72,849.50	72,849.50				72,849.50	
21	1/15/2021	N	6.380	1,105,000.00	72,849.50	1,177,849.50			1,177,849.50	1,250,699.00
22	7/15/2021			37,600.00	37,600.00				37,600.00	
22	1/15/2022	N	0.400	1,175,000.00	37,600.00	1,212,600.00	1,018.33		1,211,581.67	1,249,181.67
				13,985,000.00	11,034,573.16	25,007,573.16	1,018.33		25,002,554.83	25,002,554.83

True Interest Cost (TIC)..... 6.1152816      Arbitrage Yield Limit (AYL)..... 6.1152816  
 Net Interest Cost (NIC)..... 6.2629859      Arbitrage Net Interest Cost (ANIC)..... 6.2629858

= \$1,250,128 / Yr Av.  
 SAY \$1,250,000.

Prepared by: Deven Mitchell  
 Prepared on: 11/20/2006 15:7 9:501 Rpt 14  
 Record ID: DFC-2001-U :MUNDD

**PROJECT BUDGET**

PROJECT NAME: DEC Food Safety Laboratory - ANCHORAGE  
 PROJECT NO: 54814  
 DOT&PF MANAGER: Matt Tanaka PE (269-0824)  
 CLIENT AGENCY: Dept. of Environmental Conservation  
 CONTACT: Bert Hartley (269-7662) FAX 269-7654  
 Palmer Lab, Dick Barrett (745-3236)

Date Budget Prepared: 12/6/00  
 Budget Revision: After Concepts  
 Client Concurrence: \_\_\_\_\_  
 (signature & date)

**STAGE OF PROJECT:**

Startup  Programming  Schematic Design  Design development  
 Constr. Document  Bid Period  Award  Constr. (  % Complete)  Closeout

DESIGN PHASE:	BUDGET	COMMENTS:
Design Fees	\$938,829	Consulting fees for design
Design A/E Contingency	\$161,529	Allowance for design amendments
Design Administration Bldg	\$76,888	DOT&PF project management
Right-of-way (NB)	\$12,000	Acquire land interests, easements
Utilities	\$30,000	Utility permits, easements
Environmental (NB)	\$14,000	Investigations and reports
Technical Services (NB)	\$8,000	Advertise and award contract
Technical Services	\$30,000	Plan sets reproduction costs
Pro-Award Audit (NB)	\$3,500	Audit prior to contract award
MOA Plan Reviews	\$35,720	Plan review fee
Misc. Meetings	\$25,000	Public meetings, P&Z, UDC presentations
ICAP Design Phase (NB)	\$26,710	2% for DOT administration
<b>DESIGN PHASE TOTAL</b>	<b>\$1,362,200</b>	

CONSTRUCTION PHASE:	BUDGET	COMMENTS:
Construction Contract	\$8,310,000	20,500 sf, Type I FFE, utilities, access
Bidding Contingency	\$249,300	3% bidding contingency
Change Order Reserve	\$831,000	10% change order reserve
Subtotal for Construction Contract:	\$9,390,300	
A/E Bid/Constr. Assistance	\$224,400	Partial bid, construction assistance by A/E
Special Inspection	\$40,000	per 1997 UBC
Site Clearing	\$10,000	prevention of migratory bird nesting
Constr. Administration	\$330,445	DOT&PF construction administration, inspection
Artwork, AS 35.27.020	\$91,500	1% for Art per ASCA
Group II Furnishing, Fixtures, Equip (FFE)	\$1,372,138	Type II FFE budget per DEC
Legal (NB)	\$7,800	Contract reviews and protests
Concurrent Review (NB)	\$3,000	Project review and closeout
Project Contingency	\$415,500	5% of constr contr for scope creep, unknowns
ICAP Construction Phase (NB)	\$235,000	2% for DOT administration
Bio Safety Level 3 (BSL3) Features	\$282,400	Complete design and construct cost to convert micro area to BSL3
<b>CONSTRUCTION PHASE TOTAL</b>	<b>\$12,402,500</b>	

TOTAL DOT&PF BUDGET	\$13,764,700	COMMENTS: Assume site on DMVA pad. Costs are adjusted from 2/14/00 estimate based on refinement of conceptual design. Budget items determined ineligible for Certificates of Participation (bonds) are identified (NB).
PROJECT FINANCING	\$200,000	
TOTAL PROJECT BUDGET	\$13,964,700	
(NB) BUDGET ITEMS	\$310,010	
BOND ELIGIBLE BUDGET	\$13,654,690	

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

governing the

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

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

(b) [Repealed, § 11 ch 75 SLA 1994.]

(c) If the department, the Board of Regents of the University of Alaska, the legislative council, or the supreme court intends to enter into or renew a lease of real property with an annual rent to the department, University of Alaska, legislative council, or supreme court that is anticipated to exceed \$500,000, or with total lease payments that exceed \$2,500,000 for the full term of the lease, including any renewal options that are defined in the lease, the department, the Board of Regents, the legislative council, or supreme court shall provide notice to the legislature. The notice must include the anticipated annual lease obligation amount and the total lease payments for the full term of the lease. The department, the Board of Regents, the legislative council, and the supreme court may not enter into or renew a lease of real property

(1) requiring notice under this subsection unless the proposed lease or renewal of a lease has been approved by the legislature by law; an appropriation for the rent payable during the initial period of the lease or the initial period of lease renewal constitutes approval of the proposed lease or renewal of a lease for purposes of this paragraph;

(2) under this subsection if the total of all optional renewal periods provided for in the lease exceeds the original term of the lease exclusive of the total period of all renewal options.

(d) When the department is evaluating proposals for a lease of space, the department shall consider, in addition to lease costs, the life cycle costs, function, indoor environment, public convenience, planning, design, appearance, and location of the proposed building.

(e) When the department is considering leasing space, the department should consider whether leasing is likely to be the least costly means to provide the space. ←

(f) When the department is acquiring leased space of 3,000 square feet or less, the department may procure the leased space using the procedures for small procurements under AS 36.30.320, providing public notice is given to prospective offerors in the market area. (§ 2 ch 106 SLA 1986; am § 1 ch 58 SLA 1990; am §§ 8, 9 ch 181 SLA 1990; am §§ 2, 3 ch 73 SLA 1992; am § 3 ch 37 SLA 1993; am §§ 6, 11 ch 75 SLA 1994; am § 10 ch 137 SLA 1996)

**Effect of amendments.** — The first 1990 amendment, effective June 5, 1990, inserted "or renew" before "a lease" and before "an agreement" in the first and third sentences, respectively, and added the final sentence, in subsection (c).

The second 1990 amendment, effective July 1, 1990, rewrote subsection (b); and, in subsection (c), rewrote the first sentence and inserted "requiring notice" in the third sentence.

The 1992 amendment, effective September 14, 1992, in subsection (c), rewrote the first two sentences and added the last sentence; and added subsections (d) and (e).

The 1993 amendment, effective August 25, 1993, in

subsection (c), added the second sentence and rewrote the remainder of the subsection.

The 1994 amendment, effective June 6, 1994, repealed subsection (b), relating to lease-purchase and lease-financing agreements and rewrote subsection (c).

The 1996 amendment, effective July 9, 1996, added subsection (f).

**Editor's notes.** — Section 3, ch. 58, SLA 1990 provides that the 1990 amendment to AS 36.30.080(c) by § 1, ch. 58, SLA 1990 "applies to an agreement that is entered into on or after June 5, 1990, and does not apply to a lease or to the renewal of a lease if the lease is in existence on June 5, 1990."

Section 12, ch. 37, SLA 1993 provides: "LEASE EXTENSIONS AUTHORIZED. (a) Notwithstanding AS 36.30, the Department of Administration, the University of Alaska, the legislature, and the court system may extend for up to a maximum extension of five years a real property lease that is entered into under AS 36.30, including procedures and regulations adopted under AS 36.30.005(c) and 36.30.020 — 36.30.030, and that is in existence on the effective date of this section if a minimum cost savings of

"(1) 10 percent can be achieved on the rent due under the lease; or

"(2) five percent can be achieved on the rent due under the lease and the lessor agrees to make modifications of the leased real property to bring the real property into compliance with the requirements of 42 U.S.C. 12101 — 12213 (Americans with Disabilities Act of 1990).

"(b) The cost savings under (a) of this section shall be calculated on the remaining term of the lease and

any renewals, including extensions allowed under (a) of this section.

"(c) The Department of Administration, the University of Alaska, the Alaska Court System, and the Legislative Affairs Agency shall submit a quarterly report to the Legislative Budget and Audit Committee detailing the leases extended and the cost savings achieved under (a) — (b) of this section. The first report is due July 1, 1994, and must cover the period from the effective date of this section through March 31, 1994. The subsequent reports shall be made October 1, 1994, January 2, 1995, and April 1, 1995."

Under § 14, ch. 37, SLA 1993, § 12(a) and (b) are repealed December 31, 1994 and § 12(c) is repealed April 1, 1995.

Opinions of attorney general. — Equipment-lease financing is covered by the procurement code and the statutory requirement of legislative approval. Sept. 17, 1987 Op. Att'y Gen.

#### NOTES TO DECISIONS

Lease-purchase agreement between Department of Natural Resources and Alaska Court System. — This section (prior to June 7, 1994), § 38.05.035, and § 12, ch. 75, SLA 1994, provided the Department of Natural Resources with authority to enter into a lease-purchase agreement with Alaska Court System for the purchase of a building. Carr-Gottstein Properties v. State, 899 P.2d 136 (Alaska 1995).

Funds placed in escrow for the renovation of a building that was the subject of a lease-purchase agreement between the Department of Natural Resources and Alaska Court System did not constitute unrestricted "program receipts" for deposit in the state treasury and did not violate Alaska Const., art. IX, § 13. Carr-Gottstein Properties v. State, 899 P.2d 136 (Alaska 1995).

**Sec. 36.30.083. Lease extensions authorized.** (a) Notwithstanding any other provision of this chapter, the department, the Board of Regents of the University of Alaska, the legislative council, or the court system may extend, for up to a maximum extension of 10 years, a real property lease that is entered into under this chapter including procedures and regulations adopted under AS 36.30.005(c), 36.30.020, and 36.30.030 and has at least six months remaining under the lease term, if a minimum cost savings of

→ (1) 15 percent can be achieved on the rent due under the lease; or

(2) 10 percent can be achieved on the rent due under the lease and the lessor agrees to make modifications of the leased real property to bring the real property into compliance with the requirements of 42 U.S.C. 12101 — 12213 (Americans with Disabilities Act of 1990).

(b) The cost savings under (a) of this section shall be calculated on the remaining term of the lease and any renewals, including extensions allowed under (a) of this section.

(c) The department, the University of Alaska, the court system, and the Legislative Affairs Agency shall submit individually an annual report to the Legislative Budget and Audit Committee detailing the leases extended and the cost savings achieved by that entity under (a) or (b) of this section. Reports are due August 31 of each year. (§ 11 ch 137 SLA 1996)

Effective dates. — Section 53, ch. 137, SLA 1996, makes this section effective July 9, 1996, in accordance with AS 01.10.070(c).

Editor's notes. — Section 52, ch. 137, SLA 1996

provides that "[n]otwithstanding AS 36.30.083(c), enacted by § 11 of this Act, the first lease extension report under AS 36.30.083(c) is due August 31, 1997, and must cover fiscal year 1997."

**Sec. 36.30.085. Lease-purchase agreements.** (a) To perform its duties and statutory functions, the department, the Board of Regents of the University of Alaska, the

- council, or the supreme court may enter into lease-purchase agreements. The department, the Board of Regents, the legislative council, or the supreme court may enter into a lease-purchase agreement only if the department, the Board of Regents, the legislative council, or the supreme court is the lessee under the agreement.
- When evaluating proposals to acquire or improve real property under a lease-purchase agreement, the department, the Board of Regents, the legislative council, or the supreme court shall consider
- (1) in addition to lease costs, the life cycle costs, function, indoor environment, public convenience, planning, design, appearance, and location of the real property proposed for acquisition or improvement; and
  - (2) whether acquisition or improvement of the real property by lease-purchase agreement is likely to be the least costly means to provide the space.
- (c) A lease-purchase agreement
- (1) may not provide for a period of occupancy under the full term of the lease-purchase agreement that is greater than 40 years;
  - (2) must provide that lease payments made by the department, the Board of Regents, legislative council, or the supreme court are subject to annual appropriation.
- (d) If the department, Board of Regents, legislative council, or supreme court intends to enter into or renew a lease-purchase agreement for real property, the department, Board of Regents, legislative council, or supreme court shall provide notice to the legislature. The notice must include the
- (1) anticipated total construction, acquisition, or other costs of the project;
  - (2) anticipated annual amount of the rental obligation; and
  - (3) total lease payments for the full term of the lease-purchase agreement.
- (e) The department, the Board of Regents, the legislative council, or the supreme court may not enter into a lease-purchase agreement to acquire or improve real property unless the agreement has been approved by the legislature by law.
- (f) The provisions of (d) and (e) of this section do not apply to a lease-purchase agreement
- (1) related to the refinancing of an outstanding balance owing on an existing lease-purchase agreement; or
  - (2) by the University of Alaska if the lease-purchase agreement is secured by student fees or university receipts as defined in AS 14.40.491.
- (g) In this section,
- (1) "full term of the lease-purchase agreement" includes all renewal options that are defined within the lease-purchase agreement;
  - (2) "lease-purchase agreement" includes a lease-financing agreement. (§ 7 ch 75 SLA 1994; am §§ 2, 3 ch 36 SLA 1995)

**Effect of amendments.** — The 1995 amendment, effective May 25, 1995, inserted "or improve" in subsections (b) and (e) and "or improvement" in paragraphs (b)(1) and (b)(2).

**Effective dates.** — Section 13, ch. 75, SLA 1994 makes this section effective June 7, 1994, in accordance with AS 01.10.070(c).

#### NOTES TO DECISIONS

Cited in *Carr-Gottstein Properties v. State*, 899 P.2d 136 (Alaska 1995).

*Sec. 36.30.090. Delivery of supplies. [Repealed, § 48 ch 137 SLA 1996.]*

*Sec. 36.30.095. Procurement of paper. [Repealed, § 48 ch 137 SLA 1996.]*

TUDOR RD

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