

SB

51





# Alaska State Legislature

## House Committee on Community and Regional Affairs

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**Representative Carl Morgan, Chair**  
State Capitol Building, Room 408  
Juneau, AK 99801  
907-465-3882

### AGENDA

State Capitol 124  
9:00 am – 10:00 am

- **Call to Order**
  - Today's date is March 11, 2003
  - The time is 9 am
  
- **On today's agenda**
  - SB 5 Bonds Of Bond Bank Authority  
Sponsor: Governor Murkowski  
Testifying will be Deven Mitchell, Debt Manager  
From the Department of Revenue
  
- **Public Testimony**
  - Anyone on teleconference
  - Anyone present in Juneau
  
- **Wishes of the committee**
  - Move the bill with the attached zero fiscal notes
  
- **Other Business**
  - If there is no other business, announce next meeting.
  - No Meeting this Thursday
  - Next Meeting – Tuesday, March 18<sup>th</sup>
  
- **Adjourn**

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110400  
JUNEAU, ALASKA 99811-0400  
TELEPHONE: (907) 465-2300  
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March 6, 2003

The Honorable Carl Morgan  
Chair, House Community and Regional Affairs Committee  
State Capitol, Room 408  
Alaska State Legislature  
Juneau, AK 99801

Dear Representative Morgan,

I am writing to request a hearing next week for Senate Bill 51, an act increasing the annual revenue bond issuance limit and the overall debt limit for the Alaska Municipal Bond Bank Authority. The Senate approved the measure Monday on an 18-0 vote.

Because of the timing on several municipal projects around the state, the Bond Bank Authority requests expedited action on this legislation. We need final approval by both chambers and signature into law by mid-March to avoid delays — and possibly additional costs — to several municipalities. The Bond Bank expects to reach its statutory debt issuance limit early this spring.

The Municipal Bond Bank Authority was created in 1975 to assist municipalities in issuing bonds for local projects. The Bond Bank is able to realize savings for municipalities by pooling bonds in large numbers and obtaining lower interest rates that result in reduced costs, and often better terms overall, than municipalities could obtain on their own. The purpose of this legislation is to raise the limit on the amount of revenue bonds the Authority may issue in any one fiscal year and to raise the limit on the total outstanding bond debt the Authority may carry on its books. The Legislature has not raised these limits since 1983 and 1984, respectively.

An increase in the amount of the Authority's indebtedness limit will not have a fiscal impact on the state's General Fund. Bond Bank debt is not a direct liability of the state, and the municipalities that use the Authority pay all of the debt service on the bonds.

As of January 23, 2003, the Bond Bank had issued \$27,145,000 in revenue bonds in Fiscal 2003, and there were \$235,655,878 in bonds outstanding. The existing limits in statute are \$50 million in any one year in revenue bonds and \$300 million in total bonds outstanding. Additional projects scheduled for funding in the next three months are the Lake and Peninsula Borough's Chignik dock project at \$1 million, the City and Borough of Juneau's hospital expansion at \$25 million, the City and Borough of Juneau's port improvement at \$5.6 million, the City of Valdez'

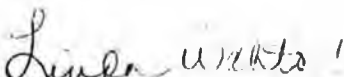
hospital replacement at \$19 million, and the Kodiak Island Borough \$3.3 million refinancing of existing debt. Following these bond issues, the Authority would be at \$289,555,878 in total bonds outstanding, just \$11 million shy of its statutory limit.

Additional expected financing activity includes the City of Homer seawall at \$1 million and dock improvements at \$1 million, Aleutians East Borough school and dock improvements, Kenai Peninsula Borough solid waste project, City of Fairbanks fire protection facility, and the City of Petersburg \$1 million refinancing of existing debt. The combination of these would exceed the Authority's debt limit.

An increase in the annual bonding cap under AS 44.85.100(b) from \$50 million to \$75 million would enable the Authority to act on the applications it has received from municipalities this fiscal year. And, the increase in the cap on the total outstanding debt from \$300 million to \$500 million under AS 44.85.180(c) would enable the Authority to issue the bonds and notes already applied for as well as those that are anticipated this fiscal year. The Bond Bank has sufficient reserve capacity to continue financing capital projects up to the requested \$500 million cap.

Thank you for your consideration, and please let me know if you have any questions. My direct line is 465-5469. Or you also may contact Deven Mitchell, State Debt Manager, at 465-3750.

Sincerely,

  
Larry Persily  
Deputy Commissioner

cc: Mike Tibbles, Legislative Liaison, Office of the Governor

FRANK H. MURKOWSKI  
GOVERNOR  
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January 30, 2003

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to revenue bonds issued by the Alaska Municipal Bond Bank Authority and the total amount of bonds and notes outstanding of that authority.

The Alaska Municipal Bond Bank Authority (AMBBA) was created in 1975 to assist Alaskan municipalities issue bonds for local projects. The AMBBA is able to realize savings for municipalities by pooling bonds in large numbers and obtaining lower interest rates that result in reduced costs for bond issuance, and often better terms overall, that would not be obtainable by municipalities on their own. The purpose of this bill is to raise the limit on the amount of revenue bonds that the AMBBA may issue in any one fiscal year and to raise the limit on the total outstanding bond debt the AMBBA may carry at any one time. These limits have not been raised by the legislature since 1983 and 1984, respectively.

An increase in the annual bonding cap under AS 44.85.100(b) from \$50,000,000 to \$75,000,000, would enable the AMBBA to act on the applications it has already received from municipalities this fiscal year. Current fiscal year applications exceed \$56,000,000.

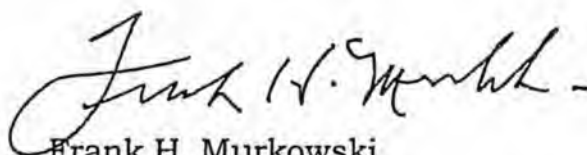
Further, an increase in the cap on the total outstanding bonds and notes from \$300,000,000 to \$500,000,000 under AS 44.85.180(c), would enable AMBBA to issue the bonds and notes already applied for as well as those that are anticipated, which may exceed \$70,000,000. Reaching the annual fiscal year limit or the outstanding limits would prevent municipalities from proceeding with projects or prevent municipalities from using the financially more attractive debt terms that could be made available if the bonds are issued by AMBBA.

An increase in the amount of the AMBBA's indebtedness limit will not have a fiscal impact on the state's general fund. Debt of the AMBBA is not a direct liability of the state. Additionally, municipalities that use the AMBBA to issue bonds pay all of the debt service on the bonds. And the AMBBA has sufficient reserve capacity to continue financing capital projects up to the requested \$500,000,000 cap.

Finally, in order to accommodate current fiscal year applications received by the AMBBA, an immediate effective date is included in the bill.

I urge your prompt and favorable action on this measure.

Sincerely Yours,

A handwritten signature in cursive script, appearing to read "Frank H. Murkowski".

Frank H. Murkowski  
Governor

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 51  
 (S) Publish Date: 1/31/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Alaska Municipal Bond Bank BRU Alaska Bond Bank Authority  
Authority Limits Component Alaska Bond Bank Authority  
 Sponsor Rules Committee  
 Requester Governor Component No. 108

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</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>

<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						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</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>

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation would increase the Alaska Municipal Bond Bank's total borrowing limit from \$300 million to \$500 million and increase the amount of revenue bonds that may be issued in any one fiscal year from \$50 million to \$75 million.

The increase in the borrowing limit to \$500 million is needed as the Bond Bank expects to reach the existing limit in FY04, if not sooner. If all of the loan applications that have been submitted to the Bond Bank were funded immediately, the existing \$300 million cap would be filled and additional projects could not be funded. An inability to fund loans to communities will cost these communities -- and possibly the state in reimbursement costs -- in increased costs of issuance and interest expense.

The increase from \$50 million to \$75 million in annual revenue bond authority is needed in FY03 because the Bond Bank has issued, or has requests to issue, \$50 million in revenue bonds by the end of March 2003. A failure to approve the increase in the revenue bond limit will potentially result in the City of Valdez needing to issue two series of revenue bonds over two fiscal years, increasing the cost of issuing these bonds by approximately \$100,000, or delaying funding of the city's project until July 1, 2003.

As the Bond Bank is self-supporting, and has sufficient assets to fund reserves, the increases in statutory authorization would not have any fiscal impact.

Prepared by: Deven Mitchell, State Debt Manager Phone 465-5469  
 Division Treasury Division Date/Time 1/29/03 2:23 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 1/29/2003  
 Agency Department of Revenue

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: SB 51  
 (S) Publish Date: 2/14/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
 Title Bonds of Bond Bank Authority BRU Investments (122)  
 Component Investments  
 Sponsor Governor  
 Requester Senate Community & Regional Affairs Component No. 383

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</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>

<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						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</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>

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill does not impact the fiscal operations of this department.

Prepared by: Greg Winegar, Director Phone 907-465-2510  
 Division: Investments Date/Time 2/7/03 10:18 AM  
 Approved by: Edgar Blatchford, Commissioner Date 2/7/2003  
 Agency: Department of Community & Economic Development