

HB

312

HFIN

FILE

23-GH1134U
Bannister
5/15/03

adopted 5/16/03

N/O

Rep. Williams

CS FOR HOUSE BILL NO. 312(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a lease-purchase agreement for, the construction and equipping of,**
2 **and the financing of a seafood and food safety laboratory facility to be operated by the**
3 **Department of Environmental Conservation, including the issuance of certificates of**
4 **participation, and the use of certain investment income for certain construction and**
5 **equipping costs; and providing for an effective date."**

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

7 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 **INTENT.** It is the intent of the legislature that the amount of money to be used for the
10 construction and equipping of a new seafood and food safety laboratory facility is
11 \$14,285,000. Of that amount, it is the intent of the legislature that

12 (1) \$14,145,000 shall come from the proceeds of the certificates of
13 participation to be issued by the state bond committee under sec. 2 of this Act; and

1 (2) \$140,000 shall come from the investment income earned on the proceeds
2 of the sale of the certificates of participation described in sec. 2 of this Act.

3 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 NOTICE AND APPROVAL OF ENTRY INTO AND FINANCING OF A LEASE-
6 PURCHASE AGREEMENT. (a) Subject to annual appropriation, the Department of
7 Administration is authorized to enter into a lease-purchase agreement for a seafood and food
8 safety laboratory facility to be constructed under the lease-purchase agreement and to be
9 operated by the Department of Environmental Conservation.

10 (b) The state bond committee is authorized to provide for the issuance of certificates
11 of participation in one or more series in the aggregate principal amount of \$14,145,000 for the
12 construction of a seafood and food safety laboratory facility under the lease-purchase
13 agreement authorized in (a) of this section. The remaining balance of the construction and
14 equipping costs shall be paid from investment income of \$140,000 earned on the proceeds of
15 the sale of the certificates of participation. The estimated total cost of construction,
16 acquisition, and other costs of the project is \$1,285,000. The estimated annual amount of
17 rental obligations under the lease-purchase agreement is \$1,391,000. The estimated total
18 lease payments for the full term of the lease-purchase agreement is \$20,862,400. In this
19 subsection, "cost of construction" includes credit enhancement and underwriting expenses,
20 rating agency fees, bond counsel fees, financial advisor fees, printing fees, advertising fees,
21 capitalized interest, and interest earnings used for lease payments.

22 (c) The state bond committee may contract for credit enhancement, underwriting,
23 credit ratings, bond counsel, financial advisor, printing, advertising, and trustee services that
24 the committee considers necessary in financing the project described in this section.

25 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
26 read:

27 APPROVAL OF AGREEMENT. Section 2 of this Act constitutes the approval
28 required by AS 36.30.085.

29 * **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 312
 () Publish Date: _____

Revision Date/Time (Note if correction): _____
 Title Seafood/Food Safety Lab Facility Construction
 Sponsor Rules
 Requester House State Affairs Committee

Dept. Affected: Environmental Conservation
 BRU Environmental Health
 Component Laboratory Services
 Component No. 2065

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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	98.6	197.2	197.2	197.2	197.2
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	98.6	197.2	197.2	197.2	197.2

CAPITAL EXPENDITURES	14,285.0					
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	98.6	197.2	197.2	197.2	197.2
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1163 Certificates of Participation	14,145.0	0.0	0.0	0.0	0.0	0.0
1173 Miscellaneous Earnings	140.0	0.0	0.0	0.0	0.0	0.0
TOTAL	14,285.0	98.6	197.2	197.2	197.2	197.2

Estimate of any current year (FY2003) cost: 0.0

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

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

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.

Prepared by: Kristin Ryan, Director
 Division: Environmental Health
 Approved by: Kurt Fredriksson, Deputy Commissioner
 Agency: Department of Environmental Conservation

Phone: (907) 269-7645
 Date/Time: 5/12/03 5:53 PM
 Date: 5/12/2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. _____

ANALYSIS CONTINUATION

Line Item Description	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Contractual Line 360		--			
* (Operating Expenses)					
Utilities (estimated) 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	\$105,930	\$105,930
Building Maintenance (estimated) 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	\$109,600	\$109,600	\$109,600
* (Lease Savings - Palmer Lab) DEC portion of current lease paid to DOA/GS through a RSA, will no longer be required after completion of the new facility.		(\$9,177)	(\$18,353)	(\$18,353)	(\$18,353)
Total Contractual:	\$0	\$98,588	\$197,177	\$197,177	\$197,177

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB312
 () Publish Date: _____

Revision Date/Time (Note if correction): 13-May-03 Dept. Affected: Revenue
 Title Seafood and Food Safety Lab BRU Revenue Operations
 Component Treasury Division
 Sponsor Rules Committee
 Requester House State Affairs Component No. 121

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	10.0					
Contractual	6.0	5.0	5.0	5.0	5.0	5.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		1,362.8	1,362.8	1,362.8	1,362.8	1,362.8
TOTAL OPERATING	16.0	1,367.8	1,367.8	1,367.8	1,367.8	1,367.8

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

1002 Federal Receipts						
1003 GF Match						
1004 GF		1,367.8	1,367.8	1,367.8	1,367.8	1,367.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
COP proceeds	16.0					
TOTAL	16.0	1,367.8	1,367.8	1,367.8	1,367.8	1,367.8

Estimate of any current year (FY2003) cost: 0.0

Check 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)

SB215 authorizes the sale of \$14.145 million in certificates of participation (COPs) for a lease-financing to finance construction of a new seafood and food safety lab for the Department of Environmental Conservation. The COPs would be issued by the State Bond Committee. Construction costs and issuance costs are expected to total \$14.285 million, which is the amount of the COP sale proceeds plus \$140,000 in estimated construction fund earnings.

Financing assumptions are 15-year level debt service beginning in FY05 and a 5% interest rate/true interest cost. The actual interest rate is very likely to be lower.

Prepared by: Tom Boutin, Deputy Commissioner
 Division: Department of Revenue
 Approved by: Landa Bally, Special Assistant to the Commissioner
 Agency: Department of Revenue

Phone 465-3669
 Date/Time 5/13/03 1:50 PM
 Date 5/13/2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB312
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An Act...for a lease-purchase agreement for a BRU Leases
seafood and food safety laboratory facility.... Component Leases
 Sponsor Rules by Request of the Governor
 Requester (H) State Affairs Component No. 81

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		(60.0)	(120.0)	(123.0)	(123.0)	(123.0)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	(60.0)	(120.0)	(123.0)	(123.0)	(123.0)

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

1002 Federal Receipts						
1003 GF Match						
1004 GF		(50.8)	(101.7)	(104.2)	(104.2)	(104.2)
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 I/A Receipts		(9.2)	(18.3)	(18.8)	(18.8)	(18.8)
TOTAL	0.0	(60.0)	(120.0)	(123.0)	(123.0)	(123.0)

Estimate of any current year (FY2003) cost: 0.0
 Check 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)
 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. Annual costs for the Palmer lease in FY2004 are budgeted in the Department of Administration's (DOA) Leases component as \$99.1 of General Funds and in the Department of Environmental Conservation's (DEC) operating budget and paid to DOA via a \$17.9 RAS. Future years estimated lease savings have been adjusted to reflect the January 2005 occupancy date.

 Costs for the design, construction, acquisition and construction contract com... are not included in this fiscal note as those costs and associated work will be borne by other state departments.

Prepared by: Vern Jones, Chief Procurement Officer Phone 465-5684
 Division: General Services Date/Time 5/12/03 10:52 AM
 Approved by: Mike Miller, Commissioner Date 5/12/2003
 Agency: Administration

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. HB312a

ANALYSIS CONTINUATION

Current Palmer Laboratory Lease

Lease #: 2359

Location/Property: Palmer/Palmer Lab

Sq Ft: 9,252

Term: Firm Term thru 1/31/03, W/ 3 One Year Renewal Options (extended expiration = 12/31/06)

FY2004:

Total Cost per Year (annual): \$117.0

RAS (amount paid by DEC) Amount (annual): \$17.9

DOA Budget Amount (annual): \$99.1

FY2005:

Total Cost per Year (annual): \$120.0

DOA Reduction (1/2 year): \$50.8

RAS (amount paid by DEC) Amount (1/2 Year): \$9.2

FY2006:

Total Cost per Year (annual): \$120.0

DOA Reduction (annual): \$101.7

RAS (amount paid by DEC) Amount (annual): \$18.3

FY2007 (increased by 5% replacement factor):

Total Cost per Year (annual): \$123.0

DOA Reduction (annual): \$104.2

RAS (amount paid by DEC) Amount (annual): \$18.8

FY2008 & 2009:

Lease costs estimated to be the same as the FY2007 rate.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
COMMISSIONER BALLARD HB 312 TESTIMONY
HOUSE FINANCE

Thank you for the opportunity to testify today. HB 312 provides the funding mechanism for a new Seafood and Food Safety Laboratory. This expense has been included in the capital budget.

As Commissioner of the department responsible for protecting the environment and human health, I can testify to the importance of this lab. In our seafood and food safety lab we analyze raw, finished and value-added food products for bacteria, chemicals, and toxic contaminants. We maintain capabilities and FDA certifications that private labs cannot. We operate on schedules that are not available from private labs and can assume the greater liability needed to perform analysis for paralytic shellfish poisoning. We cooperate with emerging industry, such as the growing dive fisheries to be sure time-critical water and raw product analysis is available and market commitments are met. We are qualified to train and certify private labs so that they can operate in established and high-demand testing markets.

DEC has leased a facility in Palmer for 34 years. This facility will not be available after 2006. It is overcrowded and not fully compliant with safety codes and laboratory design standards. It was originally placed in Palmer when the principal lab business was agriculture and dairy. The emerging value added seafood industries in coastal Alaska have added significant and time-sensitive testing demands for our service. Our proposed new lab will be in Anchorage where valuable hours can be saved between sample collection and testing for raw and live seafood products.

Our laboratory functions are essential to protect the health of all Alaskans. The Governor, past legislatures, and the Commissioners of Revenue, DOT and DEC have reviewed the design specifications, equipment requirements and expense of this lab. We considered alternative locations and financing mechanisms for a modern facility sized and equipped for long term service to the state. Specifically, we carefully considered the possibility of locating in remodeled space at the ASI facility in Anchorage. Our requirements would occupy approximately 5% of that space.

The process of acquiring a new seafood and food safety lab began seven years ago with a feasibility study. We received an appropriation of \$150,000, to obtain an independent evaluation of both build and lease options. This analysis showed that the most economical choice is a state owned laboratory financed with lease/purchase bonds known as Certificates of Participation. The legislature agreed and in 2001 appropriated \$1,300,000 to design this facility. This is a conservative and cost conscious proposal. The building design, specifications, space allocations, and the financing plan are all conservative. The building contains only laboratory and lab support space: meeting and classroom facilities will be available in the adjacent public health lab. The building materials were selected for low and simple maintenance. The design and materials are similar to the public health lab that was built several years ago on schedule and within budget.

We are reviewing the fees the laboratory charges for services and are comparing them to other states' fees. It is clear we can, and should charge more. We will begin drafting the necessary regulations this summer.

Representatives from DOT and Revenue are here today and can join me in answering your questions.

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR
410 Willoughby Ave., Ste 303
Juneau, AK 99801-1795
PHONE: (907) 465-5065
FAX: (907) 465-5070
<http://www.state.ak.us/dec/>

DEPT. OF ENVIRONMENTAL CONSERVATION OFFICE OF THE COMMISSIONER

May 12, 2003

The Honorable Bill Williams
Co-Chair, House Finance Committee
Alaska House of Representatives
State Capitol, Room 515
Juneau, AK 99801

The Honorable John Harris
Co-Chair, House Finance Committee
Alaska House of Representatives
State Capitol, Room 507
Juneau, AK 99801

Dear Representatives Harris and Williams:

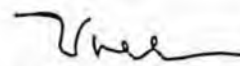
The Department of Environmental Conservation requests a hearing on HB 312 an "Act giving notice of and approving the entry into and the issuance of certificates of participation for a lease-purchase agreement for a seafood and food safety laboratory facility." The State Seafood and Food Safety Laboratory plays a vital role in protecting the health of Alaskans and supporting the growth and development of a vibrant seafood industry.

The state's bivalve and growing geoduck industry cannot exist without the ability to guarantee the safety of these products. The lab is the only facility certified to test for paralytic shellfish poisoning a deadly toxin. The state must be prepared with laboratory services capable of providing essential tests that will allow these industries to prepare to respond to an unanticipated outbreak of disease or the presence of contamination in food, water and animals.

The Department has planned for construction of a Seafood and Food Safety Laboratory for over six years. The funding mechanism is certificates of participation. I look forward to coming before the House Finance Committee to further explain the importance of this laboratory to Alaska.

Kristin Ryan, Director of the Division of Environmental Health, and Mike Maher, the Director of Administrative Services can provide you with any additional information you might require regarding this bill. You can contact Ms. Ryan at 269-7645, Mike Maher at 465-5256, or Melanie Lesh, the department's legislative liaison, at 465-5290. Thank you for your consideration.

Sincerely,


Ernesta Ballard
Commissioner

cc: Mike Tibbles, Legislative Director, Office of the Governor
Kristin Ryan, Environmental Health, DEC

DEC Seafood and Food Safety Laboratory

Using Certificates of Participation, the Department will build a new Seafood and Food Safety Laboratory in Anchorage that is prepared to respond to unanticipated outbreaks of disease or presence of a contaminant in food, water or animals; and

Protects Alaskans by

- Preventing disease through sanitation and sanitary practices.
- Providing essential risk screening services.
- Monitoring animals for zoonotic diseases--transferred from animals to humans—such as Brucellosis.
- Testing food products for Salmonella, Listeria and fecal coliforms to ascertain they are safe to eat.
- Testing public drinking water for Giardia and Cryptosporidium.

Supports industry by

- Working with industry to pre-certify areas for safe harvesting of geoducks so that a more valuable product can be sold live.
- Testing geoducks, oysters and mussels for PSP contamination prior to sale.
- Analyzing seafood samples for contaminants such as mercury and pesticides through its seafood-monitoring program.
- Testing dairy products so they can be sold to the military and schools.

Supports Alaska's private laboratories by

- Conducting on-site evaluations of, and certifying drinking water laboratories and water system operators for bacteriological monitoring as required by Safe Drinking Water Act.
- Training 190 private lab staff a year in EPA approved procedures for testing drinking water.
- Making available its expertise, knowledge, and resources.

Based on lab functions, proximity to a major airport, sample movement, cost of utilities, and access to Alaska's Public Health Laboratory, Anchorage was chosen as the best site for the new facility.

Seafood and Food Safety Laboratory

Division of Environmental Health, Department of Environmental Conservation

The lab will close without an appropriation to build a new one. *Here's how we got to this point:*

1997

- Department of Administration determines it can no longer allow long-term leases at the facility because statutory rent reduction requirements.

1998

- Department of Transportation and Public Facilities hires Livingston Slone to produce feasibility study that considers leasing versus owning, best location, and consolidation of the two labs the Department of Environmental Conservation operates.
- Legislature appropriated \$145.7 to evaluate replacement options.

1999

- Private contractor assessment concludes Seafood and Food Safety Lab cannot be co-located with Public Health Lab primarily because construction of the Public Health Lab is already under way and its lab activities are very different, requiring detached, separate labs.

2000

- Department of Environmental Conservation explores the possibility of housing its lab at Alaska Seafood International. However, according to Alaska Seafood International, its microbiological laboratory cannot fully meet the department's requirements. Alaska Seafood International lab space is 540 square feet and was never intended to be a broad-spectrum test facility. (The new Seafood and Food Safety lab is designed to be 19,312 square feet.)
- Department of Environmental Conservation selects site near Boniface and Tudor with Dept. of Transportation & Public Facilities oversight based on lab functions (proximity to major airport), cost of utilities, and access to Public Health lab. The Anchorage Planning and Zoning Commission approves the site selection report.
- Livingston Slone, hired by Dept. of Transportation & Public Facilities, determines that any existing market rental space would require a major renovation; and that building a new facility on state owned land is more cost effective than renovating an existing space or contracting for the construction of a leased facility.
- Legislature appropriates \$240.0 updating Livingston Slone's 1998 Feasibility Study to reflect the facility's being located on state land.

2001

- Dept. of Natural Resources initiates land exchange with Municipality of Anchorage to acquire parcel.
- Dept. of Transportation & Public Facilities develops a construction timeline and budget.
- Dept. of Transportation & Public Facilities selects Livingston Slone for the design and engineering work with an expected completion date of June 2003.
- Legislature appropriates \$1,300.0 to design the facility.

2002

- The design contractor, Livingston Slone, updates the construction cost estimate after completing the schematic design: \$14,085,200.
- Dept. of Administration easing approves extending the lease until December 2006 under the provision DEC actively pursue another option.
- A bond bill (HB51), designating lab construction funds, is introduced in the first session, but dies before final adjournment.

February 6, 2003

- Anchorage Assembly approves the land exchange and Dept. of Natural Resources completes an Interagency Land Management Agreement giving DEC the authority to manage the selected site adjacent to the Public Health Lab.

What the Seafood and Food Safety Lab does

- Conducts product and water sampling required by the National Shellfish Sanitation Program so that bivalve shellfish can be commercially marketed.
- Routinely tests commercial bivalve shellfish for marine toxins responsible for paralytic shellfish poisoning and domoic acid poisoning.
- Is analyzing over 600 samples of salmon (all five species), halibut, pacific cod, sablefish, black rockfish, lingcod and pollock for heavy metals (methyl mercury, lead, and cadmium).
- Conducts on-site evaluations of, and certifies drinking water laboratories and water system operators for bacteriological monitoring as required by Safe Drinking Water Act.
- Works with commercial industries to develop safe, ready-to-eat food products to make sure the water activity, water phase salt, and salt moisture of their products are within acceptable levels.
- Evaluates raw and finished dairy products for bacterial contamination, antibiotics, butter fat content, and effectiveness of pasteurization.
- Performs animal testing to maintain USDA brucellosis- and TB-free 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.

-
- No other lab in Alaska tests for PSP (paralytic shellfish poisoning).
 - A lab does not currently exist within the State of Alaska with the authority to test food or water that's been potentially poisoned with highly dangerous contaminants.
 - To be sold in international markets, Alaska's food products must be tested for compliance with federal food standards.
 - The shellfish industry depends on the Food Safety Lab to quickly test for marine toxins so they can sell their products in interstate commerce.
 - The Food lab is the only lab in the state that is permitted by the Food and Drug Administration to evaluate dairy products.

For more information, please contact Kristin Ryan at 907-269-7644

The Seafood and Food Safety Lab funding mechanism is Certificates of Participation (COP) Lease/Purchase Bonds

The department plans to construct a laboratory facility to replace the badly outmoded facility using Certificates of Participation as the funding mechanism.

Certificates of Participation:

- Do not require general fund appropriation.
- Is a funding mechanism that gives a trustee bank a title interest in the entire structure, similar in concept to a home mortgage
- Allow a lease/purchase contract.
- Take advantage of currently low bond interest rates.
- Do not require a vote as would GO bonds.
- Allow the state to conserve its GO debt capacity for future situations where other revenues are not available.

Using COP's means the project can be started and finished faster.

Authority to expend the COP's is in the Department's approved Capitol budget

MEMORANDUM

STATE OF ALASKA
Department of Revenue

TO: Mike Maher
Administrative Services Director
Department of Environmental Conservation

DATE: March 28, 2003

FROM: Deven Mitchell
Debt Manager

TELEPHONE: 465-3750

SUBJECT: Food and Safety Laboratory Financing

The Department of Revenue has been asked to explain what impacts there might be from issuing Certificates of Participation to fund construction of a new Food and Safety Laboratory in the Alaska Seafood International (ASI) building. This is not a new matter for the Department as the Department of Environmental Conservation has been attempting to replace the lab over the past several years using different financing options. The type of financing that has been proposed in each of the last three legislative sessions is called Certificates of Participation. How this type of financing works is a lease is created and investors are asked to participate (Certificates of Participation (COPs)) in the lease. This means that the state can offer an investment that pays interest semi-annually until it matures at some point during the lease life, and use the investors' money to build the proposed facility. The lease payments are subject to annual appropriation by the legislature and as a result the COPs have achieved credit ratings one level below the state's general obligation ratings.

The lease in the COP structure is created by giving a trustee bank (that is obligated to act on behalf of COP purchasers) a title position on the facility being financed and the state entering a lease for the facility (in the amount of the annual interest and principal payments to investors). A failure to pay would result in the trustee bank claiming the facility on behalf of COP holders and either obtaining an alternate use or liquidating the facility to pay COP holders.

Folks have proposed using roughly 5 percent of the ASI facility to house the proposed Food and Safety Laboratory. If the cost of building the lab are funded with COPs it will require the Alaska Industrial Development and Export Authority (AIDEA) give a title interest to a trustee on the ASI building and the ground upon which it resides. From a credit perspective this is a significant credit enhancement as a failure to appropriate on the lab not only causes a loss of use of the proposed laboratory for the state, but also a loss of use of the entire ASI building. From AIDEA's perspective this financing would impact the ability to sell the ASI building (due to the title interest), and possibly also impact the rental value of the remaining 95% of the building due to the inability of AIDEA to provide a guarantee on space availability (in the event of a payment default by the state).

Samples processed at the Seafood and Food Safety Laboratory

Department of Environmental Conservation, Division of Environmental Health

Samples received:

	FY00	FY01	FY02
Samples received	9,148	7,282	6,256
Tests ran on those samples	21,337	25,346	26,926

The amount of samples received varies greatly each year. We are expecting a big jump in 2003. The number of tests ran has not increased over the past years but our tracking has. In FY00, we did not track every test ran such as quality control tests when we make sure the result gotten is correct. In FY01 and FY02, we implemented a tracking system so that we could capture every analysis done.

Samples broken down by category

	FY00	FY01	FY02	Areas
Animal Health & Dairy	5993	4067	3519	South Central
Drinking Water	541	569	545	State wide
Food	0	26	54	Anchorage
Seafood	2351	2393	1908	South Central (30%) Southeast (70%)
Miscellaneous	89	114	39	State wide
Training sessions	174	113	191	At laboratory

Vibration sensitive equipment:

Microscopes: When looking at a liquid at a magnification of 100+, significant vibration such as a machine shop would make it impossible to identify the organism.

Torsion Balance: Used to weigh chemicals as light as 1 millionth of a gram. Since the scale is on a fulcrum, it is extremely sensitive to movement. When in use, no one is allowed to enter the room because of vibration.

Concern also exists with the Liquid Chromatograph and Atomic Absorption processes. Both send a beam of light through a minute amount of substance and measure the refraction.

Kristin Ryan, Director, 269-7644

S	Southeast
A	Alaska
R	Regional
D	Dive
F	Fisheries
A	Association



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

Julie Decker, Executive Director
 Box 2138, Wrangell, AK 99929
 Ph: 907-874-3110; Fax: 907-874-4270
 info@sardfa.org
 www.sardfa.org

Governor Frank Murkowski
 P.O. Box 110001
 Juneau, Alaska 99801
 Ph: 907-465-3500; FAX: 907-465-3489
 Email: Governor@gov.state.ak.us

May 9, 2003

RE: Support for New Seafood & Food Safety Lab

Dear Governor Murkowski,

On behalf of the Southeast Alaska Regional Dive Fisheries Association, SARDFA, I would like to express support of your bills, SB 215 and HB 312, regarding the construction of a new Seafood & Food Safety Lab in Anchorage.

For two years, SARDFA has been supportive of building a new lab in Anchorage for two reasons. First, the lab is a necessary infrastructure component in order to conduct the commercial geoduck fishery (as well as for other shellfish fisheries and all aquatic farming activities). The lab runs tests for water quality and paralytic shellfish poison (PSP), along with many other tests for the seafood industry.

Second, the new location in Anchorage will be an overall better site for the statewide users of the facility. 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 taken again by sending planes out to the remote areas again, which is very costly.

The cost of building a new lab is significant, however, this facility will be able to serve the seafood industry, and its projected growth, for decades into the future.

Thank you for your time and consideration.

Sincerely,

Julie Decker, Executive Director

Members of:
Southeast Conference,
United Fishermen of Alaska, &
Alaska Fisheries Development Foundation

Cc: Commissioner Ballard, DEC
Senator Lyda Green, Co-Chair, Senate Finance
Senator Gary Wilken, Co-Chair, Senate Finance
Senator Gary Stevens, Chair, Senate State Affairs
Representative Bill Williams, Co-chair, House Finance
Representative John Harris, Co-Chair, House Finance
Representative Bruce Weyrauch, Chair, House State Affairs
Bobbie Thorstenson, President, UFA
Tom Gemmel, Executive Director, UFA
Steve LaCroix, President, SARDFA
Kristin Ryan, DEC

Hicks, Molly

From: Ballard, Ernesta
Sent: Friday, May 09, 2003 11:05 AM
To: Fredriksson, Kurt; Ryan, Kristin J.; Lesh, Melanie; Siroky, Mary; Hicks, Molly
Subject: FW: New Seafood and Food Safety Lab Bill.

fyi

-----Original Message-----

From: John Scoblic [mailto:Jscoblic@norquest.com]
Sent: Friday, May 09, 2003 9:01 AM
To: Governor@gov.state.ak.us
Cc: Ernesta_Ballard@dec.state.ak.us
Subject: New Seafood and Food Safety Lab Bill.

Dear Governor Murkowski,

Yesterday late in the afternoon it was brought to my attention that you may be looking for testimony for a new Seafood and Food Safety lab. I whole heartedly support any new development of a Seafood and Food Safety lab. In particular the people of Southeast in the Seafood Industry and Foodservice Industry would benefit greatly with the addition of a lab somewhere in Southeast.

In the current situation it is very cumbersome process to get seafood products needing testing to the Palmer D.E.C lab from Southeast. In the best of situations it takes the better part of a day in transportation time to get products to the Palmer lab for testing. Once the specimens are to the lab it take half a day to do the test. In the blossoming Geoduck fishery I have many first hand experiences with the pitfalls one must endure to get a geoduck sample to the Palmer lab for Paralytic Shellfish Testing in a timely manner. Having a new Seafood and Food Safety lab here, in Southeast, a region were we harvest products needing testing would save time and money for all of those involved. Having a lab in the region would speed up the testing process. If the transportation time to the lab took less time to transpire, we could offer an even fresher product to our customers. Once again using Geoduck as an example, live product is the product of choice in the market. If the Geoducks test clean of PSP we can ship them live as soon as we get lab results. So you can see if we have to wait a day to a day and a half for test results, the freshness and liveliness of the products diminishes greatly. Time is money, and in this case a lot a revenue has slipped away due to the time an logistics involved in getting Geoducks tested for PSP in Palmer.

Mr. Governor, thank you for your time. I appreciate the opportunity to have given you this brief report. Please take into serious consideration what I have stated here in this e-mail. I support development of a Seafood and Food Safety Lab. I also think that a lab would be best positioned in Ketchikan.

John M. Scoblic
Fleet Manager

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SESSION ADDRESS:
State Capitol
Juneau, Alaska 99801-1182
Phone (907) 465-2693
Toll Free 800-463-2693
Fax 907-465-3835



35477 Suite 101-B Spur Hwy
Soldotna, Alaska 99669
Phone 907-260-5236
Fax 907-260-3044

Representative Ken Lancaster
District 8

April 12, 2001

MEMORANDUM

To: Representative Eldon Mulder, Co-chairman
Representative Bill Williams, Co-chairman
House Finance Committee

From: Representative Ken Lancaster

Subject: Department of Environmental Conservation, Division of Environmental Health,
Seafood and Food Safety Laboratory, Cost and Location,

Per your request, I have conducted a fact finding mission to help determine the reasonable cost for the proposed DEC Seafood and Food Safety Laboratory.

The cost per square foot for a laboratory is high, when compared to an office building, or warehouse. This is do import to the fact that laboratories require a more powerful heating, ventilating, air conditioning, (HVAC) system. This system must not only move more air (minimum 10 to 12 air exchanges per hour) but also pressurizes parts of the building. This pressurization is very important as it keeps that area of the building not used for testing completely separated environmentally from pathogens used in the test area. In addition, higher requirement for lights, power distribution system and special construction to facilitate cleaning is required in this type of complex.

I have made informal inquires with several architectural engineer's firms and based on that have concluded that \$400.00 per square foot, less equipment, is a fair and reasonable cost.

The location also makes good, logical sense. With the building built in Anchorage, at the Tudor Road location, it would help develop a State campus setting. This concept could make for cost saving in the future, by allowing for the combining of services, building maintenance, snow removal, etc.

The proximity to a major airport, and the availability of ground transportation, should better serve the people of the State of Alaska in conducting business with the lab.

I have enclosed three reports prepared by Livingston Slone, Inc for your information; Laboratory Cost Factors, Laboratory Plan Efficiency, and a Timeline for Seafood and Food Safety Laboratory Replacement. This information helps explain the process that the Department went through, in addition to cost factors.

Should you require more information or have any question, please feel free to contact me.