

SB

215

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 5/9/03

FURTHER: Finance

Date of 5-Day Notice: 5/10/03
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 5/14/03

State Affairs Committee considered SENATE BILL NO. 215

SB 215 SEAFOOD AND FOOD SAFETY LABORATORY

"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; relating to the use of certain investment income for certain construction costs; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB215 (STA)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
<u>DEC</u>	<u>5/8/03</u>	<input checked="" type="checkbox"/>		<u>1</u>

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<u>John J. Conduley</u>			<input checked="" type="checkbox"/>	
<u>Frank...</u>	<input checked="" type="checkbox"/>			
<u>...</u>			<input checked="" type="checkbox"/>	
CHAIR: <u>[Signature]</u>			<input checked="" type="checkbox"/>	

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

May 10, 2003

SUBJECT: SB 215: title suggestion (Work Order No. 23-GS1134A)

TO: Senator Gary Stevens
Chair, Senate State Affairs Committee
Attn: Katrina

FROM:  Theresa L. Bannister
Legislative Counsel

I would recommend allowing this office to prepare an amendment to alter the title of SB 215 because it does not appear to quite give notice of everything in the bill. The following suggestion has not had the full review in this office that an amendment would, so it is offered only as an idea of what may be needed:

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

If you would like an amendment prepared, please advise.

TLB:lmb
03-193.lmb

23-GS1134\D
Bannister
5/12/03

CS FOR SENATE BILL NO. 215()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

**Offered:
Referred:**

Sponsor(s): SENATE 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 \$14,285,000. 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).

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 and rabies.
- 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.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 215
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Environmental Conservation
 Title Seafood/Food Safety Lab Facility Construction BRU Environmental Health
 Component Laboratory Services
 Sponsor Rules
 Requester Senate State Affairs Committee 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: X

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 Phone (907) 269-7645
 Division Environmental Health Date/Time 5/14/03 9:15 AM
 Approved by: Kurt Fredriksson, Deputy Commissioner Date 5/14/2003
 Agency Department of Environmental Conservation

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 300					
* (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: SB215
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Seafood and Food Safety Lab BRU Revenue Operations
Component Treasury Division
Sponsor Rules Committee
Requester Senate 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	190.0					
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	200.0	1,362.8	1,362.8	1,362.8	1,362.8	1,362.8

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		1,362.8	1,362.8	1,362.8	1,362.8	1,362.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
COP proceeds	200.0					
TOTAL	200.0	1,362.8	1,362.8	1,362.8	1,362.8	1,362.8

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. The \$200.0 in Fiscal 2004 expenses are bond counsel and financial adviser expenses, and the costs of credit ratings and printing for the COP prospectus.

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 Phone 465-3669
Division Department of Revenue Date/Time 5/11/03 11:26 AM
Approved by: Landa Baily, Special Assistant to the Commissioner Date 5/11/2003
Agency Department of Revenue

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
COMMISSIONER BALLARD SB 215 TESTIMONY

Imagine it is 5:00pm on Friday, you are a dairy processor and your pasteurization equipment breaks down. The scenario is not uncommon. To fulfill your school and military contracts, FDA requires that a State lab certify your equipment is operating correctly again and test the product to make sure. Milk can't wait until Monday morning. The Seafood and Food Safety Laboratory staff are there to make sure your product is safe for consumption and makes it to market while its fresh. Ours is the only lab certified in Alaska to test dairy products to ensure successful pasteurization so they can be sold to the military and schools.

SB 215 provides the funding mechanism to build a new Seafood and Food Safety Lab. The expense is already in our proposed capital budget. The facility we have leased for 34 years will not be available after 2006. It is overcrowded and not fully compliant with safety codes and laboratory design standards. It was developed in Palmer when the principal lab business was agriculture and dairy. In recent years entrepreneurs in coastal Alaska have developed a wide variety of value added seafood products adding a significant and time sensitive testing responsibility for our lab. Our proposed new lab will be in Anchorage where valuable hours can be saved between sample collection and test results for raw and live seafood industries.

A core function of government is protection of human health and the environment. Government must be prepared to respond to unanticipated outbreaks of disease or the presence of contamination in food, water and animals. The Alaska seafood and food safety laboratory fulfills these functions. We analyze raw, finished, and value-added food products for bacteria, chemicals, and toxic contaminants.

The laboratory protects Alaskans by monitoring animals for zoonotic diseases--transferred from animals to humans—such as Brucellosis. Lab technicians test food products for Botulism, Salmonella, Listeria and fecal coliforms and also test public drinking water for Giardia, a common contaminant found in surface water, and Cryptosporidium.

The laboratory supports the seafood, dairy and shellfish industries.

To successfully market Alaska's high quality shellfish and seafood, the public must be assured they are safe. Federal requirements for shellfish are very strict because the health risks are great. Through monitoring and testing the lab assures the safety of Alaska's growing shellfish industry, including geoducks, mussels and oysters. Through new PSP sampling and testing procedures, live geoduck sales have begun to enable the industry to ship approximately 50-60 percent of its geoduck quota live, increasing its value from three fold. When the industry reaches its goal of 85 percent live shipment, the industry's value will be worth approximately \$2.5 million.

A perfect example of how this lab has and will continue to help Alaska's economy grow is the farmed oyster industry. As I'm sure you all know, Alaskan oysters are top quality and easily merit their good wholesale price. In the recent past, this industry did not exist. DEC lab staff are some of the experts who helped oyster farmers get started. With our assistance, farmers set up operations that met National Shellfish Sanitation standards which must be met to sell raw product. Those standards require that DEC sample the growing water to ensure it is free from contamination. As the industry grew, it became more difficult for our staff to travel to remote

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
COMMISSIONER BALLARD SB 215 TESTIMONY

locations for the collection of water samples. We developed a method for harvesters to collect their own water samples thereby increasing the opportunity for growing areas to be approved.

The laboratory is also providing proof that Alaska's commercial fish species are of the highest quality and free of contaminants by monitoring commercially caught species for pollutants. Over 600 samples were collected last year and the results will be available next month.

The laboratory supports Alaska's private labs by certifying them to conduct drinking water analysis. We train 190 private lab staff a year on how to test drinking water according to EPA standards, and assist private laboratories in obtaining certification and approval to perform federally regulated tests.

We cannot depend on private laboratories to maintain testing and analytical capabilities for situations when there is no profit margin. When private markets develop, our laboratories get out of the business. For example, the Seafood and Food Safety Laboratory does not test drinking water for fecal coliform because private labs are capable of conducting those tests. The DEC laboratory only conducts tests that are federally required to be done by a State lab or are not provided elsewhere in the state.

The health of Alaskans and the success of Alaska's seafood, shellfish, and dairy industries are contingent upon the smooth and continued operation of the seafood and food safety laboratory. Through our testing, monitoring, and technical support, the laboratory assures the health of Alaskans and our environment, and supports the development of our abundant resources.

MAY 12 2003



UNITED FISHERMEN OF ALASKA

May 12, 2003

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

Senator Gary Stevens
Chairman, Senate State Affairs Committee
State Capitol (MS 3100)
Juneau, AK 99801-1182

RE: SB 215 – State Seafood Safety Lab

Dear Senator Stevens,

UFA supports SB 215, regarding the construction of a new Seafood Safety Lab in Anchorage. This is very important to commercial dive fishermen and other shellfish harvesters, and for testing done on other fisheries in the seafood industry.

Anchorage is a great central location that will provide service to statewide users of the lab. While it is unfortunate for Palmer to lose the current facility, the increased access to transportation provided in Anchorage will benefit the users of the lab, and the seafood industry in general. In seafood testing, sometimes minutes or hours can be of great importance.

The mariculture and shellfish industry is growing in the state, and is ready to benefit from the selling of live geoducks and the increased prices this will bring to the state and coastal communities. Testing is critically time-sensitive in providing for live sales. We feel that the seafood testing lab established through SB 215 will provide a return on the investment that the state is making.

We urge your support for SB 215.

Sincerely,


Jerry McCune

Government Relations

Copy: Governor Frank Murkowski

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Druggers Association • Alaska Longline Fishermen's Association • Alaska Trollers Association • At-sea Processors Association • Bristol Bay Reserve
Chignik Regional Aquaculture Association • Chignik Soiners Association • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association • Cordova District Fishermen United
Crab Rationalization and Buyback Group • Douglas Island Pink and Chum • Groundfish Forum • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association
Kodiak Soiners Association • North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Old Harbor Fishermen's Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Soiners Association • Southern Southeast Regional Aquaculture Association
United Cook Inlet Drift Association • United Salmon Association • United Southeast Alaska Gillnetters • Western Gulf of Alaska Fishermen

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION
OFFICE OF THE COMMISSIONER

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

May 9, 2003

The Honorable Gary Stevens
Chairman, Senate State Affairs Committee
Alaska State Senate
State Capitol, Room 417
Juneau, Alaska 99801

Dear Senator Stevens:

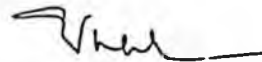
The Department of Environmental Conservation requests a hearing on SB 215 an "Act giving notice of and approving the entry into and the issuance of certificates of participation for a lease-purchase agreement for a seafood and food safety laboratory facility." The State Seafood and Food Safety Laboratory 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 been planning 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 Senate State Affairs 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
Mary Siroky, Legislative Liaison, DEC

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 8, 2003

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

Dear President Therriault:

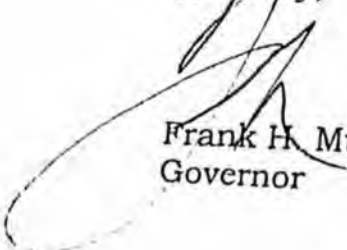
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to issuing certificates of participation to fund a new seafood and food safety laboratory.

The state's food safety laboratory plays a vital role in protecting the health of Alaskans. The seafood and food safety laboratory tests crabs, geoducks, and other shellfish for toxins, a service not offered in the private sector. Local dairy products must be tested by a state laboratory before they can be sold to schools and the military. Federal law also requires a state laboratory to certify private laboratories to perform drinking water compliance testing for public water systems. Additionally, the new laboratory will have an area designated as bio safety level III for testing of anthrax or other bio-terrorism agents. The new laboratory would not duplicate existing laboratories in the state.

The current lease will soon expire, requiring the facility to be relocated. Building a state-owned facility is cheaper than leasing a privately-owned facility, and the state owns a parcel of land ready for development. The Alaska State Legislature has recognized the need for replacement through previous planning and design appropriations. The 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.

In the interests of public health for Alaskans and consumers of Alaskan 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,


Frank H. Murkowski
Governor

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).

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

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

NorQuest Seafoods Inc. (Ketchikan Division)
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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 impart 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 Stone, 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 fell free to contact me.

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

February 6, 2003

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

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 and rabies.
- 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.