

SCR

6

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 3/17/03

FURTHER: Finance

Date of 5-Day Notice: 4/2/03  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 4/9/03

State Affairs Committee considered SENATE CONCURRENT RESOLUTION NO. 6

**SCR 6 LOCATION OF NEW SEAFOOD LAB**

Relating to the location of the state's new seafood laboratory.

and recommends:

**Senate Bill:**

same title

new title

**House Bill:**

same title

technical title

new: SCR # \_\_\_\_\_

be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

attached amendment(s)

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to \_\_\_\_\_ Committee

**NEW FISCAL NOTE(S):**

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
STA	4/9/03		✓	1

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>John Caproni</i>			✓	
<i>John Caproni</i>	✓			
<i>John Caproni</i>			✓	
CHAIR: <i>John Caproni</i>			✓	

SCR 4

## **Seafood and Food Safety Laboratory Replacement Alaska Seafood International or Lease Purchase Comparison**

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The Department of Environmental Conservation and the Department of Transportation and Public Facilities hired Livingston Slone to determine the cost of constructing the lab in a portion of Alaska Seafood International (ASI). This analysis was completed March 31, 2003.

### **Costs**

- As prepared, the construction costs are similar.
- The ASI estimated construction costs do not include the modifications necessary to eliminate restrictions on other tenants. For example, a separate foundation system would allow other tenants to operate vibration causing equipment.

### **Issues**

- Due to the sensitive nature of lab equipment, other current or future tenants in ASI will be limited in the type of vibration causing equipment they can operate.
- Similarly, other ASI tenants may not perform work that produces extensive chemical fumes.
- A lease for the lab will be for the life of the building, meaning AIDEA or the State will always have occupancy rights to the lab portion of the building.

### **Financing Concerns**

- The Department of Revenue has stated that Certificates of Participation (COP) are not a recommended option for funding construction of the lab in ASI.
- The Governor is introducing a bill to fund lab construction using COPs, in case that option is chosen. If ASI is the preferred alternative, a general fund appropriate will be necessary and the Governor's bills will not be needed.

### **Contacts**

- Department of Environmental Conservation, Kristin Ryan - Director, Division of Environmental Health, 269-7644; Mike Maher - Director, Division of Information Services, 465-5256.
- Department of Revenue, Deven Mitchell, Debt Manager, 465-3750
- Department of Transportation and Public Facilities, Matt Tanaka, Project Manager, 266-2175
- Alaska Industrial Development and Export Authority, Jim McMillan, 269-3030
- Livingston Slone, Tom Livingston, 562-2058

# Seafood and Food Safety Laboratory Replacement

4/3/03

Funding Options	State owned building on State owned land	ASI building modificati
Additional Capital Required	Certificates of Participation	GF Appropriation
Design <sup>(DOT/PF)</sup>	0.0	950.6 <sup>(1)</sup>
Construction <sup>(Livingston Slone Inc)</sup>	10,678.8	8,600.2
Contingencies <sup>(DOT/PF)</sup>	1,524.1	1,978.6
Equipment and Fixtures	1,264.0	1,264.0
Administration and other <sup>(DOT/PF)</sup>	618.1	581.0
<b>Total</b>	<b>14,085.0</b>	<b>13,374.4</b>

(1) Balance of \$1,300.0 design appropriation redirected to ASI design costs (~\$650.0 if decision by 4/15/03)

## Additional Annual Operating Expenditures

Operations and Maintenance	200.0	200.0
Lease <sup>(AIDEA)</sup>		312.5
Annual Debt Service <sup>(DOA)</sup>	1,300.0	
paid by other funding sources		
<b>Total</b>	<b>1,500.0</b>	<b>512.5</b>

Contact: Kristin Ryan, Director, Division of Environmental Health, 269-7644

# 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).



# ALASKA STATE LEGISLATURE

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SENATOR THOMAS H. WAGONER  
CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE  
VICE-CHAIR, SENATE RESOURCES COMMITTEE

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## SPONSOR STATEMENT SCR 6 – LOCATION OF NEW SEAFOOD LAB

Two current issues pertain to this resolution. One is that the existing seafood lab in the Mat-Su will be closed soon and needs to be replaced.

The other is that the Alaska Industrial Development and Export Authority (AIDEA) currently owns a 250,000 square foot underutilized state-of-the-art seafood processing facility in Anchorage.

The funding history for replacement of the lab began in FY 1999 with a \$145,700 appropriation for a feasibility study. In FY 2001, at a cost of \$240,000, the Department of Environmental Conservation contracted for a conceptual design. A state-owned parcel adjacent to the Anchorage Department of Health and Social Services public health lab was determined as the most accessible and economical site for a new lab. In FY2002, an appropriation of \$1.3 million was allocated for a complete design.

This year, the legislature is being asked to approve a bond bill for construction costs of some \$14.285 million.

This resolution suggests that a better use of state funds would be to incorporate the proposed lab into the existing AIDEA owned building that currently houses Alaska Seafood International (ASI).

AIDA has provided \$50 million for constructions and long-term financing for the processing building and retains a 29% equity position in ASI and ownership of the plant and land underlying the plant.

The State could realize substantial cost savings by construction of the lab within this existing state owned facility.

SS SJR 6 – S(STA) 3-18-03 mj

# FISCAL NOTE

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

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SCR 6  
 (S) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: \_\_\_\_\_  
 Title Location of New Seafood Lab BRU \_\_\_\_\_  
 Component \_\_\_\_\_  
 Sponsor Senator Wagoner  
 Requester Senate State Affairs Committee Component No. \_\_\_\_\_

**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)

Prepared by: SENATE STATE AFFAIRS COMMITTEE  
 Division \_\_\_\_\_  
 Approved by: Senator Gary Stevens, Chair  
 Agency \_\_\_\_\_

Phone 465-4522  
 Date/Time 4/7/03 11:42 AM  
 Date 4/7/2003