

**SB**

**153**

SB153



FRANK H. MURKOWSKI  
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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 24, 2005

The Honorable Ben Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to international airports revenue bonds.

The bill would amend AS 37.15.410 to increase the cumulative authorization for international airports revenue bonds from the current \$524,500,000 to \$812,500,000. This increase will allow the sale of up to \$288,000,000 in new international airports revenue bonds to support capital improvement programs for fiscal years 2006 through 2009 at the Ted Stevens Anchorage International Airport and Fairbanks International Airport, which together comprise the Alaska International Airports System (AIAS). AS 37.15.410 states the cumulative amount of bonds authorized since the creation of the international airports revenue bonding program, including those already fully retired, and does not reflect the dollar amount of bonds outstanding at any given time.

Funding for operations and capital improvements of the AIAS is obtained from charges for the use of airport facilities, primarily paid by commercial airlines. The AIAS and the airlines that are signatories to the International Airports System Operating Agreement have agreed to a capital improvement program approved by the signatory airline ratepayers through a voting procedure under the Operating Agreement. With full support of the airlines, revenue bond funding allows the cost of long-term airport projects to be spread over longer periods of time, such as the useful life of the projects. Annual debt service will be paid through airline rates and fees -- and in some cases, federal grant proceeds or passenger facility charges.

COMMITTEE COPY

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Additional bond authorization under AS 37.15.410 was granted in 2001 and again in 2003, to implement the AIAS capital improvement program through fiscal year 2005. Additional bond authorization is now required to finance the continuation of the capital improvement program. AS 37.15.410 has, to date, authorized the state to issue up to \$524,500,000 of revenue bonds to support airport projects. This authority, cumulative since the inception of AS 37.15.410, has been exhausted, with outstanding bond principal standing at approximately \$427,000,000 as of June 30, 2004. The increase in this bill is required to allow the sale of additional bonds.

The authority sought in this bill would increase the bond authorization limit to finance capital improvements at both the Ted Stevens Anchorage International Airport and Fairbanks International Airport through fiscal year 2009. By including the full authorization in this bill, the state could sell bonds in a single offering or in multiple offerings, as best maximizes the efficiency and reduces the cost of bond issuance, while providing financing as required to meet project needs.

At Anchorage, these bond proceeds would provide some or all of the state share for federal airport improvement program projects such as airfield pavement maintenance, equipment, noise abatement program implementation, master planning, advanced project/parking design study, and aircraft rescue and fire fighting building rehabilitation. Anchorage bond projects not primarily supported by federal money include such projects as information technology improvements, terminal rehabilitation, general aviation parking and taxiway relocation, and homeland security renovation. Bond proceeds also would fund the lion's share of the Anchorage South Terminal Concourse A and B remodel project.

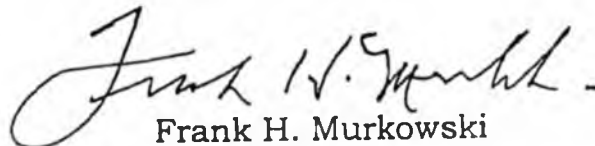
At Fairbanks, these bond proceeds would provide the state share for primary runway reconstruction, including pavement replacement, associated airfield lighting reconstruction, and relocation of the heavy aircraft cargo apron to meet airport design criteria and to permit development of underutilized land. Bond proceeds also would replace worn out airport operations, safety, and maintenance equipment. Finally, the bond proceeds would provide the bulk of the funding necessary for a terminal area development project at Fairbanks. This project would upgrade and replace Fairbanks terminal facilities to resolve seismic and code deficiencies, as well as to accommodate future growth in passenger numbers.

The AIAS is an increasingly vital and growing part of our economic engine. The AIAS and the state's major air carriers propose to continue

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developing our world-class international airports through the implementation of the International Airports Operating Agreement, supported by the issuance of the additional revenue bonds that would be authorized by this bill. In order to assure timely project development, I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in cursive script, reading "Frank H. Murkowski".

Frank H. Murkowski  
Governor

Enclosure

# STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF TRANSPORTATION  
AND PUBLIC FACILITIES  
OFFICE OF THE COMMISSIONER

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April 4, 2005

The Honorable Charlie Huggins  
Chair, Senate Transportation  
State Capitol, Room 417  
Juneau, Alaska 99801

Dear Senator Huggins:

I respectfully request that you schedule Senate Bill 153 for a hearing before the Senate Transportation Committee. This bill would authorize the sale of up to \$288 million in new international airport revenue bonds that will fund terminal remodels at the Anchorage and Fairbanks International Airports. In addition, it would provide state matching dollars for federal airport improvement projects and fund other smaller capital improvement projects.

Annual debt service on the revenue bonds will be paid for primarily through airline rates and fees. All the projects requiring bond funding were approved by the Alaska International Airport Systems' 26 signatory airlines in January of this year.

At the Ted Stevens Anchorage International Airport, the bond package includes \$91 million for a seismic retrofit of the A and B concourses of the South Terminal. The fix ensures that the rest of the terminal meets current health and safety standards and will assist with business development.

In addition to the Concourse A and B retrofit, bonds will provide funding in Anchorage for the federally required match for airfield projects and equipment.

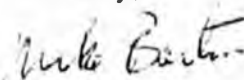
In Fairbanks, \$86.8 million in bond proceeds will upgrade and replace terminal facilities to accommodate future growth in passenger numbers and address seismic and code issues. Bond proceeds will also provide for the state share of primary runway reconstruction and replacement of airport equipment.

Cash flow analysis indicates the need for a bond sale in January of 2006.

The Governor has submitted in his FY06 capital budget some spending authority requests for portions of the bond-funded program to be initiated in FY06. Additional spending authority for bond-funded projects will also be required in fiscal years 2007 through 2009.

I urge your prompt and favorable action on this measure.

Sincerely,

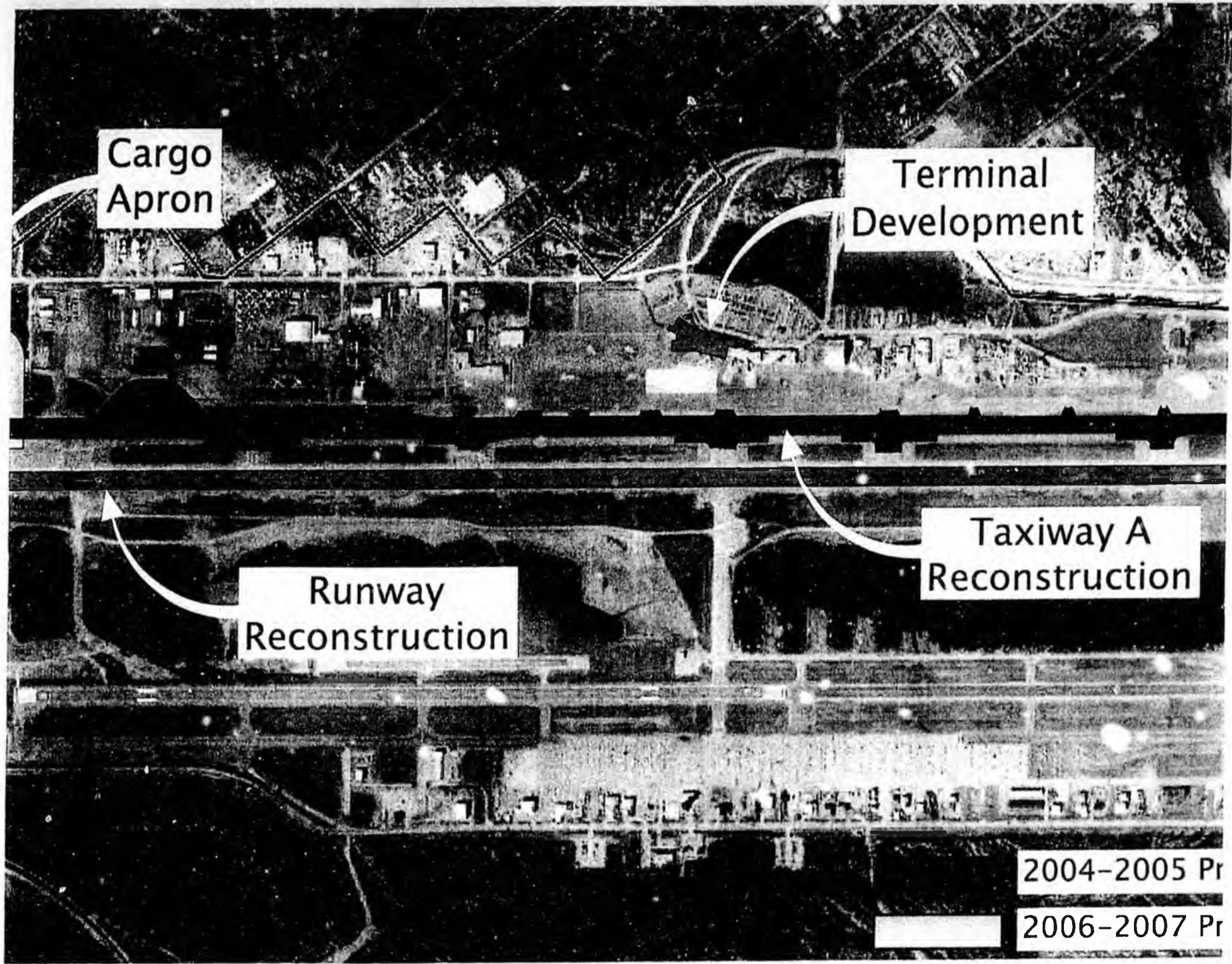
  
Mike Barton  
Commissioner

# AIAS Bond Funding Requirement

AIRPORT	ITEM	OTHER FUNDING	BONDS	TOTAL
ANC	A&B Retrofit	51.5	91.5	143.0
FAI	TERMINAL	12.4	86.8	99.2
ANC	CIP (FY06 - 09)	118.8	29.2	148.0
FAI	CIP (FY06 - 09)	50.4	5.5	55.9
Deferred	CIP (FY04 - 06)	0.0	19.9	19.9
<b>TOTAL</b>		<b>233.1</b>	<b>232.9</b>	<b>466.0</b>
<b>Capitalized Interest</b>			<b>30.2</b>	
<b>Issuance Costs</b>			<b>24.9</b>	
<b>Total Bond Sale</b>			<b>288.0</b>	

**Alaska International Airport System  
FY06 – FY09  
Bond Funded Projects**

<u>FAI</u>	<u>Bond Amount</u>	<u>Total Project</u>
Federal Match - Runway Reconstruction	\$ 2,587,500	\$ 51,750,000
Airfield Maintenance Equipment	\$ 2,934,000	\$ 2,934,000
Terminal Redevelopment	<u>\$ 86,843,500</u>	<u>\$ 99,843,500</u>
	\$ 92,365,000	\$154,527,500
<u>ANC</u>		
Federal Match – Airfield, Aprons, GA Parking, Taxiways	\$ 5,439,662	\$ 51,307,848
AOA Snow Melting System	\$ 3,000,000	\$ 3,000,000
South Terminal Seismic and Security Retrofit	\$ 91,500,000	\$143,000,000
Consolidated Facilities Center	\$ 5,000,000	\$ 5,000,000
Homeland Security/Terminal Area Upgrades	\$ 13,639,000	\$ 14,639,000
Noise Abatement and Land Acquisition	\$ 2,661,000	\$ 23,361,000
Safety/Security/Information Systems Improvements	\$ 6,474,000	\$ 11,974,000
Utilities/Roads/Grounds Upgrades	\$ 5,084,000	\$ 6,584,000
Airfield Maintenance Equipment	\$ 4,363,000	\$ 18,033,000
Advance Project Planning/Design	<u>\$ 6,900,000</u>	<u>\$ 10,900,000</u>
	\$144,060,362	\$287,798,848



Cargo Apron

Terminal Development

Runway Reconstruction

Taxiway A Reconstruction

2004-2005 Pr

2006-2007 Pr



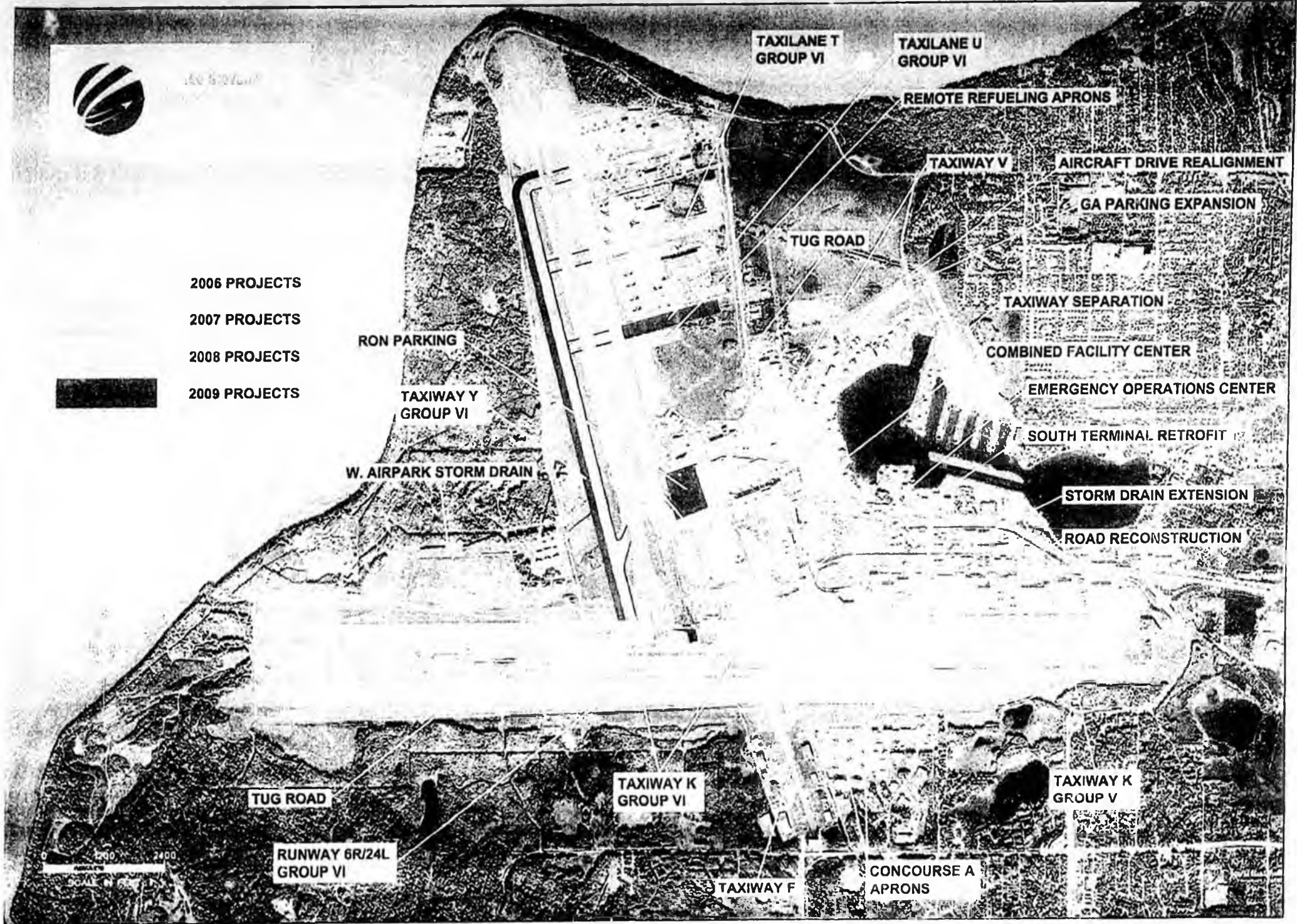
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2006 PROJECTS

2007 PROJECTS

2008 PROJECTS

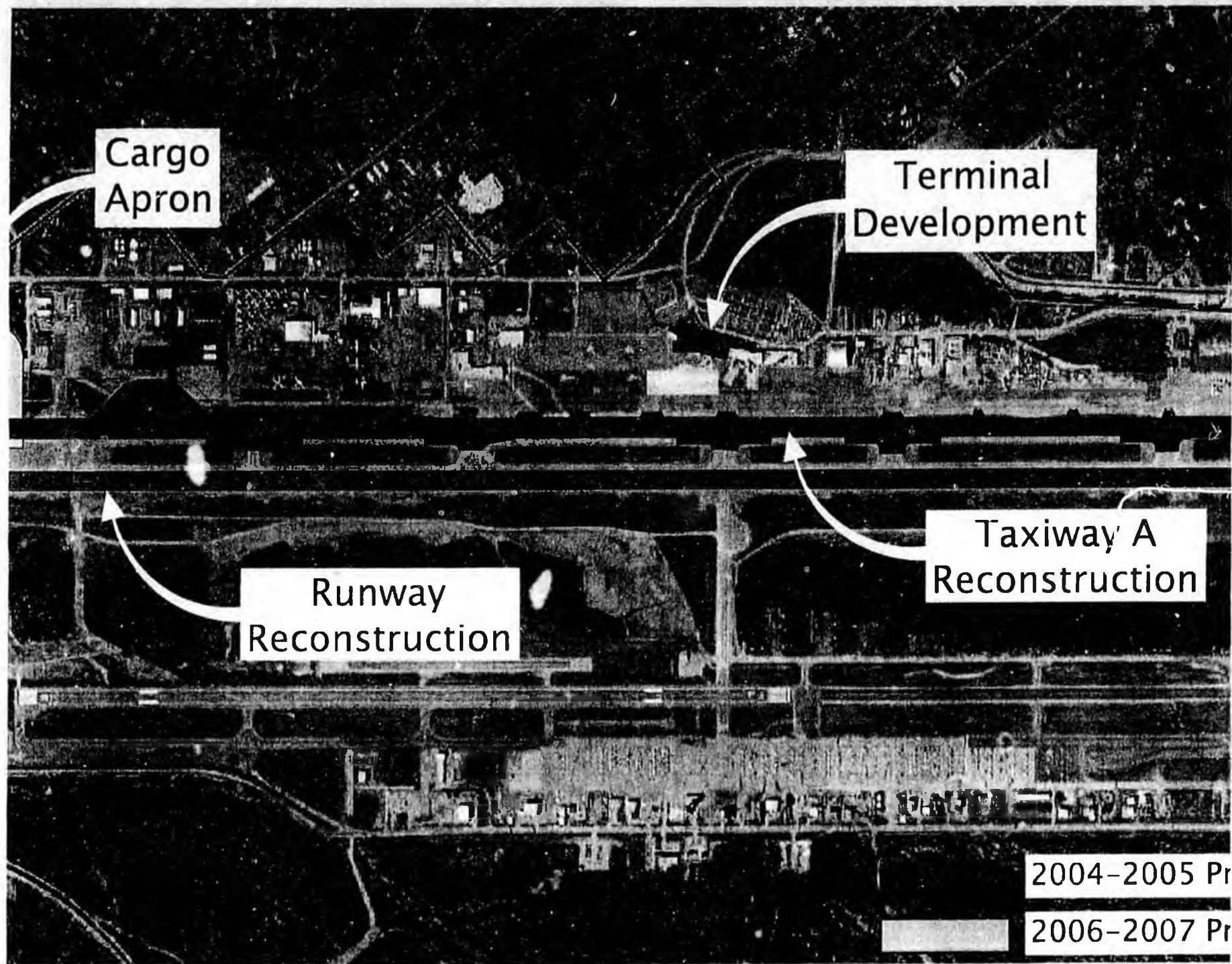
2009 PROJECTS



**Alaska International Airport System  
FY06 – FY09  
Bond Funded Projects**

<u>FAI</u>	<u>Bond Amount</u>	<u>Total Project</u>
Federal Match - Runway Reconstruction	\$ 2,587,500	\$ 51,750,000
Airfield Maintenance Equipment	\$ 2,934,000	\$ 2,934,000
Terminal Redevelopment	<u>\$ 86,843,500</u>	<u>\$ 99,843,500</u>
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Cargo  
Apron

Terminal  
Development

Runway  
Reconstruction

Taxiway A  
Reconstruction

2004-2005 Pr

2006-2007 Pr

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 153  
 (S) Publish Date: 3/29/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Airport Bonds RDU Revenue Operations  
 Component Treasury Division  
 Sponsor Rules Committee  
 Requester Governor Component No. \_\_\_\_\_

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

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel	15.0					
Contractual		10.0	10.0	10.0	10.0	10.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service			19,465.2	19,465.2	19,465.2	19,465.2
<b>TOTAL OPERATING</b>	<b>15.0</b>	<b>10.0</b>	<b>19,475.2</b>	<b>19,475.2</b>	<b>19,475.2</b>	<b>19,475.2</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	15.0	10.0	10.0	10.0	10.0	10.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
AIAS Revenue Fund			19,465.2	19,465.2	19,465.2	19,465.2
<b>TOTAL</b>	<b>15.0</b>	<b>10.0</b>	<b>19,475.2</b>	<b>19,475.2</b>	<b>19,475.2</b>	<b>19,475.2</b>

Estimate of any current year (FY2005) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation authorizes the State Bond Committee to issue \$288.3 million in revenue bonds to support the Alaska International Airport System capital improvement program.

Project size is approximately \$265 million. Initial debt assumptions are \$100 million in variable-rate bonds, and the balance in 25-year term bonds with fixed interest rates and serial maturities. Eighteen months of capitalized interest is assumed, with interest expense to be paid from bond proceeds. The blended assumed interest rate is 4.46%. Assumptions, including interest rates, are likely to change over time.

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750  
 Division: Treasury Division Date/Time 3/21/05 3:35 PM  
 Approved by: Tom Boutin, Deputy Commissioner Date 3/21/2005  
 Agency: Department of Revenue