

HB

184

<target><bill>HB 184</bill><subject>HB
184</subject><comm>SFIN26</comm></target>

Myron J. Dosch, CPA
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UNIVERSITY
of ALASKA
Many Traditions One Alaska

March 24, 2009

The Honorable Representative Mike Kelly
State Capitol, Room 513
Juneau, Alaska 99801-1182

Dear Representative Kelly:

On behalf of the University of Alaska and President Hamilton, I offer this letter of support for House Bill 184: "An Act relating to debt authorization of the University of Alaska". My position is Controller for the University of Alaska and I oversee its debt function.

AS14.40.253 requires that when the University anticipates a financing will exceed \$1.0 million in annual debt service, notice to and approval from the Legislature is required. This bill updates the statute for construction inflation by increasing that threshold to \$2.5 million. I believe this bill will reduce the administrative impact to the University and Legislature for approving smaller debt issuances. At the same time, Legislative oversight is retained for relatively large debt issuances.

AS14.40.253 was originally issued in 1990 and construction inflation in Alaska has been steady since. In 1990, \$1.0 million of annual debt service was about a \$15 million capital project financing. Now, that same project costs about \$40 million, or approximately \$2.5 million in annual debt service.

The University has solid credit ratings from Standard and Poor's at AA-, and Aa3 from Moody's Investors Services. With \$127 million in debt currently outstanding, the University is below half of the Board of Regents' debt policy limit of five percent of unrestricted revenues, or \$317 million. The University's track record shows that it has used debt prudently and responsibly to further its strategic mission in the state.

I appreciate your support of House Bill 184. If there are any questions, please contact me.

Sincerely,

Myron Dosch

Derek Miller

From: Myron J. Dosch [Myron.Dosch@alaska.edu]
Sent: Monday, March 23, 2009 9:46 AM
To: Derek Miller
Subject: Re: Heads up HB 184

Derek -

To follow up on this morning's House Education Committee hearing on HB184.

All UA capital projects need capital project receipt authority regardless of the source(s) of funding.

Under AS14.40.253, if the capital project anticipates annual debt service over \$1.0m, then notice and approval is needed. The approval referred to here is not receipt authority, rather it is specific approval language that would need to be written into a bill. (This is why the statute says "An appropriation for the project does not constitute approval of the project for the purpose of this section.")

If the project anticipates annual debt service under \$1.0m, AS14.40.253 does not apply. All that is needed is receipt authority. The university can issue debt without any special notice or approval.

Hope this helps,

Myron

Derek Miller wrote:

>
> Myron -
>
> A bill got added to the committee hearing today. They'll bring it up
> first according to the committee aide. I'd suggest dialing in from
> your office around 8:00AM and listen to the hearing until you hear HB
> 184 being brought up. That way you can still do work in your office as
> the hearing goes along.
>
> Call me if you have questions, I'll be here for another 45 minutes,
> then I'm going to shoot down to the committee room.
>
> 465-6879.
>
> -D
>
> Derek Miller / Legislative Aide
>
> Office of Representative Mike Kelly
>
> Fairbanks, District 7
>
> p: 907.465.6879/ c: 907.978.1360/ f: 907.465.3883
>
> <http://www.housemajority.org/kelly/index.php>
>

--
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Alaska State Legislature

Juneau

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Fax (907) 452-6096

Member

House Finance Committee

Representative Mike Kelly

House District 7

Sponsor Statement – HB 184

HB184 adjusts the current bond debt cap for the University of Alaska to reflect today's construction prices. Current Alaska Statute allows the University of Alaska to borrow money, issue debt or enter into long-term obligations for the purchase of facilities, goods or services without having to provide notice to the legislature as long as the annual debt service payment doesn't exceed \$1.0 million. HB184 bumps up the threshold to \$2.5 million.

The current bond debt cap limit of \$1.0 million was originally issued in 1990. At that time, \$1.0 million in annual debt service was the cost of financing a \$15.0 million capital project. Taking into account construction inflation in Alaska, a \$15.0 million capital project built in 1990 would cost about \$40.0 million today. Annual debt service on \$40.0 million is \$2.5 million assuming a 4.5% interest rate and a 25-year straight line amortization.

The University has operated a viable debt program over the last 18 years. It has issued 14 general revenue bonds plus other financing arrangements that have been critical in securing funding for capital projects. The University has never suffered a rating downgrade. In fact, in December 2007, Moody's Investor Service upgraded the University credit rating to Aa3. The University continues to monitor its debt capacity and compliance with tax exempt bond covenants. Currently, the amount of debt service outstanding is \$11.2 million. This is less than half the Board of Regents' policy limit of 5% of unrestricted revenues which is \$26.2 million for FY08. This equates to \$127 million in outstanding debt with the ability to issue a total of \$317 million in debt.

By increasing the bond debt cap approval level, the administrative burden of compliance with the statute for smaller bond issues would be reduced for both the legislature and the University. At the same time, legislative oversight would be retained for larger financings.

I would appreciate your support for HB184.

SENATE FINANCE COMMITTEE REPORT

DATE: 4/13/09

FURTHER:

DATE TURNED
IN TO OFFICE: 4/17/10

Finance Committee considered HOUSE BILL NO. 184

HB 184 DEBT AUTHORIZATION FOR UNIVERSITY

"An Act relating to the debt authorization of the University of Alaska."

and recommends:

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

SENATE BILL:
 Same Title
 New Title

HOUSE BILL:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

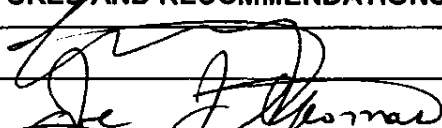
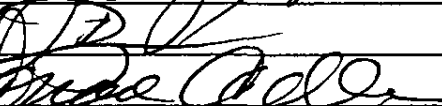
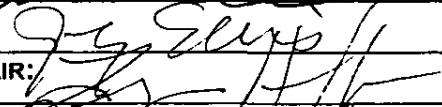
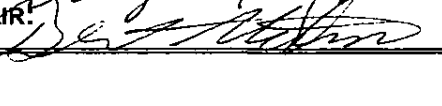


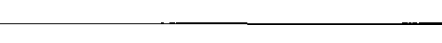
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
UA	3/23			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	HUGHES			 	
	Thomas	✓			
	EGAN	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR: 		✓			
CO-CHAIR: 				✓	

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 184
 (H) Publish Date: 3/25/09

Identifier (file name): HB184-UA-Sysbra-03-23-09 Dept. Affected: University of Alaska
 Title: An act relating to the debt authorization of the University of Alaska RDU: University of Alaska
 Component: Sysbra
 Sponsor: Representatives Kelly and Fairclough
 Requester: Education Committee Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

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								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

HB184 increases the debt authorization level for the University of Alaska and is not anticipated to have a measurable fiscal impact on the University of Alaska.

Prepared by: Alesia Kruckenberg
 Division: University of Alaska
 Approved by: Michelle Rizk
University of Alaska

Phone 907-450-8426
 Date/Time 3/23/09 2:00PM
 Date 3/23/09 2:00PM



LAWS OF ALASKA

1990

Chapter No. 181

Source

HCS CSSB 108(Fin)

01.10.070(c).

AN ACT

Relating to public finance, including lease-financing, and to the disposal of certain property; repealing certain lease-purchasing approval; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 11

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 21, 1990
Actual Effective Date: Section 11 takes effect June 22, 1990;
remainder of Act takes effect July 1, 1990

AN ACT

Relating to public finance, including lease-financing, and to the disposal of certain property; repealing certain lease-purchasing approval; and providing for an effective date.

* Section 1. AS 14.40.040 is amended to read:

Sec. 14.40.040. GENERAL POWERS OF THE UNIVERSITY. There is created and established a corporation to be called the University of Alaska. It may in that name

- (1) sue and be sued;
- (2) receive and hold real and personal property;
- (3) contract and be contracted with;
- (4) adopt, use, and alter a corporate seal;
- (5) borrow money, issue debt, or enter into lo-

obligations, for the purchase of facilities, goods, or service
obligations may secure, in whole or in part, debt issued by
party;

(6) do and have done all matters necessary for the of any function set out [FORTH] in this chapter.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.253. FINANCING NOTICE AND APPROVAL. If the Uni-
ty of Alaska intends to enter into an obligation, except for refinan-
cing obligations, under AS 14.40.040(5) with an annual payment by the
university anticipated to exceed \$1,000,000, the university shall

Chapter 181

provide notice to the legislature. The notice must include the anticipated annual payment amount, the anticipated financing, and the total construction, acquisition, or other costs of the project. The university may not enter into an obligation requiring a financing notice under this section, other than a refinancing obligation, unless the project has been approved by the legislature by law. An appropriation for the project does not constitute approval of the project for the purpose of this section.

* Sec. 3. AS 18.55.255 is amended to read:

Sec. 18.55.255. DISPOSAL OF SURPLUS PROPERTY [PROCEDURE FOR SALE OF LAND]. The authority may convey real or personal property that it determines is in excess of its needs. Except as provided in (b) and (c) of this section, the sale [SALE OF LAND] shall be by public auction or by sealed bids at a price not lower than the fair market value determined by an appraisal made within 180 days before [OF] the sale by a qualified appraiser. Public notice shall be given by publishing notice of the sale at least once a week for two consecutive weeks in a newspaper of general circulation within the area in which the property to be sold is located and by posting notice of sale in at least two public places in the area. In no event may [SHALL] the auction be held less than 30 days after the last day of publication. If no acceptable bids are received the authority may sell the property at negotiated sale [,] within six months after [OF] the date of the auction. A negotiated sale may not be made on an appraisal made more than nine months before the date of sale. The price at a negotiated sale may not be less than the appraised value.

* Sec. 4. AS 18.55.255 is amended by adding new subsections to read:

(b) Real or personal property of the authority may be conveyed to a state or federal agency or political subdivision for less than

the appraised value by the board through the interests of the state agency's or political subdivision's or political subdivision the terms under

(c) Property of the community housing authority under this section are to grantees selected upon terms and conditions of the Department of Housing and Community Development 620.

(d) This section AS 18.55.320 or

* Sec. 5. AS 22.

(a) Subject to the authority over all maintenance, operation and shall cooperate and Public projects are carried out applicable to such

* Sec. 6. AS 36.

Sec. 36.3 adopt and publish services, professional branch. The provisions consistent with the intent of the legislature

ing of the decision. The decision of the chief finance officer is a final decision that may appealed to the superior court under the Alaska Rules of Appellate Procedure. (§ 1 ch SLA 2004)

Sec. 14.40.253. Financing notice and approval. If the University of Alaska ends to enter into an obligation, except for refinancing obligations, under AS 40.040(a)(5) with an annual payment by the university anticipated to exceed 1,000,000, the university shall provide notice to the legislature. The notice must include the anticipated annual payment amount, the anticipated financing, and the total construction, acquisition, or other costs of the project. The university may not enter into an obligation requiring a financing notice under this section, other than a refinancing obligation, unless the project has been approved by the legislature by law. An appropriation for the project does not constitute approval of the project for the purpose of this section. (§ 2 ch 181 SLA 1990; am § 2 ch 90 SLA 1999)

Sec. 14.40.254. University revenue bonds. (a) Subject to AS 14.40.253, the board may issue revenue bonds to pay the cost of acquiring, constructing, or equipping a facility that the board determines is necessary.

(b) The board may enter into an agreement with a trustee or bond owner for the purpose of securing payment of revenue bonds issued by the University of Alaska to acquire, construct, or equip a facility that the board determines is necessary. The agreement may include the fixing and collection of fees, charges, or rentals pledged to secure payment of the revenue bonds and agreement regarding the use of the proceeds of the revenue bonds.

(c) The state pledges not to limit or alter rights vested under this section in the University of Alaska to fulfill the terms of a contract with revenue bond owners.

(d) The board may pledge revenue received by the University of Alaska as fees, charges, or rentals in order to secure payment of the revenue bonds. A pledge of revenue received by the University of Alaska is considered a perfected security interest and is valid and binding from the time the pledge is made. The pledge creates an immediate lien against property pledged without physical delivery or other act. (§ 1 ch 26 SLA 1991)

Sec. 14.40.255. Investment of surplus money. If the Board of Regents determines that there is a surplus of money, received in the form of state and federal appropriations, above the amount sufficient to meet current and projected cash expenditure needs of the university, the surplus must be invested as set out in AS 37.10.071. Income earned on investments made under this section may be retained by the university and expended in accordance with AS 37.07 (Executive Budget Act.) (§ 4 ch 143 SLA 1986; am § 5 ch 141 SLA 1988)

Sec. 14.40.257. Reimbursement for costs of capital projects. (a) Subject to appropriations for the purpose, during each fiscal year, the legislature may appropriate an amount to reimburse the University of Alaska for the cost to be paid by the university during that same fiscal year for the principal and interest on outstanding debt for the

ants to Agricultural College
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of money to establish agricul
gnated as beneficiary under
empowered to establish Agricul
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deral appropriation for agricul
work
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powered to carry on agricultural
rized to make certificates to ob-
ints of money
if research
arate interests
rch forest
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ter money or property.
or other real, personal, or
ka, its improvement or
d, in general, may act as
rposes. The regents shall
as to the administration
0 ACILA 1949; am § 2 ch
; am § 3 ch 71 SLA 2008)

For the purposes of this
e University of Alaska is
due. Upon default, the
under AS 43.23.073.
of the default and the
mailing a notice to the

ments listed in (h) of this section.