

ALASKA LEGISLATURE

1097

HOUSE and SENATE FINANCE COMMITTEE FILES, 1993-1994

SB180 - "An Act relating to reimbursement of school construction debt and the powers of the Municipal Bond Bank Authority"

PROCESS:

- √ School District to receive DOE approval of proposed construction projects eligible for state participation through the Municipal Bond Bank
- √ Municipality to receive voter authorization for bonds with 30% local match and 70% state participation from 4-1-93 to 3-31-97
- √ Municipalities sell their 30% authorized bonds based on local construction schedules to Bond Bank as their match; Bond Bank to sell additional 70% as State's share and submit to municipalities

KEY FEATURES of PLAN:

- √ Provides a four year window for obligated state participation of school construction through bonding to address problems of unhoused students and major maintenance in urban areas
- √ The four year "window" coincides with the declining costs of the current school debt retirement payments as it shrinks by \$50 million annually in FY97 (FY93 to FY94 declined by \$27 million)
- √ Provides a "CAP" on the States 70% share of school construction by limiting authorization to the Bond Bank of \$400,000 million specifically for school construction
- √ The "CAP" of \$400 million will limit State's obligations to \$40 million annually by FY97 on 15 year bonds. Combined with the current pay off schedule by FY97 of \$50 million annually, SB180 projects a continued decline in state costs of \$10 million in the four year period.
- √ Provides access to improved bond ratings for smaller communities.
- √ Allows community bonding capacity to be available for other needs.
- √ Provides local prioritization of projects subject to DOE and voter approval.

POSITION PAPER: DEPARTMENT OF EDUCATION

Division: Administrative Services

Bill Number: SB 7

Bill Title: An Act relating to reimbursement of school construction; and providing for an effective date.

Sponsor: Senator Kerttula

Position Statement: Explain briefly what the bill does, its impact and Department's position, i.e. a) support, b) do not support, c) neutral or d) oppose

SB7 would reinstate the debt reimbursement program for bonds sold by a municipality and approved by the voters for school construction and repair. It would also reinstate the cash reimbursement program for municipal school districts who use locally generated revenue to construct or repair school facilities in their district. The rate of reimbursement would be 80% of principle and interest on the bonds and 80% of cash expenditures. Reimbursement for cash would be on a two year lag basis and eligible expenditures would be verified by the school district's audit. All projects would require the Department of Education's approval. Only those projects or parts of projects approved by the Department would be eligible for reimbursement.

The Department feels that this approach to funding capital projects fails to address critical needs statewide. Only those communities with the capacity to bond or with the available cash could participate in this program. REAAs and many of the small single site districts would be excluded. It is impossible to predict the State's financial liability under this bill. However, at this rate of reimbursement there is very little incentive for school district's to be prudent. Governor Rickel has introduced legislation (HB82 and 83 and SB59 and 60) that would create a comprehensive program to address school construction, rehabilitation and major maintenance needs. The Department believes that an all encompassing program would better serve the state's interest. Therefore, the Department opposes SB 7.

Director: Gary Bader **Division:** Administrative Services

Signature: *Gary M. Bader* **Date:** 1/27/93

Commissioner/Deputy: Jerry Covey/Mike Maher

Signature: *Shula Peterson* **Date:** 1/28/93

for Mike Maher

2131

final

CS FOR SENATE BILL NO. 7(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS KERTTULA, Little, Donley, Kelly, Pearce, Frank, Taylor, Miller, Sharp, Halford

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to grants for school construction, to reimbursement of school
 2 construction debt, and to school construction bonds issued by the Alaska
 3 Municipal Bond Bank Authority; and providing for an effective date."

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

5 * Section 1. AS 14.11.013(b) is repealed and reenacted to read:

6 (b) The department shall recommend school construction grants in the order
 7 of priority established by the grant review committee under AS 14.11.014.

8 * Sec. 2. AS 14.11.013(d) is amended to read:

9 (d) The department shall reduce a project budget by the cost of those portions
 10 of a project design that the department determines (1) are for construction of student
 11 residential space, planetariums, hockey rinks, saunas, and other facilities for single
 12 purpose sporting or recreational uses that are not suitable for other activities; or (2)
 13 do not meet the design guidelines specified under (f) or (g) of this section that are
 14 applicable to the project. This subsection does not apply to funding for swimming

1 pools that meet criteria established by the department.

2 * Sec. 3. AS 14.11.013(e) is amended to read:

3 (e) By November 5, the department shall provide public notice of the grant
4 applications submitted under (a) of this section and the priorities established under
5 AS 14.11.014 [(b) OF THIS SECTION]. After public notice has been given, the
6 department shall, not later than December 1, hold a public hearing on the priorities
7 established under AS 14.11.014 [(b) OF THIS SECTION]. In this subsection, "public
8 notice" means notice published in a newspaper of general circulation and notice to
9 every person who has requested notice about the grant application program from the
10 department.

11 * Sec. 4. AS 14.11.013 is amended by adding new subsections to read:

12 (f) The department shall, in consultation with the Department of Transportation
13 and Public Facilities, develop standard regional design guidelines for the construction
14 of schools in the state. Standard regional school design guidelines shall be developed
15 for the arctic, interior, western, southcentral, and southeastern regions of the state. For
16 each school construction project for which a grant is requested under AS 14.11.011,
17 the department shall determine which standard regional school design guidelines are
18 applicable to that project.

19 (g) A prototypical design utilized by a district may be substituted for a
20 regional design required under (f) of this section if approved by the department.

21 * Sec. 5. AS 14.11 is amended by adding a new section to read:

22 Sec. 14.11.014. BOND REIMBURSEMENT AND GRANT REVIEW
23 COMMITTEE. (a) The commissioner shall establish a bond reimbursement and grant
24 review committee for the purpose of evaluating projects for which retirement of school
25 construction debt is requested, establishing the department's priorities among projects
26 for which school construction grants are requested, and preparing a construction grant
27 schedule. The committee shall consist of the commissioner or the commissioner's
28 designee and four other people selected by the commissioner who have the following
29 qualifications:

30 (1) one person shall be an engineer in private practice licensed under
31 AS 08.48;

1 (2) one person shall be an engineer licensed under AS 08.48 and
2 licensed as a construction contractor under AS 08.18;

3 (3) one person shall be an architect in private practice licensed under
4 AS 08.48; and

5 (4) one person shall have five years of experience in school or
6 municipal facilities management.

7 (b) In evaluating projects for bond reimbursement or establishing priorities
8 among grants as required under this section, the grant review committee shall evaluate
9 all of the following factors, without establishing an absolute priority for any one factor:

10 (1) emergency requirements;

11 (2) priorities assigned by the district to the projects requested;

12 (3) new local elementary and secondary facilities;

13 (4) existing regional, community, and school facilities, and their
14 condition; this paragraph does not include administrative facilities;

15 (5) the amount of district operating funds expended for maintenance;
16 and

17 (6) other program options for accomplishing the project's objectives.

18 (c) Members of the committee serve without compensation, but members who
19 are not representing the department or the Department of Transportation and Public
20 Facilities are entitled to per diem and travel expenses authorized for boards and
21 commissions under AS 39.20.180.

22 * Sec. 6. AS 14.11.100(a) is amended to read:

23 (a) During each fiscal year, the state shall allocate to a municipality that is a
24 school district, the following sums:

25 (1) payments made by the municipality during the fiscal year two years
26 earlier for the retirement of principal and interest on outstanding bonds, notes, or other
27 indebtedness incurred before July 1, 1977, to pay costs of school construction;

28 (2) 90 percent of

29 (A) payments made by the municipality during the fiscal year
30 two years earlier for the retirement of principal and interest on outstanding
31 bonds, notes, or other indebtedness incurred after June 30, 1977, and before

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July 1, 1978₂ to pay costs of school construction;

(B) cash payments made after June 30, 1976₂ and before July 1, 1978₂ by the municipality during the fiscal year two years earlier to pay costs of school construction;

(3) 90 percent of

(A) payments made by the municipality during the fiscal year two years earlier for the retirement of principal and interest on outstanding bonds, notes₂ or other indebtedness incurred after June 30, 1978₂ and before January 1, 1982₂ to pay costs of school construction projects approved under AS 14.07.020(a)(11);

(B) cash payments made after June 30, 1978₂ and before July 1, 1982₂ by the municipality during the fiscal year two years earlier to pay costs of school construction projects approved under AS 14.07.020(a)(11);

(4) subject to (h) and (i) of this section, up to 90 percent of

(A) payments made by the municipality during the current fiscal year for the retirement of principal and interest on outstanding bonds, notes₂ or other indebtedness incurred after December 31, 1981, and authorized by the qualified voters of the municipality before July 1, 1983, to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

(B) cash payments made after June 30, 1982, and before July 1, 1983, by the municipality during the fiscal year two years earlier to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

(C) payments made by the municipality during the current fiscal year for the retirement of principal and interest on outstanding bonds, notes, or other indebtedness to pay costs of school construction, additions to schools, and major rehabilitation projects that exceed \$25,000 and are submitted to the department for approval under AS 14.07.020(a)(11) before July 1, 1983, and approved by the qualified voters of the municipality before October 15, 1983, not to exceed a total project cost of (i) \$6,600,000 if the annual growth rate of

1 average daily membership of the municipality is more than 7 percent but less
2 than 12 percent, or (ii) \$20,000,000 if the annual growth rate of average daily
3 membership of the municipality is 12 percent or more; payments made by a
4 municipality under this paragraph on total project costs that exceed the amounts
5 set out in (i) and (ii) of this paragraph are subject to (5)(A) of this subsection;

6 (5) subject to (h), (i), and (j) of this section, 80 percent of

7 (A) payments made by the municipality during the fiscal year
8 for the retirement of principal and interest on

9 (i) outstanding bonds, notes, or other indebtedness
10 authorized by the qualified voters of the municipality after June 30,
11 1983, but before March 31, 1990, to pay costs of school construction,
12 additions to schools, and major rehabilitation projects that exceed
13 \$25,000 and are approved under AS 14.07.020(a)(11);

14 (ii) outstanding bonds, notes, or other indebtedness
15 authorized by the qualified voters of the municipality before July 1,
16 1989, and reauthorized before November 1, 1989, to pay costs of school
17 construction, additions to schools, and major rehabilitation projects that
18 exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

19 (B) cash payments made after June 30, 1983, by the
20 municipality during the fiscal year two years earlier to pay costs of school
21 construction, additions to schools, and major rehabilitation projects that exceed
22 \$25,000 and are approved by the department before July 1, 1990, under
23 AS 14.07.020(a)(11);

24 (6) subject to (h), (i), (j), and (n) of this section, 70 percent of
25 payments made by the municipality during the fiscal year for the retirement of
26 principal and interest on outstanding bonds, notes, or other indebtedness
27 authorized by the qualified voters of the municipality after April 1, 1993, but
28 before November 5, 1997, to pay costs of school construction, additions to schools,
29 and major rehabilitation projects that exceed \$200,000 and are approved under
30 AS 14.07.020(a)(11);

31 (7) subject to (h), (i), (j), and (n) of this section, 70 percent of

1 payments made after July 1, 1994, by the municipality during the fiscal year for
2 the retirement of principal and interest on outstanding bonds, notes, or other
3 indebtedness authorized by the qualified voters of the municipality after
4 March 31, 1990, but before April 1, 1993, to pay costs of school construction,
5 additions to schools, and major rehabilitation projects.

6 * Sec. 7. AS 14.11.100(a)(6) is repealed and reenacted to read:

7 (6) subject to (h), (i), (j), and (n) of this section, 70 percent of
8 payments made by the municipality during the fiscal year for the retirement of
9 principal and interest on outstanding bonds, notes, or other indebtedness authorized by
10 the qualified voters of the municipality after April 1, 1993, but before November 8,
11 1997 to pay costs of school construction, additions to schools, and major rehabilitation
12 projects that exceed \$200,000 and are approved under AS 14.07.020(a)(11);

13 * Sec. 8. AS 14.11.100(j) is amended to read:

14 (j) Except as provided in (l) of this section, the state may not allocate money
15 to a municipality for a school construction project under (a)(5), (6), or (7) of this
16 section unless the municipality complies with the requirements of (1) - (4) of this
17 subsection, the project is approved by the commissioner before the local vote on the
18 bond issue for the project or for bonds authorized after March 31, 1990, but before
19 November 5, 1997, the bonds are approved by the commissioner before
20 reimbursement by the state, and the local vote occurs before July 1, 1987, or after
21 June 30, 1988. In approving a project under this subsection, the commissioner shall
22 require

23 (1) the municipality to include on the ballot for the bond issue, for
24 bonds authorized on or before March 31, 1990, the estimated total cost of each
25 project including estimated total interest, estimated annual operation and maintenance
26 costs, the estimated amounts that will be paid by the state and by the municipality, and
27 the approximate amount that would be due in annual taxes on \$100,000 in assessed
28 value to retire the debt;

29 (2) that the bonds may not be refunded unless the annual debt service
30 on the refunding issue is not greater than the annual debt service on the original issue;

31 (3) that the bonds must be repaid in approximately equal annual

1 principal payments or approximate equal debt service payments over a period of at
2 least 10 years;

3 (4) the municipality to demonstrate need for the project by establishing
4 that the school district has

5 (A) projected long-term student enrollment that indicates the
6 district has inadequate facilities to meet present or projected enrollment; or

7 (B) facilities that require repair or replacement in order to meet
8 health and safety laws or regulations or building codes.

9 * Sec. 9. AS 14.11.100 is amended by adding new subsections to read:

10 (n) The total amount of school construction projects approved for
11 reimbursement by the department under (a)(6) or (7) of this section may not exceed
12 \$500,000,000.

13 (o) Subject to (h), (i), and (j) of this section, the state shall allocate to the
14 Alaska Municipal Bond Bank Authority 70 percent of payments made by the authority
15 during the fiscal year for retirement of principal and interest on outstanding bonds,
16 notes, or other indebtedness issued under AS 44.85.080 after April 1, 1993, but before
17 November 5, 1997, to pay costs of school construction, additions to schools, and major
18 rehabilitation projects that exceed \$200,000 and are approved under AS 14.07.020(11).

19 * Sec. 10. AS 44.85.080 is amended by adding a new paragraph to read:

20 (23) receive appropriations from the legislature for retirement of
21 principal and interest on bonds, notes, or other indebtedness issued after April 1, 1993,
22 but before November 5, 1997, to pay costs of school construction, additions to schools,
23 and major rehabilitation projects that exceed \$200,000 and are approved under
24 AS 14.07.020(a)(11).

25 * Sec. 11. AS 44.85.180(c) is amended to read:

26 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
27 amount of bond bank authority bonds and notes outstanding at any one time, except
28 bonds or notes issued to fund or refund bonds or notes, may not exceed \$800,000,000,
29 of which \$500,000,000 may only be issued to fund school construction, additions
30 to schools, or major school rehabilitation projects that are approved under
31 AS 14.07.020(a)(11) [\$300,000,000].

1 * Sec. 12. TRANSITION. Notwithstanding AS 14.11.013(f), enacted in sec. 4 of this Act,
2 the Department of Education is not required to determine applicable standard regional school
3 designs for grant projects unless the grant project is submitted to the Department of Education
4 under AS 14.11.011 after July 1, 1994.

5 * Sec. 13. APPLICABILITY. This Act does not apply to school construction projects that
6 are submitted to the Department of Education under AS 14.11.011(a) before the effective date
7 of this section.

8 * Sec. 14. Section 7 of this Act takes effect on the day that the lieutenant governor certifies
9 that a majority of the votes cast on the constitutional amendment described in sec. 15 of this
10 Act were opposed to the amendment.

11 * Sec. 15. AS 14.11.100(o), enacted in sec. 9 of this Act, and secs. 10 and 11 of this Act
12 take effect on the effective date of an amendment to the Constitution of the State of Alaska
13 that creates the Alaska school construction and maintenance fund and that is proposed by the
14 Eighteenth Alaska State Legislature.

15 * Sec. 16. Except as provided in secs. 14 and 15 of this Act, this Act takes effect
16 immediately under AS 01.10.070(c).

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CS FOR SENATE BILL NO. 7(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS KERTTULA, Little, Donley, Kelly, Pearce, Frank, Taylor, Miller, Sharp, Halford

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to grants for school construction, to reimbursement of school
2 construction debt, and to school construction bonds issued by the Alaska
3 Municipal Bond Bank Authority; and providing for an effective date."

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

5 * **Section 1.** AS 14.11.013(b) is repealed and reenacted to read:

6 (b) The department shall recommend school construction grants in the order
7 of priority established by the grant review committee under AS 14.11.014.

8 * **Sec. 2.** AS 14.11.013(d) is amended to read:

9 (d) The department shall reduce a project budget by the cost of those portions
10 of a project design that the department determines (1) are for construction of student
11 residential space, planetariums, hockey rinks, saunas, and other facilities for single
12 purpose sporting or recreational uses that are not suitable for other activities; or (2)
13 do not meet the design guidelines specified under (f) or (g) of this section that are
14 applicable to the project. This subsection does not apply to funding for swimming

1 pools that meet criteria established by the department.

2 * Sec. 3. AS 14.11.013(e) is amended to read:

3 (e) By November 5, the department shall provide public notice of the grant
4 applications submitted under (a) of this section and the priorities established under
5 AS 14.11.014 [(b) OF THIS SECTION]. After public notice has been given, the
6 department shall, not later than December 1, hold a public hearing on the priorities
7 established under AS 14.11.014 [(b) OF THIS SECTION]. In this subsection, "public
8 notice" means notice published in a newspaper of general circulation and notice to
9 every person who has requested notice about the grant application program from the
10 department.

11 * Sec. 4. AS 14.11.013 is amended by adding new subsections to read:

12 (f) The department shall, in consultation with the Department of Transportation
13 and Public Facilities, develop standard regional design guidelines for the construction
14 of schools in the state. Standard regional school design guidelines shall be developed
15 for the arctic, interior, western, and southeastern regions of the state. For each school
16 construction project for which a grant is requested under AS 14.11.011, the department
17 shall determine which standard regional school design guidelines are applicable to that
18 project.

19 (g) A prototypical design utilized by a district may be substituted for a
20 regional design required under (f) of this section if approved by the department.

21 * Sec. 5. AS 14.11 is amended by adding a new section to read:

22 Sec. 14.11.014. BOND REIMBURSEMENT AND GRANT REVIEW
23 COMMITTEE. (a) The commissioner shall establish a bond reimbursement and grant
24 review committee for the purpose of evaluating projects for which retirement of school
25 construction debt is requested, establishing the department's priorities among projects
26 for which school construction grants are requested, and preparing a construction grant
27 schedule. The committee shall consist of the commissioner or the commissioner's
28 designee and five other people selected by the commissioner who have the following
29 qualifications:

30 (1) one person shall be licensed under AS 08.48 as an engineer;

31 (2) one person shall have a teaching certificate issued by the

1 department;

2 (3) one person shall be licensed as a construction contractor under
3 AS 08.18;

4 (4) one person shall be licensed under AS 08.48 as an architect; and

5 (5) one person shall have five years of experience in school or
6 municipal facilities management.

7 (b) In evaluating projects for bond reimbursement or establishing priorities
8 among grants as required under this section, the grant review committee shall evaluate
9 all of the following factors, without establishing an absolute priority for any one factor:

10 (1) emergency requirements;

11 (2) priority assigned by the district to the projects requested;

12 (3) new local elementary and secondary programs;

13 (4) existing regional, community, and school facilities, and their
14 condition;

15 (5) the amount of district operating funds expended for maintenance;

16 and

17 (6) alternative education program options for accomplishing the
18 project's objectives.

19 (c) Members of the committee serve without compensation, but members who
20 are not representing the department or the Department of Transportation and Public
21 Facilities are entitled to per diem and travel expenses authorized for boards and
22 commissions under AS 39.20.180.

23 * Sec. 6. AS 14.11.100(a) is amended to read:

24 (a) During each fiscal year, the state shall allocate to a municipality that is a
25 school district, the following sums:

26 (1) payments made by the municipality during the fiscal year two years
27 earlier for the retirement of principal and interest on outstanding bonds, notes, or other
28 indebtedness incurred before July 1, 1977, to pay costs of school construction;

29 (2) 90 percent of

30 (A) payments made by the municipality during the fiscal year
31 two years earlier for the retirement of principal and interest on outstanding

- 1 bonds, notes, or other indebtedness incurred after June 30, 1977, and before
2 July 1, 1978, to pay costs of school construction;
- 3 (B) cash payments made after June 30, 1976, and before July 1,
4 1978, by the municipality during the fiscal year two years earlier to pay costs
5 of school construction;
- 6 (3) 90 percent of
- 7 (A) payments made by the municipality during the fiscal year
8 two years earlier for the retirement of principal and interest on outstanding
9 bonds, notes, or other indebtedness incurred after June 30, 1978, and before
10 January 1, 1982, to pay costs of school construction projects approved under
11 AS 14.07.020(a)(11);
- 12 (B) cash payments made after June 30, 1978, and before July 1,
13 1982, by the municipality during the fiscal year two years earlier to pay costs
14 of school construction projects approved under AS 14.07.020(a)(11);
- 15 (4) subject to (h) and (i) of this section, up to 90 percent of
- 16 (A) payments made by the municipality during the current fiscal
17 year for the retirement of principal and interest on outstanding bonds, notes, or
18 other indebtedness incurred after December 31, 1981, and authorized by the
19 qualified voters of the municipality before July 1, 1983, to pay costs of school
20 construction, additions to schools, and major rehabilitation projects that exceed
21 \$25,000 and are approved under AS 14.07.020(a)(11); and
- 22 (B) cash payments made after June 30, 1982, and before July 1,
23 1983, by the municipality during the fiscal year two years earlier to pay costs
24 of school construction, additions to schools, and major rehabilitation projects
25 that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and
- 26 (C) payments made by the municipality during the current fiscal
27 year for the retirement of principal and interest on outstanding bonds, notes, or
28 other indebtedness to pay costs of school construction, additions to schools, and
29 major rehabilitation projects that exceed \$25,000 and are submitted to the
30 department for approval under AS 14.07.020(a)(11) before July 1, 1983, and
31 approved by the qualified voters of the municipality before October 15, 1983,

1 not to exceed a total project cost of (i) \$6,600,000 if the annual growth rate of
2 average daily membership of the municipality is more than 7 percent but less
3 than 12 percent, or (ii) \$20,000,000 if the annual growth rate of average daily
4 membership of the municipality is 12 percent or more; payments made by a
5 municipality under this paragraph on total project costs that exceed the amounts
6 set out in (i) and (ii) of this paragraph are subject to (5)(A) of this subsection;

7 (5) subject to (h), (i), and (j) of this section, 80 percent of

8 (A) payments made by the municipality during the fiscal year
9 for the retirement of principal and interest on

10 (i) outstanding bonds, notes, or other indebtedness
11 authorized by the qualified voters of the municipality after June 30,
12 1983, but before March 31, 1990, to pay costs of school construction,
13 additions to schools, and major rehabilitation projects that exceed
14 \$25,000 and are approved under AS 14.07.020(a)(11);

15 (ii) outstanding bonds, notes, or other indebtedness
16 authorized by the qualified voters of the municipality before July 1,
17 1989, and reauthorized before November 1, 1989, to pay costs of school
18 construction, additions to schools, and major rehabilitation projects that
19 exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

20 (B) cash payments made after June 30, 1983, by the
21 municipality during the fiscal year two years earlier to pay costs of school
22 construction, additions to schools, and major rehabilitation projects that exceed
23 \$25,000 and are approved by the department before July 1, 1990, under
24 AS 14.07.020(a)(11);

25 (6) subject to (h), (i), and (j) of this section, 70 percent of payments
26 made by the municipality during the fiscal year for the retirement of principal
27 and interest on outstanding bonds, notes, or other indebtedness authorized by the
28 qualified voters of the municipality after April 1, 1993, but before November 5,
29 1997, to pay costs of school construction, additions to schools, and major
30 rehabilitation projects that exceed \$50,000 and are approved under
31 AS 14.07.020(a)(11).

1 * Sec. 7. AS 14.11.100(j) is amended to read:

2 (j) Except as provided in (l) of this section, the state may not allocate money
3 to a municipality for a school construction project under (a)(5) or (6) of this section
4 unless the municipality complies with the requirements of (1) - (4) of this subsection,
5 the project is approved by the commissioner before the local vote on the bond issue
6 for the project or for bonds authorized after April 1, 1993, but before November 5,
7 1997. the bonds are approved by the commissioner before reimbursement by the
8 state, and the local vote occurs before July 1, 1987, or after June 30, 1988. In
9 approving a project under this subsection, the commissioner shall require

10 (1) the municipality to include on the ballot for the bond issue, for
11 bonds authorized on or before April 1, 1993, the estimated total cost of each project
12 including estimated total interest, estimated annual operation and maintenance costs,
13 the estimated amounts that will be paid by the state and by the municipality, and the
14 approximate amount that would be due in annual taxes on \$100,000 in assessed value
15 to retire the debt;

16 (2) that the bonds may not be refunded unless the annual debt service
17 on the refunding issue is not greater than the annual debt service on the original issue;

18 (3) that the bonds must be repaid in approximately equal annual
19 principal payments or approximate equal debt service payments over a period of at
20 least 10 years;

21 (4) the municipality to demonstrate need for the project by establishing
22 that the school district has

23 (A) projected long-term student enrollment that indicates the
24 district has inadequate facilities to meet present or projected enrollment; or

25 (B) facilities that require repair or replacement in order to meet
26 health and safety laws or regulations or building codes.

27 * Sec. 8. AS 14.11.100(n) is amended by adding a new subsection to read:

28 (n) Subject to (h), (i), and (j) of this section, the state shall allocate to the
29 Alaska Municipal Bond Bank Authority 70 percent of payments made by the authority
30 during the fiscal year for retirement of principal and interest on outstanding bonds,
31 notes, or other indebtedness issued under AS 44.85.080 after April 1, 1993, but before

1 November 5, 1997, to pay costs of school construction, additions to schools, and major
2 rehabilitation projects that exceed \$50,000 and are approved under AS 14.07.020(11).

3 * Sec. 9. AS 44.85.080 is amended by adding a new paragraph to read: -

4 (23) receive appropriations from the legislature for retirement of
5 principal and interest on bonds, notes, or other indebtedness issued after April 1, 1993,
6 but before November 5, 1997, to pay costs of school construction, additions to schools,
7 and major rehabilitation projects that exceed \$50,000 and are approved under
8 AS 14.07.020(a)(11).

9 * Sec. 10. AS 44.85.180(c) is amended to read:

10 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
11 amount of bond bank authority bonds and notes outstanding at any one time, except
12 bonds or notes issued to fund or refund bonds or notes, may not exceed \$700,000,000,
13 of which \$400,000,000 may only be issued to fund school construction, additions
14 to schools, or major school rehabilitation projects that are approved under
15 AS 14.07.020(a)(11) [\$300,000,000].

16 * Sec. 11. APPLICABILITY. This Act does not apply to school construction projects that
17 are submitted to the Department of Education under AS 14.11.011(a) before the effective date
18 of this Act.

19 * Sec. 12. Sections 8, 9, and 10 of this Act take effect on the effective date of an
20 amendment to the Constitution of the State of Alaska that creates the Alaska school
21 construction and maintenance fund and that is proposed by the Eighteenth Alaska State
22 Legislature.

23 * Sec. 13. Except as provided in sec. 12 of this Act, this Act takes effect immediately
24 under AS 01.10.070(c).

A M E N D M E N T

OFFERED IN THE SENATE
TO: CSSB 7(FIN)

BY SENATOR FRANK

Page 1, line 1:

Delete "reimbursement of"

Page 6, after line 9:

Insert a new bill section to read:

"* Sec. 13. APPLICABILITY. This Act does not apply to school construction grants that are submitted to the Department of Education under AS 14.11.011(a) before the effective date of this Act."

Renumber the following bill sections accordingly.

Page 6, line 14:

Delete "sec. 13"
Insert "sec. 14"

SENATE FINANCE
COMMITTEE
Amendment Number: ①
Bill Number: SB 7
Sponsor: _____ Date: 4/20/93
Logged In By: (Signature)

SENATE AMENDMENT

BY: _____

TO: _____ SENATE BILL NO. 7 (Fina)
 TO: _____ HOUSE BILL NO. _____

Page 3

line 24

delete "April 1, 1993"

insert "Oct 1, 1991"

Page 5

Lines 25 + 31

delete "April 1, 1993"

insert "Oct. 1, 1991"

SENATE FINANCE COMMITTEE

Amendment Number: 2

Bill Number: SB 7

Sponsor: _____ Date: 4/21/93

Logged In By: Bon

(TURN IN ORIGINAL AMENDMENT TO SENATE SECRETARY'S OFFICE. THE AMENDMENT WILL BE NUMBERED, COPIED AND DISTRIBUTED.)

4-21-93
En Kelly

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

OFFERED BY SEN. KELLY

TO: CSSB NO. 7

PAGE 3, LINE 12

DELETE "PROGRAMS", INSERT "FACILITIES".

PAGE 3, LINE 17 - 18

DELETE "ALTERNATIVE EDUCATION PROGRAM OPTIONS", INSERT "OTHER PROGRAM OPTIONS".

PAGE 5, LINE 30

DELETE "\$50,000", INSERT "\$300,000"

PAGE 7, LINE 2

DELETE "\$50,000", INSERT "\$300,000"

PAGE 7, LINE 7

DELETE "\$50,000", INSERT "\$300,000"

LEGISLATIVE INTENT

IT IS THE INTENT OF THE LEGISLATURE, THAT SCHOOL BOND DEBT REIMBURSEMENT AND SCHOOL CONSTRUCTION, MAINTENANCE AND REPAIR GRANTS ARE TO BE USED FOR NEW CONSTRUCTION OF SCHOOLS, MAJOR MAINTENANCE AND MAJOR REPAIR OF SCHOOLS , AND ARE NOT INTENDED FOR USE ON BASIC FACILITY MAINTENANCE ACTIVITIES.

SENATE FINANCE #3
COMMITTEE (3)
Amendment Number: _____
Bill Number: SB 7
Sponsor: Kelly Date: 4/21/93
Logged In By: (initials)

8-LS0142AE ✓

Ford

4/19/93

*adopted 4/20/93
u.n.n.*

CS FOR SENATE BILL NO. 7(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): **SENATORS KERTTULA, Little, Donley**

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to grants for school construction, to reimbursement of school
2 construction debt, and to school construction bonds issued by the Alaska
3 Municipal Bond Bank Authority; and providing for an effective date."

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

5 * **Section 1.** AS 14.11.013(b) is repealed and reenacted to read:

6 (b) The department shall recommend school construction grants in the order
7 of priority established by the grant review committee under AS 14.11.014.

8 * **Sec. 2.** AS 14.11.013(d) is amended to read:

9 (d) The department shall reduce a project budget by the cost of those portions
10 of a project design that the department determines (1) are for construction of student
11 residential space, planetariums, hockey rinks, saunas, and other facilities for single
12 purpose sporting or recreational uses that are not suitable for other activities; or (2)
13 do not meet the design criteria specified under (f) of this section that are
14 applicable to the project. This subsection does not apply to funding for swimming

1 pools that meet criteria established by the department.

2 * Sec. 3. AS 14.11.013(e) is amended to read:

3 (e) By November 5, the department shall provide public notice of the grant
4 applications submitted under (a) of this section and the priorities established under
5 AS 14.11.014 [(b) OF THIS SECTION]. After public notice has been given, the
6 department shall, not later than December 1, hold a public hearing on the priorities
7 established under AS 14.11.014 [(b) OF THIS SECTION]. In this subsection, "public
8 notice" means notice published in a newspaper of general circulation and notice to
9 every person who has requested notice about the grant application program from the
10 department.

11 * Sec. 4. AS 14.11.013 is amended by adding a new subsection to read:

12 (f) The department shall, in consultation with the Department of Transportation
13 and Public Facilities, develop standard regional design specifications for the
14 construction of schools in the state. Standard regional school design specifications
15 shall be developed for the arctic, interior, western, and southeastern regions of the
16 state. For each school construction project for which a grant is requested under
17 AS 14.11.011, the department shall determine which standard regional school design
18 specifications are applicable to that project.

19 * Sec. 5. AS 14.11 is amended by adding a new section to read:

20 Sec. 14.11.014. BOND REIMBURSEMENT AND GRANT REVIEW
21 COMMITTEE. (a) The commissioner shall establish a bond reimbursement and grant
22 review committee for the purpose of evaluating projects for which retirement of school
23 construction debt is requested, establishing the department's priorities among projects
24 for which school construction grants are requested, and preparing a construction grant
25 schedule. The committee shall consist of the commissioner or the commissioner's
26 designee and five other people selected by the commissioner who have the following
27 qualifications:

28 (1) one person shall be licensed under AS 08.48 as an engineer;

29 (2) one person shall have a teaching certificate issued by the
30 department;

31 (3) one person shall be licensed as a construction contractor under

1 AS 08.18;

2 (4) one person shall be licensed under AS 08.48 as an architect; and

3 (5) one person shall have five years of experience in facilities
4 management.

5 (b) In evaluating projects for bond reimbursement or establishing priorities
6 among grants as required under this section, the grant review committee shall evaluate
7 all of the following factors:

8 (1) emergency requirements;

9 (2) priorities assigned by the district to the projects requested;

10 (3) new local elementary and secondary programs;

11 (4) existing regional, community, and school facilities, and their
12 condition; and

13 (5) alternative education program options for accomplishing the
14 project's objectives.

15 (c) Members of the committee serve without compensation, but members who
16 are not representing the department or the Department of Transportation and Public
17 Facilities are entitled to per diem and travel expenses authorized for boards and
18 commissions under AS 39.20.180.

19 * Sec. 6. AS 14.11.100(j) is amended to read:

20 (j) Except as provided in (l) of this section, the state may not allocate money
21 to a municipality for a school construction project under (a)(5) of this section unless
22 the municipality complies with the requirements of (1) - (4) of this subsection, the
23 project is approved by the commissioner before the local vote on the bond issue for
24 the project or for bonds authorized after April 1, 1993, but before November 5,
25 1997, the bonds are approved by the commissioner before reimbursement by the
26 state, and the local vote occurs before July 1, 1987, or after June 30, 1988. In
27 approving a project under this subsection, the commissioner shall require

28 (1) the municipality to include on the ballot for the bond issue, for
29 bonds authorized on or before April 1, 1993, the estimated total cost of each project
30 including estimated total interest, estimated annual operation and maintenance costs,
31 the estimated amounts that will be paid by the state and by the municipality, and the

1 approximate amount that would be due in annual taxes on \$100,000 in assessed value
2 to retire the debt;

3 (2) that the bonds may not be refunded unless the annual debt service
4 on the refunding issue is not greater than the annual debt service on the original issue;

5 (3) that the bonds must be repaid in approximately equal annual
6 principal payments or approximate equal debt service payments over a period of at
7 least 10 years;

8 (4) the municipality to demonstrate need for the project by establishing
9 that the school district has

10 (A) projected long-term student enrollment that indicates the
11 district has inadequate facilities to meet present or projected enrollment; or

12 (B) facilities that require repair or replacement in order to meet
13 health and safety laws or regulations or building codes.

14 * Sec. 7. AS 14.11.100(j) is repealed and reenacted to read:

15 (j) Except as provided in (l) of this section, the state may not allocate money
16 to a municipality for a school construction project under (a)(5) of this section unless
17 the municipality complies with the requirements of (1) - (4) of this subsection, the
18 project is approved by the commissioner before the local vote on the bond issue for
19 the project or, for bonds authorized after April 1, 1993, the bonds are approved by the
20 commissioner before reimbursement by the state, and the local vote occurs before
21 July 1, 1987, or after June 30, 1988. In approving a project under this subsection, the
22 commissioner shall require

23 (1) the municipality to include on the ballot for the bond issue, for
24 bonds authorized on or before April 1, 1993, the estimated total cost of each project
25 including estimated total interest, estimated annual operation and maintenance costs,
26 the estimated amounts that will be paid by the state and by the municipality, and the
27 approximate amount that would be due in annual taxes on \$100,000 in assessed value
28 to retire the debt;

29 (2) that the bonds may not be refunded unless the annual debt service
30 on the refunding issue is not greater than the annual debt service on the original issue;

31 (3) that the bonds must be repaid in approximately equal annual

1 principal payments or approximate equal debt service payments over a period of at
2 least 10 years;

3 (4) the municipality to demonstrate need for the project by establishing
4 that the school district has

5 (A) projected long-term student enrollment that indicates the
6 district has inadequate facilities to meet present or projected enrollment; or

7 (B) facilities that require repair or replacement in order to meet
8 health and safety laws or regulations or building codes.

9 * **Sec. 8.** AS 14.11.100(n) is amended by adding a new subsection to read:

10 (n) Subject to (h), (i), and (j) of this section, the state shall allocate to the
11 Alaska Municipal Bond Bank Authority 70 percent of payments made by the authority
12 during the fiscal year for retirement of principal and interest on outstanding bonds,
13 notes, or other indebtedness issued under AS 44.85.080 after April 1, 1993, but before
14 November 5, 1997, to pay costs of school construction, additions to schools, and major
15 rehabilitation projects that exceed \$50,000 and are approved under AS 14.07.020(11).

16 * **Sec. 9.** AS 14.11.100(n) is repealed and reenacted to read:

17 (n) Subject to (h), (i), and (j) of this section, the state shall allocate to the
18 Alaska Municipal Bond Bank Authority 70 percent of payments made by the authority
19 during the fiscal year for retirement of principal and interest on outstanding bonds,
20 notes, or other indebtedness issued under AS 44.85.080 after April 1, 1993, to pay
21 costs of school construction, additions to schools, and major rehabilitation projects that
22 exceed \$50,000 and are approved under AS 14.07.020(11).

23 * **Sec. 10.** AS 44.85.080 is amended by adding a new paragraph to read:

24 (23) receive appropriations from the legislature for retirement of
25 principal and interest on bonds, notes, or other indebtedness issued after April 1, 1993,
26 but before November 5, 1997, to pay costs of school construction, additions to schools,
27 and major rehabilitation projects that exceed \$50,000 and are approved under
28 AS 14.07.020(a)(11).

29 * **Sec. 11.** AS 44.85.080(23) is repealed and reenacted to read:

30 (23) receive appropriations from the legislature for retirement of
31 principal and interest on bonds, notes, or other indebtedness issued after April 1, 1993,

1 to pay costs of school construction, additions to schools, and major rehabilitation
2 projects that exceed \$50,000 and are approved under AS 14.07.020(a)(11).

3 * Sec. 12. AS 44.85.180(c) is amended to read:

4 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
5 amount of bond bank authority bonds and notes outstanding at any one time, except
6 bonds or notes issued to fund or refund bonds or notes, may not exceed \$700,000,000,
7 of which \$400,000,000 may only be issued to fund school construction, additions
8 to schools, or major school rehabilitation projects that are approved under
9 AS 14.07.020(a)(11) [\$300,000,000].

10 * Sec. 13. Sections 7, 9, and 11 of this Act take effect on the effective date of an
11 amendment to the Constitution of the State of Alaska that creates the Alaska school
12 construction and maintenance fund and that is proposed by the Eighteenth Alaska State
13 Legislature.

14 * Sec. 14. Except as provided in sec. 13 of this Act, this Act takes effect immediately
15 under AS 01.10.070(c).

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 1/11/93

FURTHER: FINANCE

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: _____

HESS Committee considered SENATE BILL NO. _____

"An Act relating to reimbursement of school construction debt and providing for an effective date."

and recommends:

replace with _____ CS _____

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

- same title
- new title
- technical title change (HB only)

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

Chair: Signature and Recommendation

SB

16

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/19/93

FURTHER:

DATE TURNED INTO OFFICE: _____

The Finance Committee considered SENATE BILL NO. 16

"An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date."

Died in SFC Inc. into SB 171 - See Amend. #3 SB 171 file.

and recommends:

- replace with _____ CS _____ (FINANCE)
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

- do pass
- do not pass
- no recommendation
- individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS.

OTHER RECOMMENDATIONS:

1. _____

Co-Chair: Signature/Recommendation

2. _____

Co-Chair: Signature/Recommendation

SENATE COMMITTEE REPORT

DATE: 3/18/93

FURTHER: FINANCE

DATE TURNED INTO OFFICE: _____

SC Committee considered SENATE BILL NO. 16

"An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date."

and recommends:

- replace with _____ CS _____ ()
- or adopt previous _____ CS _____ ()
- attaches amendment(s)

- same title
- new title
- technical title change (HF. only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

Chair: Signature and Recommendation

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

JK

DATE: 1/11/93

FURTHER: L&C
FINANCE

Date of 5-Day Notice: 3-11-93
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3-16-93

TRANSPORTATION Committee considered SENATE BILL NO. 16

"An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date." and recommends:

- replace with _____ CS _____ () and report (back as follows
- attaches amendment(s)
- same title
 new title
 technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

- do pass
 do not pass
 no recommendation
 individual recommendations

JK

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal
DOTPF	1/15/93	✓	
DCED	3/16/93	✓	

Department	Date	Zero	Fiscal

- Appropriation No Fiscal Note Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS: Tim Kelly
Roll & Kelly Do Pass
Kutner Do Pass

OTHER RECOMMENDATIONS: Lincoln

Chair: Signature and Recommendation
Chair: Signature and Recommendation

ALASKA STATE LEGISLATURE
SENATE BILL NO. 16

HISTORY IN THE SENATE

HISTORY IN THE HOUSE

1993
 1/11 Read first time and referred to:
TRA L+C FIN

3/18 *ma* RPT() CS 3 DP 2 NR DNP AM
 New Title Same Title Previous FN
 FN 2 OFN To L+C

3/19 *P+C* RPT() CS DP NR DNP AM
 New Title Same Title Previous FN
 FN OFN Waived To FIN

RPT() CS DP NR DNP AM
 New Title Same Title Previous FN
 FN OFN To

Rules Calendar() CS AM Other
 New Title Same Title Previous FN
 FN OFN

Read second time

CS Adopted () New Title
 Amended Advanced

Read third time

Letter of Intent adopted
 Return to second for specific amendment

PASSED EFD Same ___ or
 Yeas Yeas
 Nays Nays
 Excused Excused
 Absent Absent

Reconsideration
 Reconsideration not taken up

PASSED EFD Same ___ or
 Yeas Yeas
 Nays Nays
 Excused Excused
 Absent Absent

Reported correctly engrossed
 Signed by President, to House

Secretary of the Senate

19
 Read first time and referred to:

RPT CS() New Title
 DP DNP NR AM
 FN OFN Previous FN

RPT CS() New Title
 DP DNP NR AM
 FN OFN Previous FN

RPT CS() New Title
 DP DNP NR AM
 FN OFN Previous FN

Read second time
 CS() Adopted

Amended

Advanced

Read third time

Return to second for specific amendment

PASSED EFD Same ___ or
 Yeas Yeas
 Nays Nays
 Excused Excused
 Absent Absent

Intent adopted

Reconsideration
 Reconsideration not taken up

PASSED ON RECON. EFD Same ___ or
 Yeas Yeas
 Nays Nays
 Excused Excused
 Absent Absent

Intent adopted

Reported correctly engrossed, signed by the Speaker
 and returned to the Senate

Chief Clerk of the House

SENATE-HOUSE HISTORY Continued

19

Received from the House
Version: _____

Concur in House amendment
Y ___ N ___ E ___ A ___
_____ Efd same or Y ___ N ___ E ___ A ___

Failed to concur in House amendment, ask House recede
Y ___ N ___ E ___ A ___

House failed to / receded from amendment
Y ___ N ___ E ___ A ___

CC appointed by Senate _____ Chair

CC appointed by House _____ Chair

(S) Granted Limited Powers of Free Conference

(H) Granted Limited Powers of Free Conference

19

(S) Adopted CC Rpt _____
Y ___ N ___ E ___ A ___
_____ Efd same or Y ___ N ___ E ___ A ___

(H) Adopted CC Rpt _____
Y ___ N ___ E ___ A ___
_____ Efd same or Y ___ N ___ E ___ A ___

To enrolling
Received from enrolling
Sent to Governor

_____ By Governor

Chapter Number _____

Filed with Lieutenant Governor

Revision Date:
Title: AIDEA Bonds: Anchorage Seafood
Facility
Sponsor: Ellis
Requestor: Ellis

Department Affected: DOT&PF
BRU: AIA
Component: AIA Administration
Component Serial Number: 613

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING:	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
---------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	0	0	0	0	0	0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: \$0

ANALYSIS: (Attach a separate page if necessary)

No Fiscal Impact

Prepared by: Gina Marie Lindsey

Phone: 266-2540

Division: Anchorage International Airport

Date: January 15, 1993

Approved by Commissioner: Frank G. Turpin

Phone: 465-3900

Agency: Department of Transportation and Public Facilities

Date: January 15, 1993

FISCAL NOTE

No. 1

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Bill Version: SB 16

(S) Publish Date: 3-18-93

Revision Date: _____

Title: An Act relating to the financing authority of AIDEA and
the Alaska Seafood Center

Sponsor: Senator Ellis

Requestor: _____

Department Affected: Commerce and Economic Development

BRU: Alaska Industrial Development and Export Authority

Component: Alaska Industrial Development and Export Authority

COMPONENT SERIAL NO. 1234

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Revenue bonds will be sold to finance the project. It will have no fiscal impact on the General Fund or AIDEA.

Prepared by: William R. Snell, Executive Director

Division: Alaska Industrial Development and Export Authority

Phone: (907) 561-8050

Date: 3/15/93

Approved by Commissioner: Paul Fuhs

Agency: Commerce and Economic Development

Date: 3/16/93

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JOHNNY ELLIS
SENATOR



STATE CAPITOL, ROOM 9
JUNEAU, ALASKA 99801-1182
(907) 465-3704
FAX: (907) 465-2529

ALASKA STATE LEGISLATURE
SENATE

**Sponsor Statement for
Senate Bill 16
The Alaska Seafood Center**

SB 16 authorizes revenue bonds to the Alaska Industrial Development and Export Authority in the amount of \$50 million for design and construction of the Alaska Seafood Center, to be located in Anchorage. This investment would leverage an additional \$115 million in private investment for a total project cost of \$165 million.

The Alaska Seafood Center would employ 450 people full time in addition to employing roughly 200 people during the construction phase of the project. The facility will be designed, engineered and built by Alaskan contractors whenever possible.

The facility would be the first of its kind in Alaska, with secondary processing and cold storage capacities far beyond what is currently available anywhere in the state. Instead of storing product in freezer-vans in their warehouse yards before shipping them to cold storage facilities in Seattle, processors could store product for future sales locally.

Since ASC will be the only major secondary, or value added, processing facility available in Alaska, it will create a new, year-round market within the state to which primary processors can sell their product.

This project is good for the processors, and good for the state's economy. Too many of our fisheries profits are diverted to other states and countries. It's time to turn that trend around by supporting local projects like the Alaska Seafood Center.

I urge your support of Senate Bill 16. Thank you for your consideration.



Matanuska-Susitna Borough

350 EAST DAHLIA AVE, PALMER, ALASKA 99645-6488 • PHONE 745-9682
BOROUGH MAYOR

April 5, 1993

Honorable Steve Frank and Drue Pearce, Co-Chairs
Senate Finance Committee
State Capitol Building, Room 518
Juneau, Alaska 99801-1182

Dear Senators Frank and Pearce:

Attached are the schedules of expenditures by the Matanuska-Susitna Borough for the development of the industrial property at Pt. MacKenzie since 1987. As this information shows, the Borough has invested over \$2 million to make this site suitable for major private industries, such as MIDREX, to locate and operate in the state of Alaska.

The expected return on this investment will be in the form of more jobs for Alaskans, lease payments, property sales, an expanded tax base, and other positive economic benefits for the state and local economies.

S.B. 171 would authorize AIDEA and the Borough to work with the private investors to arrange financing for the public-owned assets associated with this project. Such financing will be accomplished as a loan, and not as a grant.

The basis of both AIDEA's and the Borough's involvement in the MIDREX project is as investors seeking a return for our citizens/shareholders.

PORT DEVELOPMENT OPERATING EXPENDITURES

BY FISCAL YEAR

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Salaries	53,805	80,913	28,234	-0-	-0-
Benefits	15,539	26,083	10,547	-0-	-0-
Expenses Within Borough	1,905	3,542	3,341	263	523
Expenses Outside Borough	6,471	17,197	8,406	8,443	6,877
Communications	663	2,348	1,208	12,749	185
Advertising	645	2,495	3,781	6,902	-0-
Printing	470	824	492	10,589	20
Rental/Leases	210	-0-	200	134	-0-
Professional Charges	-0-	111,044	27,223	12,391	3,309
Maintenance	-0-	85	20	361	-0-
Contractual	3,294	19,758	78,688	116,946	68,721
Office Supplies	830	1,162	648	501	-0-
Miscellaneous Supplies	1,131	1,654	199	759	-0-
Equipment Under \$300	546	346	230	-0-	-0-
Other Equipment	9,916	1,250	-0-	1,120	-0-
Furnishings	-0-	356	-0-	-0-	-0-
TOTAL	95,425	269,057	163,217	171,158	79,635*

* Note the amounts for fiscal year 1993 represent only amounts actually expended or encumbered through December 3, 1992.



Matanuska-Susitna Borough

350 EAST DAHLIA AVE. PALMER, ALASKA 99645-6488 • PHONE 745-9682

BOROUGH MAYOR

April 5, 1993

Honorable Steve Frank and Drue Pearce, Co-Chairs
Senate Finance Committee
State Capitol Building, Room 518
Juneau, Alaska 99801-1182

Dear Senators Frank and Pearce:

Attached are the schedules of expenditures by the Matanuska-Susitna Borough for the development of the industrial property at Pt. MacKenzie since 1987. As this information shows, the Borough has invested over \$2 million to make this site suitable for major private industries, such as MIDREX, to locate and operate in the state of Alaska.

The expected return on this investment will be in the form of more jobs for Alaskans, lease payments, property sales, an expanded tax base, and other positive economic benefits for the state and local economies.

S.B. 171 would authorize AIDEA and the Borough to work with the private investors to arrange financing for the public-owned assets associated with this project. Such financing will be accomplished as a loan, and not as a grant.

The basis of both AIDEA's and the Borough's involvement in the MIDREX project is as investors seeking a return for our citizens/shareholders.

Senate Finance Committee, Page 2

It is my hope that you will find the attached information helpful in making a decision on S.B. 171, and that you will share this information with the other members of the Senate Finance Committee. If I can be of any further assistance, please contact me at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Donald L. Moore". The signature is written in black ink and is positioned above the typed name.

Donald L. Moore, Manager
Matanuska-Susitna Borough

DLM:whk

Attachments (4 pages)

PORT DEVELOPMENT OPERATING EXPENDITURES

BY FISCAL YEAR

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Salaries	53,805	80,913	28,234	-0-	-0-
Benefits	15,539	26,083	10,547	-0-	-0-
Expenses Within Borough	1,905	3,542	3,341	263	523
Expenses Outside Borough	6,471	17,197	8,406	8,443	6,877
Communications	663	2,348	1,208	12,749	185
Advertising	645	2,495	3,781	6,902	-0-
Printing	470	824	492	10,589	20
Rental/Leases	210	-0-	200	134	-0-
Professional Charges	-0-	111,044	27,223	12,391	3,309
Maintenance	-0-	85	20	361	-0-
Contractual	3,294	19,758	78,688	116,946	68,721
Office Supplies	830	1,162	648	501	-0-
Miscellaneous Supplies	1,131	1,654	199	759	-0-
Equipment Under \$300	546	346	230	-0-	-0-
Other Equipment	9,916	1,250	-0-	1,120	-0-
Furnishings	-0-	356	-0-	-0-	-0-
TOTAL	95,425	269,057	163,217	171,158	79,635*

* Note the amounts for fiscal year 1993 represent only amounts actually expended or encumbered through December 3, 1992.

**SPECIFIC PROJECTS ASSOCIATED WITH THE PORT
EXPENDITURE BY FISCAL YEAR**

Port MacKenzie Port Road

	FY87	FY88	FY89	FY90	FY91	FY92	TOTAL
LAND							
Consultants		21,500.00	9,600.00			665.41	31,765.41
Design/Recon.		91,877.00	14,825.00				106,702.00
Printing Costs						5,000.00	5,000.00
Construction					43,829.03		43,829.03
Materials Purchased					92.25		92.25
Misc. Expenses	26.55	96.30	133.00		387.31	26.00	669.16
Advertising	226.40	360.90					587.30
ENGINEERING STAFF							
Administrative Time	3,805.34	5,283.64	1,367.14	5.75			10,461.87
Inspection Time		391.16					391.16
Survey Time		4,994.27					4,994.27
Design Time	1,511.27	503.25	1,742.27				3,756.79
TOTALS	5,569.56	125,006.52	27,667.41	5.75	44,308.39	5,691.41	208,249.24*

* The funding for this project was from the following revenue sources: General Fund Balance (\$21,460), Land Management Fund (\$90,000) and a State Administration Municipal Grant (\$96,789.24).

Point MacKenzie Phase III Road**

	FY88	FY89	FY90	FY91	FY92	TOTAL
LAND						
Land		10,653.62				10,653.62
Survey		5,100.00				5,100.00
Administration (PS&E)		387.00				387.00
Construction		673,043.21	2,940.47			675,983.68
Rental		5,113.03				5,113.03
Materials Purchased		46,197.86				46,197.86
Legal Expense		1,000.65				1,000.65
Advertising		12,757.87				12,757.87
Film Processing		836.30				836.30
Mail Delivery		424.11				424.11
		15.00				15.00
ENGINEERING STAFF						
Administrative Time		37,521.25				37,521.25
Inspection Time		9,239.35				9,239.35
Survey Time		32,985.19				32,985.19
Design Time		1,674.94				1,674.94
FURNISHINGS/EQUIP.						
Furnishings/Equip.		40,006.10				40,006.10
Advertising		104.05				104.05
TOTALS		877,859.53	2,940.47			880,000.00*

* Funding for this project was from the Land Management Fund.

** Phase II related to agricultural parcels only.

Point MacKenzie Transportation Corridor

	FY88	FY89	FY90	FY91	FY92	FY93	TOTAL
BUILDINGS Advertising						223.20	223.20
LAND Design/Recon. Advertising					50,000.00	89.25	50,000.00 89.25
IMPROVEMENTS Survey					23,835.89		23,835.89
TOTALS					73,835.89	312.45	74,148.34*

* Funding for this project was from the General Fund Balance (\$50,000) and the Land Management Fund (\$24,148.34).

Point MacKenzie East Port Site

	FY88	FY89	FY90	FY91	FY92	FY93	TOTAL
IMPROVEMENTS		38,600.00					38,600.00
TOTALS		38,600.00					38,600.00*

* Funding for this project was from the Land Management Fund.

Point MacKenzie AMSA Plan

	FY88	FY89	FY90	FY91	FY92	FY93	TOTAL
PLANNING STUDIES	32,400.00	12,833.53	38,766.47				84,000.00
OTHER CONTRACTUAL					24,070.00	7,930.00	32,000.00
TOTALS	32,400.00	12,833.53	38,766.47		24,070.00	7,930.00	116,000.00*

* Funding for this project was from the General Fund.

In Summary:

Total expenditures from operating funds

\$ 778,492.00

Total expenditures from projects

1,316,997.58

GRAND TOTAL

\$2,095,489.58

SB 16: "An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date."

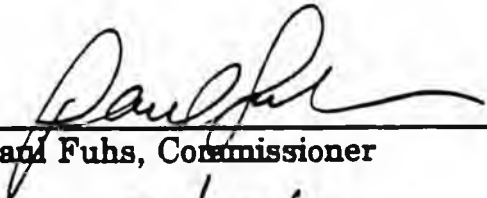
The bill as proposed provides authority for the Alaska Industrial Development and Export Authority (AIDEA) to issue up to \$50,000,000 in bonds to finance the acquisition, design, and construction of a facility for the offloading, processing, storage, and transloading of seafood to be located at or near the Anchorage International Airport. This portion of the Alaska Seafood Center's (ASC) secondary processing project would be owned by the Authority.

The Authority supports this project because of its value in creating jobs, the importance of the seafood industry throughout Alaska, and the potential role the project may have in diversifying seafood exports through value-added secondary processing and storage. The project developer has indicated the project may create 450 direct full-time jobs in addition to 750 indirect jobs. The developer's business plan also indicates the project will support all primary processors in Alaska by the direct purchase of raw material and through the project's 45 million pound public use cold storage facility.

Because of concerns expressed by the Department of Transportation and Public Facilities (DOT&PF) and airlines serving the Anchorage International Airport that a facility located at the airport may attract birds which may cause safety hazards and because the developer has analyzed three additional sites that would be sufficient for the project, the Authority recommends that language saying the facility located at the airport is removed.

In addition, because the project must prove to be feasible prior to AIDEA selling bonds to construct and own the specific portion of the project as indicated, we encourage additional language be added to the bill that would require the developer to obtain additional financing, obtain contracts with primary processors to supply the facility, and obtain market contracts for the sale of the products.

Staff at the Authority recommends full support of the bill with the revised language as indicated above.



Paul Fuhs, Commissioner

3/15/02

Date

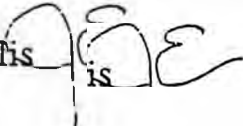
JOHNNY ELLIS
SENATOR



STATE CAPITOL, ROOM 9
JUNEAU, ALASKA 99801-1182
(907) 465-3704

ALASKA STATE LEGISLATURE
SENATE
M E M O R A N D U M

TO: Senator Bert Sharp, Chairman
Senate Transportation Committee

FROM: Senator Johnny Ellis 

DATE: March 4, 1993

RE: Scheduling Senate Bill 16

MAR 11 1993

I respectfully request that you schedule Senate Bill 16 for a hearing in the Senate Transportation Committee at your earliest possible convenience.

SB 16 would authorize revenue bonds to the Alaska Industrial Development and Export Authority in the amount of \$50 million for design and construction of the Alaska Seafood Center, to be located in Anchorage. This investment would leverage an additional \$110 million in private investment for a total project cost of \$160 million.

The Alaska Seafood Center would employ 450 people full time in addition to employing roughly 200 people during the construction phase of the project.

The facility would be the first of its kind in Alaska, with secondary fish processing facilities and cold storage capacities far beyond what is currently available anywhere in the state. Instead of storing product in freezer-vans in their warehouse yards and shipping them to cold storage facilities in Seattle, processors could store product for future sales locally. It's good for the processors, and good for the state's economy. Too many of our fisheries profits are diverted to other states and countries. It's time to turn that trend around by supporting local projects like the Alaska Seafood Center.

I urge your support of Senate Bill 16. Thank you for your consideration.



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

February 5, 1993

Nina

The Honorable Senator Johnny Ellis
Alaska State Legislature
State Capitol
Juneau, AK 99811

Dear Senator Ellis:

I recently reviewed a copy of SB 16 that you introduced, "An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date," and thought it appropriate to provide you with background material regarding the project.

Late in the 1992 regular session last year, legislation was introduced calling for the Authority's involvement in the Alaska Seafood Center Project (ASC). At that time the project sponsor represented that its financing plan and market contract commitments were nearing completion, and without the Authority's ability to participate in the cold storage component of the project, the project would not be able to maintain its schedule for a 1992 design and construction start.

Based on these representations and to not impact the developers progress, it was agreed that specific project legislative authorization would be requested as soon as possible and that the Authority would start its due diligence and feasibility analysis of the project at once.

The legislation was not acted upon, however, during the general session, and when the Legislature went into the Special Session on May 13, sufficient information had not been compiled by the project sponsor to in all likelihood satisfy the minimum requirement necessary for AIDEA participation during 1992.

For this reason, project authorization for the ASC was not included in HB 598. However, in support of the project, at their May 29, 1992 meeting, the Authority's Board of Directors authorized staff to spend up to \$50,000 to retain consultant services to review formalized agreements with the prospective financiers, supply contracts (customers) and to determine the overall financial feasibility of the ASC business plan (Resolution 92-7 is attached). To date, no funds have been expended. The project sponsor has indicated a major international bank has agreed to be the lead lender on the project subject to AIDEA's participation and market contracts.

It may further be of interest to you that in early discussions between AIDEA, the Department of Transportation and Public Facilities (DOT/PF) and ASC, DOT/PF indicated there were concerns expressed by the Alaska International Airport System (AIAS) and airlines serving the Anchorage airport that a seafood facility located on airport property would attract birds. AIAS and the airlines were concerned the birds


could potentially create a safety hazard. While the developer has indicated the facility will be a secondary processor and will do over 80% of its processing with frozen products which would minimize this problem, in recognition of the concern of the airlines and the AIAS, the developer has analyzed three additional sites that are adjacent to or near the airport. These sites were found to be sufficient to develop the facility on.

The Authority remains interested in the success of the project and has continued to work and support the ASC effort due to its value in creating jobs, the importance to the seafood industry throughout Alaska, and the potential role the project would have to diversify seafood exports through value-added secondary processing. ASC could be the first major secondary processor in Alaska and may create 450 direct full-time year-round jobs in addition to 750 indirect jobs in Anchorage. ASC's business plan indicates the project will support all primary processors in Alaska by purchasing its raw materials from them and making the projects 45 million pound cold storage facility available to them - a seafood infrastructure Alaska has discussed for a number of years.

A mid-February meeting has been scheduled between ASC and the Authority to review progress of the project. I would be happy to provide you with any information that is generated at the meeting and will keep you informed of issues related to the project's progress.

If you have questions or wish to discuss this project in greater detail, please do not hesitate to contact me.

Sincerely,


William R. (Riley) Snell
Executive Director

attachment

WRS:KO

cc: Commissioner Paul Fuhs
Kris Lethin
Darrel Rexwinkle
Mayor Tom Fink
Howard Benedict

FILE MEMORANDUM

IN RE: ALASKA SEAFOOD CENTER (ASC)

DATE: January 25, 1993

BRIEFING BY: Katelyn Ohmer, Development Specialist
Alaska Industrial Development & Export Authority

Projected cost and financing:

ASC asked AIDEA to participate by buying into the project to the tune of \$50 million to develop freezer facility(ies). ASC represented that it would obtain the remaining \$115 million in financing elsewhere; total projected project cost -- \$165 million.

Financing Authority:

- (1) Failed to be acted upon in last session of Alaska Legislature.
- (2) Thereupon, AIDEA Board approved spending up to \$50,000 to help and assist ASC project -- to develop a business plan, seek financing sources and sales contracts, etc.
- (3) Senators Drue Pearce, Dave Donley and Johnny Ellis have introduced "new" bill for financing authority into the 18th Alaska Legislature.
- (4) AIDEA Board remains very interested in ASC and continues to support and work on this effort. ASC and AIDEA are next scheduled to meet in mid-February.

ASC projected activities:

processing and freezing for forwarding and distribution; secondary processing -- for value added; for local market.

In response to a direct question, K.O. opined that ASII's "gas" packaging technology has application to the ASC program/project.



*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: SB 16

APPROVED:

[Handwritten signature] for FT

TITLE: AIDEA Bonds: Anchorage Seafood Facility DATE: January 15, 1993

The department has no objection to a bill granting AIDEA approval to issue bonds for a seafood facility but has serious concern with the possibility of locating such a facility on or near airport property. We recognize that such a facility could generate revenue through lease payments, but the department objects to a seafood center on airport property for the following reasons:

1. Seafood facilities tend to attract birds and could create a major safety hazard. A seafood center was proposed for Anchorage International several years ago and airlines serving the airport strenuously objected to such a facility in close proximity to aircraft operations.
2. There is a finite amount of developable or leasable airport land and as much as possible should be reserved for activities which must operate on the airport.



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

PROJECT FACT SHEET: Alaska Seafood Center/Cold Storage

DATE: November 25, 1992

STATUS: The Legislature failed to act on bonding authority for this project in 1992. The AIDEA Board approved an expenditure of up to \$50,000 to work with the Alaska Seafood Center to develop a business plan. The project may be brought before the Legislature in 1993.

PROJECT BUDGET: \$50 million

SOURCE OF FUNDS: Revenue bonds sold by AIDEA

PURPOSE: To expand the capabilities of the Alaska seafood industry to provide secondary processing, freight forwarding, and commercial cold storage services.

PARTICIPANTS: AIDEA will finance construction in Anchorage of a cold storage warehouse facility as part of the proposed Alaska Seafood Center. The facility will be an integral part of the state-of-the-art fish processing, cold storage, and distribution center planned by ASC.

BACKGROUND: The cold storage warehouse will allow ASC to perform secondary (value added) processing of bottomfish, surimi, and salmon; provide freight forwarding for salmon and other seafood products; and provide commercial cold storage services for seafood and non-seafood products. The secondary processing capabilities will create a local market for shore-based primary processors. Other Alaskan processors will be able to use the frozen storage and chill room capacities at cost-efficient rates. The facility will be located near the Anchorage International Airport, making it accessible to processors throughout the state.

ECONOMIC EFFECTS: ASC operations will provide about 450 new year-round jobs at the Anchorage facility and additional employment in related business sectors, including transportation.

SOCIAL EFFECTS: The facility should strengthen the entire seafood industry in Alaska by enhancing the cold storage, secondary processing, and freight forwarding capabilities available.

SCOPE OF PROJECT: The cold storage warehouse will have a storage capacity of 45 million pounds, capable of handling as much as 2 million pounds of product in one day. The warehouse will include an energy-efficient ammonia refrigeration system, a high-bay racked storage system with automatic closure entrances and air-curtain walls, chill rooms, blast freezers, ice makers, a standby electrical generation system, and electric-powered lift cranes, conventional forklifts, and similar handling equipment.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. A92-7

A RESOLUTION OF THE ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT AUTHORITY RELATING
TO THE ALASKA SEAFOOD CENTER

WHEREAS, the Alaska Industrial Development and Export Authority ("Authority") is committed to the consideration of qualified Development Projects which promote economic growth and development;

WHEREAS, the seafood industry is a critical component of the Alaska economy;

WHEREAS, there is a need to promote and develop shore-based facilities which enhance the value and marketability of Alaska seafood resources;

WHEREAS, the Alaska Seafood Center ("Center") has proposed the development of a seafood processing facility to be located in Anchorage, Alaska;

WHEREAS, the Facility under consideration will provide for the processing and enhancement of Alaska seafood product;

WHEREAS, the Facility will provide a critical economic benefit to the seafood industry in Alaska;

WHEREAS, the Center has discussed with the Authority the possibility of the Authority's financial participation in development of the Center;

WHEREAS, the Center intends to enter into negotiations with prospective financiers, suppliers and customers to formalize a Business Plan for the Center;

NOW, THEREFORE, BE IT RESOLVED:

1. The Authority is fully supportive of development of the Center.

2. Staff is directed, if requested, to work in coordination with the Center to assist in the formalization of those agreements with prospective financiers, suppliers, and customers as are necessary to formalize a Business Plan for the Center.

3. The Authority looks forward to an opportunity to review a request for participation in the financing of the Center once the Business Plan is formalized.

4. Staff is authorized to expend up to \$50,000 in assets of the Economic Development Account, A.S. 44.88.172, for expenses incurred under Item 2 of this Resolution.

DATED at Anchorage, Alaska, this 29th day of May 1992.

Chairman

(SEAL)
ATTEST

Secretary

~~CONFIDENTIAL~~

ALASKA SEAFOOD CENTER

Executive Summary

April 3, 1992

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

EXECUTIVE SUMMARY

Introduction

The Alaska Seafood Center, Inc., a privately-owned company ("ASC" or "the Company"), proposes to develop, build, own and operate a state-of-the-art fish processing, cold storage and distribution center ("the Facility") to be located in Anchorage, Alaska. ASC is being developed at a time of profound change in the seafood industry in Alaska and the eating habits of Americans, i.e., a rapid reduction in the consumption of red meat and an escalation in the demand for seafood. ASC believes that the combination of these circumstances has created a significant opportunity for ASC and for Alaska.

ASC's operations will be based on producing high quality, value added seafood products. ASC will create approximately 450 new year round jobs at the Facility itself and support many other jobs in Anchorage in indirectly related businesses. For example, a great number of jobs will be created in the State transportation system (airline, railroad and trucking) to serve ASC. ASC will also provide economical cold storage and transportation services to smaller fish processors in the State, giving them faster and more profitable access to their customers. The Company's business segments will be:

- Secondary processing of bottomfish based on Alaskan raw material of blocks and fillets from pollock and cod (frozen products).
- Secondary processing of surimi based on Alaskan raw material of surimi blocks, a fish paste primarily made from minced Alaskan pollock (frozen products).
- Secondary Processing of salmon based on Alaskan wildlife salmon (frozen products).
- Primary processing of salmon (chilled products).
- Freight forwarding of salmon and other native fish owned by ASC and others (chilled products).
- Commercial cold storage services for seafood and non-seafood products.

Secondary processing consists of adding value to primary processed raw materials such as fish blocks and individual quick frozen fillets (IQF's). The finished product consists of a portion controlled piece of fish and added coatings, sauces or toppings in order to prepare it for consumption.

When fully on-line, the Facility will have the capacity per day to process (raw material) approximately 210,000 pounds ("lbs") of bottomfish products, 13,000 lbs of surimi products and 180,000 lbs of salmon (during the salmon season). Upon completion, it will have a cold storage capacity of approximately 45 million lbs of seafood and non-seafood products and a chill room capacity for receiving and shipping of chilled fish of approximately 2.2 million lbs. The fish resources of the Bering Sea and the Gulf of Alaska will provide the raw materials for the Company's seafood processing business segments. In 1991, Alaskan waters within the Alaskan Exclusive Economic Zone ("EEZ") produced 4.4 billion lbs of bottomfish which included cod and pollock, the most important species for ASC's production. The salmon harvest was a 60-year record of 725 million lbs.

U.S. fisheries harvest all bottomfish coming from the EEZ. The primary processing (heading, gutting, filleting and in certain cases mincing) and freezing into IQF fillets and fish blocks is done on shore based primary processing plants and on board catcher/processing ships, within hours after the catch so as to avoid spoilage. The resulting products (fish blocks and IQF fillets) are shipped by refrigerated cargo ships to Japan, Korea, Europe and the contiguous 48 states (the "Lower 48") for secondary processing.

ASC offers the opportunity for Alaska to have secondary (value added) processing take place within the State, resulting in a substantial number of year round jobs for Alaskans. ASC will be a major customer of shore based primary processors, buying substantial quantities of product from them, which will eliminate their transportation disadvantage.

ASC offers other Alaskan processors the opportunity to store frozen seafood and offers other food businesses the opportunity to store non-seafood products on a commercial basis. Commercial fisheries can take advantage of ASC's location to store their products in Anchorage and reduce their transportation and storage costs. ASC will provide greater flexibility to other food businesses and distributors by providing them the ability to store larger quantities in Anchorage instead of the Lower 48.

ASC offers freight forwarding of chilled fish products to other Alaskan processors. ASC's logistic capabilities and chill room capacity located close to the airport are essential for air transportation of chilled fish in a regularly scheduled and therefore cost efficient manner.

The Facility

ASC has located several sites on which it has negotiated an acceptable price. They are zoned for processing, storage, wholesaling and distribution operations. All have sewer, water and utility services up to or near the property line which are considered by ASC to be satisfactory for the contemplated uses. Before notice to proceed is given to the contractor, a complete geotechnical study will be done. There are various permits and approvals that are required to be obtained prior to the start of construction and operation of the Facility. ASC is confident that the Facility will receive all these necessary permits on a "fast track basis" based on assurances from the city.

The sites have been selected because of their access to all forms of transportation. They are two to seven minutes from the Anchorage International Airport and about 15 minutes from the Port of Anchorage. All have direct rail access by rail from a spur off the main line to the property boundary via a dedicated easement.

ASC has entered into a \$62,736,000 lump sum turnkey fixed price contract with National Projects, Inc., a subsidiary of Morrison-Knudsen Corporation, ("National") for the design and construction of the Facility. The cost of processing equipment is not included in the contract price. ASC will procure all processing equipment directly from the vendors. Allowances, rather than fixed prices, are included for landscaping, stonework, permits, signs and installation of the first processing line. The contract calls for a construction schedule of 20 months with liquidated damages in the amounts of \$29,000 per day for late completion subject to a cap of \$1,500,000. The contract also provides National with a \$14,500 per day early completion bonus.

The Facility will consist of approximately 245,000 square feet. The first floor will be used for processing, freezing and storage of fresh and frozen fish and other foods. The second floor will be used for sanitary facilities, an employee lunchroom, administrative offices, and a guest lunchroom. The Facility will include a paved parking area and the dock areas will be paved as well, to accommodate refrigerated vans and other trucks. In addition, the truck staging area will provide space for refrigerated vans. The fish processing, processing support and office areas, dock facilities and cold storage building will be constructed with concrete and steel. In the cold storage area, the structure will be approximately 63 feet high, while the racks used to store product will be approximately 50 feet high. The energy building will house the refrigeration equipment, battery charger and heating equipment as well as the maintenance department.

The Facility will use state-of-the-art equipment designed to include the latest proven technological developments. The heart of the ASC seafood processing system will be two secondary bottomfish processing lines, one for battered and breaded products (sometimes called "B&B"), and one line for prepared foods. There will also be a line for the secondary processing of surimi and a line for secondary processing of fish blocks into portions and headed and gutted salmon into steaks. The Facility will have a single line for primary salmon processing (i.e., heading, gutting and filleting). Such salmon then will be either flown out fresh as chilled fillets or glazed and blast frozen in preparation for cold storage as frozen fillets and headed and gutted salmon for later steaking.

ASC's state-of-the-art equipment will make it possible to process chilled and frozen products in a cost efficient manner. Strict hygiene and quality control standards, which meet or exceed U.S. inspection criteria, will ensure that the finished products can meet customers' demands for the highest quality.

Employment

When fully on line, ASC's operations will provide approximately 450 new year round jobs to Alaskans who will be employed directly at the Facility. In addition, numerous other existing and newly created jobs will be supported in the businesses that serve and service the Facility. For example, many jobs will be created in the transportation sector (airline, railroad and trucking). Also, the wages paid to the employees at ASC and the related service businesses will benefit the local economy according to the economic multiplier for the community.

While Anchorage can provide a well educated labor force, ASC will need to train new staff at many different levels of the organization. For this reason, and because ASC needs to start up new functions in the areas of technical operations, processing, sales/marketing, logistics and administration, a start up schedule for the operation has been carefully worked out. ASC's production and service activities will be ramped up over several years and the employees will be hired in accordance with this schedule.

Location

The Facility's location in Anchorage will place it close to the bottomfish harvesting grounds and at the center of the four major Alaskan salmon fishing areas. Anchorage is a beautiful modern city, the largest in Alaska, with a year-round moderate climate and a population of approximately 225,000 people. The Anchorage location will provide a competent and stable labor force and a readily available supply of workers, many already experienced in seafood processing.

Transportation of frozen raw materials to the Facility and of frozen finished products to the market will be by surface transportation.

To get the chilled fish products to the U.S. market and abroad ASC will take advantage of Anchorage International Airport, which is the biggest air cargo center in the U.S. The airport provides access to all destinations served by the eleven international and ten domestic airline companies operating there. Major air cargo carriers such as Japan Airlines and Korea Airlines have facilities at the airport and United Parcel Service and Federal Express have recently completed major international cargo and package terminals as well.

Raw Materials

ASC, with its location in Anchorage, Alaska, will have access to one of the world's most important fisheries. The Alaska Seafood Center will process three of the top four fish species in the U.S., based on landed seafood tonnage - Alaska Pollock #1, Salmon #3, and Cod #4. In 1990, Alaska handled 5.4 billion pounds of landed fish, five times as much as the state with the second highest tonnage, Louisiana (which is predominantly shrimp). Based on the dollar amount of seafood products, Alaska handled five times as much fish as the second highest state, Massachusetts. Alaska is a reliable and well-managed source of high quality fish. Access to high quality raw materials is a worldwide problem for the seafood industry. In the northern hemisphere there are only three major areas (the North Sea in Europe, the Grand Banks of New England and Nova Scotia, and Alaska) that have the shallow cold water which can support commercial levels of bottomfishing. The processing industries of the North Sea and the Grand Banks lack adequate raw materials because the fish stock has been greatly overfished. Alaskan fisheries, however, are not overfished and are extremely well managed by Federal and State authorities. ASC will have direct access to the world's largest fishery of high quality wild salmon, unlike other processors which may use farmed salmon, which is often of lower quality and is often chemically treated.

ASC has entered into contracts with three suppliers which either procure or otherwise control seafood products in adequate quantities and qualities to more than meet its requirements. ASC also has received expressions of interest from other seafood product suppliers.

Demand for Seafood Products

As the U.S. population ages and becomes more health conscious, Americans are turning to fish, among other items, as an essential part of a healthy low cholesterol and low fat diet. Consumer expenditures for fish in 1990 totalled \$26.7 billion, of which one-third was sold in stores (primarily supermarkets) and two-thirds were sold through the food service sector, including restaurants. The demand for seafood in the U.S. has been steadily increasing over the last ten years based on an increased consumption per capita and a growing U.S. population.

The National Fisheries Institute indicates that if the 20 pound per capita goal for the year 2000 is met (1990 consumption was 15.5 pounds per capita), U.S. consumers will eat over 5.3 billion pounds of seafood. Comparing this to the 3.9 billion pounds consumed in 1990, an additional 1.4 billion pounds of edible weight of seafood must enter the market by the year 2000. 75 percent of this growth can be attributed to the increase in per capita consumption. Although domestic fish consumption has grown at a rapid rate, Americans still eat approximately one-tenth as much fish as the Japanese and one-fourth as much as the Europeans. ASC believes that this also supports the estimated growth of domestic consumption in the coming years.

The countries in the Far East, i.e. Japan, Taiwan and Korea represent strong markets for seafood products. Because of the lack of raw material, European countries such as France, Italy and Spain also represent markets with sharply increasing demands for frozen and especially chilled seafood products.

The Market

ASC has successfully developed a market niche for selling its products through extensive studies of the market and competitors and by working with several large buyers of seafood products. ASC's concept for doing business with its customers will be:

- ASC will work with a few large customers on a long term contractual basis.
- ASC will not develop its own brand name but instead will be a reliable supplier of customized private label seafood products based on consistent quality and availability.
- ASC will provide its customers with a one-stop shopping program based on a full range of value added table ready seafood products made from Alaskan raw materials.
- ASC will provide research and development services by working with the customers to develop their private label program of customized products.

In this way ASC will meet the customers needs; for fewer, larger, more reliable, flexible, quality oriented suppliers that will work with them in a one-stop shopping program to develop and maintain their private label products.

ASC will sell its processed seafood products to wholesale grocery and food service distributors, retail supermarket chains, institutional food service establishments, seafood and family style restaurant chains and fast food chains. ASC will market its fresh and frozen seafood products in the United States and abroad through a direct sales organization, brokers and distributors.

ASC contemplates that the Facility will offer services such as cold storage and freight forwarding of chilled fish on a commercial basis.

Cold Storage

ASC believes that there will be a demand for commercial cold storage services because no large-scale, centralized cold storage facilities exist in Alaska. At present, salmon cold storage is handled primarily by staging refrigerated vans around local processing plants during the salmon season and then bringing the salmon directly to Japan by tramper or taking it through Anchorage for further shipment to Seattle by barge for longer term storage. This approach is costly and inefficient and lowers product quality. Local commercial fishermen can take advantage of ASC's Anchorage based facility to reduce transportation costs and increase product quality. Alaska imports the majority of its foodstuffs from the Lower 48 by barge, which takes from five to seven days to reach Anchorage from Seattle. There is little cold storage in the State and none that could service the overall demand in Anchorage for any extended period of time. The State and Anchorage can take advantage of the greater flexibility by storing imported foodstuffs in Anchorage, i.e., closer to the end users.

Freight Forwarding

ASC will provide freight forwarding services for chilled fish products owned by ASC and others. The facility will be located close to Anchorage International Airport and will have the necessary chill room capacity and size of operation to work with the airlines on a regularly scheduled and therefore cost efficient basis.

Ownership and Management of ASC

All of the outstanding stock of ASC is currently owned by members of the family of Howard M. Benedict, President and Chief Executive Officer of ASC. Howard M. Benedict is President of The Benedict Companies formed in New Haven, Connecticut in 1947, and a principal of various other corporate and partnership interests of the Benedict family. For 35 years, he has been actively engaged in commercial real estate development. Over the past several years, Mr. Benedict expanded into other diversified business interests. As an outgrowth of his real estate activities in Anchorage, he became interested in broadening his economic base in Alaska and in 1986 began work which led to the development of ASC. Keld Andersen, an experienced Danish seafood executive, has been appointed Chief Operating Officer and Managing Director of ASC.

Experienced Management. From 1985 to 1989, Mr. Keld Andersen, Chief Operating Officer and Managing Director of ASC, was the general manager of a large modern seafood processing plant, Royal Greenland, in Aalborg, Denmark, which produces ready-made fish dishes, smoked salmon and Greenland turbot, shrimp in brine and other advanced seafood products. During the Royal Greenland plant's development stage, Mr. Andersen was in charge of all feasibility studies, preliminary engineering and construction. After completion of the Royal Greenland plant, Mr. Andersen was in charge of the entire processing plant and was also involved in the marketing and distribution of finished products. During the years 1975-85, Mr. Anderson was Technical Director for one of Denmark's largest primary seafood processors, Skagerak Fiskeexport A/S, and General Manager for a large commercial cold storage operation.

Financing

Based on construction cost estimates provided by ASC, the total Facility cost is projected to be \$146.4 million. The construction takeout and term financing structure is assumed to be a combination of strategic limited partnership equity and term debt.

ASC is seeking strategic partners and/or investors to invest up to \$50 million equity in the Company. The strategic partners would provide, in addition to the capital investment, significant marketing and distribution expertise for the fish products produced by the Facility.

The debt financing which will be solicited from commercial banks, insurance companies and institutional investors will be arranged after the equity investment has been committed. The Construction Loan will be for 100% of the Facility cost and, at completion will be replaced by the equity investment with the remaining term debt amortized over seven years.

Sources and Uses of Funds

The following table shows the estimated cost of the Facility and the sources of permanent financing (\$ in thousands).

Sources:	
Senior Debt	\$ 68,432
Tax Exempt Debt	40,000
Equity	<u>50,000</u>
Total Sources of Funds	<u>\$158,432</u>
Uses:	
Turnkey Fixed Price Construction Contract	\$ 62,736
Allowance for ASC-Designated Equipment	27,132
Construction Contingency ⁽¹⁾	5,989
Land	6,432
Construction Management	2,780
Start-Up Expenses	11,886
Insurance	<u>525</u>
Placement, Legal, Engineering, Accounting and Miscellaneous Fees and Third-Party Reimbursables	8,775
Development Fee	2,000
Lender Fees	3,254
Escalation	7,199
Capitalized Interest	<u>1,724</u>
Total Construction Financing	<u>146,432</u>
Working Capital Reserve	5,000
Debt Service Reserve	<u>7,000</u>
Total Term Financing	<u>158,432</u>
Total Uses of Funds	<u>\$158,432</u>

(1) Includes a 5% building contingency and a 10% equipment contingency.

Alaska Seafood Center, Inc.

Anchorage, Alaska

BACKGROUND INFORMATION

Advantages for Alaska

- ASC will be the first major Alaska-based seafood manufacturer shipping finished value-added products to markets in the lower '48 and overseas
- ASC has developed a business strategy to overcome Alaska's biggest manufacturing disadvantage, its remoteness from consumer markets and higher shipping costs
- ASC will start a new Alaska infrastructure - high technology secondary fish processing and will demonstrate for the first time that a value-added secondary processing plant in Alaska makes economic sense
- The \$165 million ASC manufacturing facility will be designed, engineered and built by Alaska contractors to the fullest extent possible

Impact on Anchorage

- 450 new year-round jobs and as many as 750 indirect jobs throughout Alaska
- Largest private user of electricity in the city
- Substantial new business for Alaska Railroad and Anchorage International Airport

Impact on Alaska's Fishing Industry

- ASC will not compete with existing primary processors and will do no fishing
- ASC will make major year-round product purchases from Alaska's primary processors for use in secondary (value-added) processing
- ASC will have 45 million pounds of cold storage which it will make available to Alaska processors and other Alaska firms in need of commercial cold storage
- ASC will provide reliable and economical transportation services to primary processors

To make this happen...

- ASC is not asking for any state subsidies. The AIDEA bill will authorize a bond issue for funding which will be paid back in full by ASC on the same basis as outside conventional lenders
- ASC will bring to Alaska \$100 million in outside funds. The State's financial participation is necessary as outside lenders will not invest in Alaska without evidence of State support. The financing provided by AIDEA will not be used until after the outside funds are in place

AIDEA PROGRAMS

1. CREDIT PROGRAM (AS 44.88.150 (d))

* PRIVATE BANK IN THE LEAD

* 80% OF LOAN UP TO \$10 MILLION = AUTHORITY'S PARTICIPATION

* PROJECT/PROPERTY REMAINS IN PRIVATE HANDS

2. DEVELOPMENT FINANCE PROGRAM (AS 44.88.172)

* TERMED THE "OWN AND OPERATE" PROGRAM

* PROJECTS OVER \$10 MILLION REQUIRE PRIOR LEGISLATIVE APPROVAL

* ADVANTAGE - TAX EXEMPT FINANCING

- PORTS

- AIRPORTS

- WATER, ELECTRICITY, SEWER SYSTEMS

- OTHER PROJECT CATEGORIES AS PERMISSIBLE UNDER THE IRS CODE

* STATUTORY SAFEGUARDS (AS 44.88.095 (c) & (d))

* AIDEA BONDS

- REVENUE OR GENERAL OBLIGATION

- TAX EXEMPT OR TAXABLE

* PROCESS DESIGNED TO ATTRACT PRIVATE SECTOR

STATUTORY SAFEGUARDS (AS 44.88)

AS 44.88.095(c):

BEFORE ENTERING INTO A LEASE OR OTHER AGREEMENT THE AUTHORITY SHALL FIND ON THE BASIS OF ALL INFORMATION AVAILABLE:

- 1) PROJECT IS ECONOMICALLY ADVANTAGEOUS TO THE STATE AND GENERAL PUBLIC WELFARE
- 2) THE PROJECT APPLICANT IS FINANCIALLY RESPONSIBLE (CREDIT ANALYSIS)
- 3) DEMAND ON PUBLIC FACILITIES CAN BE SUPPLIED REASONABLY
- 4) PROJECT WILL PROVIDE/RETAIN EMPLOYMENT CONSISTENT WITH THE SIZE OF THE INVESTMENT

AS 44.88.095(d):

BEFORE ADOPTING A RESOLUTION APPROVING A PROJECT UNDER AS 44.88.172 [THE "DEVELOPMENT FINANCE PROGRAM"] FOR WHICH BONDS MUST BE ISSUED THE AUTHORITY SHALL FURTHER FIND THAT:

- 1) THE PROJECT IS ECONOMICALLY AND FINANCIALLY FEASIBLE AND ABLE TO PRODUCE REVENUE ADEQUATE TO REPAY THE BONDS
- 2) THE PROJECT COMPLIES WITH APPLICABLE LAW
- 3) ISSUING THE BONDS IS NOT EXPECTED TO ADVERSELY AFFECT OTHER CREDIT INSTRUMENTS OF THE STATE

AIDEA BONDS

"REVENUE" BONDS vs. "GENERAL OBLIGATION" BONDS

- * AS VIEWED BY INVESTORS, ALL AIDEA BONDS ARE "REVENUE" BONDS SINCE THEY ARE BACKED BY A PLEDGE OF REVENUES.
- * BONDS SUPPORTED BY A CREDIT PLEDGE OF THE AUTHORITY ARE REFERRED TO AS "GENERAL OBLIGATION" BONDS, FOR CONVENIENCE. THE TERM DOES NOT IMPLY SUPPORT OF TAXING POWER.
- * UNDER AIDEA'S "GENERAL OBLIGATION" CREDIT PLEDGE, THE AUTHORITY WILL MAKE PRINCIPLE AND INTEREST PAYMENTS REGARDLESS OF A DEFAULT BY THE USER. HENCE THE IMPORTANCE OF STATUTORY SAFEGUARDS AND CREDIT ENHANCEMENTS.
- * THE AUTHORITY IS COMPENSATED FOR USE OF ITS CREDIT PLEDGE BY A MARKUP ON INTEREST RATE CHARGES.

TAXABLE vs. TAX EXEMPT BONDS

- * IDB'S PRACTICALLY ELIMINATED IN 1986
- * TAX EXEMPT STATUS REQUIRES GOVERNMENTAL OWNERSHIP
- * THE AIDEA "DEVELOPMENT FINANCE PROGRAM" TAKES ADVANTAGE OF THE TAX EXEMPT STATUS FOR QUALIFIED FACILITIES (e.g. PORTS)
- * PROJECTS ARE TO BE OPERATED BY THE PRIVATE SECTOR
- * TAXABLE DEBT DIMINISHES THE ADVANTAGES OF AIDEA

AIDEA PROCESS - PRIVATE SECTOR PARTICIPATION DEVELOPMENT FINANCE PROGRAM

1. REIMBURSEMENT AGREEMENT - ATTACHMENT A
 - * RECOGNIZES POTENTIAL BENEFITS OF AIDEA PARTICIPATION
 - AIDEA TAX EXEMPT FINANCING
 - STATE GOVERNMENT SUPPORT FOR PROJECTS
 - * PROVIDES FULL REIMBURSEMENT TO AIDEA FOR FEASIBILITY AND RELATED STUDIES SHOULD THE DEAL NOT GO FORWARD.
 - * IF THE DEAL CLOSES, COSTS FOR FEASIBILITY ANALYSIS AND NEGOTIATIONS ARE INCLUDED IN THE FINANCING.

2. FEASIBILITY ANALYSIS FINANCE PLAN - ATTACHMENT B
 - * CREDIT STRENGTH, RISK ANALYSIS, MARKET REVIEW
 - * REVENUES SUFFICIENT FOR DEBT AND OPERATIONS
 - * BONDS WILL NOT ADVERSELY AFFECT OTHER CREDIT INSTRUMENTS OF THE STATE.
 - * SOURCES AND USES OF FUNDS FOR THE PROJECT ARE CLEARLY DESCRIBED

3. LEASE/ USER AGREEMENT
 - * FULL INDEMNIFICATION - ALL CAUSES
 - * PROVISIONS FOR MAINTENANCE AND UPKEEP
 - * TAKE OR PAY CONTRACT
 - * ADDITIONAL CREDIT ENHANCEMENTS, AS REQUIRED
 - * ALASKA WIRE
 - * LOCAL GOVERNMENT APPROVAL / PAYMENT IN LIEU OF TAXES ("PILOT") AGREEMENTS

ATTACHMENT A

REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT (herein, the "Agreement") is made this 12th day of March, 1993, between Anchorage Fueling and Service Company ("AFSC") and the Alaska Industrial Development and Export Authority (the "Authority").

R E C I T A L S:

WHEREAS, pursuant to AS 44.88 (the "Act"), the purpose of the Authority is to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment by providing means of financing and facilitating the financing of industrial, manufacturing, export, small business and other business enterprises, and other facilities, including facilities for transportation; and

WHEREAS, AFSC desires to operate a new tank farm and fuel pipelines connecting to its existing aircraft fueling hydrant system and supply pipelines, and is considering the construction of a new maintenance and operational base building and replacement of existing facilities (the "Facility" as more particularly described in Exhibit "A" attached hereto) located at the Anchorage International Airport; and

WHEREAS, to facilitate the interests of the State of Alaska, the Authority and AFSC in constructing and operating the Facility, the parties hereto desire to obtain all available information as to the Facility, including information as to the feasibility and planning thereof, and thereafter enter into an agreement with AFSC providing for the ownership, financing and management of the development of the Facility; and

WHEREAS, the Authority is willing to acquire the necessary interest in the site on which the Facility is to be constructed; and

WHEREAS, AFSC desires to lease the Facility from the Authority, or otherwise enter into an agreement for the use and/or management of the Facility, providing that the Facility is constructed in accordance with Plans and Specifications to be later developed by consultants to AFSC and reviewed by the Authority; and

WHEREAS, the Authority encourages the use of competitive procurement principles in the study, development, financing, design, and construction of the Facility except for those portions of the Facility as to which AFSC and the Authority mutually determine that only one firm or a select number of firms possess the requisite expertise; and

WHEREAS, in connection with such review the Authority plans to retain feasibility, planning, financial, design and engineering consultants, as well as bond counsel and such other qualified professionals as are necessary as consultants to assist it in obtaining and evaluating information related to the Facility and the development thereof and to provide professional advice to the Authority in that regard (the "Study"); and

WHEREAS, the consultants are expected to gather and review all available information concerning the Facility and to inform the Authority as to, among other things, the adequacy of such information for making investment decisions as to the Facility, the nature of the financial risks involved in investment in the Facility, the engineering and other considerations involved in the selection and site development for the Facility, and the design and construction of the Facility; and

WHEREAS, Resolution No. A93-1 of the Authority provides that the Authority shall enter into an agreement with AFSC related to the costs of such a study and evaluation by the Authority and provides further that AFSC shall reimburse the Authority for the costs thereof, and this Agreement is intended to fulfill that requirement; and

WHEREAS, the Authority has determined that it is in the public interest to enter into this Agreement with AFSC with respect to the Facility; and

WHEREAS, the Authority and AFSC are each legally authorized to enter into this Agreement and each is legally authorized to perform its respective duties as set forth herein; and

WHEREAS, the parties hereto to expect that if the results of the Study are favorable they will enter into an amendment to this Agreement or an another similar agreement providing for the undertaking of additional pre-construction activities and tasks including, but not limited to, design of the Facility.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, and for other valuable consideration, the receipt and sufficiency of which is acknowledged, the Authority and AFSC do hereby agree as follows:

1. Subject to the reimbursement requirements set out herein, the Authority agrees that it will expend not to exceed \$500,000 for costs of the Study. The Authority shall have the sole authority to enter into contracts with the consultants and other professionals who will conduct the Study, shall administer such contracts and direct the activities of those persons working on the Study. The Authority agrees that it will

consult with AFSC and seek the concurrence of AFSC before entering into any commitment or engagement as to the Study which is material.

2. If the results of the Study are favorable and the Authority and AFSC enter into a lease or other final agreement with respect to the use and/or management of the Facility, AFSC agrees that all costs of the Study incurred under this Agreement will be included as a qualified cost for purposes of determining any user fee, lease or other payment to be negotiated between the parties ("costs" of the Study as such term is used in this Agreement means the out-of-pocket costs of the Authority).

3. AFSC agrees to reimburse the Authority for all costs of the Study if (a) AFSC withdraws or otherwise declines to proceed with negotiation of an agreement providing for ownership, financing and management of the development of the Facility or a lease or other final agreement with respect to the use and/or management of the Facility, (b) the Authority, for whatever reason, declines to approve financing and/or construction of the Facility under the Development Finance program, or (c) the Authority and AFSC are unable to execute an agreement as to ownership, financing and management of development of the Facility, or a lease or other final agreement for use and/or management of the Facility. Payment of such costs of the Study is due within ninety (90) days following the date which the Authority notifies AFSC in writing of the amount of repayment which is due. If any portion of such amount is not timely paid to the Authority, interest shall accrue on the unpaid amount from the date of such notice by the Authority as provided in the preceding sentence at a rate per annum

equal to the "Prime Rate" as reported in the Wall Street Journal plus one percent (1%), such rate to be adjusted quarterly of the first days of January, April, July, and October.

4. The obligation of the Authority pursuant to this Agreement is strictly limited to participation in the Study as described herein. The Authority may impose such further terms and conditions with respect to the Study as the Authority, in its sole and absolute discretion, determines to be reasonable and prudent.

5. AFSC may instruct the Authority to terminate the Study at any time, and the Authority agrees to use its best efforts to conclude the work undertaken as part of the Study as economically as possible.

6. AFSC shall defend, indemnify and hold harmless the Authority from and against any all suits, claims, actions, losses, costs, penalties and damages (of whatever kind or nature, including reasonable attorney's fees and litigation costs) arising in favor of government agencies or third parties (including employees of the parties) on account of any damages arising out of, or in connection with, the Study or this Agreement unless due to the negligence or misconduct of the Authority or its contractors (excepting AFSC).

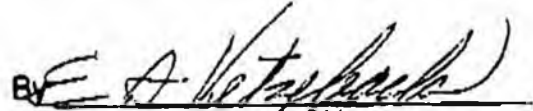
7. This Agreement shall be governed by and construed under the laws of the State of Alaska.

8. Any action or judicial proceeding arising out of this Agreement shall be filed and prosecuted in the Superior Court for the State of Alaska, Third Judicial District, at Anchorage.

9. This Agreement may not be modified or amended except by a writing signed by the parties.

IN WITNESS WHEREOF, the parties hereto, in consideration of the mutual covenants set forth herein and intending to be legally bound, have caused this Agreement to be executed and delivered as of the date first written above.

**ANCHORAGE FUELING AND
SERVICE COMPANY**

By 
FRED KETZEBACK
Chairman

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY**

By 
WILLIAM R. SNELL
Executive Director

EXHIBIT A

Description of Tank Farm and Aircraft Fueling Facility

The Facility will consist of a tank farm on the west side of the Anchorage International Airport consisting of three 100,000 barrel steel tanks, a pump house and filtration building, and two 20 inch and one 8 inch buried pipelines from the tank farm through an existing utilidor under the north-south runway to connect to existing pipelines and hydrant system.

A maintenance and operational base building of approximately 16,000 square feet which may be included as part of the Facility will occupy a four acre site in the area near the domestic terminal presently utilized by Anchorage Fueling and Service Company for a tank farm and associated facilities.

Also under consideration for inclusion in the Facility are the replacement of old facilities including provisions for DART loading, DART de-fueling, refueling DART and hydrant cart vehicles; a meter prover-loop system; and related improvements

KPMG Peat Marwick

CCX WRS
REN

ATTACHED B

Airport Consulting Services

Post Office Box 8007
San Francisco International Airport
San Francisco, CA 94128-8007

Telephone 415 571 7722

Telex 415 571 5220

Office Location
160 Bovet Road
San Mateo, CA 94402-3107

RECEIVED

MAR 30 1993

Alaska Industrial Development
and Export Authority

March 26, 1993

Mr. John Olson
Manager, Design and Construction
Alaska Industrial Development
and Export Authority
480 West Tudor
Anchorage, Alaska 99503

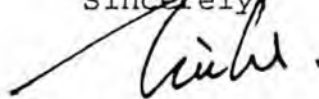
Re: Proposal, Anchorage Fueling and Service Company Financing
Project, Anchorage International Airport

Dear Mr. *John Olson* Olson:

Enclosed is our letter proposal to serve as airport consultant
in connection with the financing of a proposed major fueling
facility re'ocation and expansion at Anchorage International
Airport.

We look forward to receiving an executed contract from you.

Sincerely,



Michael G. Moroney
Principal

MGM/et
Enclosure
ANC115

KPMG Peat Marwick

Airport Consulting Services

Post Office Box 8007
San Francisco International Airport
San Francisco CA 94128-8007

Telephone 415 571-7722

Telex 415 571-7722

Office Location
1150 Bovee Road
San Mateo, CA 94402-3107

March 26, 1993

Mr. William R. Snell
Executive Director
Alaska Industrial Development
and Export Authority
480 West Tudor
Anchorage, Alaska 99503

Re: Anchorage Fueling and Service Company Financing
Project, Anchorage International Airport

Dear Mr. Snell:

In accordance with our March 10, 1993, telephone conversation, KPMG Peat Marwick is pleased to submit this letter proposal to serve as airport consultant in connection with the financing of a proposed major fueling facility relocation and expansion at Anchorage International Airport (the Airport). Our proposal consists of this letter and its attachment.

BACKGROUND

The proposed financing would be undertaken by the Alaska Industrial Development and Export Authority (AIDEA) on behalf of the airline consortium (Anchorage Fueling and Service Company [AFSC]) that operates the fueling facilities at the Airport. The project consists of the development of fuel storage facilities at a new site and certain other modifications and improvements to fueling facilities at the Airport. The financing may also involve refinancing or defeasing some existing AFSC debt. The estimated amount of the financing is about \$40 million, and is expected to be in the form of general obligation bonds.

Goldman Sachs & Co. and Prudential Securities Incorporated have been selected by the AIDEA to serve as underwriters for the transaction. Public Financial Management will serve as financial advisor for the transaction.

Mr. William R. Snell
March 26, 1993

REPORT OF THE AIRPORT CONSULTANT

As you indicated, our role would be to prepare the Report of the Airport Consultant, which would be organized in three sections: background, airline traffic analysis (market analysis), and financial analysis.

Background

The background section would present pertinent information concerning (1) the AIDEA, (2) the AFSC, (3) the Airport, (4) the Airport System (including Fairbanks International Airport), (5) existing and proposed fueling facilities, (6) the basis of need for proposed fueling facilities, including the balance of proposed capacity and demand, (7) the contractual basis for operation of the fueling system, (8) existing and proposed agreements with the users of the system, and (9) a brief discussion of competitive factors.

Airline Traffic Analysis

The airline traffic analysis would present the following: (1) an analysis of the demographic and economic basis for airline traffic in the region served by the Airport, (2) historical and forecast airline traffic (international and domestic passenger and cargo traffic) and fuel demand, (3) an analysis of international refueling stopovers, and (4) a discussion of the key factors affecting future airline traffic and demand for fuel. The airline traffic analysis would identify and present a discussion of the origin and destination passenger and cargo activity at the Airport (that is generated by the Anchorage region), cargo transit activity, and refueling stopover activity. We would give particular attention to a review of changing air service patterns for passenger and cargo airlines. The analysis will focus on the market as a whole, not on the needs of specific airlines.

Airline Traffic Forecasts. The base case forecast of airline traffic would be based on the analysis of the demographic and economic bases for airline traffic at the Airport, and discussions with the airlines serving the Airport regarding their projected traffic and their key assumptions regarding airline traffic.

Mr. William R. Snell
March 26, 1993

In addition, to facilitate the sensitivity analysis, alternative high and low forecasts of airline traffic would be presented. The forecast period would extend five years beyond the estimated completion date of the project.

As part of our current master planning assignment at the Airport, we are preparing generalized forecasts of airline activity for planning purposes only. The forecasts would provide the basis from which we would develop forecasts suitable for financing purposes.

The master plan forecasts are prepared for long-term facilities planning, in terms of planning activity levels that correspond to Airport facilities requirements in 5-, 10-, and 20-year increments. Forecasts for financing purposes reflect the most likely level of activity for the immediate period following completion of the project, and are typically developed for a shorter time horizon.

In addition, the forecasts for the financing of the proposed fuel project would place particular emphasis on activity that specifically affects fuel flowage at the Airport, including transit and refueling aircraft activity; the master plan forecasts are more broad-based to consider overall Airport facilities planning. Further, the master plan forecasts do not include the sensitivity analyses that would be considered in forecasting airline traffic for the proposed financing.

Specific forecasts of fuel demand, and an analysis of the competitive factors affecting fuel demand, would be developed for the proposed financing.

Competitive Factors Affecting Fuel Demand. On the basis of the forecasts of airline traffic (aircraft operations in particular), as well as historical and projected trends in aircraft fueling activity, fuel demand at the Airport would be forecast. To forecast fuel demand, we would review key factors affecting airlines' fueling decisions, including (1) unit price, (2) alternative supply (including tankering and trucking of fuel), (3) diversion of traffic, and (4) contractual or other obligations. We would also review the capacity of the Airport and availability of Airport facilities (fueling, airfield, etc.) to accommodate passenger and cargo operations implied by fueling demands. The forecast of fuel demand would be based on the base case forecast of airline traffic. In addition, to facilitate the sensitivity analysis, an alternative low fuel demand forecast would be prepared to accommodate either (1) the

Mr. William R. Snell
March 26, 1993

alternative low forecast of airline traffic, (2) adverse effects of price and/or other competitive factors on fuel demand, or (3) some combination of the two.

Financial Analysis

The financial analysis would present the following: (1) the framework of the relationship between the AIDEA and the AFSC, (2) an analysis of the financial operations of the AFSC, (3) project cost estimates (Source: AFSC), (4) project financing--sources and uses of funds (Source: underwriters), (5) annual debt service and other requirements, including status of outstanding debt (Source: underwriters), (6) fuel system operating and maintenance expenses (from current cost experience by AFSC in Anchorage and information provided by AFSC), (7) calculation of the fueling system revenue requirement, and (8) calculation of average fueling cost per gallon and per aircraft departure.

To prepare the financial analysis, we would review the estimated costs, schedule, and cash drawdowns for the planned improvements to be included in the bond financing, as provided by the project engineers. We would also review and incorporate relevant information on the plan of finance provided by the senior underwriter and other members of the finance team. We would also review the bond authorizing legislation (bond indenture/statutes). Comments on these documents would be presented to the AIDEA and its bond counsel, financial advisors, underwriters, and the AFSC at a review meeting.

Base Case. The base case financial analysis would be based on the base case forecast of airline traffic and fuel demand at the Airport, from the results of the airline traffic analysis.

Sensitivity Analysis. In addition to the base case financial analysis, our report would present the results of a sensitivity analysis of the effects on the forecast financial results of lower airline traffic and reduced fuel demand based on the results of the airline traffic analysis.

The ability of the AFSC member airlines collectively to pay the fees and charges necessary to support the financing is a derivative of (1) the strength of the origin and destination markets at the Airport, (2) the demand for stopover and transit activity, (3) competitive factors affecting fuel demand, and

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(4) the forecast level of fees and charges required to amortize the project, all of which would be analyzed and presented in the report, under both base case and sensitivity case assumptions. This information would be provided to Public Financial Management for airline credit analysis. Public Financial Management's airline credit analysis would not be included in our report.

Our report would be prepared in a format suitable for inclusion in an Official Statement for the sale of bonds, as well as to accommodate AIDEA conformity with requirements of the finance plan under AS 44.88.173 and 3 AAC 99.510, and would be made available to rating services, bond insurance companies, and institutional and retail investors in connection with the marketing of the bonds. If our report is included or referred to in the Official Statement, it must be included in its entirety.

CONTRACTUAL BASIS

We would prepare the Report of the Airport Consultant described above under the terms and conditions of our Professional Services Agreement (the Agreement) dated October 29, 1992, between the State of Alaska Department of Transportation and Public Facilities and KPMG Peat Marwick, which expires October 31, 1994. In addition to the terms and conditions in the Agreement, our services would be performed in accordance with the General Conditions Regarding Financial Studies for Public Offerings, included as Attachment A to this letter.

Before we issue our final report, we would require a letter from the Chairman of the AFSC indicating that he has reviewed our report, provided us with all relevant information, and concurs with the assumptions and financial forecasts contained in the report. We would also require a letter from the Executive Director of the AIDEA stating that the AIDEA has made available to us all relevant information concerning the financing arrangement described in the report, and concurs with the characterization of that financing arrangement.

If this proposal is acceptable, we request that the State of Alaska Department of Transportation and Public Facilities amend our Agreement to (1) authorize the work discussed herein and (2) extend the term to the expected completion date of this financing.

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PROFESSIONAL SERVICES FEE AND FINANCING SCHEDULE

We propose to undertake this engagement for a fixed fee of \$70,000 plus out-of-pocket expenses (not to exceed \$15,000) for airfare; lodging, meals, and ground transportation while in the field; telephone, postage, computer services, and express mail services; and printing and other report production costs. The distribution of fees and estimated schedule for each task is as follows:

<u>Task</u>	<u>Fixed Fee</u>	<u>Not-to-exceed</u>	<u>Schedule from start date</u>
Airline Traffic Analysis	\$15,000	\$ --	6 weeks
Financial Analysis	25,000	--	8 weeks
Report of the Airport Consultant	20,000	--	8 weeks (a)
Meetings and Coordination	10,000	--	Ongoing
Expenses	--	<u>15,000</u>	n.a.
Total	\$70,000	\$15,000	n.a.

(a) Complete draft report.

As shown, we would expect to produce a complete draft report eight weeks from the project start date. Review and revision of the report would follow, based on the schedule of the finance team. We would prepare a draft final report for presentation to the rating agencies. We would thereafter finalize the report for inclusion in the Official Statement. The budget assumes there would be no need for material changes in the final version.

This proposed fee is predicated on the assumption that the project will move forward expeditiously and that the financing will be concluded within four months of the project start date. If the financing is delayed for any reason after we have performed a substantial portion of our work or if significant time passes and subsequent events necessitate the update of the report, we reserve the right to request an increase in the fee to cover any increased cost that may result from such delay.

The fee estimate is based on an assumption of four working group meetings and preparation of two drafts of our report; additional meetings, including any meetings required in connection with rating agency/credit analysis presentations, if required, would be billed in addition on a time-and-materials basis.

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QUALIFICATIONS AND EXPERIENCE

Our experience with airport fueling systems has been developed through the performance of general studies involving airport master planning and financial planning and specific studies involving fueling system requirements, fueling system business planning, and fueling system financial feasibility studies. Through this experience, we have developed an understanding of current airline industry practices related to current trends in fueling system business arrangements at some of the country's busiest airports.

As you may know, we provided similar services in connection with the issuance of industrial development bonds for the expansion of the airline fueling system at Lambert-St. Louis International Airport. Also, we have recently completed a series of fueling system studies for Massport (Boston Logan International Airport), including a survey of fuel system facilities and management at major U.S. airports. In addition, we have been involved in a variety of planning and business consulting efforts regarding the development and operation of airline fueling facilities at a number of other large hub airports.

For the State of Alaska Department of Transportation and Public Facilities, we prepared forecasts of airline traffic and fuel system throughput in association with airline negotiations in 1984 and the 1986 Series G State of Alaska International Airport Revenue Bonds. In 1987, we updated the forecast of airline activity at the Airport. Therefore, we are familiar with the Airport, its existing facilities, airline operations in Anchorage, the Airport traffic mix, and trends in the industry.

Finally, we have extensive experience in airport financing and in preparing feasibility studies that explain and document the financial aspects of complicated financing/leasing structures related to airport facilities. We believe that we can provide the AIDEA with a report that will be effective in explaining the complicated nature of this financing, thereby enhancing the marketability of the bonds.

* * * * *

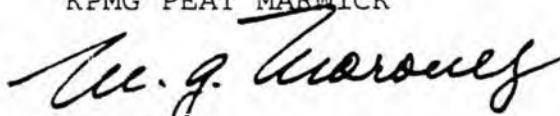
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We very much appreciate the opportunity to present this proposal and look forward to the opportunity to participate in this financing. If you have any questions or if we can be of further assistance, please call me at (415) 571-7722.

Respectfully submitted,

KPMG PEAT MARWICK



Michael G. Moroney
Principal

MGM/et
Enclosure

ANC115

Attachment A

GENERAL CONDITIONS REGARDING
FINANCIAL STUDIES FOR PUBLIC OFFERINGS

With regard to services to be provided by KPMG Peat Marwick in connection with the proposed fueling system financing program by the Alaska Industrial Development and Export Authority (AIDEA), the following general conditions shall apply:

A. Use of Reports

Any draft or preliminary financial reports prepared by us are to be used solely for the internal purposes of AIDEA and for discussion and coordination with members of AIDEA's financial working group, including AFSC. Any such draft or preliminary reports are not to be made available to any other party or to be used for securing financing or for any other purpose.

It is understood that our final Report of the Airport Consultant may be included in a prospectus or offering circular to be issued in connection with the proposed financing. We will consent to such use of our final report provided that:

1. The report with attachments, assumptions, and financial exhibits is included in its entirety in any such prospectus or offering circular.
2. We approve in advance any reproduction of our report or part thereof or any reference to the report or Peat Marwick's engagement included in the prospectus or offering circular or transmitted to other parties.

It is further understood that any information quoted or abstracted from our report and reproduced in the prospectus or offering circular will make appropriate reference to (1) the sources for and assumptions underlying such information, as described in our report, and (2) the need for the report to be read in its entirety for an understanding of the information and the underlying assumptions.

B. Information Sources

The data, information, and assumptions used to develop the financial forecasts will be derived from published information and other appropriate sources. We will not assume responsibility for the accuracy of such data, information, and assumptions.