

ALASKA LEGISLATURE

1716

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

CS for HB 408 (STA)
CONCEPTUAL AMENDMENT #7
(0-LS1547/E version)

membership
to 9

4 from
general
public -

to fix a grammar

rotation of seats
3 - 2 yrs.
3 - 4 yrs
-- rest

Alaska State Legislature

Member
House Finance Committee
Legislative Budget Subcommittees
University of Alaska
Natural Resources
Environmental Conservation



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Fairbanks, Alaska 99701
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FAX (907) 451-9293
Email: Representative_John_Davies@legis.state.ak.us

While in Session
State Capitol
Juneau, Alaska 99801-1182
(907) 465-4457
FAX (907) 465-3519
1-800-928-4457

Representative John Davies District 29

SPONSOR STATEMENT

House Bill 408

"An act establishing the Alaska Seismic Hazards Safety Commission"

A Seismic Hazards Safety Commission needs to be established to address the pressing need to provide a consistent policy framework and a means for ongoing coordination of programs and public safety practices related to seismic hazards. Currently this need is not being addressed by any continuing state government organization. The Seismic Hazards Safety Commission would encourage long-term progress toward mitigating the effects of earthquakes.

Alaska is on the edge of the Pacific Plate, which acts like a relentless conveyor belt, moving about six centimeters a year. It is inevitable that there will be large earthquakes, the only question is when will they occur, not if they will occur. Although the state has made great improvements in disaster preparedness there has been little corresponding improvement in measures to reduce the disaster potential of major earthquakes and, consequently, to reduce dependence on disaster relief. Creating a seismic commission patterned after those in California, Oregon, Washington and other states on major fault lines will help address these issues. If you prepare for a major earthquake ahead of time and prepare appropriately, when the earthquake does occur less damage will occur, less lives will be lost and so the cost of recovery obviously will be less.

Through ten years experience as state seismologist I have extensive knowledge in this subject area. I have first hand experience with the difficulty of coordinating earthquake information for the university and state, federal, and municipal governments. Anchorage does have an active geo-tech advisory commission, but the state needs to strengthen that work while broadening efforts throughout the state. A Seismic Safety Hazards Commission can provide that strength.



The scientific community is working hard on earthquake prediction, but it is not yet a reality, except in the most general sense. We can predict in a probabilistic way where earthquakes are likely to occur so we can focus resources in those areas, but in terms of knowing the date and time of the occurrence of earthquakes we will not have that information for some time.

The state needs to mitigate possible effects of earthquakes by encouraging appropriate land use and building design so it can reduce loss of life, and property, as well as the costs of recovery when earthquakes occur. It costs a lot of money to rebuild after a large earthquake and, of course, there is no way to replace lost lives; so it is clearly worth spending some time and money before earthquakes occur to prepare for them. This commission would help us as a state to get better prepared.

Members of the commission would be appointed by the governor to represent the university and governmental agencies, as well as members of the public who are knowledgeable in earthquake hazard mitigation. The commission would recommend to the public and governmental sector goals and priorities for reducing earthquake effects. The commission will accept grant contributions and appropriations from public agencies, private foundations, and individuals. The authorities and responsibilities of other state agencies, boards, councils, commissions or of local governments are not intended to transfer to the Alaska Seismic Hazards Safety Commission.



National Earthquake Information Center

Earthquake Frequently Asked Questions and Answers

● Which States in the United States have the most earthquakes?
Alaska and California.

● Which State has the most damaging earthquakes?
California.

● Which States have the smallest number of earthquakes?
Florida and North Dakota.

● How many earthquakes of any given magnitude occur each year?

Descriptor	Magnitude	Average Annually
Great	8 and higher	1
Major	7 - 7.9	18
Strong	6 - 6.9	120
Moderate	5 - 5.9	800
Light	4 - 4.9	6,200 (estimated)
Minor	3 - 3.9	49,000 (estimated)
Very Minor	< 3.0	2 - 3 about 1,000 per day
		1 - 2 about 8,000 per day

● Where do earthquakes occur?
Earthquakes can strike any location at any time. But history shows they occur in the same general patterns year after year, principally in three large zones of the earth.

The world's greatest earthquake belt, the circum-Pacific seismic belt, is found along the rim of the Pacific Ocean, where about 81 percent of the world's largest earthquakes occur. The belt extends from Chile, northward along the South American coast through Central America, Mexico, the West Coast of the United States, and the southern part of Alaska, through the Aleutian Islands to Japan, the Philippine Islands, New Guinea, the island groups of the Southwest Pacific, and to New Zealand. This earthquake belt was responsible for 70,000 deaths in Peru in May 1970, and 65 deaths and a billion dollars' damage in California in February 1971.

Why do so many earthquakes originate in this belt? This is a region of young, growing mountains and deep ocean trenches which invariably parallel mountain chains. Earthquakes necessarily accompany elevation changes in mountains, the higher part of the earth's crust, and changes in the ocean trenches, the lower part.



CH2MHILL

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April 17, 1998

Representative Gene Therriault
Co-Chair, Finance Committee
Alaska State Legislature
Juneau, AK

Dear Mr. Therriault:

Subject: HB408-Seismic Hazards Safety Commission

This correspondence is written in support of Dr. John Davies' HB408 which would establish a Seismic Hazards Safety Commission for the State of Alaska.

As you know, Alaska is located in the most seismically active area in the world with many areas of the State having the potential for extensive damage from a strong motion earthquake. It is essential that we recognize the fact that it is not a question of "whether" a damaging event will occur but rather "when" it will happen.

It is incumbent upon us to be proactive in strengthening earthquake safety in the State by developing and improving public policies related to reducing hazards and mitigating the effects of potentially damaging earthquakes. This approach is totally superior to being reactive after the event and having to concentrate our people and financial resources on victim extraction, debris removal, and reconstruction activities because of inadequate prior planning.

A Commission, as proposed in HB408, could be instrumental in setting State goals and priorities, devising criteria to promote seismic safety, recommending programs to reduce earthquake hazards, gathering, analyzing and disseminating information, encouraging research, sponsoring training, coordinating seismic safety activities at all government levels, and could review reconstruction activities after a damaging earthquake.

I would like to commend Dr. Davies in his efforts to establish this Commission and urge members of the Legislature to support him in this important endeavor.

Sincerely,

CH2M HILL

John L. Aho, Ph.D.
Vice President

HB408 / DOCUMENT2

c: Representative John Davies
Rod Combelleck

JOHN C LAHR

Representative John Davies
Alaska State Legislature
State Capitol, Room 422
Juneau, AK 99801-1182

Dear John,

I am writing to lend my support to your effort to establish an Alaskan Seismic Hazards Safety Commission. Given that Alaska is the most seismically active state in the US and that many areas are growing rapidly or being developed for resources that are critically needed by the entire nation, it is important that the State makes every effort to mitigate the effects of future earthquakes. The ASHSC could play an important role in focusing and coordinating private, state, and federal efforts on the most critical areas.

I certainly hope you are successful in establishing this commission.

John C. Lahr

John C. and Jan H. Lahr
john-jan@lahr.org
914 10th Street
Golden, Colorado 80401
(303) 215-9913



A Division of DOWL, Incorporated

March 18, 1998
W.O. D00001

The Honorable John Davies
House of Representatives
State Capitol Building
Room 422
Juneau, Alaska 99801-1182

Subject: House Bill 408
Alaska Seismic Hazards Safety Commission

Dear Representative: *JOHN*

As a practicing civil engineering in the State of Alaska I wholeheartedly support HB 408 pertaining to the establishment of a state Seismic Hazards Safety Commission. I have been practicing my profession in Alaska for over 22 years. My technical specialties are geotechnical engineering and earthquake engineering, so I routinely deal with the problems associated with seismic hazards and their mitigation throughout the state. Moreover, I have been a member of the Municipality of Anchorage Geotechnical Advisory Commission (GAC) for nearly 20 years (currently Chairman). In that role, I and my fellow commissioners have routinely advised the Municipality regarding identification and mitigation of seismic hazards in Anchorage.

Although major earthquakes seemingly are "rare" events, their consequences literally can be disastrous, as was demonstrated by the 1964 great Alaska earthquake. Because of the damage and loss of life that occurred in Anchorage in 1964, and due to the concerns of local engineers and earth scientists, Anchorage established the Geotechnical Advisory Commission to advise our local government officials and citizens about earthquake hazards that can affect our community. The GAC generally has been the only real resource in those matters Anchorage has been able to rely upon consistently and effectively through the years. I believe the commission has had a positive effect on how our community has developed, and how it has taken appropriate steps to mitigate the seismic hazards with which we must live. Most of these efforts have been, and continue to be, through identification and mapping of the local hazards, and recommending mitigation measures to preserve life safety and to minimize economic impacts when the next major quake impacts our city.

I believe it is imperative that the State Legislature of one of the most seismically active regions in the world establish a statewide Seismic Hazard Safety Commission to help its citizens and those responsible for their general well being understand the seismic environment in which they live, and how best to deal with the Hazards that can affect them.

John, I applaud your sponsorship of this bill and give it my full support. If there is anything else I can do for you in this matter, please feel free to call me.

Sincerely,
DOWL Engineers

A handwritten signature in cursive script that reads 'David A. Cole'.

David A. Cole, P.E.
Principal

D00001.RepDavies.DAC.031898.kmp

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS

TONY KNOWLES, GOVERNOR

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April 1, 1998

The Honorable John Davies
Alaska State Legislature
State Capitol Rm 430
Juneau, AK 99501-2133

Dear Representative Davies:

House Bill 408 "An Act establishing the Alaska Seismic Hazards Safety Commission" is a timely legislative initiative for protecting Alaska's growing population both physically and financially. Mitigation of natural disasters has become a national priority in the wake of devastating flood storm, and earthquake events in the contiguous United States. There is increasing federal reluctance to fund recovery efforts and increasing reluctance of private insurers to take on the potential liability for damages suffered from events that could have been mitigated but were not.

Seismic hazards are part of the reality of Alaska, and there is much that can be done to mitigate their effects. In coordination with the state's Emergency Response Commission, a well qualified oversight group charged to review and prioritize Alaska's seismic mitigation efforts can save lives and money. Effectiveness of a seismic safety commission has been frequently demonstrated in California, a state having many seismic similarities to Alaska. House Bill 408 is an important step in improving seismic hazard mitigation in Alaska, thereby reducing casualties and costs of responding to earthquake disasters.

Sincerely,



Milton A. Wiltse
Director & State Geologist

MAW/vjb

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS

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April 16, 1998

The Honorable Gene Therriault
Alaska State Legislature
State Capitol, Room 511
Juneau, AK 99801

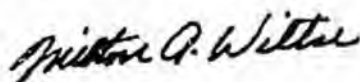
Dear Representative Therriault:

Representative Davies' recently-proposed legislation, HB 408, "An Act establishing the Alaska Seismic Hazards Safety Commission" has come at a good time to position Alaska with respect to federal disaster insurance legislation currently being drafted in Congress. While no one can predict the final form of legislation that will emerge from Washington, there is a growing resistance in Congress to federally fund recovery from disasters that might have been avoided or mitigated. This may take the form of requiring states to have seismic hazard mitigation policies or reviews of some kind in place in order to participate in federal seismic disaster recovery programs.

Alaska has long acknowledged the need for having contingency plans in place for responding to hazardous earthquakes, however, less policy attention has been given to systematic seismic hazard mitigation programs. A seismic hazards safety commission acting in coordination with Alaska's Emergency Response Commission would provide a pre-event mitigation overview now lacking in the state's efforts to protect its citizens from seismic risks.

I enclose a previous letter to Representative Davies in regard to HB 408. I believe this is good legislation for the people of Alaska.

Sincerely,



Milton A. Wiltse
State Geologist and Director

cc: Representative John Davies
Marty Rutherford, Deputy Commissioner

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS

March 16, 1998

Rep. John Davies
State Capitol, Room 422
Juneau, AK 99801-1182

Dear Rep. Davies:

I would like to express my strong support for House Bill 408, "An Act establishing the Alaska Seismic Hazards Safety Commission." Seismic activity in Alaska is among the highest in the world and it is only a matter of time before another potentially destructive earthquake will strike one of our urban areas. Because these urban areas are expanding, and because we know that measures can be taken before an event to reduce casualties and economic losses, it is important that we improve our mitigation efforts. Establishing an Alaska seismic hazards safety commission is an important first step in coordinating state and local efforts in this area.

Much progress has been made in Alaska toward improving emergency-response planning, through the state Disaster Act and local preparedness exercises. However, less progress is evident in pre-disaster efforts to prevent losses and thereby reduce emergency-response needs. Such loss reduction can occur, for example, through more rigorous design and construction standards in areas more subject to earthquake damage. Although we cannot predict when and where the next large earthquake will occur, we can identify areas that will be most severely affected, and we can plan development accordingly. A seismic safety commission will help coordinate state and local efforts toward achieving these loss-reduction goals.

The California Seismic Safety Commission evolved from state advisory groups that were established as a result of Alaska's 1964 earthquake. This commission has been highly successful in initiating programs that have proven effective in reducing losses from numerous recent earthquakes. One recent article states that if there had been no seismic design standards in place prior to the 1994 Northridge earthquake, economic losses would have been 60% greater. The analysis further states that if today's standards had been strictly followed, losses would have been further reduced by 40%. Considering that the cost of complying with these standards is less than 5% of construction cost, implementing such loss-reduction measures is clearly worthwhile. Now that 34 years have passed since our last destructive earthquake, and before development expands further, it is time for Alaska to take similar steps toward reducing future earthquake losses. We can begin by passing HB 408.

Sincerely,



Rodney A. Combellick, Chief
Engineering Geology Section
Phone: 907-451-5007
Email: rod@dnr.state.ak.us

TONY KNOWLES, GOVERNOR

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JOHN C. LAHR
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914 Tenth Street
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April 15, 1998

Representative Gene Therriault
Alaska State Legislature

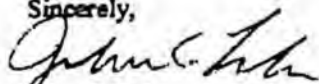
Dear Mr. Therriault:

I am pleased to learn that House Bill 408B to establish the Alaska Seismic Hazards Safety Commission was passed out of the House State Affairs committee in March and was referred to the Finance Committee, which you chair. Since I highly recommend that this legislation move forward quickly, I hope you will be able to schedule a hearing on it during the short time that remains this session.

From the late 1960's through just last year the focus of my seismology research has been on Alaska, so I am keenly aware of the hazards that earthquakes pose there. Although Alaska is far more tectonically active than California, it has the advantage of being less fully developed at this time. The Alaska Seismic Hazards Safety Commission can therefore have a profoundly positive effect in mitigating the effects of earthquakes on the infrastructure to be built in the future. This is much more cost effective in the long run than remedial efforts that often are begun only after disastrous losses have occurred.

Thank you for your careful consideration of this matter.

Sincerely,


John C. Lahr

HB

408

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/6/98

FURTHER: 5/10/98

DATE TURNED IN TO OFFICE: 10 May 1998

Finance Committee considered CS FOR HOUSE BILL NO. 408(FIN)

"An Act establishing the Alaska Seismic Hazards Safety Commission."

and recommends:

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

Senate Bill:

- same title
- new title
- House Bill:**
- same title
- technical title
- new: SCR# _____

SIGNING <u>DO PASS</u>	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	X	<i>[Signature]</i>	✓		
		<i>[Signature]</i>	✓		
		<i>[Signature]</i>	✓		
Co-Chair:		Co-Chair: <i>[Signature]</i>			
Co-Chair:		Co-Chair: <i>[Signature]</i>			

before bureaucrats will be included in the next bill

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
Governor	4/27/98		27.0

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

5/10/98 No: 3
 Bill Version: CSHB 408 (FIN)
 (H) Publish Date: 4/27/98

STATE OF ALASKA
 1998 LEGISLATIVE SESSION

Revision Date <u>4/27/98</u>	Dept. Affected <u>Office of the Governor</u>
Title <u>"An Act establishing the Alaska Seismic Hazards Safety Commission."</u>	BRU <u>Commissions/Special Offices</u>
Sponsor <u>Representative Javies</u>	Component <u>Seismic Hazards Safety Commission</u>
Requester <u>House Finance</u>	Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	11.9	9.7	9.7	9.7	10.0	10.0
Travel	7.1	7.1	7.1	7.1	7.1	7.1
Contractual	7.5	7.5	7.5	7.5	7.5	7.5
Supplies	0.5	0.5	0.5	0.5	0.5	0.5
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	27.0	24.8	24.8	24.8	25.1	25.1

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF	27.0	24.8	24.8	24.8	25.1	25.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	27.0	24.8	24.8	24.8	25.1	25.1

Estimate of any current year (FY98) cost: 0.0

POSITIONS

POSITIONS	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Full-time						
Part-time	1	1	1	1	1	1
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Fiscal note assumes 1/4 time clerical staff to support commission activity as technical support needs will be met by existing staff in the Department of Natural Resources; quarterly commission meetings -- 2 face-to-face and 2 teleconferenced. Travel costs reflect estimated meeting costs for 9 total commission members and one staff. Contractual reflects estimated postage, communication, advertising, and teleconference costs.

Fiscal note assumes existing departmental office space/equipment will be available for use by the part-time clerical staff position.

Prepared by Michael A. Nizich, Administrative Director *M. Nizich*
 Division Administrative Services
 Approved by Jim Ayers, Chief of Staff *J. Ayers*
 Agency Office of the Governor

Phone 465-3876
 Date 4/27/98
 Date 4/27/98

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HB

411

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 18, 1993

FURTHER REFERRALS:

Date of Committee Action: 3/19/98

The FINANCE Committee considered:

HB 411

HOUSE BILL NO. 411

LOCAL OPTION FOR WINERY LICENSE

"An Act relating to issuance of a winery license in a local option area."

recommends it be replaced with the following committee substitute CS HB 411 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) Revenue 3/18/98

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Thernault			X	
	Hanley			0	
	Mulder	X			
	Martin			Y	
	Kohring			X	
	Grussendorf			X	
	Moses	X			
	G. Daus	X			
	Kelly			X	
	Foster	X			

CO CHAIR'S SIGNATURE Tom Thernault Mark Hanley
Thernault Hanley

3/19/98

0-LS1583VA.1

Ford

3/19/98

adopted N/O

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 411

1 Page 1, line 14:

2 Delete "or"

3 Page 1, line 15, following "licensee:":

4 Insert "or

5 (F) a winery licensee, except that sales may occur only to

6 a person licensed under this title *OR in another state or country;*

7 Page 2, line 21:

8 Delete "or"

9 Page 2, line 22, following "licensee:":

10 Insert "or

11 (F) a winery licensee, except that sales may occur only to

12 a person licensed under this title *OR in another state or country;*

1998 LEGISLATIVE SESSION

BUDGET NOTE

Revision Date: _____ Dept. Affected: Revenue
 Title: Local Option for Winery License BRU: Alcoholic Beverage Control Board
 Component: Alcoholic Beverage Control Board
 Sponsor: Representative Austerman
 Requestor: (H) L & C COMPONENT SERIAL NO. _____ 100

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1007 GF Match/Receipt						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost \$ _____

POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary)

HB411 allows a community to vote on an additional choice under a local option vote. If this bill is enacted communities would be able to prohibit sales of alcoholic beverages, except by a winery. This option was available prior to 1995. However, when the local option law was clarified and streamlined options not commonly used, like the winery only choice, were deleted. It is not clear why that option was eliminated in 1995.

Prepared by: Douglas B. Griffin
 Division: Alcoholic Beverage Control Board
 Approved by Commissioner: Wilson L. Condon *Ross A. Kinney*
 Agency: Department of Revenue

Phone: 277-8638
 Date: March 4, 1998
 Date: March 4, 1998

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REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

SPONSOR STATEMENT - HB 411

This legislation adds a winery licensee under AS 04.11.491(a)(2) and (b)(2).

By adding this language, an individual could seek a local-option election in any city to ban liquor licenses except a winery, as would be allowed under this amended statute.

When the statute is amended and a local-option election held, the individual would then apply for their winery license and agree to have the Alaska Alcoholic Beverage Control Board (ABC Board) ban retail sales under the license in that particular city. The ABC Board has the authority to impose limitations on licenses as per AS 04.11.395.

The individual would then have the privilege of selling to persons/entities holding a valid Alaska liquor license. This small change will create many business opportunities, while preserving the integrity of alcohol control.

Continued economic development is essential in our village communities if they are to further their goals of self-sufficiency. The State of Alaska needs to persist in expanding opportunities for the establishment of production and marketing cooperatives.

Effect of amendments. — The 1995 amendment, effective July 1, 1995, rewrote subsection (a).

NOTES TO DECISIONS

Protest upheld. — City's protest that a proposed liquor store location was too close to a senior citizens housing complex and was in an area which already contained a high concentration of bars was not arbitrary, capricious, and unreasonable. *Stoltz v. City of Fairbanks*, 703 P.2d 1155 (Alaska 1985).

Former law construed. — See *In re Alaska Labor Trades Ass'n*, 10 Alaska 472 (1945); *In re Wakefield*, 10 Alaska 599 (1945); *In re Kaye*, 11 Alaska 556 (1948); *In re Martin's Retail Liquor License No. 1517*, 15 Alaska 225 (1954).

Sec. 04.11.490. Prohibition of the sale of alcoholic beverages. [Repealed, § 69 ch 101 SLA 1995.]

Sec. 04.11.491. Local options. (a) If a majority of the persons voting on the question vote to approve the option, a municipality shall adopt a local option to prohibit

(1) the sale of alcoholic beverages;
(2) the sale of alcoholic beverages except by one or more of the following listed on the ballot:

(A) a restaurant or eating place licensee;
(B) a beverage dispensary licensee;
(C) a package store licensee; or
(D) a caterer holding a permit under AS 04.11.230 to sell alcoholic beverages at a site within the municipality who is also licensed under a beverage dispensary license for premises outside of the municipality;

(3) the sale of alcoholic beverages except on premises operated by the municipality and under a type of licensed premises listed on the ballot, that may include one or more of the following:

(A) a restaurant or eating place license;
(B) a beverage dispensary license; or
(C) a package store license;
(4) the sale and importation of alcoholic beverages; or
(5) the sale, importation, and possession of alcoholic beverages.

(b) If a majority of the persons voting on the question vote to approve the option, an established village shall exercise a local option to prohibit

(1) the sale of alcoholic beverages;
(2) the sale of alcoholic beverages except by one or more of the following listed on the ballot:

(A) a restaurant or eating place licensee;
(B) a beverage dispensary licensee;
(C) a package store licensee; or
(D) a caterer holding a permit under AS 04.11.230 to sell alcoholic beverages at a site within the established village who is also licensed under a beverage dispensary license for premises outside of the established village;

(3) the sale and importation of alcoholic beverages; or
(4) the sale, importation, and possession of alcoholic beverages.

(c) A ballot question to adopt a local option under this section must at least contain language substantially similar to: "Shall (name of municipality or village) adopt a local option to prohibit (local option under (a) or (b) of this section)? (yes or no)."

(d) The ballot for an election on the option set out in (a)(2)(A), (a)(3)(A), or (b)(2)(A) of this section must include a summary explanation of the authority to sell alcoholic beverages given to a restaurant or eating place under AS 04.11.100(a). The ballot for an election on the option set out in (a)(2)(B) or (D), (a)(3)(B), or (b)(2)(B) or (D) of this section must include a statement that a beverage dispensary license is commonly known as a

"bar" and a summary explanation of the authority to sell alcoholic beverages given to a beverage dispensary licensee under AS 04.11.090(a). The ballot for an election on the option set out in (a)(2)(C), (a)(3)(C), or (b)(2)(C) of this section must include a statement that a package store license is commonly known as a "liquor store" and a summary explanation of the authority to sell alcoholic beverages given to a package store licensee under AS 04.11.150(a).

(e) If a municipality dissolves under AS 29.06.450(a) or (b), a local option adopted by the municipality under (a) of this section shall continue in effect as the corresponding local option under (b) of this section for an established village having the same perimeter as the previous boundaries of the municipality. A license for premises operated by the municipality under AS 04.11.505 expires when the municipality dissolves.

(f) A municipality or established village that has adopted a local option under (a)(1), (2), or (3) or (b)(1) or (2) of this section may designate a site for the delivery of alcoholic beverages to individuals in the area or a site for a person to bring alcoholic beverages if the alcoholic beverages are imported into the area. This subsection does not apply to the delivery or importation of

(1) one liter or less of distilled spirits, two liters or less of wine, or one gallon or less of malt beverages; or

(2) alcoholic beverages to a premises licensed under (a)(2) — (3) or (b)(2) of this section. (§ 21 ch 101 SLA 1995)

Cross references. — For provisions relating to the continuation of local options adopted under former AS 04.11.490, 04.11.492, 04.11.496, 04.11.498, and 04.11.500, see § 70, ch.101, SLA 1995 in the Temporary and Special Acts; for provisions relating to local

option petitions on file on July 1, 1995, see § 71, ch. 101, SLA 1995 in the Temporary and Special Acts.

Effective dates. — Section 79, ch. 101, SLA 1995 makes this section effective July 1, 1995.

Sec. 04.11.492. Community liquor license; complete prohibition on sales. [Repealed, § 69 ch 101 SLA 1995.]

Sec. 04.11.493. Change of local option. (a) If a majority of persons voting on the question vote to approve a different local option, a municipality or established village shall change a local option previously adopted under AS 04.11.491 to the different approved option.

(b) A ballot question to change a local option under this section must at least contain language substantially similar to: "Shall (name of municipality or village) change the local option currently in effect, that prohibits (current local option under AS 04.11.491), and adopt in its place a local option to prohibit (proposed local option under AS 04.11.491)? (yes or no)." (§ 22 ch 101 SLA 1995)

Effective dates. — Section 79, ch. 101, SLA 1995 makes this section effective July 1, 1995.

Sec. 04.11.495. Removal of local option. (a) If a majority of the persons voting on the question vote to remove the option, a municipality or established village shall remove a local option previously adopted under AS 04.11.491. The option is repealed effective the first day of the month following certification of the results of the election.

(b) A ballot question to remove a local option under this section must at least contain language substantially similar to: "Shall (name of municipality or village) remove the local option currently in effect, that prohibits (current local option under AS 04.11.491), so that there is no longer any local option in effect? (yes or no)."

(c) When issuing a license in the area that has removed a local option, the board shall give priority to an applicant who was formerly licensed and whose license was not renewed because of the results of the previous local option election. However, an

Collateral references. — 45 Am. Jur. 2d, Intoxicating Liquors, § 148.
48 C.J.S., Intoxicating Liquors, § 106.

Sec. 04.11.396. Board imposed conditions or restrictions. The board may, in the best interests of the public, impose conditions or restrictions on a license or permit issued under this chapter. (§ 18 ch 101 SLA 1995)

Effective dates. — Section 79, ch. 101, SLA 1995 makes this section effective July 1, 1995.

Sec. 04.11.400. Population limitations. (a) Except as provided in (d) — (h) of this section, a new license may not be issued and the board may prohibit relocation of an existing license

(1) outside an established village, incorporated city, unified municipality, or organized borough if after the issuance or relocation there would be (A) more than one restaurant or eating place license for each 1,500 population or fraction of that population, or (B) more than one license of each other type, including licenses that have been issued under (d) or (e) of this section, for each 3,000 population or fraction of that population, in a radius of five miles of the licensed premises, excluding the populations of established villages, incorporated cities, unified municipalities, and organized boroughs that are wholly or partly included within the radius;

(2) inside an established village, incorporated city, or unified municipality if after the issuance or relocation there would be inside the established village, incorporated city, or unified municipality

(A) more than one restaurant or eating place license for each 1,500 population or fraction of that population; or

(B) more than one license of each other type, including licenses that have been issued under (d) or (e) of this section, for each 3,000 population or fraction of that population;

(3) inside an organized borough but outside an established village or incorporated city located within the borough, if after the issuance or relocation there would be inside the borough, but outside the established villages and incorporated cities located within the borough,

(A) more than one restaurant or eating place license for each 1,500 population or fraction of that population; or

(B) more than one license of each other type, including licenses that have been issued under (d) or (e) of this section, for each 3,000 population or fraction of that population excluding the population of those established villages that have adopted a local option under AS 04.11.491(b)(1), (3), or (4), and excluding the population of incorporated cities located within the organized borough.

(b) If the radius described in (a)(1) of this section encompasses all of an established village, incorporated city, or unified municipality and the population resident inside and outside the established village, incorporated city, or unified municipality but inside the radius described in (a)(1) of the section is less than 3,000, the board may deny the issuance or relocation of the license.

(c) *[Repealed, § 88 ch 74 SLA 1985.]*

(d) The board may approve the issuance or transfer of ownership of a beverage dispensary or restaurant or eating place license without regard to (a) of this section if it appears that the issuance or transfer will encourage the tourist trade by encouraging the construction or improvement of

(1) a hotel, motel, resort, or similar business relating to the tourist trade with a dining facility or having kitchen facilities in a majority of its rental rooms and at least a minimum number of rental rooms required according to the population of the established village, incorporated city, unified municipality, or population area established under (a) of this section in which the facility will be located, as follows:

(A) 10 rental rooms if the population is less than 1,501;

on or ordinance has
or ordinances that
SLA 1980)

limitations Queen of N.,
Alaska 1978, decided

of intoxicating liquors,
5.

issued to a specific
partnership, or to a
registered agent of the

on a common carrier,
licensed premises, the
permit. The mailing
the registered office
of the board. (§ 2 ch

her than a licensee
which a license is

brewery, winery,
others, a beverage
license. A holder
se, subject to the
restaurant or eating
place license issued
on or before

corporation.
ated or percentage
does not hold a

malt beverage and
of the holder of a

holding a legal or
e. However, credit
credit extended by a
owed from a person
business licensed
am § 4 ch 136 SLA

Revisor's notes. — Subsection (f) was formerly (g) and subsections (c)-(e) were formerly (d)-(f). Relettered in 1994.

Effect of amendments. — The 1996 amendment.

effective October 1, 1996, in subsection b, inserted ", a restaurant or eating place license." in the first sentence and added the last sentence.

NOTES TO DECISIONS

Editor's notes. — The cases cited in the notes below were decided under former AS 04.10.180 and earlier statutes.

The purpose of financial interest statutes and regulations through the creation of hidden financial interests in liquor businesses unknown to the regulatory authorities or to the public. It helped insure that all persons with any financial interest in such businesses were answerable to the ABC Board. Barton v. Lund, 563 P.2d 875 (Alaska 1977).

Interest, "direct or indirect," in a thing is held to embrace a legal or equitable interest. In re Martin's Retail Liquor License No. 1517, 15 Alaska 225 (1954).

Application to clubs. — The provisions of former section applied to clubs as well as to all other persons who might have or apply for any of the numerous types of licenses authorized to be issued by law. In re Alaska Labor Trades Ass'n, 10 Alaska 472 (1945).

Interest of manager in business prohibited. — Where the business affairs of the club, including the purchase and keeping and sale to members of liquor,

are so inextricably intermingled with those of the manager of the club, the manager has an interest in the business and a license may not be lawfully issued. In re Alaska Labor Trades Ass'n, 10 Alaska 472 (1945).

This section was not controlling where the party had a security interest, as opposed to a financial interest, in the license. Gibson v. Alaska ABC Bd., 377 F. Supp. 151 (D. Alaska 1974).

Statement of financial interest required. — A statement regarding financial interest of any other person in the business was required to be made by former AS 04.10.190, concerning the filing, form, and contents of an application, under the doctrine of "contemporaneous construction of the law" In re Martin's Retail Liquor License No. 1517, 15 Alaska 171 (1954).

Revocation of license for false statement. — A false statement in an application for a liquor license that the applicant was the only person interested was held so material to its issuance as to warrant revocation. In re Martin's Retail Liquor License No. 1517, 15 Alaska 171 (1954).

Collateral references. — 45 Am. Jur. 2d, Intoxicating Liquors, § 123.

Sec. 04.11.460. Prior public approval. (a) A new license or the transfer of location of an existing license may not be approved by the board in an area outside but within 50 miles of the boundaries of a municipality unless a petition asking that the license be issued or transferred within the area containing signatures of a majority of the permanent residents residing within one mile of the proposed premises is filed with the board.

(b) A license may not be issued in an area that is 50 miles or more from the boundaries of a municipality unless a petition asking that the license be issued within the area containing the signatures of two-thirds of the permanent residents residing within a radius of five miles of the United States post office station nearest to the proposed licensed premises, is filed with the board. If there are two or more United States post office stations in the vicinity of the proposed licensed premises, the nearest to the premises constitutes the point of beginning under this subsection. If there is no United States post office station within a radius of five miles of the proposed licensed premises, the applicant must obtain the signatures of two-thirds of the permanent residents residing within a five mile radius of the proposed licensed premises. A petition is not required for the renewal of a license issued in accordance with this subsection unless specifically required by the board.

(c) In this section, "permanent resident" means a person 21 years of age or older who has established a permanent place of abode. (§ 2 ch 131 SLA 1980; am § 3 ch 109 SLA 1983)

Revisor's notes. — In 1980, (b) of this section was reorganized for clarity.

Collateral references. — 45 Am. Jur. 2d, Intoxicating Liquors, § 155.

Author: SLTHOMSEN@aol.com at CC2MHS1
Date: 2/13/98 6:36 AM
Priority: Normal
TO: Representative Alan Austerman at LAA_TRANS
CC: Cliff Stone at LAA_TRANS
Subject: Re: Winery License-AS04.11.491
Dear Representative Austerman,

As you know, my wife and I want to start a winery, Alaskan Wilderness Wines, here in Port Lions. Our goal is to create employment for ourselves and income opportunities for others. With low salmon prices, a depressed timber market, and limited alternate job opportunities within the community, new economic development is needed. We propose to produce both berry and agricultural wines using raw materials purchased from local pickers and growers. Developing an organic berry supply has great potential, as Seldovia Tribal Cache has shown. Utilizing renewable natural resources makes good sense.

All of the businesses we've contacted in Kodiak and the mainland are eager to retail the product when it becomes available. Interested establishments include: Alyeska Prince Hotel, O'Malley's on the Green, Kodiak Inn, Buskin River Inn, and the Shelikoff Lodge, just to name a few. We believe that the tourist industry here in Alaska would benefit from such a product. A "bush" facility would also fulfill the "Alaskan mystique" tourists are looking for.

In order to produce the wine here in Port Lions, as well as other similar communities, the proposed addition to Alaska Statutes is needed. Out of concern for our community, we have requested that the State Alcohol Board limit our winery license, if granted, to sale of alcoholic beverages to licensed holders only. We want to provide economic support without liquor sales, which would alleviate the concerns of some community members.

Thank you for your continued support and consideration.

Sincerely,

Steve & Lisa Thomsen



House Finance Committee

DATE: March 19, 98

PLACE: Cap 519

SUBJECT OF MEETING:
HB 317

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Byron McCall John Kelly	ADFC				2047	(Y) N	HB 317
① CLIFF STOUT	Rep AUSTIN					Y N	411
R. Austman						Y N	
Mary Gore staff	minimum					Y N	
Doug Griffin (3194)						Y N	
277-8638						Y N	
3pm Alcohol						Y N	
Bw						Y N	
Cm Bone						Y N	

Director of
Commerce

WR

ESTD

HB

432

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 2, 1998

FURTHER REFERRALS:

Date of Committee Action: 5/3/98

The FINANCE Committee considered:

HB 432

HOUSE BILL NO. 432

AIRPORT REVENUE BONDS

“An Act relating to the bond authorization for international airports revenue bonds; and providing for an effective date.”

recommends it be replaced with the following committee substitute CS HB 432 (ITT) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) Revenue 3/25/98

zero fiscal note(s) _____

zero fiscal note(s) DOTPF 3/25/98

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Therriault</i>	Therriault			X	
<i>Mark Hanky</i>	Hanky			X	
<i>Alan Mulder</i>	Mulder	X			
<i>John Kelly</i>	Kohney	X			
<i>John Kelly</i>	Kelly				✓
<i>John Gussendorf</i>	Gussendorf			X	
<i>John G. Davis</i>	G. Davis	X			

Co- CHAIR'S SIGNATURE

Gene Therriault *Mark Hanky*
 Therriault Hanky

FISCAL NOTE

No: 1

Bill Version: CSHB 432 (ITT)

(H) Publish Date: 3/25/98

**STATE OF ALASKA
1998 LEGISLATIVE SESSION**

Revision Date _____	Dept. Affected <u>DOT&PF</u>
Title <u>Airport Revenue Bonds</u>	BRU <u>Commissioners Office</u>
Sponsor <u>Representative Cowdery</u>	Component <u>Office of the Commissioner</u>
Requester <u>(H) ITT</u>	Component Serial No. <u>530</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: 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

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

Prepared by	<u>Dennis Posnard, Special Assistant</u>	Phone	<u>465-3900</u>
Division	<u>Commissioners Office (D)</u>	Date	<u>2.20.98</u>
Approved by	<u><i>Joseph L. DeLeon</i></u> Commissioner	Date	<u>2.20.98</u>
Agency	<u>Department of Transportation and Public Facilities</u>		

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

Revision Date: February 20, 1998
Title: Airport Revenue Bonds
Sponsor: Cowdery, John
Requestor: (H) ITT
Dept. Affected: EBBY
Component:
Revenue: Revenue Obligations
Treasury:
COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

	FY 98	FY 99	FY 01	FY 02	FY 03	FY 04
OPERATING EXPENDITURES						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
DEBT SERVICE			6,183.2	15,689.4	15,587.5	15,587.7
TOTAL OPERATING	0.0	0.0	6,183.2	15,689.4	15,587.5	15,587.7
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

	FY 98	FY 99	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CRRF						
International Airport Revenue Fund			6,183.2	15,589.4	15,587.5	15,587.7
Other						
TOTAL	0.0	0.0	6,183.2	15,589.4	15,587.5	15,587.7

Estimate of any current year cost: \$ _____

POSITIONS:

	FY 98	FY 99	FY 01	FY 02	FY 03	FY 04
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The bill authorizes the State Bond Committee to issue an additional \$179.0 million of revenue bonds to expand the Anchorage International Airport. The debt service on these bonds will be funded from the International Airport Revenue Fund. Assuming an interest rate of 7% when the bonds are sold and a 25 year term, estimated debt service is approximately \$16.7 million.

See attached debt service analysis for low, mid, and high rates. The high rate was used in this fiscal note.

Prepared by: Ross A. Korte, Treasury
 Approved by: Commissioner Wilson L. Gordon
 Agency: Revenue
 Phone: 465-4260
 Date: February 20, 1998
 Date: February 20, 1998

PREPARED TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

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COMMITTEE COPY

BOND DEBT SERVICE

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1998 Insured Rates
 \$179 MM Bond Issue Principal Amount Assumptions

Fiscal Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/01/1998					
04/01/1999			4,353,876.50	4,353,876.50	
06/30/1999					4,353,876.50
10/01/1999			4,353,876.50	4,353,876.50	
04/01/2000			4,353,876.50	4,353,876.50	
06/30/2000					8,707,753.00
10/01/2000			4,353,876.50	4,353,876.50	
04/01/2001			4,353,876.50	4,353,876.50	
06/30/2001					8,707,753.00
10/01/2001	4,490,000	3.950%	4,353,876.50	8,843,876.50	
04/01/2002			4,265,199.00	4,265,199.00	
06/30/2002					13,109,075.50
10/01/2002	4,670,000	4.040%	4,265,199.00	8,935,199.00	
04/01/2003			4,170,865.00	4,170,865.00	
06/30/2003					13,106,064.00
10/01/2003	4,865,000	4.100%	4,170,865.00	9,035,865.00	
04/01/2004			4,071,132.50	4,071,132.50	
06/30/2004					13,106,997.50
10/01/2004	5,070,000	4.150%	4,071,132.50	9,141,132.50	
04/01/2005			3,965,930.00	3,965,930.00	
06/30/2005					13,107,062.50
10/01/2005	5,285,000	4.200%	3,965,930.00	9,250,930.00	
04/01/2006			3,854,945.00	3,854,945.00	
06/30/2006					13,105,875.00
10/01/2006	5,515,000	4.250%	3,854,945.00	9,369,945.00	
04/01/2007			3,737,751.25	3,737,751.25	
06/30/2007					13,107,696.25
10/01/2007	5,755,000	4.300%	3,737,751.25	9,492,751.25	
04/01/2008			3,614,018.75	3,614,018.75	
06/30/2008					13,125,770.00
10/01/2008	6,010,000	4.400%	3,614,018.75	9,624,018.75	
04/01/2009			3,481,798.75	3,481,798.75	
06/30/2009					13,125,817.50
10/01/2009	6,300,000	4.900%	3,481,798.75	9,781,798.75	
04/01/2010			3,327,448.75	3,327,448.75	
06/30/2010					13,109,247.50
10/01/2010	6,615,000	4.900%	3,327,448.75	9,942,448.75	
04/01/2011			3,165,381.25	3,165,381.25	
06/30/2011					13,197,830.00
10/01/2011	6,945,000	4.900%	3,165,381.25	10,110,381.25	
04/01/2012			2,995,228.75	2,995,228.75	
06/30/2012					13,125,610.00
10/01/2012	7,295,000	4.900%	2,995,228.75	10,290,228.75	
04/01/2013			2,816,501.25	2,816,501.25	
06/30/2013					13,126,730.00
10/01/2013	7,665,000	4.900%	2,816,501.25	10,481,501.25	
04/01/2014			2,628,708.75	2,628,708.75	
06/30/2014					13,110,210.00
10/01/2014	8,055,000	5.100%	2,628,708.75	10,683,708.75	
04/01/2015			2,423,306.25	2,423,306.25	

BOND DEBT SERVICE

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1998 Insured Rates
 \$179 MM Bond Issue Principal Amount Assumption

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/30/2015					13,107,015.00
10-01-2015	3,430,000	5.100%	2,423,306.25	10,903,306.25	
04-01-2016			2,207,066.25	2,207,066.25	
06/30/2016					13,110,372.50
10-01-2016	8,920,000	5.100%	2,207,066.25	11,127,066.25	
04-01-2017			1,979,606.25	1,979,606.25	
06/30/2017					13,106,672.50
10-01-2017	9,390,000	5.100%	1,979,606.25	11,369,606.25	
04-01-2018			1,740,161.25	1,740,161.25	
06/30/2018					13,109,767.50
10-01-2018	9,880,000	5.100%	1,740,161.25	11,620,161.25	
04-01-2019			1,488,221.25	1,488,221.25	
06/30/2019					13,108,382.50
10-01-2019	10,400,000	5.150%	1,488,221.25	11,888,221.25	
04-01-2020			1,220,421.25	1,220,421.25	
06/30/2020					13,108,642.50
10-01-2020	10,950,000	5.150%	1,220,421.25	12,170,421.25	
04-01-2021			938,458.75	938,458.75	
06/30/2021					13,108,880.00
10-01-2021	11,530,000	5.150%	938,458.75	12,468,458.75	
04-01-2022			641,561.25	641,561.25	
06/30/2022					13,110,020.00
10-01-2022	12,135,000	5.150%	641,561.25	12,776,561.25	
04-01-2023			329,085.00	329,085.00	
06/30/2023					13,105,646.25
10-01-2023	12,780,000	5.150%	329,085.00	13,109,085.00	
06/30/2024					13,109,085.00
	179,000,000		144,248,852.00	323,248,852.00	323,248,852.00

NET DEBT SERVICE

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1998 Insured Rates
 \$179 MM Bond Issue Principal Amount Assumption

Period Ending	Total Debt Service	Capitalized Interest Fund	Net Debt Service
06/30/1999	4,353,876.50	4,353,876.50	
06/30/2000	8,707,753.00	8,707,753.00	
06/30/2001	8,707,753.00	4,353,876.50	4,353,876.50
06/30/2002	13,109,075.50		13,109,075.50
06/30/2003	13,106,964.00		13,106,964.00
06/30/2004	13,106,997.50		13,106,997.50
06/30/2005	13,107,062.50		13,107,062.50
06/30/2006	13,105,875.00		13,105,875.00
06/30/2007	13,107,696.25		13,107,696.25
06/30/2008	13,106,770.00		13,106,770.00
06/30/2009	13,105,817.50		13,105,817.50
06/30/2010	13,109,247.50		13,109,247.50
06/30/2011	13,107,830.00		13,107,830.00
06/30/2012	13,105,610.00		13,105,610.00
06/30/2013	13,106,730.00		13,106,730.00
06/30/2014	13,110,210.00		13,110,210.00
06/30/2015	13,107,015.00		13,107,015.00
06/30/2016	13,110,372.50		13,110,372.50
06/30/2017	13,106,672.50		13,106,672.50
06/30/2018	13,109,767.50		13,109,767.50
06/30/2019	13,108,382.50		13,108,382.50
06/30/2020	13,108,642.50		13,108,642.50
06/30/2021	13,108,830.00		13,108,830.00
06/30/2022	13,110,920.00		13,110,920.00
06/30/2023	13,105,646.25		13,105,646.25
06/30/2024	13,109,085.00		13,109,085.00
	323,243,833.00	17,415,505.00	305,828,328.00

BOND SUMMARY STATISTICS

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6 1998 Insured Rates
 \$170 MM Bond Issue Principal Amount Assumption

Dated Date	10/01/1998
Delivery Date	10/01/1998
Last Maturity	10/01/2023
Arbitrage Yield	5.106200%
True Interest Cost (TIC)	5.106200%
Net Interest Cost (NIC)	5.007224%
AI-In TIC	5.252774%
Average Coupon	5.007224%
Average Life (years)	16.094
Duration of Issue (years)	10.613
Par Amount	179,000,000.00
Bond Proceeds	179,000,000.00
Total Interest	144,248,852.00
Net Interest	144,248,852.00
Total Debt Service	323,248,852.00
Maximum Annual Debt Service	13,110,372.50
Average Annual Debt Service	12,929,954.08
Underwriters Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriters Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	41,850,000.00	100.000	4.232%	6.719
Term Bonds	34,820,000.00	100.000	4.930%	13.098
Term 2	44,725,000.00	100.000	5.100%	18.102
Term 3	57,795,000.00	100.000	5.150%	23.103
	179,000,000.00			16.094

BOND DEBT SERVICE

Anchorage International Airport
Fiscal Note Scenario for Department of Revenue
February 6, 1998 Insured Rates plus 100 basis point cushion
\$179 MM Bond Issue Principal Amount Assumption

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10-01-1998					
04-01-1999			\$ 269,088.75	5,269,088.75	
06-30-1999					5,269,088.75
10-01-1999			5,269,088.75	5,269,088.75	
04-01-2000			5,269,088.75	5,269,088.75	
06-30-2000					10,538,177.50
10-01-2000			5,269,088.75	5,269,088.75	
04-01-2001			5,269,088.75	5,269,088.75	
06-30-2001					10,538,177.50
10-01-2001	3,930,000	4.950%	5,269,088.75	9,199,088.75	
04-01-2002			5,171,821.25	5,171,821.25	
06-30-2002					14,370,910.00
10-01-2002	4,130,000	5.050%	5,171,821.25	9,301,821.25	
04-01-2003			5,067,538.75	5,067,538.75	
06-30-2003					14,369,360.00
10-01-2003	4,345,000	5.100%	5,067,538.75	9,412,538.75	
04-01-2004			4,956,741.25	4,956,741.25	
06-30-2004					14,369,280.00
10-01-2004	4,575,000	5.150%	4,956,741.25	9,521,741.25	
04-01-2005			4,838,935.00	4,838,935.00	
06-30-2005					14,370,676.25
10-01-2005	4,820,000	5.200%	4,838,935.00	9,658,935.00	
04-01-2006			4,713,615.00	4,713,615.00	
06-30-2006					14,372,550.00
10-01-2006	5,075,000	5.250%	4,713,615.00	9,788,615.00	
04-01-2007			4,580,396.25	4,580,396.25	
06-30-2007					14,369,011.25
10-01-2007	5,350,000	5.300%	4,580,396.25	9,930,396.25	
04-01-2008			4,438,621.25	4,438,621.25	
06-30-2008					14,369,017.50
10-01-2008	5,645,000	5.400%	4,438,621.25	10,083,621.25	
04-01-2009			4,286,206.25	4,286,206.25	
06-30-2009					14,269,827.50
10-01-2009	5,975,000	5.900%	4,286,206.25	10,261,206.25	
04-01-2010			4,109,943.75	4,109,943.75	
06-30-2010					14,371,150.00
10-01-2010	6,335,000	5.900%	4,109,943.75	10,444,943.75	
04-01-2011			3,923,061.25	3,923,061.25	
06-30-2011					14,368,005.00
10-01-2011	6,720,000	5.900%	3,923,061.25	10,643,061.25	
04-01-2012			3,724,821.25	3,724,821.25	
06-30-2012					14,367,882.50
10-01-2012	7,130,000	5.900%	3,724,821.25	10,844,821.25	
04-01-2013			3,514,486.25	3,514,486.25	
06-30-2013					14,269,307.50
10-01-2013	7,565,000	5.900%	3,514,486.25	11,079,486.25	
04-01-2014			3,291,318.75	3,291,318.75	
06-30-2014					14,370,805.00
10-01-2014	8,030,000	6.100%	3,291,318.75	11,321,318.75	
04-01-2015			3,046,403.75	3,046,403.75	

BOND DEBT SERVICE

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1994 Insured Rates plus 100 basis point cushion
 \$179 MM Bond Issue Principal Amount Assumption

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/30/2015					14,367,722.50
10/01/2015	8,540,000	6.100%	3,046,403.75	11,586,403.75	
04/01/2016			2,785,933.75	2,785,933.75	
06/30/2016					14,372,337.50
10/01/2016	9,075,000	6.100%	2,785,933.75	11,860,933.75	
04/01/2017			2,509,146.25	2,509,146.25	
06/30/2017					14,370,080.00
10/01/2017	9,645,000	6.100%	2,509,146.25	12,154,146.25	
04/01/2018			2,214,973.75	2,214,973.75	
06/30/2018					14,369,120.00
10/01/2018	10,250,000	6.100%	2,214,973.75	12,464,973.75	
04/01/2019			1,902,348.75	1,902,348.75	
06/30/2019					14,367,322.50
10/01/2019	10,900,000	6.150%	1,902,348.75	12,302,348.75	
04/01/2020			1,567,173.75	1,567,173.75	
06/30/2020					14,369,522.50
10/01/2020	11,590,000	6.150%	1,567,173.75	13,157,173.75	
04/01/2021			1,210,781.25	1,210,781.25	
06/30/2021					14,367,955.00
10/01/2021	12,325,000	6.150%	1,210,781.25	13,535,781.25	
04/01/2022			831,787.50	831,787.50	
06/30/2022					14,367,568.75
10/01/2022	13,110,000	6.150%	831,787.50	13,941,787.50	
04/01/2023			428,655.00	428,655.00	
06/30/2023					14,370,442.50
10/01/2023	13,940,000	6.150%	428,655.00	14,368,655.00	
06/30/2024					14,368,655.00
	179,500,000		177,843,952.50	356,843,952.50	356,843,952.50

NET DEBT SERVICE

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 5, 1998 Insured Rates plus 100 basis point cushion
 \$179 MM Bond Issue Principal Amount Assumption

Period Ending	Total Debt Service	Capitalized Interest Fund	Net Debt Service
06/30/1999	5,269,088.75	5,269,088.75	
06/30/2000	10,538,177.50	10,538,177.50	
06/30/2001	10,538,177.50	5,269,088.75	5,269,088.75
06/30/2002	14,370,910.00		14,370,910.00
06/30/2003	14,369,360.00		14,369,360.00
06/30/2004	14,369,280.00		14,369,280.00
06/30/2005	14,370,676.25		14,370,676.25
06/30/2006	14,372,550.00		14,372,550.00
06/30/2007	14,369,011.25		14,369,011.25
06/30/2008	14,369,017.50		14,369,017.50
06/30/2009	14,369,827.50		14,369,827.50
06/30/2010	14,371,150.00		14,371,150.00
06/30/2011	14,368,005.00		14,368,005.00
06/30/2012	14,367,882.50		14,367,882.50
06/30/2013	14,369,307.50		14,369,307.50
06/30/2014	14,370,805.00		14,370,805.00
06/30/2015	14,367,722.50		14,367,722.50
06/30/2016	14,372,337.50		14,372,337.50
06/30/2017	14,370,080.00		14,370,080.00
06/30/2018	14,369,120.00		14,369,120.00
06/30/2019	14,367,322.50		14,367,322.50
06/30/2020	14,369,522.50		14,369,522.50
06/30/2021	14,367,955.00		14,367,955.00
06/30/2022	14,367,568.75		14,367,568.75
06/30/2023	14,370,442.50		14,370,442.50
06/30/2024	14,368,655.00		14,368,655.00
	356,843,952.50	21,076,355.00	335,767,597.50

BOND SUMMARY STATISTICS

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1998 Insured Rates plus 100 basis point cushion
 \$179 MM Bond Issue Principal Amount Assumption

Dated Date	10/01/1998
Delivery Date	10/01/1998
Last Maturity	10/01/2023
Arbitrage Yield	6.137115%
True Interest Cost (TIC)	6.137115%
Net Interest Cost (NIC)	6.019253%
All-In TIC	6.292908%
Average Coupon	6.019253%
Average Life (years)	16.506
Duration of Issue (years)	10.038
Par Amount	179,000,000.00
Bond Proceeds	179,000,000.00
Total Interest	177,843,952.50
Net Interest	177,843,952.50
Total Debt Service	356,843,952.50
Maximum Annual Debt Service	14,372,550.00
Average Annual Debt Service	14,275,758.10
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	\$70,000.00	100.000	5.356%	6.771
Term Bonds	\$725,000.00	100.000	5.900%	13.118
Term 2	\$7,540,000.00	100.000	6.100%	19.122
Term 3	\$1,365,000.00	100.000	6.150%	23.123
	179,000,000.00			16.506

BOND DEBT SERVICE

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1998 Issuance Rates plus 200 basis point cushion
 \$179 MM Bond Issue Principal Amount Assumption

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10-01-1998					
04-01-1999			6,183,107.50	6,183,107.50	
06-30-1999					6,183,107.50
10-01-1999			6,183,107.50	6,183,107.50	
04-01-2000			6,183,107.50	6,183,107.50	
06-30-2000					12,366,215.00
10-01-2000			6,183,107.50	6,183,107.50	
04-01-2001			6,183,107.50	6,183,107.50	
06-30-2001					12,366,215.00
10-01-2001	3,425,000	5.950%	6,183,107.50	9,608,107.50	
04-01-2002			6,081,213.75	6,081,213.75	
06-30-2002					15,689,321.25
10-01-2002	3,635,000	6.050%	6,081,213.75	9,716,213.75	
04-01-2003			5,971,255.00	5,971,255.00	
06-30-2003					15,687,468.75
10-01-2003	3,865,000	6.100%	5,971,255.00	9,836,255.00	
04-01-2004			5,853,372.50	5,853,372.50	
06-30-2004					15,689,627.50
10-01-2004	4,110,000	6.150%	5,853,372.50	9,963,372.50	
04-01-2005			5,726,990.00	5,726,990.00	
06-30-2005					15,690,362.50
10-01-2005	4,370,000	6.200%	5,726,990.00	10,096,990.00	
04-01-2006			5,591,520.00	5,591,520.00	
06-30-2006					15,688,510.00
10-01-2006	4,550,000	6.250%	5,591,520.00	10,241,520.00	
04-01-2007			5,446,207.50	5,446,207.50	
06-30-2007					15,687,727.50
10-01-2007	4,955,000	6.300%	5,446,207.50	10,401,207.50	
04-01-2008			5,290,125.00	5,290,125.00	
06-30-2008					15,691,332.50
10-01-2008	5,280,000	6.400%	5,290,125.00	10,570,125.00	
04-01-2009			5,121,165.00	5,121,165.00	
06-30-2009					15,691,290.00
10-01-2009	5,540,000	6.500%	5,121,165.00	10,761,165.00	
04-01-2010			4,926,585.00	4,926,585.00	
06-30-2010					15,687,750.00
10-01-2010	6,045,000	6.600%	4,926,585.00	10,971,585.00	
04-01-2011			4,718,032.50	4,718,032.50	
06-30-2011					15,689,617.50
10-01-2011	6,475,000	6.600%	4,718,032.50	11,193,032.50	
04-01-2012			4,494,645.00	4,494,645.00	
06-30-2012					15,687,677.50
10-01-2012	6,940,000	6.600%	4,494,645.00	11,434,545.00	
04-01-2013			4,255,215.00	4,255,215.00	
06-30-2013					15,689,860.00
10-01-2013	7,405,000	6.600%	4,255,215.00	11,690,215.00	
04-01-2014			3,998,707.50	3,998,707.50	
06-30-2014					15,688,922.50
10-01-2014	7,875,000	6.600%	3,998,707.50	11,973,707.50	
04-01-2015			3,715,595.00	3,715,595.00	

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BOND DEBT SERVICE

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1998 Insured Rates plus 200 basis point cushion
 \$179 MM Bond Issue Principal Amount Assumption

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/30/2015					15,689,302.50
10/01/2015	8,560,000	7.100%	3,715,295.00	12,275,595.00	
04/01/2016			3,411,715.00	3,411,715.00	
06/30/2016					15,687,310.00
10/01/2016	9,195,000	7.100%	3,411,715.00	12,606,715.00	
04/01/2017			3,085,292.50	3,085,292.50	
06/30/2017					15,692,007.50
10/01/2017	9,870,000	7.100%	3,085,292.50	12,955,292.50	
04/01/2018			2,734,907.50	2,734,907.50	
06/30/2018					15,690,200.00
10/01/2018	10,595,000	7.100%	2,734,907.50	13,329,907.50	
04/01/2019			2,358,785.00	2,358,785.00	
06/30/2019					15,688,692.50
10/01/2019	11,380,000	7.150%	2,358,785.00	13,738,785.00	
04/01/2020			1,951,950.00	1,951,950.00	
06/30/2020					15,690,735.00
10/01/2020	12,220,000	7.150%	1,951,950.00	14,171,950.00	
04/01/2021			1,515,085.00	1,515,085.00	
06/30/2021					15,687,035.00
10/01/2021	13,130,000	7.150%	1,515,085.00	14,645,085.00	
04/01/2022			1,045,687.50	1,045,687.50	
06/30/2022					15,690,772.50
10/01/2022	14,100,000	7.150%	1,045,687.50	15,145,687.50	
04/01/2023			541,612.50	541,612.50	
06/30/2023					15,687,300.00
10/01/2023	15,150,000	7.150%	541,612.50	15,691,612.50	
06/30/2024					15,691,612.50
	179,000,000		212,769,972.50	391,769,972.50	391,769,972.50

NET DEBT SERVICE

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1998 Insured Rates plus 200 basis point cushion
 \$179 MM Bond Issue Principal Amount Assumption

Period Ending	Total Debt Service	Capitalized Interest Fund	Net Debt Service
06/30/1999	6,183,107.50	6,183,107.50	
06/30/2000	12,366,215.00	12,366,215.00	
06/30/2001	12,366,215.00	6,183,107.50	6,183,107.50
06/30/2002	15,689,321.25		15,689,321.25
06/30/2003	15,687,468.75		15,687,468.75
06/30/2004	15,689,627.50		15,689,627.50
06/30/2005	15,690,362.50		15,690,362.50
06/30/2006	15,688,510.00		15,688,510.00
06/30/2007	15,687,727.50		15,687,727.50
06/30/2008	15,691,332.50		15,691,332.50
06/30/2009	15,691,290.00		15,691,290.00
06/30/2010	15,687,750.00		15,687,750.00
06/30/2011	15,689,617.50		15,689,617.50
06/30/2012	15,687,677.50		15,687,677.50
06/30/2013	15,689,860.00		15,689,860.00
06/30/2014	15,688,922.50		15,688,922.50
06/30/2015	15,689,302.50		15,689,302.50
06/30/2016	15,687,310.00		15,687,310.00
06/30/2017	15,692,007.50		15,692,007.50
06/30/2018	15,690,200.00		15,690,200.00
06/30/2019	15,688,692.50		15,688,692.50
06/30/2020	15,690,735.00		15,690,735.00
06/30/2021	15,687,035.00		15,687,035.00
06/30/2022	15,690,772.50		15,690,772.50
06/30/2023	15,687,300.00		15,687,300.00
06/30/2024	15,691,612.50		15,691,612.50
	391,769,972.50	24,732,430.00	367,037,542.50

BOND SUMMARY STATISTICS

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1998 Insured Rates plus 200 basis point cushion
 \$179 MM Bond Issue Principal Amount Assumption

Dated Date	10/01/1998
Delivery Date	10/01/1998
Last Maturity	10/01/2023
Arbitrage Yield	7.170652%
True Interest Cost (TIC)	7.170652%
Net Interest Cost (NIC)	7.030360%
All-in TIC	7.336204%
Average Coupon	7.030360%
Average Life (years)	16.908
Duration of Issue (years)	9.497
Par Amount	179,000,000.00
Bond Proceeds	179,000,000.00
Total Interest	212,769,972.50
Net Interest	212,769,972.50
Total Debt Service	391,769,972.50
Maximum Annual Debt Service	15,692,007.50
Average Annual Debt Service	15,670,798.90
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Small Bonds	34,290,000.00	100.000	6.238%	6.824
Term Bonds	12,535,000.00	100.000	6.900%	13.138
Term 2	46,195,000.00	100.000	7.126%	18.142
Term 3	65,980,000.00	100.000	7.150%	23.143
	179,000,000.00			16.908

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- DAVE EBERLY
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- FLEXIBILITY
ISSUE BOND ALL NOW
LOW INTEREST RATES



House Finance Committee

SUBJECT OF MEETING:

HB 344
HB 432

DATE: 5-3-98

PLACE: CAP 519

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WI
① MORT PLUMB	AFA	2170 INNES CIRCLE	99515	345-0900	266-2529	<input checked="" type="radio"/> Y <input type="radio"/> N	
② BARBARA MIKLOS	DIRECTOR - CSEED	550 W 7th	99501		269-6800	<input checked="" type="radio"/> Y <input type="radio"/> N	HF
④ Ron Kreher	SPECIAL DIVIS PUB. ASST DHSS/DPA	350 MAIN JUNEAU	99801	364-2800 465-3379	465-3379	<input checked="" type="radio"/> Y <input type="radio"/> N	
③ DAN BRANCH	DOLAN	123 4th St JUNEAU	99811	586-4049 465-4136	465-4136	<input type="radio"/> Y <input checked="" type="radio"/> N	HB
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
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Representative
John J. Cowdery

March 25, 1998

The Honorable Bill Williams, Chairman
House Transportation Committee
424 Capitol Building
Juneau, Alaska 99801

The Honorable Gene Therriault, Co-Chairman
The Honorable Mark Hanley, Co-Chairman
House Finance Committee
415 Capitol Building
Juneau, Alaska 99801

Dear Mr. Chairman:

RE: CSHB 432 (IT&T): "An act relating to international airport revenue bonds..."

I am pleased to forward to you the collateral record materials on CSHB 432 for consideration by your committee. The House Special Committee on International Trade and Tourism held five separate hearings, totaling 8 hours with testimony from 20 witnesses. The preponderance of testimony was in favor of the project.

CSHB 432 increases authorization for the state to sell revenue bonds from the present level of \$100,825,000 to a new level of \$280,000,000. The additional increment of \$179,175,000 will be used to construct improvements at Anchorage International Airport (AIA). The increased bonding authority is only one component of the financing for this project. Another component includes approximately \$26 million in federal highway funds for curbside and access road improvements. Still another component includes FAA funding of approximately \$25 million. The total, all in, project cost is estimated to be \$230 million. This bill, however, is about only the \$179.2 million portion relating to revenue bonds to be guaranteed by the International Airport Revenue Fund (IARF).

The difference between the original version of HB 432 and CSHB 432 is one amendment, which is the new Section 2 of the CS. It requires DOT/PF to submit an

advance fiscal year spending plan to the Legislature by January 1st each year of the project.

In the course of our extensive hearings, the IT&T Committee amassed a great amount of paperwork in connection with HB 432. In order to facilitate your committee's further consideration of the bill, I've prepared three volumes of binders containing a copy of every document submitted to my committee during this hearing process. Each document is tabbed with a number. A Master Index to the tabbed documents is in the front of each volume.

I would highlight the following items that may assist you:

- A contact sheet of witnesses and state officials is in Volume II, Section VI, Tab B.
- A bibliography of all documents and reports prepared by DOT/PF and their consultants is located in Volume I, Section II, Tab B at Attachment #4.
- The unabridged Plan of Finance is located at Section II, Tab Q.
- The Letter of Intent (LOI) for FAA funding is located at Section II, Tab R.
- A summary of key points that deserve further elucidation is included as the last section of this letter.

I hope that by presenting the information in this way that it will assist your committee to identify issues that have been adequately covered and other issues that still need legislative perusal.

There are 25 signatories to the Airport Airline Operating Agreement. The Agreement requires that two thirds of the members must vote against a project to disapprove it. Approval takes a one third vote. Abstentions count as a yes vote. The signatories voted 13 Yes and 12 No. The yes votes comprise 60% of the revenue generated at AIA. Strictly among domestic carriers, the support was stronger. Domestic carriers comprising 89% of AIA's revenue voted yes.

Still, it was my intent to ensure that the small air carriers who comprised the minority vote had an ample opportunity to present their issues. Representatives from ERA, and Northern Air Cargo made valuable contributions to the record that reinforced the committee's resolve to keep the project within manageable scope and limited indebtedness. In fact, it was because of prior input from the smaller carriers that I introduced HB 432 and reduced the bonding authority by \$25 million compared to the governor's proposal. (The difference to be made up in federal airport aid funds that must be targeted to specific project costs.) I urge you to maintain this difference in any substitute bill that issues from your committee.

IMPORTANT ISSUES:

1. Overall construction period from 1999 to 2004 seems too long. A critical path chart, however preliminary it may be at this point in time, would be a good reference. None has been submitted yet.
2. Along the same line, care should be taken to ensure separate sub-projects are completed in carefully coordinated, discrete time packages. The best information we have on discreet sub-projects is Commissioner Perkins letter dated March 19, 1998 which can be found in Volume I, Section II, Tab F of the IT&T Committee Binders accompanying this memo. This is important information because, to the extent possible, we want contracts sized to the capabilities of Alaskan contractors. There is a balance to be struck between the number of contracts issued and maintaining sound interface between them.
3. The relationship of the Cargo Master Plan to the overall Airport Master Plan is a little fuzzy. There should be only one Master Plan containing a comprehensive view of development for the whole airport. At the very least, the Airport Master Plan cannot be considered complete until the Cargo Master Plan is completed. It is not yet completed. So there is some uncertainty about the ability to pay for future cargo-related capital projects, within the amortization period of the current project, because they haven't all been identified. (Feb 24 Minutes, page 22. Tape #0532) Aside from the phantom Cargo Master Plan the Airport's CIP lists \$176 million in projects during the planning horizon of 6 years.

4. A two and a half year construction period for Concourse C may be unnecessarily long.
5. Mr. Eberle's testimony that DOT/PF will not staff up, but will use contractors, should be held to. One of the legislative goals should be to maximize Alaskan contractor content in this project.
6. Additional information should be developed about the possible need for interim financing, such as Bond Anticipation Notes, as suggested by Mr. Ross Kinney, State Treasurer. The FAA money will come in annual allocations over a span of time longer than the construction period. Mr. Kinney and the Airport's financial consultant, Mr. George King, are worried that they won't have enough money on hand to pay for construction as needed. However, given the contingency amount (20%), the Passenger Facility Charge revenues that are not yet included in the financing (\$6 million per year), interest during construction, the unexpended balances in IARF CIP funds, and surplus revenue in IARF that is traditionally rebated to the air carriers, it would seem that actual cashflow will be amply sufficient for construction. Bond Anticipation Notes may play a role in this project but not for the reason that there will be inadequate funds during construction. More likely they will be needed if IRS requires two offerings instead of one. The Finance Committee may want to investigate the likelihood of IRS approval of a single bond offering plan.
7. Additional investigation is required into the IRS rules requiring bond proceeds to be expended within three years. Testimony indicates a bond sale in 1998 and project completion at the end of 2003, a five year period. Despite DOT/PF's contention that one bond package is a must, it may be necessary to have two bond offerings. (ibid, page 27)
8. DOT/PF has not yet answered the question, "what project components can be discarded or delayed if costs exceed available funds." They seem to be worried that the legislature will curtail the project if they admit to a prioritization. If no prioritization is made now, then in the event of cost over runs the only option will be to increase expenditures. The legislature should keep both options available: to curtail or to increase. There is built-in resistance to curtailment. Herein, raising the

prioritization issue should not be considered as advocacy for curtailment. Instead, it is raised out of necessity for thoroughness in the legislature's review. Chairman Cowdery asked what curtailments would have to be made if interest rates climbed a hundred basis points (1%). Mr. George King responded that a 100 basis point increase would have no effect because the financial model has that much of a cushion built into it (see Volume III, Section VI, Tab D, IT&T Minutes for 02/25/98, Page 12). Staff's conclusion is that it is early enough in the process so that the project will be designed to fit the dollars available.

9. DOT/PF submitted a Letter of Intent (LOI) to FAA dated March 2, 1998 (Tab #). The IT&T Committee received a copy on March 19, 1998. The LOI is a one inch thick document that contains information that may have escaped review by the IT&T Committee, though a draft was provided to the committee's consultants. The LOI is a \$48 million funding request for capital projects within and outside the scope of the project envisioned by HB 432. A clear delineation should be made about which projects in the LOI relate to the HB 432 project and what is their cost. Mr. Ron Simpson is the FAA contact on this matter. A hole exists in the record about what we can expect the annual payments to be from FAA if the LOI is approved.
10. Passenger Facility Charges (PFC's) is a HUGE issue. The Governor does not want to address the issue of PFC's this year, election year, probably because it can be viewed as a tax. Therefore PFC's are not part of the financing plan, or debt reduction plan, for this project. FAA testified that Alaskans are paying PFC's but the money is going to airports outside, mostly SEATAC. Among municipally run airports, Juneau, Ketchikan, Kenai and Valdez are in various stages of consideration and application for PFC sponsored projects. FAA recommends we adopt PFC's for Anchorage and Fairbanks. It would mean about \$5 to \$7 million per year in added revenue, which must be spent, on specific airport projects. One argument against PFC's is that it would reduce the dollars we get from FAA's Entitlement Program. This is partly true. Actually, the decrease would only be for funds for Anchorage International Airport and would be offset by increased funds available for other, rural airports (according to Ron Simpson FAA). Hence rural communities will benefit from this

project. Additional explanation about limitations on how PFC's can be spent should be put in the record.

The IT&T Committee considered an amendment to require that PFC's, if and when they are levied, must be used first to pay off bonded indebtedness, and then for other uses as allowed by statute. However, State Treasurer, Kinney, testified that the likelihood of an early redemption is a disincentive to bond buyers and might result in a higher interest rate. The amendment was withdrawn. The Finance Committee may wish to verify this information or explore other ramifications of having the PFC cashflow available.

11. AIA's Terminal Project Manager, Mr. Kettner testified that they have an overall 20% contingency built into the project cost. How should this money be used if it is not needed for contingency costs?
12. The State Treasurer requested several amendments to reinforce the statute allowing the Bond Committee to delegate authority to staff, and, to purchase credit enhancements. As Chairman of IT&T, I have no strong objection to these amendments. I did not bring them up for active consideration because they seem redundant and are couched in jargon. However, I recommend these amendments be reviewed by the Co-chairs of the Finance Committee. The amendments are found at Volume I, Section I, Tab F.
13. The IT&T Committee did not delve into the environmental protection requirements that may be associated with this project. Commissioner Perkins letter of March 19, 1998 makes reference to an Environmental Assessment that is underway to comply with the National Environmental Protection Act. However, IT&T neither received nor solicited testimony on this aspect. I urge the Transportation Committee to include environmental issues in their overview of CSHB 432.
14. We tried to assess the ability of the AIAS to remain competitive after the rate increases are levied consequent to this project. The IT&T Committee Consultant Report indicated that some comparisons of landing fees were misleading because some airports include fuel flowage fees within their landing fees and AIA does not (Volume III, Section V, Tab A). Despite this discrepancy, that data and testimony by

airport officials and their consultants indicate that ALAS will remain competitive with U.S. airports. However, no data was submitted regarding competitiveness with international airports in Pacific Rim countries.

15. It is recommended that the Legislature develop a mechanism for directly tracking progress and problems during the course of the project. Programmed legislative oversight will by its very implementation increase conscientiousness among the parties involved in disbursing the huge amounts of money involved in this project.
16. Finally, instead of a public offering for the bonds, the IT&T consultants propose that the state explore the pros and cons of a private placement with the Permanent Fund Corporation. Substantial savings could accrue due to elimination of fees and credit enhancements.

It is my hope that this letter and the accompanying information will make your committee's work easier and enable you to avoid unnecessary duplication of effort. My office will make any request from you on this matter a top priority.

Yours truly,



John J. Cowdery
Chairman
International Trade and Tourism

Cc: Commissioner Joe Perkins

I. Bill / Sponsor / Fiscal / Statutes

VOLUME I

- A. CSHB 432 (ITT) *
- B. Sponsor Statement *
- C. Committee Chairman Statements
- D. Fiscal Note *
- E. DOT/PF Amendments not presented
- F. Statutes - AS 37.15.410 – AS 37.15.550 "International Airports Revenue Bonds"

II. DOT/PF Anchorage International Airport Submittals

- A. ITT Questions About Project
- B. DOT/PF Answers from 2/24, 2/25 *
- C. DOT/PF answers from 3/5 *
- D. Hudson AIPF (George King) Financial Consultant Portfolio
- E. Consultant Biographies
- F. Perkins summary of key issues letter *
- G. Construction Cost Estimate (McCool Carlson Green – HMS Consultants)
- H. Carrier Revenue Reports
- I. AIA letter to Airline Airport Affairs
- J. AIA Administration Chart
- K. FY 1999 Capital Project Request
- L. Notes from meeting with Mort Plumb
- M. Aviation Improvement Program Extract
- N. AIA Terminal Concept Package Report #8 10/1/97
- O. AIA Terminal Redevelopment Project *
- P. AIA Terminal Redevelopment Project Supplemental Information 2/24/98 *
- Q. Plan of Finance (Vol I & II)
- R. AIA Letter of Intent (LOI) Application

VOLUME II

I. Supporting Testimony

VOLUME III

- A. Letters of Support **
 - Air Transport Assoc.
 - Regal Alaskan Hotel
 - Anchorage Economic Development Corp
 - Municipality of Anchorage
 - Associate General Contractors
 - Willis Corroon
 - Commonwealth North
 - Alaska Airlines
 - United Airlines

II. Non Supporting Testimony

- A. Letters of Opposition **
- B. ERA answers from 2/25 *
- C. Northern Air Cargo Key Points
- D. File Note: Teleconference with Don Harris

III. IT&T Consultant Report (Noonan – Wells)

- A. Special Review HB 432 *

IV. Public Hearing Transcripts

- A. Witness List
- B. Contact Sheet
- C. Tape Log Minutes
- D. Draft Minutes

VII. Collateral Material & Research

- A. 1983 – HB 321 – Anchorage International Airport
- B. Letter to Senator Stevens - PFC*
- C. CFR 158.1 – 158.95 re: PFC's

* Included in all ITT committee member packets

** A portion of letters included in all ITT committee member packets

SPECIAL REVIEW

HB 432

ANCHORAGE INTERNATIONAL AIRPORT

REVENUE BOND AUTHORIZATION

for

ALASKA HOUSE OF REPRESENTATIVES

**SPECIAL COMMITTEE ON INTERNATIONAL TRADE AND
TOURISM**

Report prepared by:

March 19, 1998

**Dr. Heinz Noonan,
Economist, Airport Planner
Stephen F. Wells,
Certified Internal Auditor**

Airport Bond Questions:

Introduction:

In all fairness to the AIA we must say that there has been considerable effort made toward presenting as complete a package of information as may be possible. Numerous staff and consulting hours have been incurred in preparing more reports than we could possibly review in detail. Therefore, it is entirely conceivable that the AIA has answers to any questions we may raise and that those answers have already been covered in a report somewhere. We have briefed both Dave Eberle and Mort Plumb of the general nature of this report and some of its specific findings in order that they may be prepared for your questions or so that they could supply us with any additional comments they might have. They have not received a copy of this report.

Because we have been asked to review certain information related to the Anchorage International Airport proposed bond package, we have agreed to try to answer certain questions and provide additional information. Also because we want to provide a cost effective product we will avoid duplicating efforts that have already been expended, but may in some cases evaluate already provided information. Our review was limited to information available at AIA. Discussions with airlines or consultants were not done due to time constraints. Therefore, there may be additional information which might need to be considered.

Question:

1. What is the total debt capacity of the International Airport System?

The simple answer is that there is no singular dollar debt capacity that remains constant.

The short version answer is that the level of activity and associated revenue at the Anchorage and Fairbanks airports (IARF) are tied together to calculate bond capacity given a point in time and certain assumptions. More directly the current bonded debt of approximately \$33 million and the proposed bonded debt of approximately \$200 million is within bonding capacity of the IARF but only if certain conditions are met. If the IARF is willing to accept a lower credit rating then the amount of the bonded debt could conceivably be as much as \$400 million.

The long version can not be covered in the limited time allocated for this report but requires a due diligence review by qualified bond counsel. Additionally, should further review be requested we would be available to assist where possible.

2. Is the borrowing capacity for Anchorage International Airport(AIA) legally separate from Fairbanks International Airport(FIA), i.e. does debt incurred for AIA project affect the borrowing capacity for FIA?

The simple answer is NO the borrowing capacity of AIA and FIA are not separate but are linked together in the form of the International Airport Revenue Fund (IARF) --- And to continue, YES debt incurred at AIA does affect FIA borrowing capacity and vice versa.

AIA has historically subsidized operations at FIA because Anchorage generates excess revenues and Fairbanks has lost money consistently. While this is not a popular statement, it is true, and can easily be seen in any of the financial statements for the airports. What it means for your purposes in this question is that anything which either reduces revenue or increases cost at AIA will have a significant impact on FIA's ability to justify any bond financed improvements. Regardless of where the projects are located (AIA or FIA) the impact is to both airports as they affect the IARF in total.

- 3. After the proposed project is complete, what will be the plane/passenger capacity at AIA and how long will this capacity satisfy anticipated demand?

AIA has answered that "The project is designed to accommodate 3,000,000 enplanements or 6 million passengers, which are projected for the year 2005." Additionally, they answered that "...an additional four jet gates may be needed in about 2010 with another four jet gates in about 2015."

The Hirsh report, ("Final Report, AIA, Terminal Expansion Study, date 12/22/97, Hirsh Associates") table II-1 indicates that by 2005 the total enplanements are estimated to be 3,070,000 and by 2015 the enplanements will total 4,440,000 or almost 9 million passengers.

- 4. What are the long-range capital improvement plan and accompanying cost estimates for AIA and FIA? Match funding sources to the project in the long range capital improvement plan and compare to debt capacity.

This is a complicated question. Numerous reports have been generated which cover parts of this question. We'll try to summarize but what you may want to ask for is what we normally call a "Source and Application of Funds" statement(s).

AIA CIP	Estimated Funding/Costs
FY99	\$25.150 million
FY00	\$23.150
FY01	\$22.100
FY02	\$16.400
FY03	\$35.050
FY04	\$20.400
total	\$142.250 million

FIA CIP	
FY 99	\$6.359 million
FY00	\$8.050
FY01	\$7.368

FY02	\$5.937
FY03	\$3.220
FY04	\$2.200
total	\$33.134 million

IARF total CIP \$175.384 million

Part of the answer for the source of funds is that IARF revenue normally provides some of the funding and FAA AIP provides some funding. When you look back to previous CIP projects that have been approved and not yet built it is hard to understand how future projects will really be paid for. The "reserve account" is for previously approved projects that may or may not have received planned-for AIP funding. If the federal funding portion were revised, cancelled or funded by IARF revenue this would impact future projects, debt capacity, etc.

5. How does the fund for the proposal presented in HB 382 differ from funding methods used for past terminal projects at AIA and FIA?

In past terminal projects a combination of bond funds and revenues or cash has been used to pay for the projects.

6. What are the historic balances of the IARF? Show which major capital projects were funded in which years?

The published financial reports for the IARF for each year has a schedule in the very last pages which I find most useful and comparative for AIA and FIA, but they do not show relationship to projects.

Historic Balance -Net Income (Loss)

	AIA	FIA	Total IARF
FY97	\$8,615,979	(\$7,723,270)	\$ 892,709
FY96	\$6,584,122	(\$7,053,665)	(\$ 469,543)
FY95	\$4,341,090	(\$6,689,017)	(\$2,347,927)
FY 94	\$1,261,104	(\$7,292,081)	(\$6,030,977)
FY93	\$3,416,468	(\$7,242,494)	(\$3,826,026)
FY92	\$8,004,223	(\$7,892,669)	\$ 111,554
FY91	\$16,604,397	(\$8,258,443)	\$8,345,954
FY90	\$21,562,965	(\$7,837,424)	\$13,725,541
FY89	\$26,282,113	(\$6,802,607)	\$19,479,506
FY88	\$24,943,829	(\$7,121,223)	\$17,822,606

What this information should clearly demonstrate is that from a strictly financial point of view, FIA should carefully consider any project which might increase it's operating costs and further impact its net income and ability to repay debts. Certainly without the support of income from AIA, the rates and fees at FIA would be considerably higher.

What the impacts are when the total fund is at a loss should be explained by the IARF Controller.

The AIA provided a list of major projects and year of funding in their 3/4/98 response, attachment #6.

7. How long is the proposed project's life and how long is the amortization period?

The AIA has responded, "Industry standard building design life - 30 years and Bond amortization period - 25 years"

8. Under the current proposal, how long will it be before AIA will need to be expanded again?

There is a strong possibility, that if estimates and projection within the AIA reports are experienced, that within 5 years and again in 10 years after this project is complete there will be another expansion project needed for passenger growth and gate needs. Those alternatives can be seen in the new "finger" alternatives that would extend out from the new Concourse C.

The proposed project's design life and useful life for demand purposes may be different. As has already been shown the demand may require more building by 2010 or within 5 years after this project. In all fairness, however, the planners have alternatives (at more costs) which can be expanded to meet growth demands. That information may not have been presented or clearly explained. Certainly the AIA can explain in detail why this project is being design for 2005 instead of 2010 or 2015.

9. In light of AIA traffic growth projections, has the building of a new terminal been seriously evaluated?

YES.

In the "Sketch Planning Process" Technical Report dated 1/2/98 by McCool Carlson Green Team, you can find numerous alternatives, their evaluation process, and a recommended 2005 conceptual design. In discussion with Mr. Donn Ketner, he indicated that as many as 15 different alternatives have been considered. When you review the document mentioned above you see an evolutionary process unfolding. Sophisticated models of evaluating which alternative would be presented were utilized, as well as decisions about what items would be of more importance. The AIA team should answer any specific questions about design alternatives.

10. Is a 25 - year debt being incurred for a remedy that will only be adequate one or two years after completion?

Very possible, and certainly within 5 years as their own information and forecasts state.

11. How will the AIA landing fees compare nationally after the proposed \$165 million in debt is incurred?

One critical point that you may have heard in testimony before the committee is that at AIA and FIA, you need to combine landing fees and fuel flowage fees in order to make a comparison to many airports who only have landing fees. You need to have an apples to apples comparison. What you have been given is an apples to oranges comparison. How the landing fee number is generated by the industry can reflect entirely different cost information.

What is needed and what could be supplied if we had more time is a simpler way to making a comparison at different airports. For instance, it should be possible to use a standard aircraft size and configuration to determine what it would cost for that particular aircraft to land at different airports. In that manner you would get an apple to apple comparison. How the fee was developed and what different cost information was used to determine the fee wouldn't matter as much because the end result would show what it would cost that particular aircraft.

12. How will higher tariffs affect AIA and FIA ability to finance future expansion and attract new carriers?

Certainly the ability to finance future expansion projects through revenue bonds will be affected. As the AIA has explained if there is a demand then presumably there will be a resultant way to pay for that demand by those who needs the services or facilities. Attracting new cargo carriers could be a problem IF this project precludes further air cargo projects due to limited funding or revenue. However, if rates and fees are still competitive then improvements should be possible.

13. How much money is in the IARF at this point?

The AIA has responded that there is approximately \$78 million in the IARF as of 6/30/97.

The financial statements show that it is probably an asset consisting of investments at \$77,327,177.

14. How much money in the IARF is being held as collateral for debts?

The AIA responded that "Approx. \$36 million was in reserves required by the AIAS bond resolutions and operating agreement;"

15. How does the passenger facility charge system work?

I believe that the FAA testified in answer to this question.

16. How will reduction in the requested bond authorization from \$304 million to \$280 million affect the project?

The AIA indicated that they may need to request additional bonding authority if they fail to secure federal funding.

In trying to analyze how further reductions in funding might affect the project was difficult. The only pieces we identified that might be worth further review were the main terminal ticketing and baggage claim construction and remodeling. There seems to be another way to accomplish this in the new Concourse C. The part that we couldn't ignore was the need for certain code remodeling needs. How that all gets broken down into its respective costs would have required more review on our part. Perhaps the AIA could supply this information.

Additional Information:

During the process of obtaining information for the specific questions asked by the Legislature, there were certain categories of information which either appeared to answer questions the Legislature was interested in or pointed to questions that might still need to be answered.

This additional information may be useful in your deliberation process. We believe that the DOT/PF and AIA may want to comment on certain of these items.

In line with Commissioner Perkins request to keep Dave Eberle informed of our needs and information, we have met with Mr. Eberle on three occasions and have generally informed him of our progress and results. This report, however, has not been distributed to anyone other than to Mr. Marco Pignalberi in draft. This information was fully discussed with Mr. Pignalberi on two occasions.

Throughout our review process we have found AIA to be very cooperative.

Design Comments:

When we first started out with the information that was initially supplied to us, we believed that there might be certain design questions that had not been adequately considered. Because we questioned Mr. Donn Ketner in this area at some length, we now can state that we believe the AIA has adequately reviewed most possible alternatives that can be imagined within reasonable limits. There has been considerable work devoted to examining alternatives from various sources including the airlines. Almost any idea for reasonable development has received detailed examination. Mr. Ketner was able to discuss any question in a very knowledgeable manner and supply supporting detail.

We were very impressed with the work that has gone into the design effort and the resultant alternatives that have been documented.

Because of that extensive effort, we believe the Legislature could ask for and receive detailed information about any alternative that you might be interested in examining.

What we also determined is that it is very possible to reconstruct Concourse C without the remodeling portions. There are alternatives which allow for predicted future growth. The AIA can provide the estimates for the additional costs. Such a design has not been totally presented to the Legislature in this bond package. We question why the project has not been designed for 2015? We believe the AIA may have answers which should be provided which might explain more fully why the 2015 design was not chosen.

Most of the costs of this bond package are not for reconstruction of Concourse C and the predictable growth due to remodeling of the existing main terminal areas. As such there is a considerable risk associated with the remodel of the main terminal because of its age. Therefore, there is also a considerable likelihood that additional and unexpected costs may occur. The main point here is that this portion of the project is high risk and potentially more costly.

In examining the design process a few questions do come up that may need to be explained.

1. How can this or any design and associated major construction project be considered without reasonably asking what the needs of and impact will be to the air cargo operations, the major revenue producer?

We know that at least some effort has gone into the needs and resultant projects that air cargo will have because of the recently prepared LOI that has issued to FAA. Therefore, AIA should be able to report what air cargo development is needed.

2. What assurance does the Legislature have that the concept design presented will be the design that is built and, therefore, shouldn't a final design be presented before funding of this amount is requested?

Although a concept design has been presented to the Legislature, it is our understanding that such a design is not binding in any way other than as a total price tag. We have heard explained that this process is the way it is done at other airports around the country. Our understanding is that this design could and may be changed several times in significant detail before the project is built.

We understand that the normal DOT/PF design and construction process is to have a complete design before full funding is generally requested. Design work is a separate funding item usually accomplished before the legislature appropriates money for the construction project. There may be exceptions such as design/build projects.

So the issue seems to be whether to allow the AIA to issue bonds before a design and costs are finalized and to maintain some oversight on the process or to wait for various reasons.

3. Should Concourse A be a regional only terminal providing a separation from jet only operations and giving the ability to meet the future needs of the regional carriers in a cost effective manner? Has this option been given due consideration and what are the specific issues?

When we reviewed the design alternatives, it became apparent that some consideration had been given to moving all regional operations to Concourse A. One of the reasons given for not pursuing this design was that the FAA saw some problems. When we reviewed the FAA letter, we remained unclear as to any serious objections. Furthermore,

there was no letter from the FAA that we were given which discussed the possible safety considerations to having both jet and non-jet aircraft operating in the new Concourse C areas together. **Perhaps there should be a letter requested from FAA that discusses any potential safety problems associated with the current design where jet and non-jet operations are both located at Concourse C.**

The only argument that we heard which seemed to raise a good question was that if the regional carriers were all in Concourse A, then their passenger would have a long walk to get to Concourse C if they had a connecting flight in that area. However, the reverse argument will also be true. So someone is going to have to walk.

The Hirsh report (AIA Terminal Expansion Study, Domestic Terminal Facilities Requirements, dated 12/22/97), page 10 states that "it is estimated that **less than 5% of the peak hour passengers are connecting directly from one flight to another.**"

Further explanation of this option may need to be provided by AIA and the airlines.

4. Peak Hour Passenger Design:

To illustrate how numbers and statistics may be viewed differently, the following statement is true and uses numbers from AIA reports, but is presented here in a different view.

The design presented in the bond package is based on peak hour passenger volumes as a **standard industry method of designing terminals**, resulting in a facility designed to meet the needs of at most **0.07% of the annual enplaning passengers at AIA**, or at most 8.7% of the daily passenger activity during the peak month of August, occurring only between the late night hours of midnight and 2 AM. (Annual enplanements 1997 total 2,076,936, peak hour passengers enplaned 1,460 or .0007 see Hirsh Table II-1 after page 10)

A person might question whether such a design and design criteria meets the needs of Alaskans. Perhaps the design is merely for certain tourists traveling late at night only in the peak month of August. A person might also ask whether the airport's future was in passengers or with air cargo where 70% of the revenue is generated.

5. Baggage Check-in/Claim Needs:

A considerable portion of the bond package design deals with the need for additional baggage claim area. Whether that need should be accommodated through a remodel of the main terminal or in the new Concourse C might be questioned further. We did note that in the Hirsh report there were recommendations as follows, page B-6, B-9:

"Direct transfer of baggage from aircraft to cruise ships and hotels for land packages could initially be implemented at AIA without significant terminal construction or investment by either airlines or the tour companies."

Additionally, "Remote check-in could potentially provide the highest level of service to the passenger with the least amount of confusion, but be more difficult to implement."

The reports that we read do not address how the airlines could modify their operations to accommodate some of the peak time problems. For instance, we specifically looked for but did not find discussion of the airline's staffing at check-in counters and at baggage areas. Were the airline staffing levels at maximum during these peak hours? If that type of information is available, it might be interesting to examine further. If not, then further discussion with the airlines might be warranted to determine the extent to which operations issues might mitigate some of the problems.

What these statements seem to suggest is that there may be alternatives to construction which might address the peak hour passenger volumes needs. What might be interesting to hear is how these recommendations affected the main terminal remodel design. The AIA may be prepared to address these comments.

Cost Comments:

1. What assurance does the Legislature have that this bond package amount will not increase or be insufficient to meet whatever design is eventually constructed and how accurate are these numbers?
2. Who has committed to repay these bonds and where is that written commitment? What risk does that imply and what is the AIA plan to cover such a risk?
3. **Will the AIA Controller be required to provide written assurances for the bond package that the accounting information and cost information is accurate, complete and in accordance with generally accepted accounting principles?**

There are already indications that the costs associated with the bond package may differ considerably before construction begins and may require the Legislature to authorize additional bonding limit. Specifically, there has been **no written assurance from either FHWA or FAA** that monies in specific amounts will be made available or are even eligible on the part of the FHWA. Without federal funding the future bonding capacity and ability to construct either air cargo improvements at AIA or other bonded improvements at FIA may be severely impacted.

The high risk associated with remodeling the main terminal area may encounter changed conditions and more costs.

The fact that the Operating Agreements will expire in July 2000 may have a material effect on the bond sale unless there are written commitments from the users of the facility that will repay the bonds. There may be a strong resistance to signing a new operating agreement if there is a material impact to rates and fees. This issue should be addressed by AIA and the bond counsel.

The following are certain cost or accounting issues that may need to be further examined or clarified:

- 1. In a recent submittal dated March 4, 1998 to the Legislature there were several attachments to answer questions that had been asked. In Attachment 8 "Status Report" there are several pieces of information that may need clarification.
 - a. At the top of the page titled Concourse C Funding, there are three appropriations, AR65837, AR59898, AR 63836 totaling \$14,700,000. When AR 63836 for \$4.5 million was submitted to the Legislature there was a commitment to seek AIP funding in the amount of \$1,690,000 (see Attachment 9, page 1, 1994 AIA Term Expand Design, near the bottom of the list). **Has the AIP funding been requested or received, and if not, please explain?**
 - b. Within the text of the Concourse C Funding report, noted above, there is a line item for Terminal Schematic Design, Schematic Design and Admin in the amount of \$605,878. Directly above that is the line item Terminal Assessment totaling \$2,400,000. This information was prepared by the AIA consultants. **Was this information substantiated or verified with the AIA accounting section? What was their input or response as of 2/11/98? Did it differ from the information being presented to the Legislature? Please explain.**

2. Leif Selkregg Associates:

The contract for Leif Selkregg Associates and the resultant increases in contract value might be viewed as a measure of what could be expected throughout this project if a person were somewhat suspicious.

The original contract for Task 1, dated 9/20/96 estimated that overall services would "be in the range of \$1,000,000". The next contract, Task 2, dated 11/1/96 estimates that overall services would "be in the range of \$1,200,000". All subsequent contracts for additional tasks do not contain an estimate of overall services costs.

Therefore, we reviewed the project cost reports dated 3/11/98 to determine what the budgeted to actual costs are running for this project and found that the Leif Selkregg authorized contract amount is now at **\$1,611,082.16**.

Furthermore, we examined the period of performance for the tasks to determine if there were any controls on the amount of time that was being permitted to accomplish the required work. What we found was that up until Task 3 , Amendment 2 there were cut off times when work products were suppose to be completed. With that amendment all cut off times were extended out to 12/31/2001.

From a cost and control point of view there seems to be few if any dollar limits or time limits and therefore, there is a strong possibility that in addition to the already significant increase of 60+% there could be other increases in the amount of the contract.

There may be a need to review this contract, the State Procurement Code, and the reasons for these increases in cost and changes in control. We have not discussed this issue with the consultant but have provided the AIA with this comment. Perhaps the AIA has additional information at this time.

3. In answer to your questions about "What percentage of the budget will be for Contingency, Planning, Design Engineering " the AIA responded to you on 3/4/98 with the following schedule:

Contingency	10%	
Planning	02%	
Design & Engin, Const Admin		10%
Project Admin	02%	
Construction	76%	
Total		100%

To summarize they answered that 76% went to construction and 24% went to **Planning Design Admin or Contingency (PDAC)**.

We reviewed that information to see if we could determine if there might be additional information available. In the AIA Terminal Concept Package Report #8, (dated October 1, 1997 in the Cost Estimate section on pages 3) there is a summary report which breaks down the cost for a project total of \$190,755,354. If you were to prepare a schedule of all the PDAC costs as shown in the supporting schedules what you would find is that there are \$68,525,867 in PDAC costs or a 36% factor instead of a 24% factor. If you choose to explain the PDAC as a **percentage of only the construction cost (\$122,229,487)** then the resultant PDAC % would be even higher at 56%.

4. We wanted to know if there was a simple formula for determining what the impact might be for each additional \$1 million in CIP and what that would do to the landing fee.

The short answer is that using FY 2002 as a base year, not counting the bonded project, and after using the available IARF funds which would be approximately \$13 million, there would be a \$0.0333 increase in landing fees for each \$1 million in CIP.

5. We have seen different interpretations on the airline vote for this project presented in different reports. What is implied is that there is a majority of support for this bond package and design. Perhaps with all the changes in design and different cost presentations, there should be **another vote by the airlines to confirm their continued support**. Such a confirmation might be most useful in the bond package if there is no progress toward new operating agreements until year 2000.
6. Interest Rates:

The AIA has used the approach that if we wait until next year the interest rates could be higher. In recent discussions there has also been the statement that if we move ahead this year we will be in a position to take advantage of any lower interest rates next year. The later statement seems to have merit.

We examined this question and have determined the following:

The short answer is that **interest rates are likely to drop even further.**

The long answer is:

Mr. Paul McCulley, Chief Economist for UBS Securities recently stated that the Federal Reserve and its Chairman, Alan Greenspan have won the war against inflation and high interest rates. In his semi-annual Humphrey-Hawkins testimony, Dr. Greenspan indicated the economy was in great shape. The economy is "delicately balance between inflation and recession".

During the next twelve to eighteen months the Federal Reserve will react favorably toward the US financial markets by shaving 100 to 125 basis points from the benchmark rate of 5.50 percent. In our opinion the interest rate cut will formally start this summer (1998).

Dr. Greenspan will chop away at interest rates in a very cautious manner. The last interest rate cuts came in three steps starting in July 1995 and ending in January 1996. This monetary move caused short-term interest rates to decline from 6.00 percent to 5.25 percent. The lower interest rates will provide a monetary hedge for the US economy against the Asian economic problems that will hurt the US economy and corporate earnings in the second half of 1998. The Federal Reserve and its short-term forecasts on the health of US economy have not been very accurate, as noted by Dr. John Shaughnessy, Chief Investment Strategist for Advest, Inc. The Federal Reserve economic growth forecasts has been by far too conservative. For example the Central Bank had forecasted a 1997 growth rate of 2.25 percent in Gross Domestic Product compared to the actual growth of 3.9 percent.

In a recent speech at Carnegie Mellon University, Lawrence H. Meyer, Federal Reserve Board Governor, noted that we have a good news economy that has a "remarkable combination of healthy growth, low unemployment, low inflation, a soaring stock market and a declining federal deficit". He said he could summarize the recent economic performance into a single sentence. "We have been recently blessed with relatively strong cyclical growth, the lowest unemployment rate in 24 years, the lowest inflation in 31 years, an impressive investment boom, soaring equity prices and a 5-year decline in the federal deficit".

RECOMMENDATIONS:

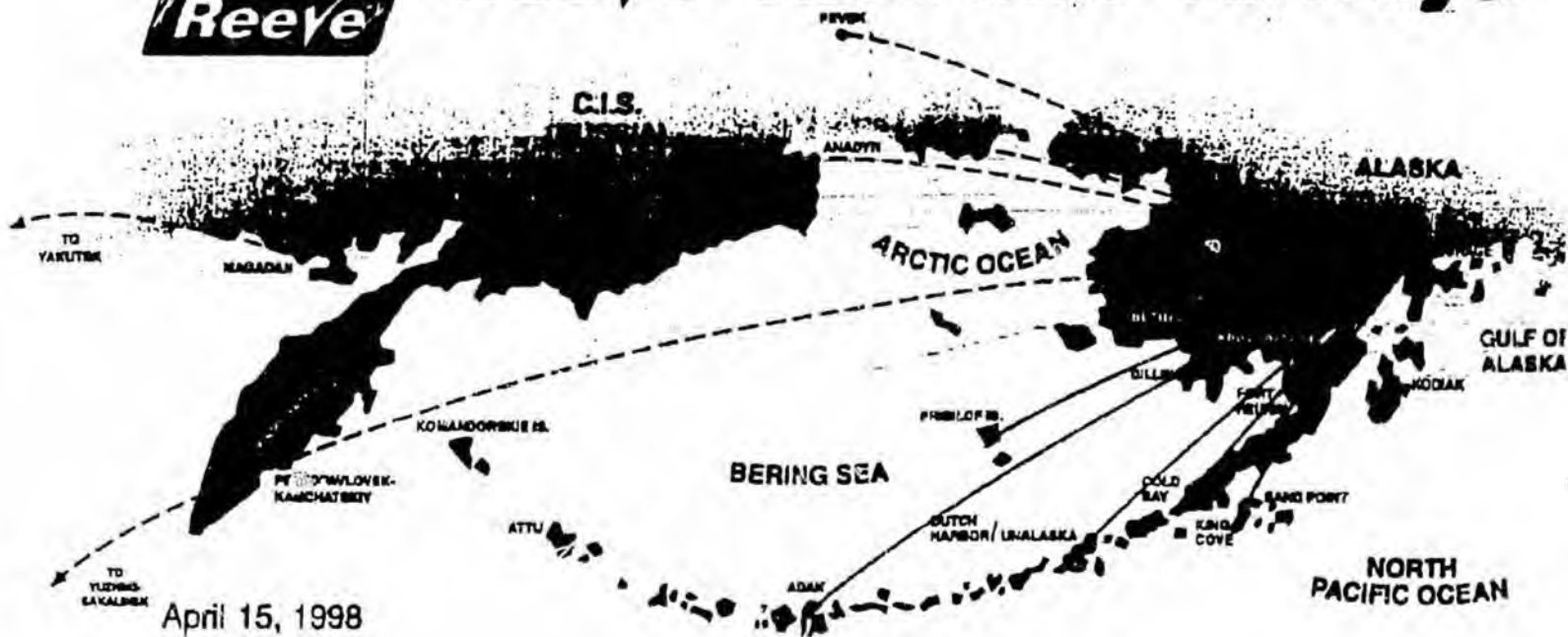
1. Should the Legislature decide to move forward with a bond package authorization in any manner which allows the AIA to continue with this project, we strongly recommend that there be some mechanism which allows you to **maintain a continuous oversight of the project** by having a assigned person to be a part of the project team (with no decision making responsibility) to merely provide oversight and reporting to the Legislature. That person may not need to be full time but should plan on being involved in status meetings every week. That person could easily be funded out of the project. That person should be experienced with and knowledgeable about the AIA and its processes. This effort could be considered part of the Quality Control process.

2. The Legislature may want to consider a bond authorization by approving a **private placement or partial private placement of the bonds with the Alaska Permanent Fund**. This potential option could offer some significant interest cost, financing cost and opportunity cost savings. At the same time, it should be noted that the current bond resolutions prohibit private placements or privately negotiated sales. Those resolutions would have to be amended.

3. Several of the comments we made in the Cost Comments portion of this report are intended to point out the need to have accurate and complete information. We are concerned about the process. **We recommend that all financial information be reviewed by the IARF Controller before it is released.** That is not being done at this time at either Anchorage or Fairbanks. The problem is that without this review, there is a strong possibility for error which has been demonstrated in some of these comments. If we had more time to do an in-depth review we could provide more examples. The need is to insure that the process is providing accurate and complete information. Certainly when the bond package is reviewed in the due diligence process this financial information and the process used to present the information will come into question and be of critical significance.



Reeve Aleutian Airways



April 15, 1998

Honorable Jerry Ward
Chairman, Senate Transportation Committee
Alaska State Legislature

Re: Senate Bill 352
Anchorage Terminal Expansion

Reeve Aleutian Airways supports the proposed expansion of Anchorage International Airport. I urge your favorable consideration and recommendation on passage.

I have raised concerns about cost and scope of the project and am satisfied that the project can be financed with airport revenue bonds and federal funds. No state general funds are needed since the revenue bonds would be redeemed through fees paid by airport users.

Now is the time to proceed, given the favorable financing environment.

Thank You.

Sincerely,


D.A. Jensen
VP



Anchorage
International
Airport

*Gateway
Alaska*

*Terminal
Redevelopment
Project*



Gateway Alaska

Table of Contents

		<i>Page</i>
Executive Summary	<i>Gateway Alaska—Improving Alaska's Gateway to the World</i>	1-5
Terminal Project Overview	<i>Anchorage International Airport's Economic Importance Today's Situation Future Needs Plan of Action</i>	6
Terminal Project Information	<i>Elements Size Cost Funding</i>	7
Major Elements of Terminal Project	<i>Enabling Works C Terminal Replacement Airside Improvements Roadway and Parking Terminal Renovations</i>	8-9
Terminal Project Review of Process and Findings	<i>Process Forecasts Program Requirements Financial Impact of Delay Effect on Rates and Fees Comparison of ANC Landing Fee with Other Airports</i>	10-11
Airlines Contributing 89% of Domestic Passenger Airline Revenue Voted YES	<i>Listing by domestic carrier</i>	12
Airlines Representing 84% of Departing Passenger Voted YES	<i>Listing by domestic carrier</i>	12
Illustrations	<i>Road Projects Terminal Project</i>	
Plan of Finance	<i>November 5, 1997 Plan of Finance Distributed to the Anchorage International Airport Airline Affairs Committee</i>	
Resolution and Letters of Support		



Gateway Alaska

Improving Alaska's Gateway to the World

Anchorage International Airport (AIA) has become a vital business center and Alaska's link to the world. Future economic development in Anchorage and throughout the state will depend upon the airport's ability to meet this growth in traffic and to provide an acceptable level of service for airport users.

More than 4.4 million passengers arrived, departed, or transited the domestic terminal in 1997; another 600,000 passengers used the international terminal. For out of state visitors, the airport is often their first impression of Alaska and should represent the state in an appropriate manner. AIA is now serving nearly twice the number of passengers that passed through 10 years ago. In addition, over a 4.5 percent annual increase in domestic travelers is forecast through 2005.

According to David Hinson, former FAA Administrator, "Growth in airline passenger traffic is projected to outpace both population growth and the economy by expanding as much as 5.6 percent annually over the next 20 years."

Alaska's economy is driven, in a large part, by the engines of our aviation industry. A 1995 University of Alaska Institute of Social & Economic Research study identified 7,000 jobs directly related to the airport and another 4,000 airport-associated jobs in the Anchorage area. These figures are expected to increase another five percent during the coming years.

Cargo traffic at Anchorage has grown by double digits over the past three years and is expected to continue growing by at least 6 percent annually. The Gateway Alaska program, which is designed to meet these needs, is comprised of two major development components: domestic terminal redevelopment project and a series of highway improvement projects that will address the airport needs. Cargo operations at the AIA is being addressed in a separate Cargo Master Plan under development and is not currently a part of the Gateway Alaska program.

Addressing the Needs

Domestic Terminal Redevelopment: Anchorage International Airport domestic terminal currently offers an unacceptable level of service to the traveling public, especially during peak summer months.

The airport's main terminal has only 75 percent of the space necessary to serve today's passengers. By the year 2000, the existing terminal will provide only 60 percent of the space needed. Certain public areas of the terminal, such as the ticket lobby and bag claim lobby, currently have less than half of the space needed to operate efficiently.



- baggage claim, curbside and baggage pick up areas.
- It provides a flexible terminal that can accommodate changes in fleet mix and other factors that could change in the future.
- It is a cost effective approach, maximizing the use of existing facilities.
- It provides for construction while continuing the operations of the Airport.
- It provides flexibility for future terminal expansion to meet continued increased demand.

Program History

Announced by Governor Knowles in November 1997, the 10-year, "Gateway Alaska" plan calls for improvements and expansion of airport facilities to support airport operations and access into the airport area.

Governor Knowles told the Anchorage Chamber of Commerce that the airport is "entering a new era of prosperity". At the same time, this prosperity is being threatened by an out-dated facility that cannot even meet today's demand.

In September of 1996, AIA initiated a planning process to develop the AIA Passenger Terminal Master Plan concept for the planning horizon year 2015, supported by a carefully developed needs assessment and phased implementation program.

Based on a series of workshops, meetings and direct airline input, a preferred Terminal Master Plan concept has been identified for the year 2005 which maintains maximum flexibility for terminal development beyond 2005 to the year 2015.

Airport consultants conducted a six-month Terminal Needs Assessment to forecast passenger loads and identify existing terminal deficiencies. Based upon these findings, the airport worked extensively with the airlines over the past twelve months to identify the general requirements of terminal redevelopment at Anchorage. The terminal project was approved by the airlines serving both Anchorage and Fairbanks airports in accord with terms of the airline/airport operating agreement, including support from the airlines who carry over 84% of the passenger traffic and produce almost 90% of the passenger revenue.

As a parallel effort to the terminal study, the Department of Transportation and Public Facilities took a look at International Airport Road to see what improvements may be needed to accommodate the current and projected traffic demands.

Program Financing

The entire Gateway Alaska program will cost approximately \$350 million over 10 years.

- Terminal and airside improvements: \$165 million (1997 dollars)



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The entire Gateway Alaska program will cost approximately \$350 million over 10 years.

- Terminal and airside improvements: \$165 million (1997 dollars)



Concourse C, built in the 1950's, is both functionally obsolete and code deficient. The roof has been repaired numerous times and still leaks. The heating system is literally held together with duct tape. The only sensible and cost-effective solution to updating this area is to demolish and replace this part of the terminal.

The AIA redevelopment project is critical if the airport is to provide capacity for the needs of today and growth in the near term. It is unreasonable to continue such poor levels of service, especially when considering the potential for adverse affects on tourism and business development in Alaska.

Terminal curbside roads need to be 50% longer to relieve congestion. A continuous return loop road is needed for improved safety and convenience. The intersection of Postmark Drive and International Airport Road must be reconfigured to accommodate current traffic and to improve overall safety.

Highway Improvements: Improvements to the primary access route to the airport are needed to meet current and projected traffic demands. An interchange at International Airport Road and Minnesota Drive along with widening of 'C' Street to six lanes will reduce accidents and improve traffic flow and circulation associated with projected increases. Additional intersection improvements along International Airport Road may also be needed as traffic increases continue.

Program Description

The Gateway Alaska program will renovate and expand the AIA Domestic Terminal, including airside and landside improvements. It will also improve highway access to the airport through a series of programmed and planned improvements along International Airport Road.

The terminal project includes improvements to terminal roads and parking, extension of upper level departure curbside bridge and roads, replacement of Concourse C, renovation and expansion of existing terminal space, tour group processing, and improvements to airside facilities. The plan provides facilities which meet anticipated demands for the target year 2005. The proposal calls for construction to begin by 1999 and end by 2004.

It will provide five new jet aircraft gates, seven regional aircraft parking positions, demolish Concourse C and construct a new concourse that will provide more curbside access, baggage claim, ticket lobby, and retail space.

This plan meets specific goals and objectives of AIA and the airlines:

- It provides the roadway and terminal facilities necessary to meet the forecast demand.
- It creates a facility with balanced capacities for airside, terminal and curbside areas.
- It resolves major deficiencies that exist in current ticket lobbies,



provided through airport revenue bonds.

- Terminal curbside and access roads: \$26 million using federal highway funds.
- Additional road improvements along International Airport Road from Postmark Drive to the Seward Highway: \$159 million using federal highway funds.

Gateway Alaska Program Summary

Terminal Redevelopment Project

Baggage Claim

Problem: Currently, the AIA domestic terminal has only 43 percent of the space needed to handle baggage. Passengers typically wait an unreasonable amount of time for their luggage. The baggage claim area, once a test of patience only during the summer months, is now in this condition on a daily basis.

Proposed Solution: Renovate and expand the existing baggage claim area. Replace the existing Concourse C with 300 linear feet of new baggage claim area with enough space and adequate equipment to handle luggage efficiently.

Ticket Lobby

Problem: The existing lobby has only 40 percent of the space needed to adequately handle passenger ticketing. The result is long lines, a crowded lobby and frustrated passengers.

Proposed Solution: Renovate and expand the existing ticket lobby. Replace the existing Concourse C with 300 linear feet of new ticket lobby space, large enough to accommodate projected passenger traffic through 2005.

Vehicle Curbside

Problem: Passenger drop off and pick up at the curbside is extremely difficult. Curbside space is insufficient for the number of people trying to get to and from the airport.

Proposed Solution:

- Improve the road system to serve the new C Concourse and provide safe and easy access to all airport facilities.
- Extend the existing elevated curbside road to the north, and make corresponding shifts in the roadway accesses to the upper and lower ramps, rental cars, and short-term and long-term parking.
- Develop a new return-to-terminal and parking circulation loop to simplify traffic flow and provide safe circulation in and around the airport terminals and parking areas.



Problem: C Concourse is code deficient and functionally obsolete. The 45 year old facility is costly to repair and maintain.

Proposed Solution: The only efficient, cost-effective remedy is to completely replace the C Concourse and expand the flightline to the north, which will increase airside capacity by 5 jet gates and 7 regional gates, several of which can be used by either jets or smaller aircraft.

Retail Area

Problem: Retail concession space is limited and located in areas of the terminal that are not ideal for maximizing customer shopping. Long lines at food stands add to the terminal's congestion and passenger frustrations, resulting in lost airport revenues from these retail operations.

Solution: Expand the amount of space available for concessions by creating retail areas in the new concourse and expand space in the renovated core area.

Highway Improvement Projects

Problem: Increased airport traffic requires improved access to AIA.

Solution: Improve the primary road network leading to the airport to make access safer and more efficient, and accommodate increased traffic and minimize impacts to surrounding neighborhoods. Programmed projects, include:

- Build interchange where International Airport Road crosses Minnesota Drive. (*construction start 1998*)
- Widen C Street from Tudor Road to International Airport Road. (*construction start 1998*)
- Improve International Airport Road, including bike and pedestrian trails. (*est. construction start 1999*)
- Intersection improvements and partial realignment of Postmark Road where it intersects International Airport Road. (*est. construction 1999*)

Additional contemplated improvements which will be reviewed and programmed as needed, include:

- A new grade separation at International Airport Road and the New Seward Highway.
- Interchange on International Airport Road at Jewel Lake Road and at-grade railroad crossings to improve safety.
- Improve Old International Airport Road, where many cargo operations are located.
- Build bike and pedestrian trails along Lakeshore Drive, which winds around Lake Hood.
- Repair an eroding section of the Tony Knowles Coastal Trail near the north end of the airport.