

ALASKA LEGISLATURE

2699

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

1 (B) fixing and collecting of fees, rents, tolls, rates, or other
2 charges;

3 (C) assignment by the authority of its rights in any contract
4 with respect to the Knik Arm bridge or in a mortgage or other security interest
5 created with respect to the Knik Arm bridge to a trustee for the benefit of
6 bondholders;

7 (D) terms and conditions under which the authority may issue
8 additional bonds;

9 (E) vesting in a trustee of rights, powers, duties, money, or
10 property in trust for the benefit of bondholders, including the right to enforce
11 payment, performance, and all other rights of the authority or of the
12 bondholders, under a lease, power of contract, contract of sale, mortgage,
13 security agreement, or trust by injunction or other proceeding or by taking
14 possession by agent or otherwise, and operating the Knik Arm bridge and
15 collecting rents or other consideration and applying the same in accordance
16 with the trust agreement;

17 (2) pledge, mortgage, or assign money, leases, agreements, property,
18 or other rights or assets of the authority either presently in hand or to be received in
19 the future, or both; and

20 (3) provide for any other matters that affect the security or protection
21 of the bonds.

22 (b) Notwithstanding any other provisions of this chapter, the trust agreement
23 must contain an agreement by the authority that the authority will at all times maintain
24 fees, rents, tolls, rates, or other charges sufficient to

25 (1) pay the costs of operation and maintenance of the Knik Arm bridge
26 and its appurtenant facilities and the principal of and interest on bonds issued under
27 the trust agreement as the bonds severally become due and payable;

28 (2) provide for debt service coverage as considered necessary by the
29 authority for the marketing of its bonds; and

30 (3) provide for renewals, replacements, and improvements of the Knik
31 Arm bridge, and to maintain reserves required by the terms of the trust agreement.

1 (c) For the purpose of securing one or more issues of its bonds, the authority
2 may establish one or more special funds, called "capital reserve funds," and shall pay
3 into those capital reserve funds the proceeds of the sale of its bonds and any other
4 money that is available to the authority for the purposes of those funds. The funds
5 shall be established only if the authority determines that the establishment would
6 enhance the marketability of the bonds. All money held in a capital reserve fund,
7 except as provided in this section, shall be used as required solely for (1) the payment
8 of the principal of and interest on bonds or of the sinking fund payments with respect
9 to those bonds, (2) the purchase or redemption of bonds, or (3) the payment of a
10 redemption premium required to be paid when those bonds are redeemed before
11 maturity. However, money in a fund may not be withdrawn from the fund at any time
12 in an amount that would reduce the amount of the fund to less than the capital reserve
13 requirement set out in (d) of this section, except for the purpose of making, with
14 respect to those bonds, payment, when due, of principal, interest, redemption
15 premiums, and the sinking fund payments for the payment of which other money of
16 the authority is not available. Income or interest earned by or increment to a capital
17 reserve fund due to the investment of the fund or any other amounts in the fund may
18 be transferred by the authority to other funds or accounts of the authority to the extent
19 that the transfer does not reduce the amount of the capital reserve fund below the
20 capital reserve fund requirement.

21 (d) If the authority decides to issue bonds secured by a capital reserve fund,
22 the bonds may not be issued if the amount in the capital reserve fund is less than the
23 amount of the capital reserve fund requirement, if any, established by resolution of the
24 authority, unless the authority, at the time of issuance of the obligations, deposits in
25 the capital reserve fund from the proceeds of the obligations to be issued or from other
26 sources an amount that, together with the amount then in the fund, will not be less than
27 the capital reserve fund requirement.

28 (e) In computing the amount of a capital reserve fund for the purpose of this
29 section, securities in which all or a portion of the fund is invested shall be valued by
30 some reasonable method established by the authority by resolution. Valuation on a
31 particular date shall include the amount of any interest earned or accrued to that date.

Section
deleted
Per
Amend
#3

1 (f) If the authority decides to issue bonds secured by a capital reserve fund, the
2 bonds may not be issued until 30 days after the authority has mailed notification to the
3 state bond committee and the Legislative Budget and Audit Committee by certified
4 mail of its intention to establish a capital reserve fund to secure the bond issue. The
5 notification must include the amount of the capital reserve fund to be established, the
6 amount of bonds proposed to be issued, and the total cost for which the bonds are to
7 be issued. The notification shall be accompanied by an estimate by the authority of
8 the need to withdraw money from the capital reserve fund during the term of the bond
9 issue, the amount that may be necessary to withdraw, and the time at which
10 withdrawals are estimated to be needed. By January 30 of each year, the authority
11 shall prepare, and provide to the state bond committee and the Legislative Budget and
12 Audit Committee, a revised estimate, considering the same factors, and a statement of
13 all withdrawals that have occurred from the date of issuance of the bonds to the end of
14 the preceding calendar year.

15 (g) Nothing in this section creates a debt or liability of the state.

16 **Sec. 44.90.231. Validity of pledge.** It is the intention of the legislature that a
17 pledge made in respect of bonds shall be perfected and shall be valid and binding from
18 the time the pledge is made, that the money or property so pledged and after that
19 received by the authority shall immediately be subject to the lien of the pledge without
20 physical delivery or further act, and that the lien of the pledge shall be valid and
21 binding against all parties having claims of any kind in tort, contract, or otherwise
22 against the authority irrespective of whether the parties have notice. Neither the
23 resolution, trust agreement, nor any other instrument by which a pledge is created need
24 be recorded or filed under the provisions of the Uniform Commercial Code in order to
25 be perfected or to be valid, binding, or effective against the parties. This section does
26 not affect title to or conveyances of real property, and does not limit the applicability
27 of AS 40.17.080(b).

28 **Sec. 44.90.241. Nonliability on bonds.** (a) Neither the members of the board
29 nor a person executing the bonds of the authority is liable personally on the bonds or is
30 subject to personal liability or accountability by reason of the issuance of the bonds.

31 (b) The bonds issued by the authority do not constitute an indebtedness or

1 other liability of the state or of a political subdivision of the state other than the
2 authority, but shall be payable solely from the income, receipts, or other money or
3 property of the authority.

4 (c) The authority may not pledge the faith or credit of the state or of a political
5 subdivision of the state other than the authority, and the issuance of a bond by the
6 authority does not directly, indirectly, or contingently obligate the state or a political
7 subdivision of the state to apply money from, levy, or pledge any form of taxation to
8 the payment of the bond.

9 (d) Each obligation issued under this chapter other than a state guaranteed
10 bond shall contain on its face a statement that the authority is not obligated to pay it
11 nor the interest on it except from the revenue or assets of the authority and that neither
12 the faith and credit nor the taxing power of the state or of any political subdivision of
13 the state is pledged to the payment of the principal of or the interest on the obligation.

14 **Sec. 44.90.251. Pledge of the state.** The state pledges to and agrees with the
15 holders of bonds issued under this chapter and with a federal agency that loans or
16 contributes money in respect to the Knik Arm bridge that the state will not limit or
17 alter the rights and powers vested in the authority under this chapter to fulfill the terms
18 of a contract made by the authority with the holders or federal agency or in any way
19 impair the rights and remedies of the holders until the bonds, together with the interest
20 on them, with interest on unpaid installments of interest, and all costs and expenses in
21 connection with an action or proceeding by or on behalf of the holders, are fully met
22 and discharged. The authority may include this pledge and agreement of the state,
23 insofar as it refers to holders of bonds of the authority, in a contract with the holders
24 and, insofar as it relates to a federal agency, in a contract with the federal agency.

25 **Sec. 44.90.261. Exemption from taxation.** The real and personal property of
26 the authority and its assets, income, and receipts are declared to be the property of a
27 political subdivision of the state and are exempt from all taxes and special assessments
28 of the state or a political subdivision of the state. All bonds of the authority are
29 declared to be issued by a political subdivision of the state and for an essential public
30 and governmental purpose. The bonds, the interest on the bonds, the income from the
31 bonds and the transfer of the bonds, and all assets, income, and receipts pledged to pay

1 or secure the payment of the bonds or interest on the bonds are, at all times, exempt
 2 from taxation by or under the authority of the state, except for inheritance and estate
 3 taxes and taxes on transfers by or in contemplation of death. Nothing in this section
 4 affects or limits an exemption from license fees, property taxes, or excise, income, or
 5 other taxes provided under any other law, nor does it create a tax exemption with
 6 respect to the interest of any business enterprise or other person, other than the
 7 authority, in any property, assets, income, receipts, project, or lease, regardless of
 8 whether financed under this chapter.

9 **Sec. 44.90.271. Bonds legal investments for fiduciaries.** The bonds of the
 10 authority are securities in which all public officers and bodies of the state and all
 11 municipalities and municipal subdivisions, all insurance companies and associations
 12 and other persons carrying on an insurance business, all banks, bankers, trust
 13 companies, savings banks, savings associations, including savings and loan
 14 associations and building and loan associations, investment companies and other
 15 persons carrying on banking business, all administrators, guardians, executors,
 16 trustees, and other fiduciaries, and other persons who are now or may afterward be
 17 authorized to invest in bonds or other obligations of the state may properly and legally
 18 invest money, including capital in their control or belonging to them. Notwithstanding
 19 any other provision of law, the bonds of the authority are also securities that may be
 20 deposited with and may be received by all public officers and bodies of the state and
 21 all municipalities and municipal subdivisions for any purpose for which the deposit of
 22 bonds or other obligations of the state is now or may afterward be authorized.

23 **Sec. 44.90.281. Audit.** The legislative auditor annually shall audit, or cause to
 24 have audited, the financial records of the authority. The legislative auditor may
 25 prescribe the form and content of the financial records of the authority and shall have
 26 access to these records at any reasonable time.

27 **Sec. 44.90.291. State appropriations for Knik Arm bridge and**
 28 **appurtenant facilities not affected.** This chapter does not prevent the state from
 29 making appropriations for or in aid of the acquisition, design, construction, or
 30 operation of the Knik Arm bridge and its appurtenant facilities.

31 **Sec. 44.90.301. Insurance.** The authority shall keep in force public liability

1 insurance in an amount reasonably calculated to cover potential claims for bodily
 2 injury, death or disability, and property damage that may arise from or be related to its
 3 operation and activities, naming the state as an additional insured.

4 **Sec. 44.90.311. Safeguarding of money.** The authority shall maximize
 5 revenue from and deposit all money in depositories acceptable to the commissioner of
 6 revenue and otherwise safeguard the money under instructions as the commissioner of
 7 revenue may from time to time issue.

8 **Sec. 44.90.321. Fidelity bond.** The authority shall obtain a fidelity bond in an
 9 amount determined by the board, for the members of the board and any official
 10 responsible for authority accounts and finances. A bond must be in effect for the
 11 tenure of the bonded person.

12 **Article 3. General Provisions.**

13 **Sec. 44.90.911. Exemption from local regulation.** Notwithstanding any
 14 contrary provision of law, the activities of the authority are exempt from land use
 15 planning, zoning, permitting, or other similar governmental powers of political
 16 subdivisions of the state.

17 **Sec. 44.90.980. Definitions.** In this chapter, unless the context requires
 18 otherwise,

19 (1) "authority" means the Knik Arm Bridge and Toll Authority;

20 (2) "board" means the board of directors of the authority;

21 (3) "department" means the Department of Transportation and Public
 22 Facilities.

23 **Sec. 44.90.990. Short title.** This chapter may be cited as the Knik Arm
 24 Bridge and Toll Authority Act.

25 * **Sec. 2.** AS 36.30.015(f) is amended to read:

26 (f) The board of directors of the Alaska Housing Finance Corporation,
 27 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge
 28 and Toll Authority under AS 44.90.111, shall adopt regulations under AS 44.62
 29 (Administrative Procedure Act) and the board of trustees of the Alaska State Pension
 30 Investment Board shall adopt regulations under AS 37.10.240 to govern the
 31 procurement of supplies, services, professional services, and construction for the



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 13 May 2003 TIME: 5:05 pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 7

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please!

SB 213 23-GS 1149 \ A

plus three attached amendments

(#2, #3 + #4)

Thanks

Mindy

Note: 3 members on the board

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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May 5, 2003

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing the Knik Arm Bridge and Toll Authority and relating to that authority.

This bill establishes an independent authority to build and operate a toll bridge over Knik Arm. The authority would be able to receive federal money and issue revenue bonds to finance the toll bridge and its appurtenant facilities. The authority would design, construct, and operate the bridge and its facilities.

The authority would be a public corporation that, although an instrumentality of the state within the Department of Transportation and Public Facilities, would have a separate independent legal existence from the state. The revenue of the authority would not become part of the general fund and the property of the authority would be exempt from taxation.

The bill establishes a three-person board to govern the authority. The commissioners of revenue and transportation and public facilities would serve on the board, along with a member of the public appointed by the governor for a five-year term.

Construction of a Knik Arm bridge is a cornerstone of my public transportation development plan. A Knik Arm bridge will unite Anchorage and the Matanuska-Susitna Borough to enable growth throughout southcentral Alaska.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Frank H. Murkowski".

Frank H. Murkowski
Governor

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 5/6/03

FURTHER: Finance

Date of 5-Day Notice: 24 Hour Rule in Effect
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 5/6/03

Transportation Committee considered SENATE BILL NO. 213

SB 213 KNIK ARM BRIDGE AND TOLL AUTHORITY

"An Act establishing the Knik Arm Bridge and Toll Authority and relating to that authority; and providing for an effective date."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DOT P&F	5/5	✓		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:

	Do PASS	Do NOT PASS	NO REC	AMEND
Wagner			/	
Theriault			X	
Olsen			✓	
Lincoln				X
Cowdery CHAIR:	✓			

SENATE FINANCE COMMITTEE

SIGN-IN

SB 213-KNIK ARM BRIDGE AND TOLL AUTHORITY

NAME: John MacKinnon Subject/Bill No: SB 213
Co./Dept./Title: DOT Phone: 465-3901
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: Kathleen Shasburg Subject/Bill No: 213
Co./Dept./Title: Law Phone: 3600
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: Deven Mitchell Subject/Bill No: 213
Co./Dept./Title: Revenue/Debt Manager Phone: 3758
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

SENATE FINANCE COMMITTEE

SIGN-IN

SB 213-KNIK ARM BRIDGE AND TOLL AUTHORITY

✓ NAME: Kathleen Strasbaugh Subject/Bill No: SB 213
Co./Dept./Title: Law Phone: 3600
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

SB

215

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 20, 2003

FURTHER REFERRALS:

Date of Committee Action: 5/20/03

The FINANCE Committee considered:

CSSB 215(STA)

CS FOR SENATE BILL NO. 215(STA)

SEAFOOD AND FOOD SAFETY LABORATORY

"An Act relating to a lease-purchase agreement for, the construction and equipping of, and the financing of a seafood and food safety laboratory facility to be operated by the Department of Environmental Conservation, including the issuance of certificates of participation, and the use of certain investment income for certain construction and equipping costs and providing for an effective date."

Recommends it be replaced with HCS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:

- ADM
- CED
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- LEG
- LAW
- LWF
- MVA
- DNR
- DPS
- REV
- DOT
- UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
ADM		✓		

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
REV	3	✓		
DEC	2	✓		

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
<i>Kim Meyer</i>	Meyer	✓			
<i>M.D. Hawker</i>	Hawker			✓	
<i>Bill Stortz</i>	STORTZ		✓		
<i>Mike Chénault</i>	Chénault			✓	
<i>A. Williams</i>	Williams			✓	
Chair: <i>W. Williams</i>	Williams			✓	
Chair: <i>R. Williams</i>	Williams	✓			

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB215
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title An Act...for a lease-purchase agreement for a BRU Leases
seafood and food safety laboratory facility.... Component Leases
Sponsor Rules by Request of the Governor
Requester (S) State Affairs Component No. 81

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual		(60.0)	(120.0)	(123.0)	(123.0)	(123.0)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	(60.0)	(120.0)	(123.0)	(123.0)	(123.0)

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

1002 Federal Receipts						
1003 GF Match						
1004 GF		(50.8)	(101.7)	(104.2)	(104.2)	(104.2)
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 I/A Receipts		(9.2)	(18.3)	(18.8)	(18.8)	(18.8)
TOTAL	0.0	(60.0)	(120.0)	(123.0)	(123.0)	(123.0)

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The bill would authorize financing and construction of a new laboratory facility that would replace the current leased location in Palmer. The Division will execute a lease purchase agreement for the lease purchase of a new seafood and food safety laboratory in Anchorage.

Lease savings would begin mid way through (January) FY2005 when we anticipate occupying the new facility. Annual costs for the Palmer lease in FY2004 are budgeted in the Department of Administration's (DOA) Leases component as \$99.1 of General Funds and in the Department of Environmental Conservation's (DEC) operating budget and paid to DOA via a \$17.9 RAS. Future years estimated lease savings have been adjusted to reflect the January 2005 occupancy date.

Costs for the design, construction, acquisition and construction contract compliance are not included in this fiscal note as those costs and associated work will be borne by other state departments.

Prepared by: Vern Jones, Chief Procurement Officer
Division: General Services
Approved by: Mike Miller, Commissioner
Agency: Administration

Phone 465-5684
Date/Time 5/12/03 10:53 AM
Date 5/12/2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. SB215a

ANALYSIS CONTINUATION

Current Palmer Laboratory Lease

Lease #: 2359

Location/Property: Palmer/Palmer Lab

Sq Ft: 9,252

Term: Firm Term thru 1/31/03, W/ 3 One Year Renewal Options (extended expiration = 12/31/06)

FY2004:

Total Cost per Year (annual): \$117.0

RAS (amount paid by DEC) Amount (annual): \$17.9

DOA Budget Amount (annual): \$99.1

FY2005:

Total Cost per Year (annual): \$120.0

DOA Reduction (1/2 year): \$50.8

RAS (amount paid by DEC) Amount (1/2 Year): \$9.2

FY2006:

Total Cost per Year (annual): \$120.0

DOA Reduction (annual): \$101.7

RAS (amount paid by DEC) Amount (annual): \$18.3

FY2007 (increased by 5% replacement factor):

Total Cost per Year (annual): \$123.0

DOA Reduction (annual): \$104.2

RAS (amount paid by DEC) Amount (annual): \$18.8

FY2008 & 2009:

Lease costs estimated to be the same as the FY2007 rate.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: SB 215
 (S) Publish Date: 5/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Seafood and Food Safety Lab BRU Revenue Operations
 Component Treasury Division
 Sponsor Rules Committee
 Requester Senate State Affairs Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel	10.0					
Contractual	190.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		1,362.8	1,362.8	1,362.8	1,362.8	1,362.8
TOTAL OPERATING	200.0	1,362.8	1,362.8	1,362.8	1,362.8	1,362.8

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

1002 Federal Receipts						
1003 GF Match						
1004 GF		1,362.8	1,362.8	1,362.8	1,362.8	1,362.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
COP proceeds	200.0					
TOTAL	200.0	1,362.8	1,362.8	1,362.8	1,362.8	1,362.8

Estimate of any current year (FY2003) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SB215 authorizes the sale of \$14.145 million in certificates of participation (COPs) for a lease-financing to finance construction of a new seafood and food safety lab for the Department of Environmental Conservation. The COPs would be issued by the State Bond Committee. Construction costs and issuance costs are expected to total \$14.285 million, which is the amount of the COP sale proceeds plus \$140,000 in estimated construction fund earnings. The \$200.0 in Fiscal 2004 expenses are bond counsel and financial adviser expenses, and the costs of credit ratings and printing for the COP prospectus.

Financing assumptions are 15-year level debt service beginning in FY05 and a 5% interest rate/true interest cost. The actual interest rate is very likely to be lower.

Prepared by: Tom Boutin, Deputy Commissioner Phone 465-3669
 Division Department of Revenue Date/Time 5/11/03 11:26 AM
 Approved by: Landa Baily, Special Assistant to the Commissioner Date 5/11/2003
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 215
 (S) Publish Date: 5/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Environmental Conservation
 Title: Seafood/Food Safety Lab Facility Construction BRU: Environmental Health
 Component: Laboratory Services
 Sponsor: Rulas
 Requester: Senate State Affairs Committee Component No. 2065

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	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	98.6	197.2	197.2	197.2	197.2
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	98.6	197.2	197.2	197.2	197.2

CAPITAL EXPENDITURES	14,285.0					
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CHANGE IN REVENUES ()						
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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	98.6	197.2	197.2	197.2	197.2
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1163 Certificates of Participation	14,145.0	0.0	0.0	0.0	0.0	0.0
1173 Miscellaneous Earnings	140.0	0.0	0.0	0.0	0.0	0.0
TOTAL	14,285.0	98.6	197.2	197.2	197.2	197.2

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

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)

The bill would authorize financing and construction of a new Seafood and Food Safety Laboratory to be operated by the Department of Environmental Conservation (DEC).

The Department of Administration (DOA) pays the current lease costs for the lab. DEC reimburses DOA for a portion of these costs through an RSA. DEC will directly pay for all of the utilities and maintenance costs for the new building. These new costs are shown in the contractual line. Annual lease savings partially offset these new utility and maintenance costs as shown on the attached chart.

Prepared by: Kristin Ryan, Director Phone (907) 269-7645
 Division: Environmental Health Date/Time 5/14/03 9:15 AM
 Approved by: Kurt Fredriksson, Deputy Commissioner Date 5/14/2003
 Agency: Department of Environmental Conservation

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: SB 215
 (S) Publish Date: 5/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Seafood and Food Safety Lab BRU Revenue Operations
 Component Treasury Division
 Sponsor Rules Committee
 Requester Senate State Affairs Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel	10.0					
Contractual	190.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		1,362.8	1,362.8	1,362.8	1,362.8	1,362.8
TOTAL OPERATING	200.0	1,362.8	1,362.8	1,362.8	1,362.8	1,362.8

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

1002 Federal Receipts						
1003 GF Match						
1004 GF		1,362.8	1,362.8	1,362.8	1,362.8	1,362.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
COP proceeds	200.0					
TOTAL	200.0	1,362.8	1,362.8	1,362.8	1,362.8	1,362.8

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SB215 authorizes the sale of \$14.145 million in certificates of participation (COPs) for a lease-financing to finance construction of a new seafood and food safety lab for the Department of Environmental Conservation. The COPs would be issued by the State Bond Committee. Construction costs and issuance costs are expected to total \$14.285 million, which is the amount of the COP sale proceeds plus \$140,000 in estimated construction fund earnings. The \$200.0 in Fiscal 2004 expenses are bond counsel and financial adviser expenses, and the costs of credit ratings and printing for the COP prospectus.

Financing assumptions are 15-year level debt service beginning in FY05 and a 5% interest rate/true interest cost. The actual interest rate is very likely to be lower.

Prepared by: Tom Boutin, Deputy Commissioner Phone 465-3669
 Division Department of Revenue Date/Time 5/11/03 11:26 AM
 Approved by: Landa Baily, Special Assistant to the Commissioner Date 5/11/2003
 Agency Department of Revenue

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

May 8, 2003

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, AK 99801-1182

Dear President Therriault:

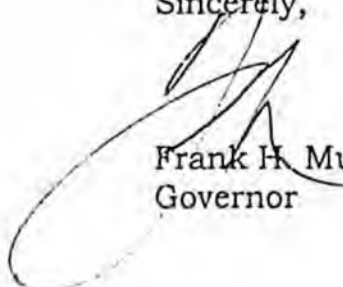
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to issuing certificates of participation to fund a new seafood and food safety laboratory.

The state's food safety laboratory plays a vital role in protecting the health of Alaskans. The seafood and food safety laboratory tests crabs, geoducks, and other shellfish for toxins, a service not offered in the private sector. Local dairy products must be tested by a state laboratory before they can be sold to schools and the military. Federal law also requires a state laboratory to certify private laboratories to perform drinking water compliance testing for public water systems. Additionally, the new laboratory will have an area designated as bio safety level III for testing of anthrax or other bio-terrorism agents. The new laboratory would not duplicate existing laboratories in the state.

The current lease will soon expire, requiring the facility to be relocated. Building a state-owned facility is cheaper than leasing a privately-owned facility, and the state owns a parcel of land ready for development. The Alaska State Legislature has recognized the need for replacement through previous planning and design appropriations. The bill I transmit today is the next and final step in providing Alaskans with a worthwhile facility by setting up a bonding structure for its construction. The proposed method is the issuance of certificates of participation for a lease-purchase agreement.

In the interests of public health for Alaskans and consumers of Alaskan food, fish and dairy products, as well as the economic health of these industries, I urge your prompt and favorable action on this measure.

Sincerely,



Frank H. Murkowski
Governor

Senate Bill 215/ House Bill 312
DEC Seafood and Food Safety Laboratory

Tom Bontin

Ernesta Bullard

465-3669
321-5548

Using Certificates of Participation, the Department will build a new Seafood and Food Safety Laboratory in Anchorage that is prepared to respond to unanticipated outbreaks of disease or presence of a contaminant in food, water or animals; and

Protects Alaskans by

- Preventing disease through sanitation and sanitary practices.
- Providing essential risk screening services.
- Monitoring animals for zoonotic diseases--transferred from animals to humans—such as Brucellosis.
- Testing food products for Salmonella, Listeria and fecal coliforms to ascertain they are safe to eat.
- Testing public drinking water for Giardia and Cryptosporidium.

Supports industry by

- Working with industry to pre-certify areas for safe harvesting of geoducks so that a more valuable product can be sold live.
- Testing geoducks, oysters and mussels for PSP contamination prior to sale.
- Analyzing seafood samples for contaminants such as mercury and pesticides through its seafood-monitoring program.
- Testing dairy products so they can be sold to the military and schools.

Supports Alaska's private laboratories by

- Conducting on-site evaluations of, and certifying drinking water laboratories and water system operators for bacteriological monitoring as required by Safe Drinking Water Act.
- Training 190 private lab staff a year in EPA approved procedures for testing drinking water.
- Making available its expertise, knowledge, and resources.

Based on lab functions, proximity to a major airport, sample movement, cost of utilities, and access to Alaska's Public Health Laboratory, Anchorage was chosen as the best site for the new facility.

For further information contact:

Kristen Ryan, Director
Division of Environmental Health
Cell: 632-2557
Phone: 269-7644

Melanie Lesh, Legislative Liaison
Commissioner's Office/DEC
Phone: 465-5290
Cell: 321-5489

SB

215

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED ON:

MAY 15 2003

SENATE FINANCE
COMMITTEE

DATE: 5/14/03

FURTHER:

DATE TURNED
IN TO OFFICE: 15 May 2003

Finance Committee considered

SENATE BILL NO. 215

SB 215 SEAFOOD AND FOOD SAFETY LABORATORY

"An Act giving notice of and approving the entry into and the issuance of certificates of participation for a lease-purchase agreement for a seafood and food safety laboratory facility; relating to the use of certain investment income for certain construction costs; and providing for an effective date."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS SB 215 (STA)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	5/11/03	200.0		#3
DEC	5/14/03	✓		#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Adam Taylor</i>	✓			
<i>Thomas A. ...</i>			✓	
<i>N. B. ...</i>			✓	
<i>Ben ...</i>	✓			
<i>...</i>			✓	
COCHAIR:				
COCHAIR: <i>...</i>	✓			

MAY 15 2003

SENATE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSIONFiscal Note Number: 2
Bill Version: SB 215
(S) Publish Date: 5/14/03

Revision Date/Time (Note if correction):

Title Seafood/Food Safety Lab Facility ConstructionDept. Affected: Environmental ConservationBRU Environmental HealthComponent Laboratory ServicesSponsor RulesRequester Senate State Affairs CommitteeComponent No. 2065**Expenditures/Revenues**

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	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	98.6	197.2	197.2	197.2	197.2
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	98.6	197.2	197.2	197.2	197.2

CAPITAL EXPENDITURES	14,285.0					
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CHANGE IN REVENUES ()						
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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	98.6	197.2	197.2	197.2	197.2
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1163 Certificates of Participation	14,145.0	0.0	0.0	0.0	0.0	0.0
1173 Miscellaneous Earnings	140.0	0.0	0.0	0.0	0.0	0.0
TOTAL	14,285.0	98.6	197.2	197.2	197.2	197.2

Estimate of any current year (FY2003) cost: 0.0Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal: **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)

The bill would authorize financing and construction of a new Seafood and Food Safety Laboratory to be operated by the Department of Environmental Conservation (DEC).

The Department of Administration (DOA) pays the current lease costs for the lab. DEC reimburses DOA for a portion of these costs through an RSA. DEC will directly pay for all of the utilities and maintenance costs for the new building. These new costs are shown in the contractual line. Annual lease savings partially offset these new utility and maintenance costs as shown on the attached chart.

Prepared by: Kristin Ryan, DirectorDivision: Environmental HealthPhone: (907) 269-7645Date/Time: 5/14/03 9:15 AMApproved by: Kurt Fredriksson, Deputy CommissionerAgency: Department of Environmental ConservationDate: 5/14/2003

FISCAL NOTE #2

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. SB 215

ANALYSIS CONTINUATION

Line Item Description	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Contractual Line 300					
* (Operating Expenses)					
Utilities (estimated) DEC will incur costs for utilities at the new facility starting mid - 2005. Utility costs at the existing leased facility are included in the lease paid by DOA and DEC. These costs are offset by the lease savings shown below and shown on DOA's fiscal note.		\$52,965	\$105,930	\$105,930	\$105,930
Building Maintenance (estimated) DEC will incur costs for building maintenance at the new facility starting mid - 2005. Maintenance costs at the existing leased facility are also included in the lease paid by DOA and DEC. These costs are offset by the lease savings shown below and shown on DOA's fiscal note.		\$54,800	\$109,600	\$109,600	\$109,600
* (Lease Savings - Palmer Lab) DEC portion of current lease paid to DOA/GS through a RSA, will no longer be required after completion of the new facility.		(\$9,177)	(\$18,353)	(\$18,353)	(\$18,353)
Total Contractual:	\$0	\$98,588	\$197,177	\$197,177	\$197,177

MAY 15 2003

SENATE CLERK

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: SB 215
(S) Publish Date: 5/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Seafood and Food Safety Lab BRU: Revenue Operations
Component: Treasury Division
Sponsor: Rules Committee
Requester: Senate State Affairs Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel	10.0					
Contractual	190.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		1,362.8	1,362.8	1,362.8	1,362.8	1,362.8
TOTAL OPERATING	200.0	1,362.8	1,362.8	1,362.8	1,362.8	1,362.8

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

1002 Federal Receipts						
1003 GF Match						
1004 GF		1,362.8	1,362.8	1,362.8	1,362.8	1,362.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
COP proceeds	200.0					
TOTAL	200.0	1,362.8	1,362.8	1,362.8	1,362.8	1,362.8

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SB215 authorizes the sale of \$14.145 million in certificates of participation (COPs) for a lease-financing to finance construction of a new seafood and food safety lab for the Department of Environmental Conservation. The COPs would be issued by the State Bond Committee. Construction costs and issuance costs are expected to total \$14.285 million, which is the amount of the COP sale proceeds plus \$140,000 in estimated construction fund earnings. The \$200.0 in Fiscal 2004 expenses are bond counsel and financial adviser expenses, and the costs of credit ratings and printing for the COP prospectus.

Financing assumptions are 15-year level debt service beginning in FY05 and a 5% interest rate/true interest cost. The actual interest rate is very likely to be lower.

Prepared by: Tom Boutin, Deputy Commissioner Phone 465-3669
Division: Department of Revenue Date/Time 5/11/03 11:26 AM
Approved by: Landa Baily, Special Assistant to the Commissioner Date 5/11/2003
Agency: Department of Revenue

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
COMMISSIONER BALLARD SB 215 TESTIMONY
SENATE FINANCE

Thank you for the opportunity to testify today. SB 215 provides the funding mechanism for a new Seafood and Food Safety Laboratory. This expense has been included in the capital budget.

As Commissioner of the department responsible for protecting the environment and human health, I can testify to the importance of this lab. In our seafood and food safety lab we analyze raw, finished and value-added food products for bacteria, chemicals, and toxic contaminants. We maintain capabilities and FDA certifications that private labs cannot. We operate on schedules that are not available from private labs and can assume the greater liability needed to perform analysis for paralytic shellfish poisoning. We cooperate with emerging industry, such as the growing dive fisheries to be sure time-critical water and raw product analysis is available and market commitments are met. We are qualified to train and certify private labs so that they can operate in established and high-demand testing markets.

DEC has leased a facility in Palmer for 34 years. This facility will not be available after 2006. It is overcrowded and not fully compliant with safety codes and laboratory design standards. It was originally placed in Palmer when the principal lab business was agriculture and dairy. The emerging value added seafood industries in coastal Alaska have added significant and time-sensitive testing demands for our service. Our proposed new lab will be in Anchorage where valuable hours can be saved between sample collection and testing for raw and live seafood products.

Our laboratory functions are essential to protect the health of all Alaskans. The Governor, past legislatures, and the Commissioners of Revenue, DOT and DEC have reviewed the design specifications, equipment requirements and expense of this lab. We considered alternative locations and financing mechanisms for a modern facility sized and equipped for long term service to the state. Specifically, we carefully considered the possibility of locating in remodeled space at the ASI facility in Anchorage. Our requirements would occupy approximately 5% of that space.

The process of acquiring a new seafood and food safety lab began seven years ago with a feasibility study. We received an appropriation of \$150,000, to obtain an independent evaluation of both build and lease options. This analysis showed that the most economical choice is a state owned laboratory financed with

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
COMMISSIONER BALLARD SB 215 TESTIMONY
SENATE FINANCE

lease/purchase bonds known as Certificates of Participation. The legislature agreed and in 2001 appropriated \$1,300,000 to design this facility. This is a conservative and cost conscious proposal. The building design, specifications, space allocations, and the financing plan are all conservative. The building contains only laboratory and lab support space: meeting and classroom facilities will be available in the adjacent public health lab. The building materials were selected for low and simple maintenance. The design and materials are similar to the public health lab that was built several years ago on schedule and within budget.

We are reviewing the fees the laboratory charges for services and are comparing them to other states' fees. It is clear we can, and should charge more. We will begin drafting the necessary regulations this summer.

Representatives from DOT and Revenue are here today and can join me in answering your questions.

THE
FOLLOWING
DOCUMENT(S)
ARE
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ORIGINAL
COPIES

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR
410 Willoughby Ave., Ste 303
Juneau, AK 99801-1795
PHONE: (907) 465-5065
FAX: (907) 465-5070
<http://www.state.ak.us/dec/>

DEPT. OF ENVIRONMENTAL CONSERVATION OFFICE OF THE COMMISSIONER

May 12, 2003

The Honorable Gary Wilken
Co-Chair, Senate Finance Committee
Alaska House of Representatives
State Capitol, Room 518
Juneau, AK 99801

The Honorable Lyda Green
Co-Chair, Senate Finance Committee
Alaska House of Representatives
State Capitol, Room 516
Juneau, AK 99801

Dear Senators Green and Wilken:

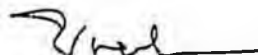
The Department of Environmental Conservation requests a hearing on SB 215 an "Act giving notice of and approving the entry into and the issuance of certificates of participation for a lease-purchase agreement for a seafood and food safety laboratory facility." The State Seafood and Food Safety Laboratory plays a vital role in protecting the health of Alaskans and supporting the growth and development of a vibrant seafood industry.

The state's bivalve and growing geoduck industry cannot exist without the ability to guarantee the safety of these products. The lab is the only facility certified to test for paralytic shellfish poisoning a deadly toxin. The state must be prepared with laboratory services capable of providing essential tests that will allow these industries to prepare to respond to an unanticipated outbreak of disease or the presence of contamination in food, water and animals.

The Department has planned for construction of a Seafood and Food Safety Laboratory for over six years. The funding mechanism is certificates of participation. I look forward to coming before the Senate Finance Committee to further explain the importance of this laboratory to Alaska.

Kristin Ryan, Director of the Division of Environmental Health, and Mike Maher, the Director of Administrative Services can provide you with any additional information you might require regarding this bill. You can contact Ms. Ryan at 269-7645, Mike Maher at 465-5256, or Melanie Lesh, the department's legislative liaison, at 465-5290. Thank you for your consideration.

Sincerely,



Ernesta Ballard
Commissioner

cc: Mike Tibbles, Legislative Director, Office of the Governor
Kristin Ryan, Environmental Health, DEC

MEMORANDUM

STATE OF ALASKA
Department of Revenue

TO: Mike Maher
Administrative Services Director
Department of Environmental Conservation

DATE: March 28, 2003

FROM: Deven Mitchell
Debt Manager

TELEPHONE: 465-3750

SUBJECT: Food and Safety Laboratory Financing

The Department of Revenue has been asked to explain what impacts there might be from issuing Certificates of Participation to fund construction of a new Food and Safety Laboratory in the Alaska Seafood International (ASI) building. This is not a new matter for the Department as the Department of Environmental Conservation has been attempting to replace the lab over the past several years using different financing options. The type of financing that has been proposed in each of the last three legislative sessions is called Certificates of Participation. How this type of financing works is a lease is created and investors are asked to participate (Certificates of Participation (COPs)) in the lease. This means that the state can offer an investment that pays interest semi-annually until it matures at some point during the lease life, and use the investors' money to build the proposed facility. The lease payments are subject to annual appropriation by the legislature and as a result the COPs have achieved credit ratings one level below the state's general obligation ratings.

The lease in the COP structure is created by giving a trustee bank (that is obligated to act on behalf of COP purchasers) a title position on the facility being financed and the state entering a lease for the facility (in the amount of the annual interest and principal payments to investors). A failure to pay would result in the trustee bank claiming the facility on behalf of COP holders and either obtaining an alternate use or liquidating the facility to pay COP holders.

Folks have proposed using roughly 5 percent of the ASI facility to house the proposed Food and Safety Laboratory. If the cost of building the lab are funded with COPs it will require the Alaska Industrial Development and Export Authority (AIDEA) give a title interest to a trustee on the ASI building and the ground upon which it resides. From a credit perspective this is a significant credit enhancement as a failure to appropriate on the lab not only causes a loss of use of the proposed laboratory for the state, but also a loss of use of the entire ASI building. From AIDEA's perspective this financing would impact the ability to sell the ASI building (due to the title interest), and possibly also impact the rental value of the remaining 95% of the building due to the inability of AIDEA to provide a guarantee on space availability (in the event of a payment default by the state).

DEC Seafood and Food Safety Laboratory

Using Certificates of Participation, the Department will build a new Seafood and Food Safety Laboratory in Anchorage that is prepared to respond to unanticipated outbreaks of disease or presence of a contaminant in food, water or animals; and

Protects Alaskans by

- Preventing disease through sanitation and sanitary practices.
- Providing essential risk screening services.
- Monitoring animals for zoonotic diseases--transferred from animals to humans—such as Brucellosis.
- Testing food products for Salmonella, Listeria and fecal coliforms to ascertain they are safe to eat.
- Testing public drinking water for Giardia and Cryptosporidium.

Supports industry by

- Working with industry to pre-certify areas for safe harvesting of geoducks so that a more valuable product can be sold live.
- Testing geoducks, oysters and mussels for PSP contamination prior to sale.
- Analyzing seafood samples for contaminants such as mercury and pesticides through its seafood-monitoring program.
- Testing dairy products so they can be sold to the military and schools.

Supports Alaska's private laboratories by

- Conducting on-site evaluations of, and certifying drinking water laboratories and water system operators for bacteriological monitoring as required by Safe Drinking Water Act.
- Training 190 private lab staff a year in EPA approved procedures for testing drinking water.
- Making available its expertise, knowledge, and resources.

Based on lab functions, proximity to a major airport, sample movement, cost of utilities, and access to Alaska's Public Health Laboratory, Anchorage was chosen as the best site for the new facility.

Samples processed at the Seafood and Food Safety Laboratory

Department of Environmental Conservation, Division of Environmental Health

Samples received:

	FY00	FY01	FY02
Samples received	9,148	7,282	6,256
Tests ran on those samples	21,337	25,346	26,926

The amount of samples received varies greatly each year. We are expecting a big jump in 2003. The number of tests ran has not increased over the past years but our tracking has. In FY00, we did not track every test ran such as quality control tests when we make sure the result gotten is correct. In FY01 and FY02, we implemented a tracking system so that we could capture every analysis done.

Samples broken down by category

	FY00	FY01	FY02	Areas
Animal Health & Dairy	5993	4067	3519	South Central
Drinking Water	541	569	545	State wide
Food	0	26	54	Anchorage
Seafood	2351	2393	1908	South Central (30%) Southeast (70%)
Miscellaneous	89	114	39	State wide
Training sessions	174	113	191	At laboratory

Vibration sensitive equipment:

Microscopes: When looking at a liquid at a magnification of 100+, significant vibration such as a machine shop would make it impossible to identify the organism.

Torsion Balance: Used to weigh chemicals as light as 1 millionth of a gram. Since the scale is on a fulcrum, it is extremely sensitive to movement. When in use, no one is allowed to enter the room because of vibration.

Concern also exists with the Liquid Chromatograph and Atomic Absorption processes. Both send a beam of light through a minute amount of substance and measure the refraction.

Kristin Ryan, Director, 269-7644

The Seafood and Food Safety Lab funding mechanism is Certificates of Participation (COP) Lease/Purchase Bonds

The department plans to construct a laboratory facility to replace the badly outmoded facility using Certificates of Participation as the funding mechanism.

Certificates of Participation:

- Do not require general fund appropriation.
- Is a funding mechanism that gives a trustee bank a title interest in the entire structure, similar in concept to a home mortgage
- Allow a lease/purchase contract.
- Take advantage of currently low bond interest rates.
- Do not require a vote as would GO bonds.
- Allow the state to conserve its GO debt capacity for future situations where other revenues are not available.

Using COP's means the project can be started and finished faster.

Authority to expend the COP's is in the Department's approved Capitol budget

Provided by the Department of Environmental Conservation

Seafood and Food Safety Laboratory

Division of Environmental Health, Department of Environmental Conservation

The lab will close without an appropriation to build a new one. *Here's how we got to this point:*

1997

- Department of Administration determines it can no longer allow long-term leases at the facility because statutory rent reduction requirements.

1998

- Department of Transportation and Public Facilities hires Livingston Slone to produce feasibility study that considers leasing versus owning, best location, and consolidation of the two labs the Department of Environmental Conservation operates.
- Legislature appropriated \$145.7 to evaluate replacement options.

1999

- Private contractor assessment concludes Seafood and Food Safety Lab cannot be co-located with Public Health Lab primarily because construction of the Public Health Lab is already under way and its lab activities are very different, requiring detached, separate labs.

2000

- Department of Environmental Conservation explores the possibility of housing its lab at Alaska Seafood International. However, according to Alaska Seafood International, its microbiological laboratory cannot fully meet the department's requirements. Alaska Seafood International lab space is 540 square feet and was never intended to be a broad-spectrum test facility. (The new Seafood and Food Safety lab is designed to be 19,312 square feet.)
- Department of Environmental Conservation selects site near Boniface and Tudor with Dept. of Transportation & Public Facilities oversight based on lab functions (proximity to major airport), cost of utilities, and access to Public Health lab. The Anchorage Planning and Zoning Commission approves the site selection report.
- Livingston Slone, hired by Dept. of Transportation & Public Facilities, determines that any existing market rental space would require a major renovation; and that building a new facility on state owned land is more cost effective than renovating an existing space or contracting for the construction of a leased facility.
- Legislature appropriates \$240.0 updating Livingston Slone's 1998 Feasibility Study to reflect the facility's being located on state land.

2001

- Dept. of Natural Resources initiates land exchange with Municipality of Anchorage to acquire parcel.
- Dept. of Transportation & Public Facilities develops a construction timeline and budget.
- Dept. of Transportation & Public Facilities selects Livingston Slone for the design and engineering work with an expected completion date of June 2003.
- Legislature appropriates \$1,300.0 to design the facility.

2002

- The design contractor, Livingston Slone, updates the construction cost estimate after completing the schematic design: \$14,085,200.
- Dept. of Administration easing approves extending the lease until December 2006 under the provision DEC actively pursue another option.
- A bond bill (HB51), designating lab construction funds, is introduced in the first session, but dies before final adjournment.

February 6, 2003

- Anchorage Assembly approves the land exchange and Dept. of Natural Resources completes an Interagency Land Management Agreement giving DEC the authority to manage the selected site adjacent to the Public Health Lab.

What the Seafood and Food Safety Lab does

- Conducts product and water sampling required by the National Shellfish Sanitation Program so that bivalve shellfish can be commercially marketed.
- Routinely tests commercial bivalve shellfish for marine toxins responsible for paralytic shellfish poisoning and domoic acid poisoning.
- Is analyzing over 600 samples of salmon (all five species), halibut, pacific cod, sablefish, black rockfish, lingcod and pollock for heavy metals (methyl mercury, lead, and cadmium).
- Conducts on-site evaluations of, and certifies drinking water laboratories and water system operators for bacteriological monitoring as required by Safe Drinking Water Act.
- Works with commercial industries to develop safe, ready-to-eat food products to make sure the water activity, water phase salt, and salt moisture of their products are within acceptable levels.
- Evaluates raw and finished dairy products for bacterial contamination, antibiotics, butter fat content, and effectiveness of pasteurization.
- Performs animal testing to maintain USDA brucellosis- and TB-free certification, which is required for interstate and international shipment of cattle.
- Tests for equine infectious anemia in horses intended for interstate shipment or that will be entered in state fairs or other special events.

-
- No other lab in Alaska tests for PSP (paralytic shellfish poisoning).
 - A lab does not currently exist within the State of Alaska with the authority to test food or water that's been potentially poisoned with highly dangerous contaminants.
 - To be sold in international markets, Alaska's food products must be tested for compliance with federal food standards.
 - The shellfish industry depends on the Food Safety Lab to quickly test for marine toxins so they can sell their products in interstate commerce.
 - The Food lab is the only lab in the state that is permitted by the Food and Drug Administration to evaluate dairy products.

For more information, please contact Kristin Ryan at 907-269-7644

S	Southeast
A	Alaska
R	Regional
D	Dive
F	Fisheries
A	Association



Mission Statement: To develop, expand, and enhance new and existing dive fisheries in Southeast Alaska.

Julie Decker, Executive Director
 Box 2138, Wrangell, AK 99929
 Ph: 907-874-3110; Fax: 907-874-4270
 info@sardfa.org
 www.sardfa.org

Governor Frank Murkowski
 P.O. Box 110001
 Juneau, Alaska 99801
 Ph: 907-465-3500; FAX: 907-465-3489
 Email: Governor@gov.state.ak.us

May 9, 2003

RE: Support for New Seafood & Food Safety Lab

Dear Governor Murkowski,

On behalf of the Southeast Alaska Regional Dive Fisheries Association, SARDFA, I would like to express support of your bills, SB 215 and HB 312, regarding the construction of a new Seafood & Food Safety Lab in Anchorage.

For two years, SARDFA has been supportive of building a new lab in Anchorage for two reasons. First, the lab is a necessary infrastructure component in order to conduct the commercial geoduck fishery (as well as for other shellfish fisheries and all aquatic farming activities). The lab runs tests for water quality and paralytic shellfish poison (PSP), along with many other tests for the seafood industry.

Second, the new location in Anchorage will be an overall better site for the statewide users of the facility. Relocating the lab in Anchorage may, unfortunately, be a hit to Palmer residents, however, it will be better for the statewide users of the lab who will no longer need to have samples make the extra journey from Anchorage to Palmer. This can be a critical factor in getting samples to the lab in time. For example, the water samples, which are taken in remote areas of Southeast Alaska, must make it to the lab within 30 hours in order to perform testing. If the samples are even one hour late, they must be taken again by sending planes out to the remote areas again, which is very costly.

The cost of building a new lab is significant, however, this facility will be able to serve the seafood industry, and its projected growth, for decades into the future.

Thank you for your time and consideration.

Sincerely,

Julie Decker, Executive Director

Members of:
Southeast Conference,
United Fishermen of Alaska, &
Alaska Fisheries Development Foundation

Cc: Commissioner Ballard, DEC
Senator Lyda Green, Co-Chair, Senate Finance
Senator Gary Wilken, Co-Chair, Senate Finance
Senator Gary Stevens, Chair, Senate State Affairs
Representative Bill Williams, Co-chair, House Finance
Representative John Harris, Co-Chair, House Finance
Representative Bruce Weyrauch, Chair, House State Affairs
Bobbie Thorstenson, President, UFA
Tom Gemmel, Executive Director, UFA
Steve LaCroix, President, SARDFA
Kristin Ryan, DEC

Hicks, Molly

From: Ballard, Ernesta
Sent: Friday, May 09, 2003 11:05 AM
To: Fredriksson, Kurt; Ryan, Kristin J.; Lesh, Melanie; Siroky, Mary; Hicks, Molly
Subject: FW: New Seafood and Food Safety Lab Bill.

fyi

-----Original Message-----

From: John Scoblic [mailto:jscoblic@norquest.com]
Sent: Friday, May 09, 2003 9:01 AM
To: Governor@gov.state.ak.us
Cc: Ernesta_Ballard@dec.state.ak.us
Subject: New Seafood and Food Safety Lab Bill.

Dear Governor Murkowski,

Yesterday late in the afternoon it was brought to my attention that you may be looking for testimony for a new Seafood and Food Safety lab. I whole heartedly support any new development of a Seafood and Food Safety lab. In particular the people of Southeast in the Seafood Industry and Foodservice Industry would benefit greatly with the addition of a lab somewhere in Southeast.

In the current situation it is very cumbersome process to get seafood products needing testing to the Palmer D.E.C lab from Southeast. In the best of situations it takes the better part of a day in transportation time to get products to the Palmer lab for testing. Once the specimens are to the lab it take half a day to do the test. In the blossoming Geoduck fishery I have many first hand experiences with the pitfalls one must endure to get a geoduck sample to the Palmer lab for Paralytic Shellfish Testing in a timely manner. Having a new Seafood and Food Safety lab here, in Southeast, a region were we harvest products needing testing would save time and money for all of those involved. Having a lab in the region would speed up the testing process. If the transportation time to the lab took less time to transpire, we could offer an even fresher product to our customers. Once again using Geoduck as an example, live product is the product of choice in the market. If the Geoducks test clean of PSP we can ship them live as soon as we get lab results. So you can see if we have to wait a day to a day and a half for test results, the freshness and liveliness of the products diminishes greatly. Time is money, and in this case a lot a revenue has slipped away due to the time an logistics involved in getting Geoducks tested for PSP in Palmer.

Mr. Governor, thank you for your time. I appreciate the opportunity to have given you this brief report. Please take into serious consideration what I have stated here in this e-mail. I support development of a Seafood and Food Safety Lab. I also think that a lab would be best positioned in Ketchikan.

John M. Scoblic
Fleet Manager

NorQuest Seafoods Inc. (Ketchikan Division)
1705 Tongass Ave. KTN, AK 99901
Office (907) 225-6664
Cellular (907) 723-1234

SESSION ADDRESS:
State Capitol
Juneau, Alaska 99801-1182
Phone (907) 465-2693
Toll Free 800-463-2693
Fax 907-465-3835



35477 Suite 101-B Spur Hwy
Soldotna, Alaska 99669
Phone 907-260-5236
Fax 907-260-3044

Representative Ken Lancaster
District 8

April 12, 2001

MEMORANDUM

To: Representative Eldon Mulder, Co-chairman
Representative Bill Williams, Co-chairman
House Finance Committee

From: Representative Ken Lancaster

Subject: Department of Environmental Conservation, Division of Environmental Health,
Seafood and Food Safety Laboratory, Cost and Location,

Per your request, I have conducted a fact finding mission to help determine the reasonable cost for the proposed DEC Seafood and Food Safety Laboratory.

The cost per square foot for a laboratory is high, when compared to an office building, or warehouse. This is do impart to the fact that laboratories require a more powerful heating, ventilating, air conditioning, (HVAC) system. This system must not only move more air (minimum 10 to 12 air exchanges per hour) but also pressurizes parts of the building. This pressurization is very important as it keeps that area of the building not used for testing completely separated environmentally from pathogens used in the test area. In addition, higher requirement for lights, power distribution system and special construction to facilitate cleaning is required in this type of complex.

I have made informal inquires with several architectural engineer's firms and based on that have concluded that \$400.00 per square foot, less equipment, is a fair and reasonable cost.

The location also makes good, logical sense. With the building built in Anchorage, at the Tudor Road location, it would help develop a State campus setting. This concept could make for cost saving in the future, by allowing for the combining of services, building maintenance, snow removal, etc.

The proximity to a major airport, and the availability of ground transportation, should better serve the people of the State of Alaska in conducting business with the lab.

I have enclosed three reports prepared by Livingston Slone, Inc for your information; Laboratory Cost Factors, Laboratory Plan Efficiency, and a Timeline for Seafood and Food Safety Laboratory Replacement. This information helps explain the process that the Department went through, in addition to cost factors.

Should you require more information or have any question, please fell free to contact me.

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



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May 8, 2003

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, AK 99801-1182

Dear President Therriault:

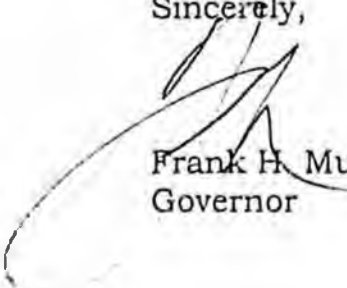
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to issuing certificates of participation to fund a new seafood and food safety laboratory.

The state's food safety laboratory plays a vital role in protecting the health of Alaskans. The seafood and food safety laboratory tests crabs, geoducks, and other shellfish for toxins, a service not offered in the private sector. Local dairy products must be tested by a state laboratory before they can be sold to schools and the military. Federal law also requires a state laboratory to certify private laboratories to perform drinking water compliance testing for public water systems. Additionally, the new laboratory will have an area designated as bio safety level III for testing of anthrax or other bio-terrorism agents. The new laboratory would not duplicate existing laboratories in the state.

The current lease will soon expire, requiring the facility to be relocated. Building a state-owned facility is cheaper than leasing a privately-owned facility, and the state owns a parcel of land ready for development. The Alaska State Legislature has recognized the need for replacement through previous planning and design appropriations. The bill I transmit today is the next and final step in providing Alaskans with a worthwhile facility by setting up a bonding structure for its construction. The proposed method is the issuance of certificates of participation for a lease-purchase agreement.

In the interests of public health for Alaskans and consumers of Alaskan food, fish and dairy products, as well as the economic health of these industries, I urge your prompt and favorable action on this measure.

Sincerely,



Frank H. Murkowski
Governor

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 5/9/03

FURTHER: Finance

Date of 5-Day Notice: 5/10/03 - 24 hr. rule
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 5/14/03

State Affairs Committee considered SENATE BILL NO. 215

SB 215 SEAFOOD AND FOOD SAFETY LABORATORY

"An Act giving notice of and approving the entry into and the issuance of certificates of participation for a lease-purchase agreement for a seafood and food safety laboratory facility; relating to the use of certain investment income for certain construction costs; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB215 (STA)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

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

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DEC	5/8/03	✓		2
DOR	5/4/03	✓		3

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Cowley	<i>John J. Cowley</i>		↓	✓	
Dyson	<i>Frank Dyson</i>				
Gress	<i>Frank Gress</i>			✓	
G. Stearns	CHAIR: <i>[Signature]</i>			✓	

SENATE FINANCE COMMITTEE

SIGN-IN

SB 215-SEAFOOD AND FOOD SAFETY LABORATORY

NAME: Commissioner Ballard Subject/Bill No: _____

Co./Dept./Title: DEC Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: Tom Boutin Subject/Bill No: SB 215

Co./Dept./Title: Revenue Phone: 3669

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

SB

216

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 216
 (S) Publish Date: 5/9/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title International Airport Revenue Bonds BRU Revenue Operations
 Component Treasury Division
 Sponsor House Rules
 Requester Governor Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual	1,532.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service	6,281.0	6,281.0	6,281.0	6,281.0	6,281.0	6,281.0
TOTAL OPERATING	7,813.0	6,281.0	6,281.0	6,281.0	6,281.0	6,281.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Int Airport Construction Fund	7,813.0	6,281.0	6,281.0	6,281.0	6,281.0	6,281.0
TOTAL	7,813.0	6,281.0	6,281.0	6,281.0	6,281.0	6,281.0

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill will increase the cumulative authorization for international airport revenue bonds, allowing for the sale of up to \$76,600,000 in revenue bonds to support capital improvement programs for FY 04 through FY 06 at the Ted Stevens International Airport and Fairbanks International Airport collectively the Alaska International Airport System (AIAS).

Revenue bond funding allows annual debt service to be paid through airline rates and fees spread over time.

Assuming an interest rate of 6.5%, and a 25-year term, annual debt service would be approximately \$6.3 million per year in FY 2005 through FY2029. Issuance costs are approximately 2% of bonds issued.

Prepared by: Steve Porter, Deputy Commissioner Phone 465-2365
 Division: Department of Revenue Date/Time 5/8/03 4:57 PM
 Approved by: Bill Corbus, Commissioner Date 5/8/2003
 Agency: Department of Revenue

FRANK H. MURKOWSKI
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



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May 8, 2003

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to bond funding of capital improvements for the Alaska International Airports System.

The bill increases the cumulative authorization for international airports revenue bonds, allowing the sale of up to \$76,600,000 in new revenue bonds to support capital improvement programs for FY 04 through FY 06 at the Ted Stevens Anchorage International Airport and Fairbanks International Airport, referred to collectively as the Alaska International Airports System (AIAS), and certain passenger terminal renovation work at the Ted Stevens Anchorage International Airport.

Funding for operations and capital improvements of the AIAS is obtained from charges for the use of airport facilities, primarily paid by commercial airlines. The AIAS and the airlines that are signatories to the International Airports System Operating Agreement have agreed to a capital improvement program approved by the signatory airline ratepayers under the operating agreement. Under the operating agreement, effective from September 1, 2001 through June 30, 2006, the AIAS has shifted from cash funding long-term projects in advance through annual capital charges paid by the airlines through rates and fees, to revenue bond funding for most projects. Revenue bond funding allows annual debt service to be paid through airline rates and fees spread over longer periods of time, such as the useful life of airport projects. The bonds are not a general obligation of the state, and the state does not pledge its faith and credit to the payment of the bonds. The issuance of the bonds does not directly or indirectly or contingently obligate the state or any political subdivision thereof to apply money from, or levy or pledge, any form of taxation whatever to the payment of the bonds.


The Honorable Gene Therriault
May 8, 2003
Page 2

Additional bond authorization under AS 37.15.410 was granted in 2001 to implement the capital improvement program for the first two years of the Operating Agreement. Additional bond authorization is now required to finance the continuation of the capital improvement program. AS 37.15.410 currently authorizes the state to issue up to \$447,900,000 of revenue bonds to support airport projects. This authority, cumulative since the inception of AS 37.15.410, will be exhausted by June 30, 2003, with outstanding bond principal standing at \$368,200,000.

The authority sought in this bill would increase the bond authorization limit to finance three more years of capital improvements at both the Ted Stevens Anchorage International Airport and Fairbanks International Airport, as well as completion costs of the redevelopment of Concourse C at the Ted Stevens Anchorage International Airport passenger terminal. By covering these needs in a single new bond issue, the state would be able to reduce costs related to the debt issuance.

The Alaska International Airports System is an increasingly vital and growing part of our economic engine. The airports system and the state's major air carriers propose to continue developing our world-class international airports through the implementation of the International Airports Operating Agreement, supported by the issuance of these additional revenue bonds. In order to assure timely project development, I urge your prompt and favorable action on this measure.

Sincerely,



Frank H. Murkowski
Governor



Alaska International Airports System Business Planning Information

Presentation to State of Alaska Legislature

May 9, 2003



Overview

- **Aviation Industry Outlook**
 - Federal Airline Assistance
 - Commercial Carriers
 - Cargo Carriers
- **Alaska Economic and Demographic Overview**
- **AIAS Aviation Activity**
- **AIAS Airport Operating Agreement (AOA) and Bond Resolution**
- **AIAS Plan of Finance**
 - Sources of Funds
 - Series 2004 AIAS Revenue Bonds
 - Future Series AIAS Revenue Bonds
 - Landing Fees
 - Terminal Rentals Rates
- **Comparative Airport Data**



Industry Outlook

Federal Airline Assistance

Airlines will be getting additional federal assistance....

➤ **Airline Improvement Program**

- Provides funding for planning and development at airports.
- \$3.4 billion appropriated for 2003 and now in authorization hearings.

➤ **Emergency Wartime Supplemental Appropriations Act**

- H.R. 1559 signed April 16, 2003
- \$3.5 billion assistance for the airline industry
- Of \$665.0 million earmarked for the TSA, \$235.0 million is specified for airport explosive detection systems



Industry Outlook

Commercial Carriers

- **The Changing North American Market**
 - Expansion of low fare carriers (Southwest, jetBlue) into long-haul markets.
 - Mainline hub carriers realigning regional flights (short-haul markets)
 - Increasing role of regional jets
 - Longer-haul transcontinental routes – new aircraft

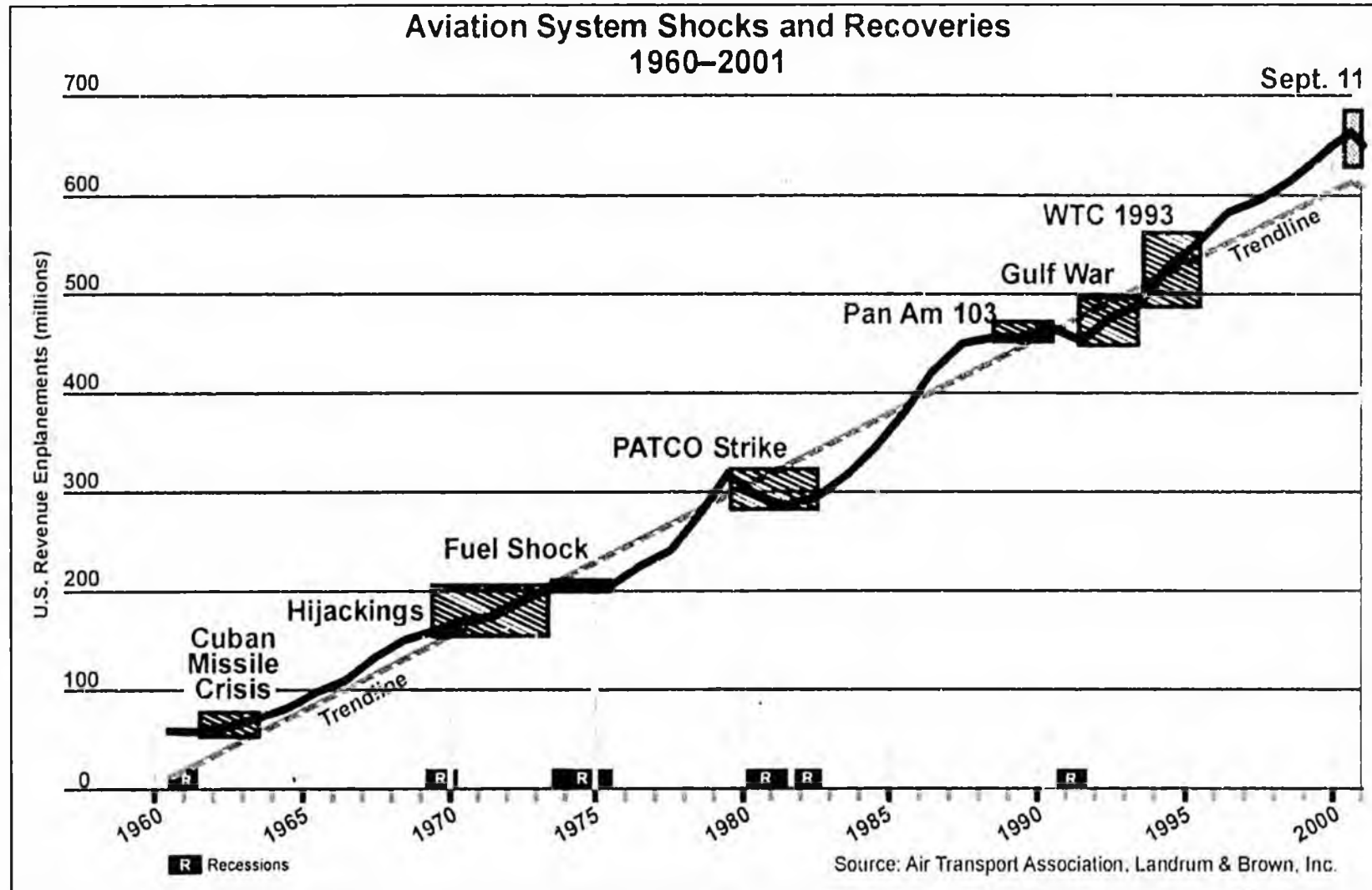
- **Key Elements to Recovery**
 - Capacity Reduction
 - Restructured Labor Agreements
 - Re-aligned Hub Networks

- **Near Term Forecast**
 - Potential bankruptcy scenarios will continue to be evaluated
 - Demand/capacity managed through continuing schedule reductions
 - Industry recovery should occur in 2005



Industry Outlook

Commercial Carriers





Industry Outlook

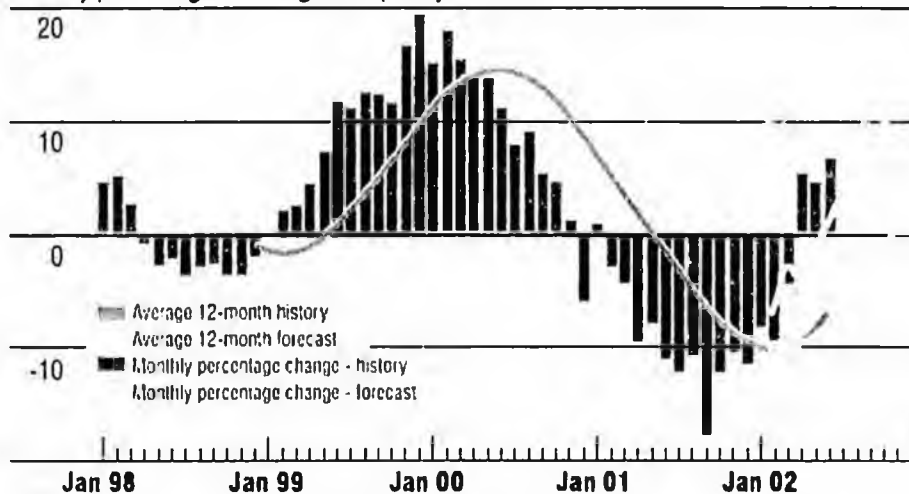
Cargo Carriers

Cargo markets contracted during the recent recession...

.....but the future forecast remains strong, especially for the markets served from AIAS.

Major Air Cargo Markets Severely Contracted in 2001

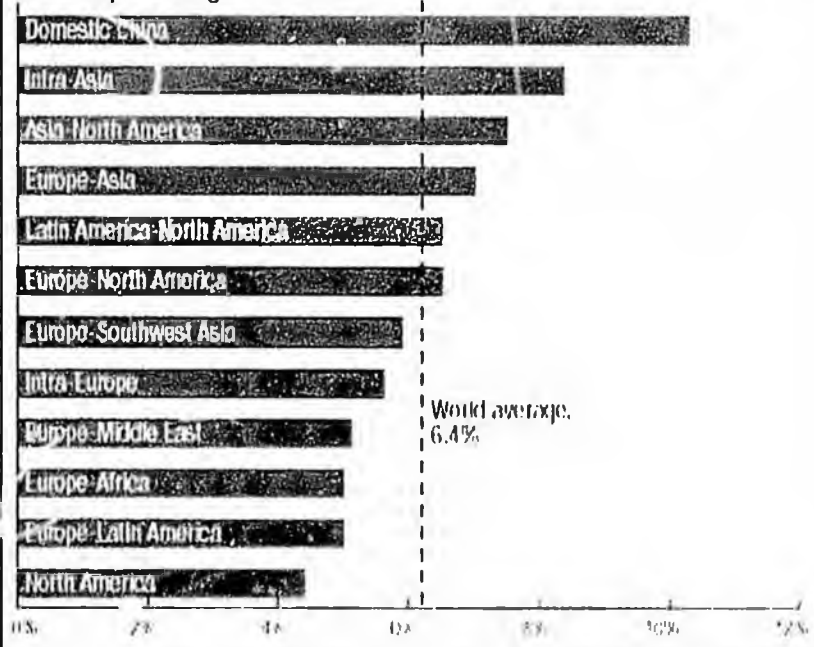
Monthly percentage of change over prior year



Source: U.S. Department of Commerce, APA, ALA, AIA and the Boeing World Air Cargo Forecast

Asia cargo markets lead industry growth

Growth, percentage 2001-2002



Source: Boeing "World Air Cargo Forecast 2002-2003", Sept. 2002



AIAS Aviation Activity Enplanements

Passenger traffic has recovered more quickly than expected...

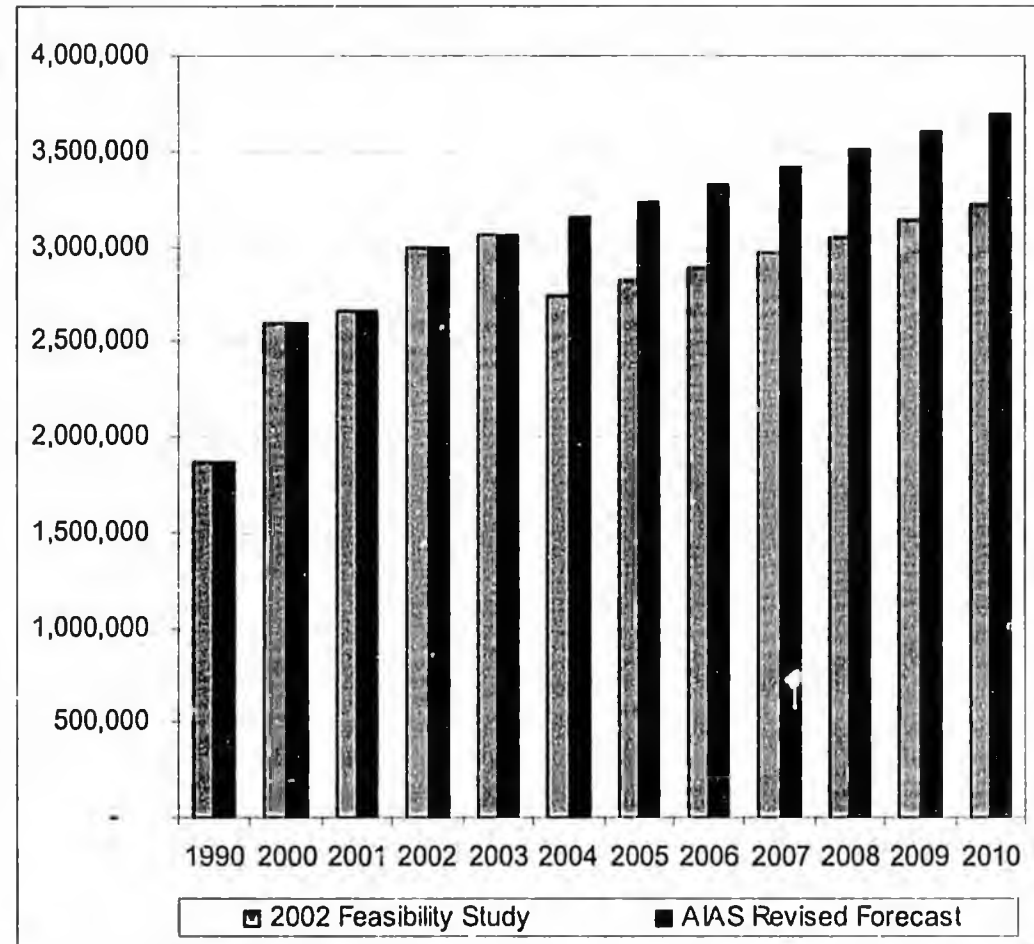
Year	2002 Feasibility Study	AIAS Revised Forecast
1990A	1,867,281	1,867,281
2000A	2,593,585	2,593,585
2001A	2,658,282	2,658,282
2002A	2,995,458	2,995,458
2003EA	3,064,810	3,064,810
2004F	2,747,000	3,148,000
2005F	2,815,000	3,234,000
2006F	2,892,000	3,322,000
2007F	2,971,000	3,413,000
2008F	3,052,000	3,506,000
2009F	3,135,000	3,602,000
2010F	3,221,000	3,700,000

Average Annual Growth Rates		
1990 - 2002	4.0%	4.0%
2002 - 2007	-0.2%	2.6%
2007 - 2010	2.7%	2.7%
1990 - 2010	2.8%	3.5%

A = Actual

EA = Estimated Actual

F = Forecast





AIAS Aviation Activity

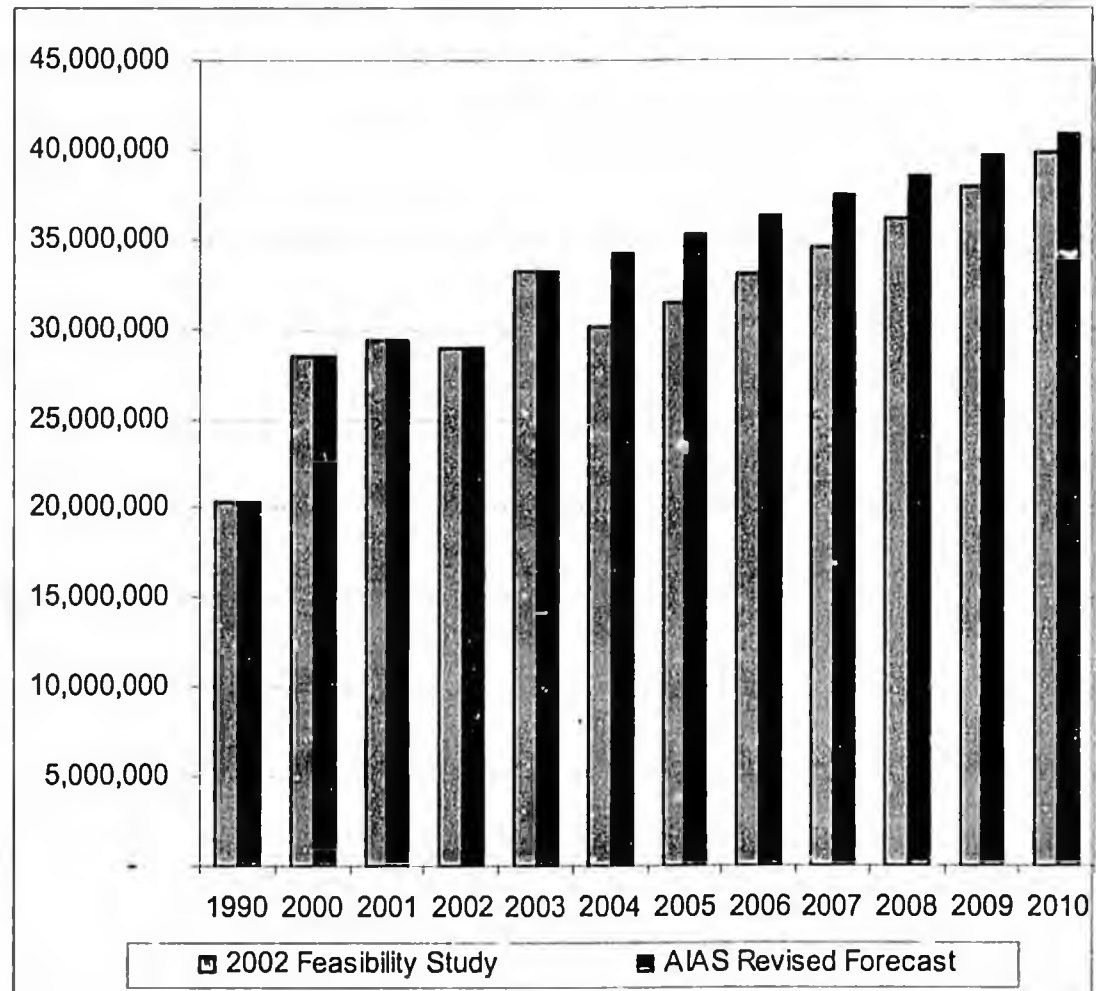
Total Gross Take Off Weight

Year	2002 Feasibility Study	AIAS Revised Forecast
1990A	20,347,453	20,347,453
2000A	28,404,211	28,404,211
2001A	29,422,940	29,422,940
2002A	28,937,906	28,937,906
2003EA	33,252,888	33,252,888
2004F	30,060,000	34,250,000
2005F	31,473,000	35,278,000
2006F	32,977,000	36,336,000
2007F	34,557,000	37,426,000
2008F	36,219,000	38,549,000
2009F	37,967,000	39,705,000
2010F	39,805,000	40,896,000
Average Annual Growth Rates		
1990 - 2002	3.0%	3.0%
2002 - 2007	3.6%	5.3%
2007 - 2010	4.8%	3.0%
1990 - 2010	3.4%	3.6%

A = Actual

EA = Estimated Actual

F = Forecast





AIAS Aviation Activity

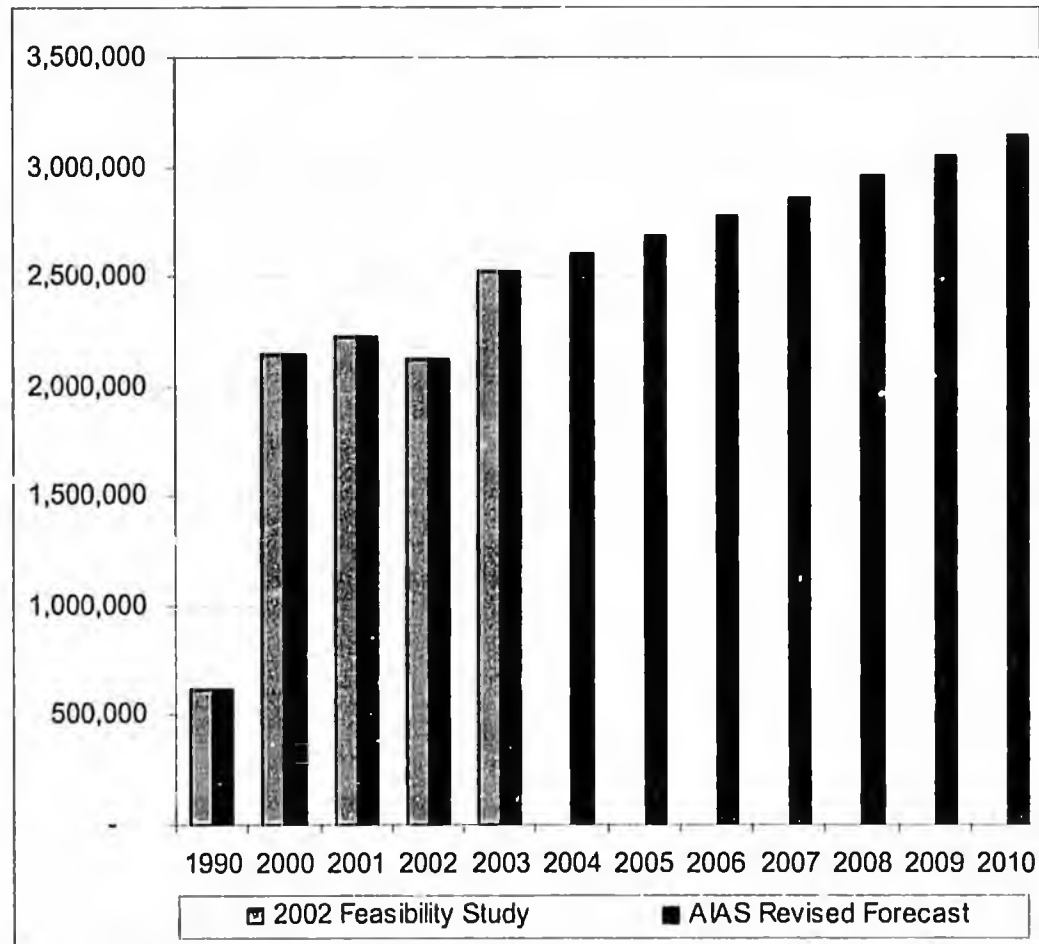
Air Cargo Tonnage

Year	2002 Feasibility Study	AIAS Revised Forecast
1990A	622,949	622,949
2000A	2,148,048	2,148,048
2001A	2,227,895	2,227,895
2002A	2,119,877	2,119,877
2003EA	2,523,783	2,523,783
2004F	-	2,605,000
2005F	-	2,688,000
2006F	-	2,774,000
2007F	-	2,863,000
2008F	-	2,955,000
2009F	-	3,050,000
2010F	-	3,148,000
Average Annual Growth Rates		
1990 - 2002	10.7%	10.7%
2002 - 2007	N/A	6.2%
2007 - 2010	N/A	3.2%
1990 - 2010	N/A	8.4%

A = Actual

EA = Estimated Actual

F = Forecast



The 2002 Feasibility Study did not forecast air cargo tonnage.



AIAS Plan of Finance

AOA

- Negotiated in 2001 to replace outdated agreement with airlines
- **Defines Airline Rates and Charges Methodology:**

M&O Expenses	+	Annual Debt Service	+	Fund Deposit Requirements	-	Non-Airline Revenues	=	Net Airline Requirement
--------------	---	---------------------	---	---------------------------	---	----------------------	---	-------------------------

Net Airline Requirement - collected through Landing Fees, Terminal Rentals, Common Use Premises Charges, FIS Fees, Aircraft Ramp Rentals, Airport Administered Premises Charges, Aircraft Parking Charges.

- Creates five Administrative Reserve Funds
- Obligates the airlines to pay AIAS Revenue Bonds through rates and charges
- Establishes Capital Project consultation procedures
- Establishes Airline lease obligations and accommodation procedures

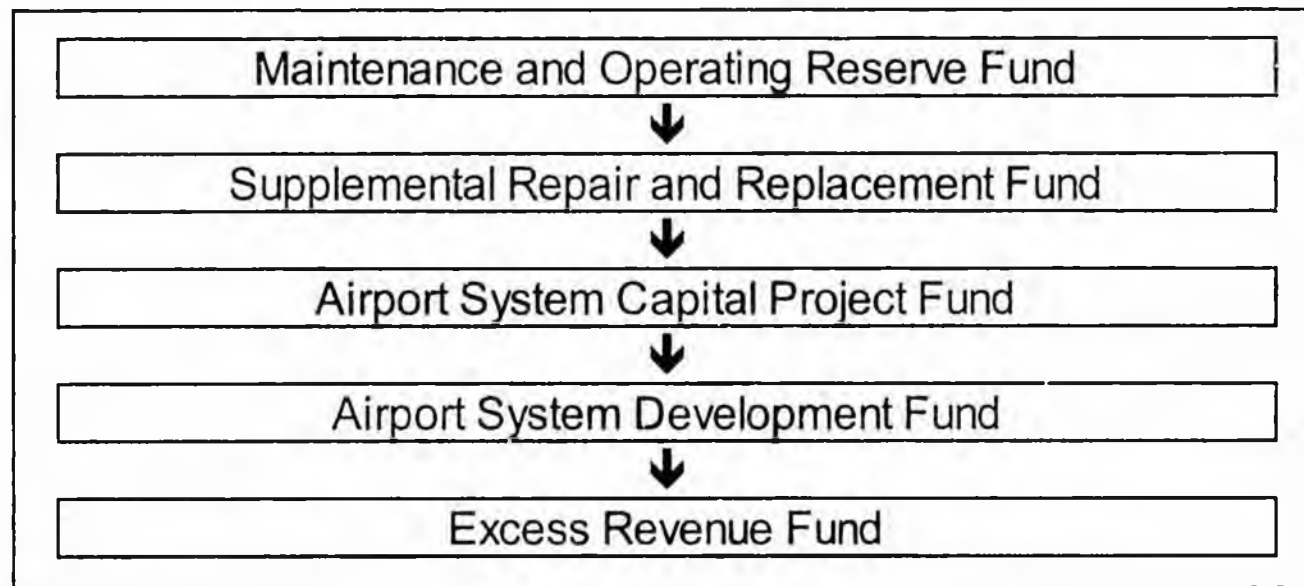


AIAS AOA and Bond Resolution

AOA

➤ Administrative Reserve Funds

- Negotiated as part of the new AOA, in part to improve bond ratings
- Subordinate to funds established in AIAS Bond Resolution
- Debt service is paid even before AIAS Maintenance and Operating Expenses





AIAS AOA and Bond Resolution

Bond Resolution

- **All AIAS Revenues are pledged to make AIAS Revenue Bond payments**

- **Rate Covenant:**
 - Commissioner of DOT&PF is required to fix and collect such fees, charges and rentals from use of the AIAS Airports so that Net Revenues in each fiscal year are at least equal to 1.25 times Aggregate Annual Debt Service plus deposit requirements in the Reserve Account and the Repair and Replacement Fund. (FY05 - \$38.7 Million)

- **Additional Bonds Test (Future Parity Bonds) Requires:**
 - Authorizing Legislation
 - Commissioner finding that proceeds will be expended on necessary projects
 - State is in compliance with all covenants of Bond Resolution
 - State certifies that Net Revenues during next three years equal to at least 1.25 times Aggregate Annual Debt Service



AIAS AOA and Bond Resolution

Bond Resolution

➤ Security for the Bonds – 1999 and 2002 Bond Resolution

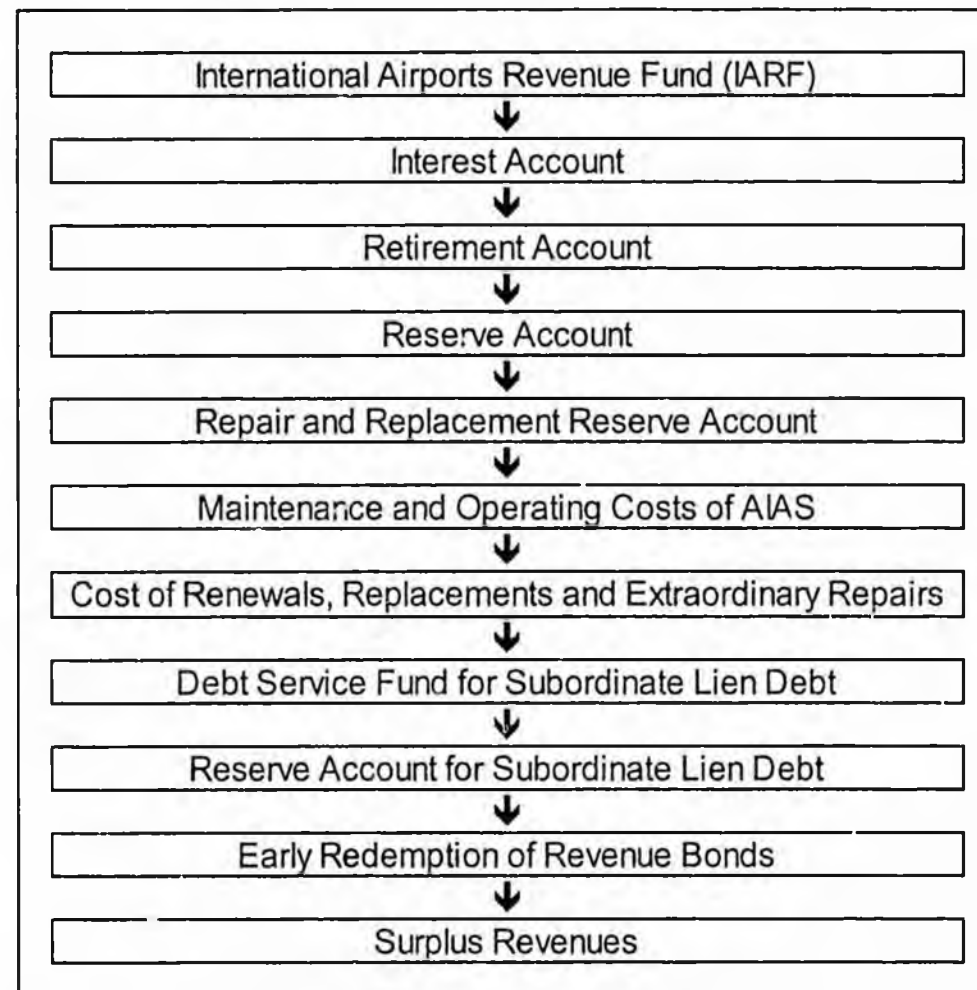
“The Bonds are not a general obligation of the State, and the State does not pledge its faith and credit to the payment of the Bonds. The issuance of the Bonds does not directly or indirectly or contingently obligate the State or any political subdivision thereof to apply money from, or levy or pledge, any form of taxation whatever to the payment of the Bonds.”



AIAS AOA and Bond Resolution

Bond Resolution

➤ Flow of Funds





AIAS AOA and Bond Resolution

➤ **Relationship of AOA to State Bond Resolution:**

- The AOA states explicitly that it is subordinate in all respects to the State's Bond Resolution, and that all AIAS Revenues collected by DOT&PF shall be applied as set forth in the Bond Resolution.
- The Bond Resolution states that all AIAS Revenues are pledged to payment of the AIAS Revenue Bonds.
- These two provisions protect both the State and investors, and are standard industry language for airport owners that issue airport revenue bonds.



AIAS Plan of Finance

Sources of Funds

➤ International Airport Revenue Fund (IARF)

- Includes AIAS Development Fund established in AOA (\$6.0 million annually)

➤ AIAS Revenue Bonds:

Outstanding Bonds	Issue Date	Original Principal Amount	Annual Debt Service Payment	Moody's Credit Rating
Series 1993 I	08/01/93	\$34.8 million	\$2.3 million	Aaa
Series 1999 A	01/15/99	\$162.5 million	\$11.8 million	Aaa
Series 1999 B	01/15/99	\$16.7 million	\$1.2 million	Aaa
Series 1999 C	10/01/99	\$25.0 million	\$2.0 million	Aaa
Series 2002 A	04/01/02	\$13.1 million	\$3.6 million (1)	Aaa
Series 2002 B	04/01/02	\$127.7 million	\$10.4 million (1)	Aaa
Total		\$379.8 million (2)	\$31.6 million	

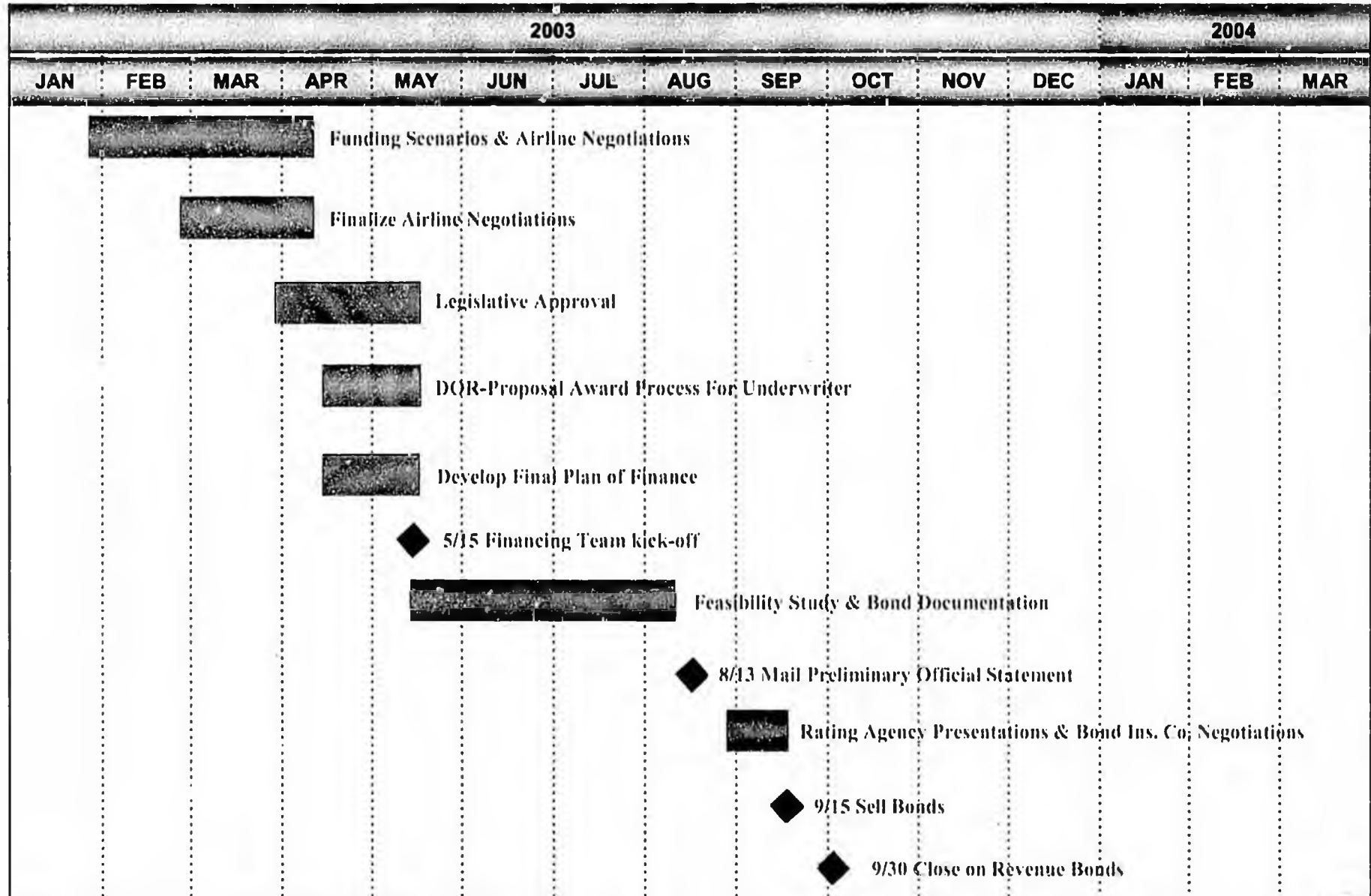
(1) Maximum Annual Debt Service Payment.

(2) Outstanding Principal Amount \$368.2 million as of 6/30/02



AIAS Plan of Finance

Series 2004 AIAS Revenue Bonds





AIAS Plan of Finance

Series 2004 AIAS Revenue Bonds

(in millions)

TRP Project Funding Requirement - FY04	\$50.0
Less:	
Contribution From IARF	(2.0)
Contribution FY02-FY03 CIP	0.0
TRP Net Project Funding Requirement - FY04	<u>\$48.0</u>
CIP Project Funding Requirement - ANC FY04	\$18.4
Less:	
Contribution FY02-FY03 CIP	(1.0)
PFC Funded Portion of FY04-FY06 CIP	(7.4)
CIP Net Project Funding Requirement - ANC FY04	<u>\$10.0</u>
CIP Project Funding Requirement - FAI FY04	\$3.5
Total Project Funding Requirement - FY04	<u>\$61.5</u>
Other Financing Costs	<u>15.1</u>
Total TRP and CIP Bond Funding Requirement - FY04	<u><u>\$76.6</u></u>



AIAS Plan of Finance

Future Series AIAS Revenue Bonds

(in millions)

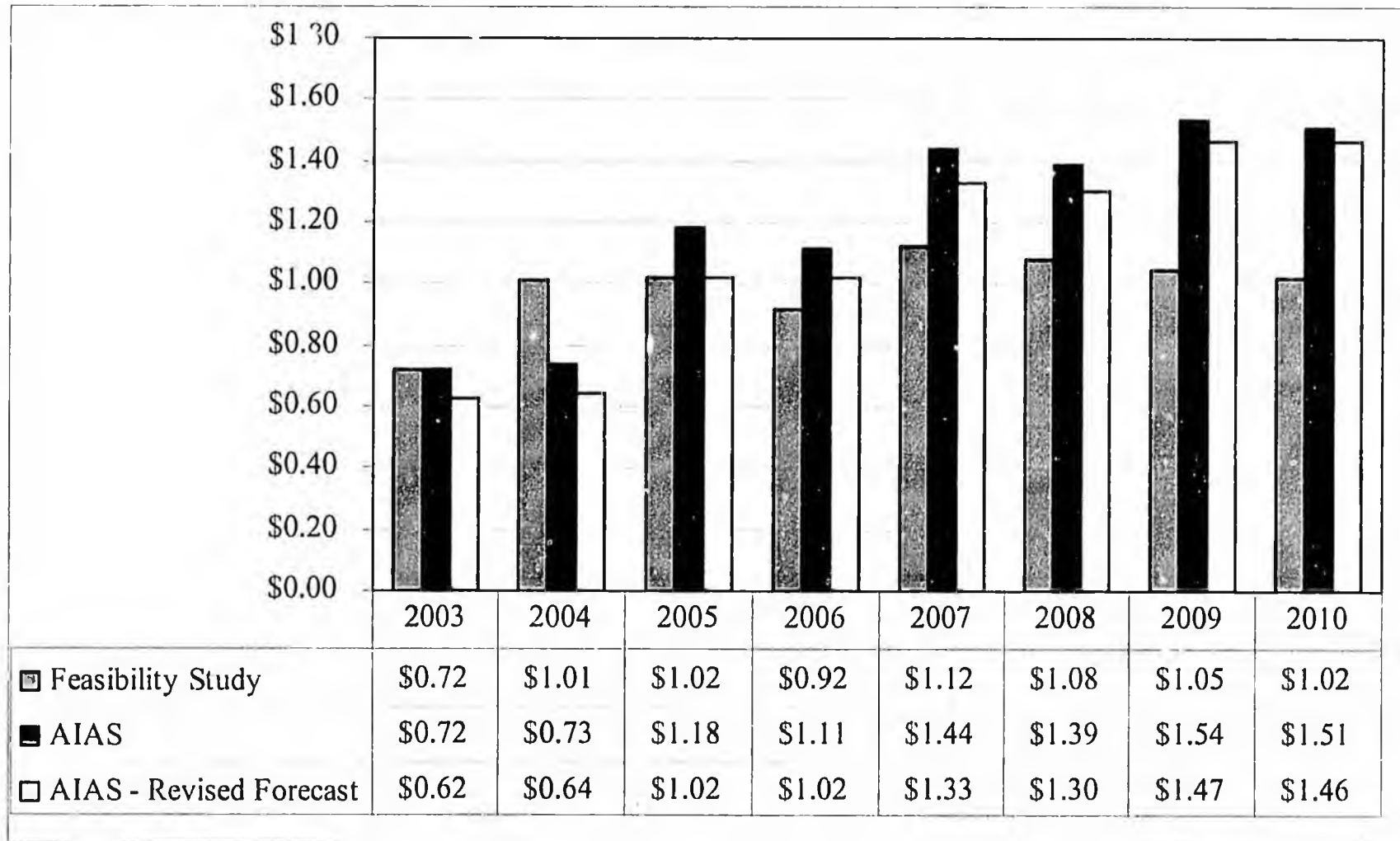
TRP Project Funding Requirement - FY05	\$108.0
Other Financing Costs	30.9
Total TRP Bond Funding Requirement - FY05	<u>\$138.9</u>
CIP Project Funding Requirement - ANC FY07	\$58.2
Defer FY02-FY03 Project until FY07	1.0
CIP PFC Funded Portion of FY04-FY06	2.2
CIP Net Project Funding Requirement - ANC FY07	<u>\$61.4</u>
Other Financing Costs	18.4
Total CIP Bond Funding Requirement - FY07	<u>\$79.8</u>
Total TRP and CIP Bond Funding Requirements - FY04-FY07	<u><u>\$295.3</u></u>



AIAS Plan of Finance

Landing Fees

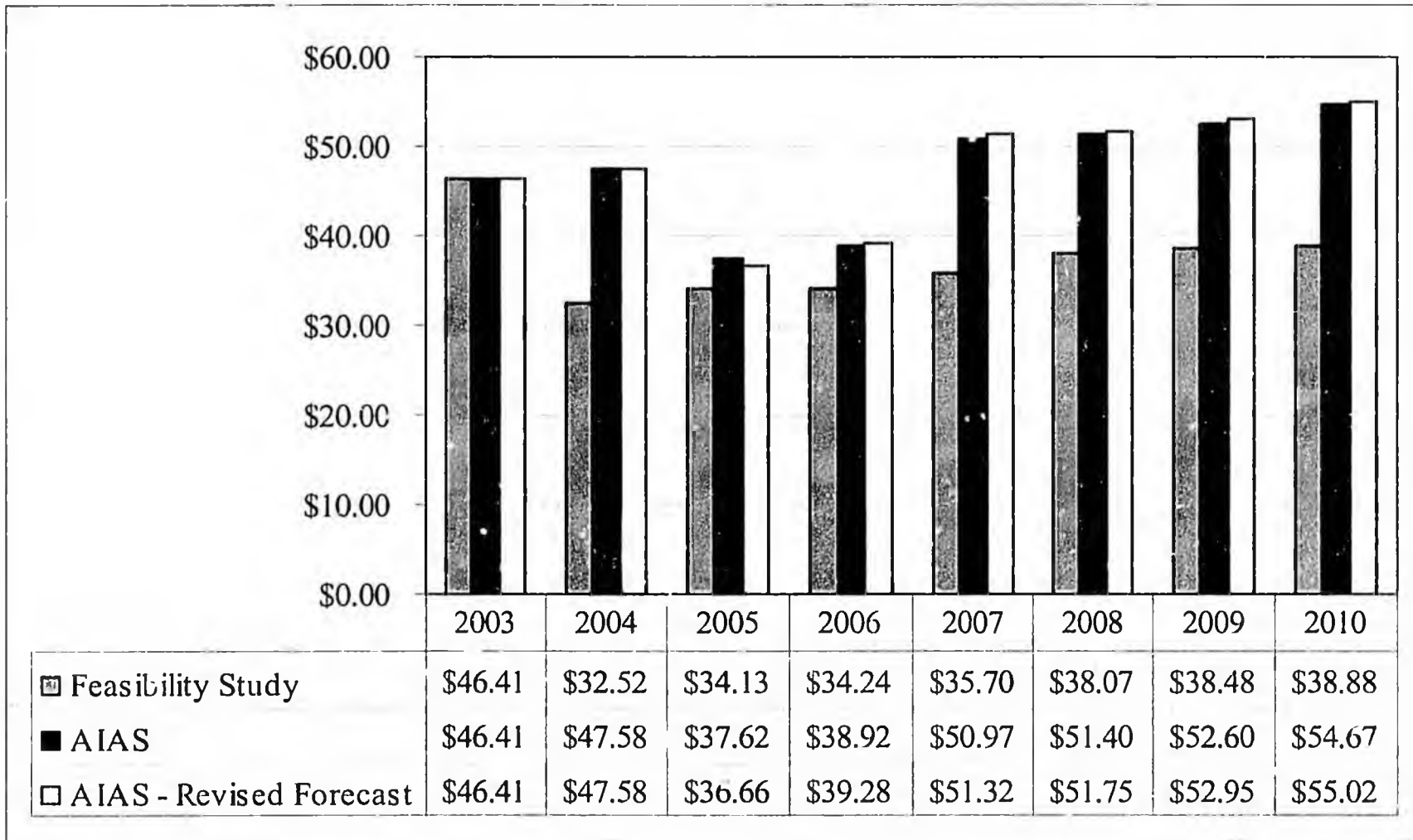
(per 1,000 lbs)





AIAS Plan of Finance

Terminal Rental Rate





Comparative Airport Data

Comparable airports are proceeding with development plans...

Airport	Recent Financings (CY2002 - Present)			Development Program
	Sale Date	Rating	Amount	
AIAS	03/28/02	Aaa	\$140.8	Terminal Redevelopment Program
Louisville	09/23/02	Aaa	\$84.3	Terminal Expansion
Memphis	01/08/03	A2	\$22.1 ⁽¹⁾	Airfield/Taxiway/New Parking Facility
	11/20/02	Aaa	\$23.2 ⁽¹⁾	
Oakland	09/24/02	Aaa	\$121.5 ⁽¹⁾	Concourse Renovation
	07/24/02	Aaa	\$620.0	
Portland	no recent bond issues			Terminal Expansion, Airfield renovations
Sacramento	07/25/02	Aaa	\$91.8	Terminal Expansion
San Francisco	12/18/02	Aaa	\$157.0 ⁽¹⁾	Ground Transportation Improvements
	02/28/02	Aaa	\$365.0 ⁽¹⁾	
San Jose	12/04/02	Aaa	\$91.6	New Terminal
Seattle	11/14/02	Aaa	\$230.6 ⁽²⁾	Third runway, Terminal Expansion

(1) Refunding Bonds

(2) Series 1999, remarked

“Over 2002-2010, at least \$30 billion in major infrastructure improvements are planned in the major airlines’ hub airports....” -- Salomon Smith Barney “2002 Hub Factbook”



Comparative Airport Data

Debt Comparison

The debt load of any individual airport depends on where it is in its development cycle...

Airport	Estimated Annual Debt Service FY2003 (in millions)	Estimated Debt Service per Enplanement FY2003
AIAS	\$19.5	\$7.40
Louisville	\$42.1	\$24.76
Memphis	\$87.2	\$17.48
Oakland	\$207.9	\$37.69
Portland	\$43.0	\$7.41
Sacramento	\$25.2	\$6.24
San Francisco	\$432.3	\$30.88
San Jose	\$27.8	\$5.13
Seattle (1)	\$69.2	\$5.45

(1) Seattle cost per enplanement in FY03 is \$9.31 and is forecast to increase to \$20.75 in FY07

As of fiscal year ending June 2002, except Seattle, FY ending 12/31/02

Source: Financial data from DOT Form 127. Enplanement data from U.S. DOT as compiled by Data Base Products, Inc.



Comparative Airport Data

Top 10 New Money Bond Issues at Other Airports Since Sept. 11th

		(in millions)
07/24/02	Port of Oakland - California	\$620.0
07/25/02	NYC Industrial Dev Agency; American Airlines	\$500.0
07/24/02	Houston Intercontinental Airport	\$474.5
10/05/01	Port of Seattle - Washington	\$427.5
04/24/02	Los Angeles Department of Airports	\$300.0
06/26/02	Port of NY & NJ	\$300.0
10/21/02	Atlanta Hartsfield Airport	\$300.0
05/17/02	Miami International Airport	\$299.0
03/15/02	Regional Airports Imp Corp: American Airlines	\$268.0
02/12/02	Maryland Transportation Authority	\$264.0
	New Money Bonds	\$7,398.7
	Refunding Bonds	\$6,961.4
	Total Bond Issues	<u>\$14,360.1</u>