

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

2454 SCOMM 103: HOUSE SPEC. COMM. INTL. TRADE & TOURISM, 1997-98

DEVELOPMENT IS COMMERCIALY JUSTIFIED, WE BELIEVE THAT FIRST OIL PRODUCTION COULD BE REALIZED SHORTLY AFTER THE TURN OF THE CENTURY.

DEVELOPMENT OF THE NEIGHBORING CHAYVO FIELD COULD FOLLOW CLOSELY BEHIND. WE PLAN TO RUN A 3-D SEISMIC SURVEY OVER THE FIELD IN THE SUMMER OF 1997 TO HELP CONFIRM THE RECOVERABLE VOLUME OF GAS. HOWEVER, COMMERCIALITY WILL BE LARGELY DEPENDENT ON THE ABILITY OF THE CONSORTIUM TO SECURE CONTRACTS FOR GAS MARKETS.

GIVEN THE EARLY STAGES, IT IS LIKELY THAT BOTH THE SAKHALIN I AND SAKHALIN II PLANS WILL CHANGE AS WE LEARN MORE. HOWEVER, ON THE NEXT SLIDE I'D LIKE TO SUMMARIZE THE KEY ELEMENTS COMMON TO MAJOR DEVELOPMENTS IN THIS REGION WHICH WILL REQUIRE SUPPORT ACTIVITY FROM COMPANIES SUCH AS YOURS.

MAJOR DEVELOPMENT ACTIVITIES

APPRAISAL DRILLING AND SEISMIC EFFORTS WILL BE EXTENSIVE TO ENSURE DEVELOPMENT OPTIMIZATION. BOTH JACK-UP RIGS, SUCH AS "OKHA" RIG SHOWN HERE ON OUR WELL LAST SUMMER, AND SEMI-SUBMERSIBLES ARE EXPECTED TO BE USED. THE ACTIVE PROJECTS ARE EXPECTED TO SPEND OVER \$300M ON APPRAISAL WHILE THE THREE SAK 3 BLOCKS COULD TOTAL \$450M IN EXPLORATION EXPENDITURES IN THE NEXT FEW YEARS.

CONSORTIUM ENGINEERING AND DESIGN EFFORTS WILL ALSO BE EXTENSIVE AND INVOLVE CONTRACTORS TO ASSIST WITH CONCEPTUAL, PRELIMINARY, AND DETAILED DESIGNS FOR THE VARIOUS COMPONENTS OF THE DEVELOPMENTS. IN ADDITION, THE DIFFICULTIES OF OPERATING PLATFORMS AND FACILITIES IN THIS ENVIRONMENT WILL REQUIRE THAT THE FULL RANGE OF OFFSHORE SUPPORT SERVICES BE ESTABLISHED FOR THE AREA.

THE PROJECTS WILL NOT ONLY HAVE COMMON CHALLENGES, BUT WILL LIKELY SHARE COMMON INFRASTRUCTURE, INCLUDING ONSHORE PIPELINES, LOADING TERMINALS, AND GAS PROCESSING PLANTS WHERE PRACTICAL. SUCH SYSTEMS WILL REQUIRE PLANNING FOR BOTH THE TECHNICAL REQUIREMENTS AS WELL AS ENVIRONMENTAL SENSITIVITIES. THE INCOMING VOLUME OF EQUIPMENT AND SUPPLIES WILL ALSO REQUIRE AN EXPANSION OF THE MATERIAL LOGISTICS AND HANDLING CAPABILITIES THAT ARE IN PLACE TODAY. FINALLY, WAREHOUSING, MAINTENANCE, AND TRANSPORTATION SERVICES WILL BE IN DEMAND.

OF COURSE, ALL OF THIS WILL BE DONE WITH CONSIDERABLE RUSSIAN PARTICIPATION. BOTH SAKHALIN I AND SAKHALIN II ARE BOUND BY THEIR PSA'S TO UTILIZE A HIGH DEGREE OF LOCAL CONTENT WHEN SUCH CAPABILITY EXISTS. THIS IS UNDERSTANDABLE SINCE THERE IS CONSIDERABLE OILFIELD EXPERIENCE IN THE AREA AND THEY WANT TO GENERATE AS MANY LOCAL JOBS AS THEY CAN. IN OUR CASE, WE INVOLVED MORE THAN 400 RUSSIAN NATIONALS IN

OUR 1996 APPRAISAL WORK ALONE, AND 2/3 OF OUR EXPENDITURES WERE WITH RUSSIAN ORGANIZATIONS.

THE POPULATION OF SAKHALIN, WHICH EXCEEDS 700,000, HAS BEEN LARGELY SUPPORTED BY FISHING AND TIMBER INDUSTRIES. HOWEVER, THEY DO HAVE AN INDUSTRIAL BASE WHICH NEEDS TO ATTRACT CAPITAL AND TECHNOLOGY TO EFFECTIVELY PARTICIPATE IN THE OFFSHORE DEVELOPMENTS. THEREFORE, THE IMPORTANCE OF RUSSIAN CONTENT CANNOT BE OVERSTATED.

THE ACTIVITIES SHOWN HERE CREATE SUPPORT OPPORTUNITIES DIRECTLY ASSOCIATED WITH THE MAJOR PROJECTS. IN ADDITION, THE GROWTH OF THE LOCAL ECONOMY WILL GENERATE A NUMBER OF RELATED NEEDS AS ADDRESSED ON THE FOLLOWING SLIDE.

RELATED SUPPORT OPPORTUNITIES

HERE I'VE LISTED A NUMBER OF AREAS WHERE THESE PROJECTS WILL CREATE BUSINESS OPPORTUNITIES WHICH ARE ONLY INDIRECTLY RELATED TO OIL DEVELOPMENT. AMONG THE MORE OBVIOUS IS THE NEED FOR UPGRADES TO THE MAJOR PORTS SUCH AS THE ONE SHOWN HERE AT THE SOUTHERN CITY OF KORSAKOV. SIMILARLY, MANY OF THE ISLAND'S ROADS AND BRIDGES WILL NEED IMPROVEMENTS TO HANDLE ADDITIONAL TRAFFIC AND CARGO.

EXPANSIONS OF LOCAL AIRPORTS AND ASSOCIATED SERVICES WILL ALSO BE NEEDED TO ACCOMMODATE THE HIGHER NUMBER OF PEOPLE COMING TO THE ISLAND. BETTER AIR CONNECTIONS TO THE U.S. WOULD FACILITATE THE EXPECTED BUSINESS GROWTH INCLUDING THE MOVEMENTS OF U.S. PERSONNEL. ONCE THERE, OF COURSE, THE INCREASED NUMBER OF VISITORS WILL NEED ADDITIONAL HOTEL, RESTAURANT, AND OTHER FACILITIES.

COMMUNITY SERVICES SUCH AS TRANSPORTATION, COMMUNICATIONS, RECREATION, AND THE LIKE WILL ALSO NEED IMPROVEMENTS AS THE ECONOMY GROWS. FINALLY, I LIST HOUSING WHICH WILL BE NEEDED NOT ONLY FOR PEOPLE SUPPORTING THE PROJECTS, BUT FOR ALL THE PEOPLE DRAWN TO THE ACTIVITY ON THE ISLAND.

SOME OF THESE NEEDS WILL BE MET THROUGH PRIVATE INVESTMENT WHILE OTHERS WILL BE FUNDED BY THE FEDERAL AND LOCAL GOVERNMENTS. TO THAT END, A SAKHALIN DEVELOPMENT FUND IS BEING ESTABLISHED IN CONJUNCTION WITH THESE PROJECTS TO HELP BUILD AND IMPROVE THE SOCIAL INFRASTRUCTURE ON SAKHALIN ISLAND, AND WILL BE ADMINISTERED BY THE SAKHALIN OBLAST ADMINISTRATION.

I'D LIKE TO CONCLUDE NOW BY SUMMARIZING SOME KEY POINTS REGARDING THE PURSUIT OF OPPORTUNITIES AT SAKHALIN.

PURSuing SAKHALIN

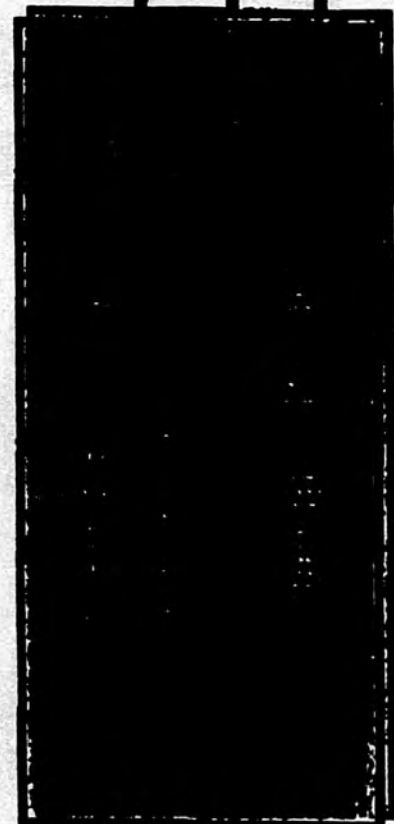
WITH THE SAKHALIN DEVELOPMENTS MOVING FORWARD, THERE IS LITTLE QUESTION THAT MANY COMMERCIAL BUSINESS OPPORTUNITIES WILL DEVELOP BOTH IN DIRECT SUPPORT FOR-- AND INDIRECTLY AS A RESULT OF-- THE UPCOMING PROJECTS.

THE MOST SUCCESSFUL COMPANIES, IN MY VIEW, WILL BE THOSE WHICH DEMONSTRATE THE BEST COOPERATIVE SKILLS AND EFFORTS. THE POPULATION OF SAKHALIN RIGHTFULLY EXPECTS THAT THEY WILL SHARE IN THE BENEFITS THAT ACCRUE FROM THESE ACTIVITIES. ALTHOUGH MANY LOCAL INDIVIDUALS HAVE VALUABLE EXPERIENCE, THE REGION CLEARLY NEEDS FINANCIAL ASSISTANCE AND TECHNICAL INPUT IN MANY AREAS SUCH AS OFFSHORE SERVICES. TO PROVIDE THIS INPUT, WESTERN COMPANIES VYING FOR BUSINESS WOULD BE WELL ADVISED TO SEEK OUT RUSSIAN PARTNERS EARLY AND ESTABLISH JOINT VENTURES TO IMPROVE THEIR CHANCES OF BEING INCLUDED.

FINALLY, COMPANIES NEW TO RUSSIA AND SAKHALIN SHOULD BE PREPARED TO MAKE A LONG TERM COMMITMENT. WE'RE SPEAKING HERE ABOUT A VERY CHALLENGING ENVIRONMENT-- PHYSICALLY, CULTURALLY, AND ECONOMICALLY. THE DEVELOPMENT OF SAKHALIN ISLAND AND ITS RESOURCES WILL BE A LONG TERM ENDEAVOR AND IS NOT FOR THE FAINT-HEARTED .

HOWEVER, WITH CAREFUL PLANNING, CONTINUED COOPERATION WITH LOCAL COMPANIES, AND APPLICATION OF OUR COLLECTIVE EXPERIENCE, WE SHOULD BE ABLE TO FORGE A FUTURE IN WHICH WE CAN ALL BENEFIT.

THANK YOU.



INDUSTRY OVERVIEW

Commonwealth of Independent States (CIS)



REMAINING RESOURCES

- > 200 GB C&C
- > 3000 TCF Gas

CURRENT TRENDS

- Production Declining
- Investments Decreasing

BUSINESS ENVIRONMENT

- Industry Restructuring
- Foreign Capital Required
- Win-Win Solution Exists

Non-Opec Remaining Resources

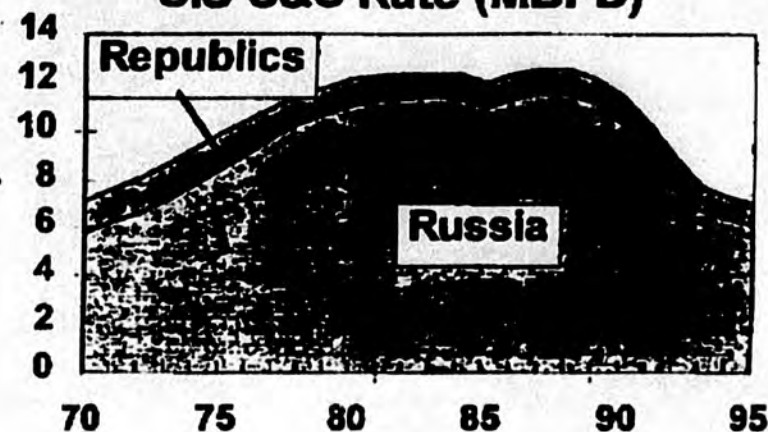
C&C



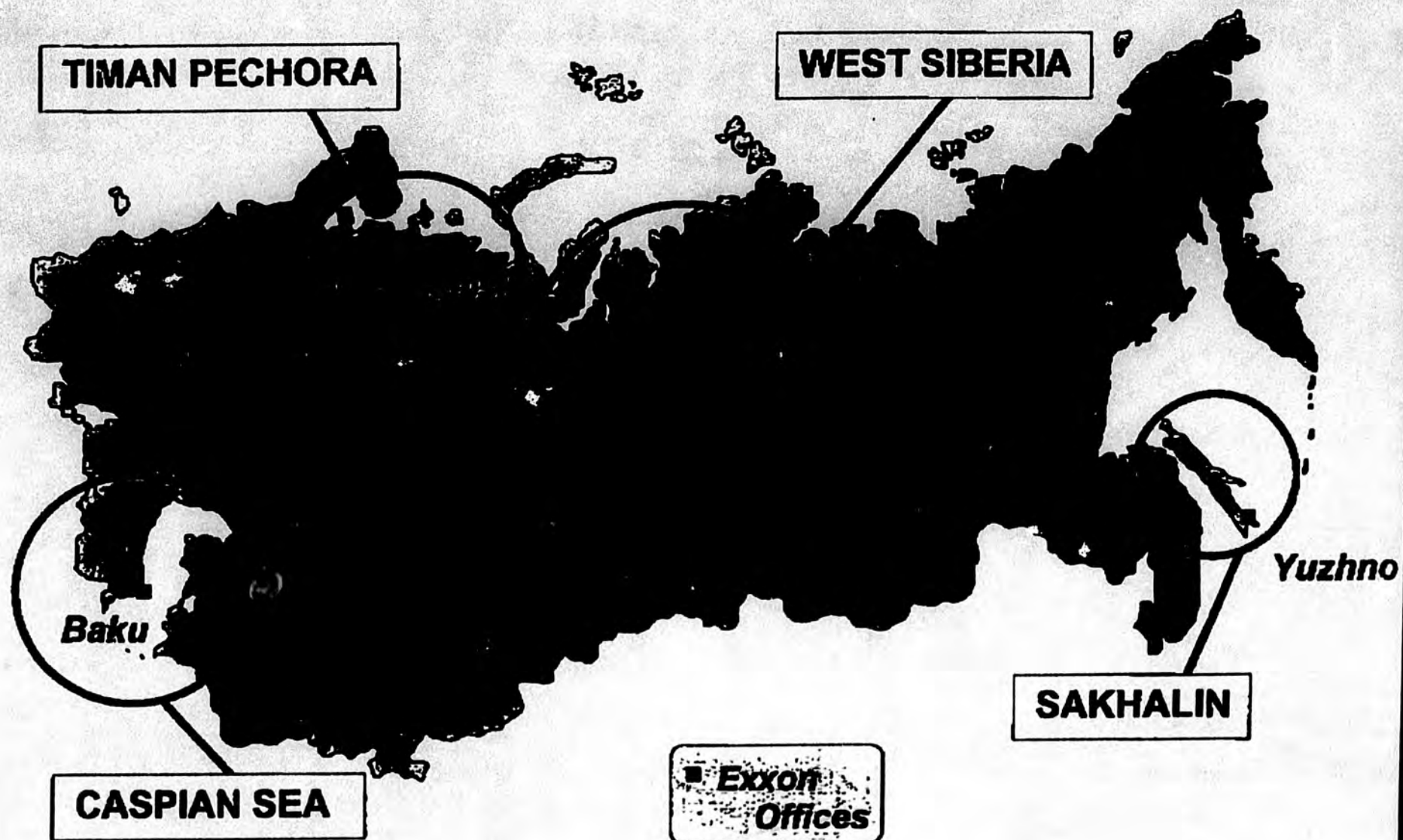
Gas



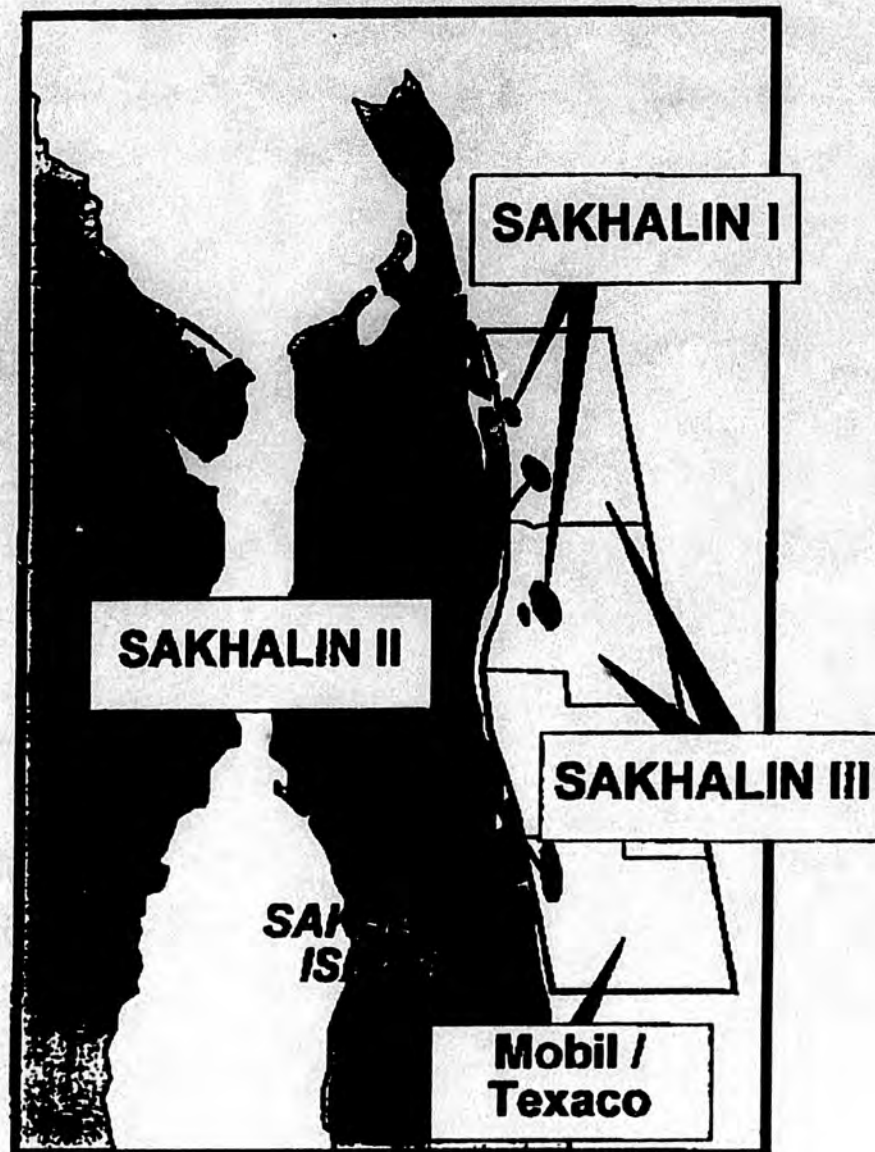
CIS C&C Rate (MBPD)



KEY AREAS OF CIS ACTIVITIES



SAKHALIN AREA



MOST ACTIVE RUSSIAN DEVELOPMENT REGION

- ▶ *Mature onshore production*
- ▶ *Offshore exploration since 1970's*

SAK I

- First Well/ 3-D Seismic 1996

SAK II

- 1999 Early Production Start-Up
- Russian Fabrication of Base

SAK III

- Exxon & Mobil/Texaco Blocks
- PSA's Negotiated - 1996
 - ▶ Gov't Approvals Pending

SAKHALIN I



INTEGRATED DEVELOPMENT

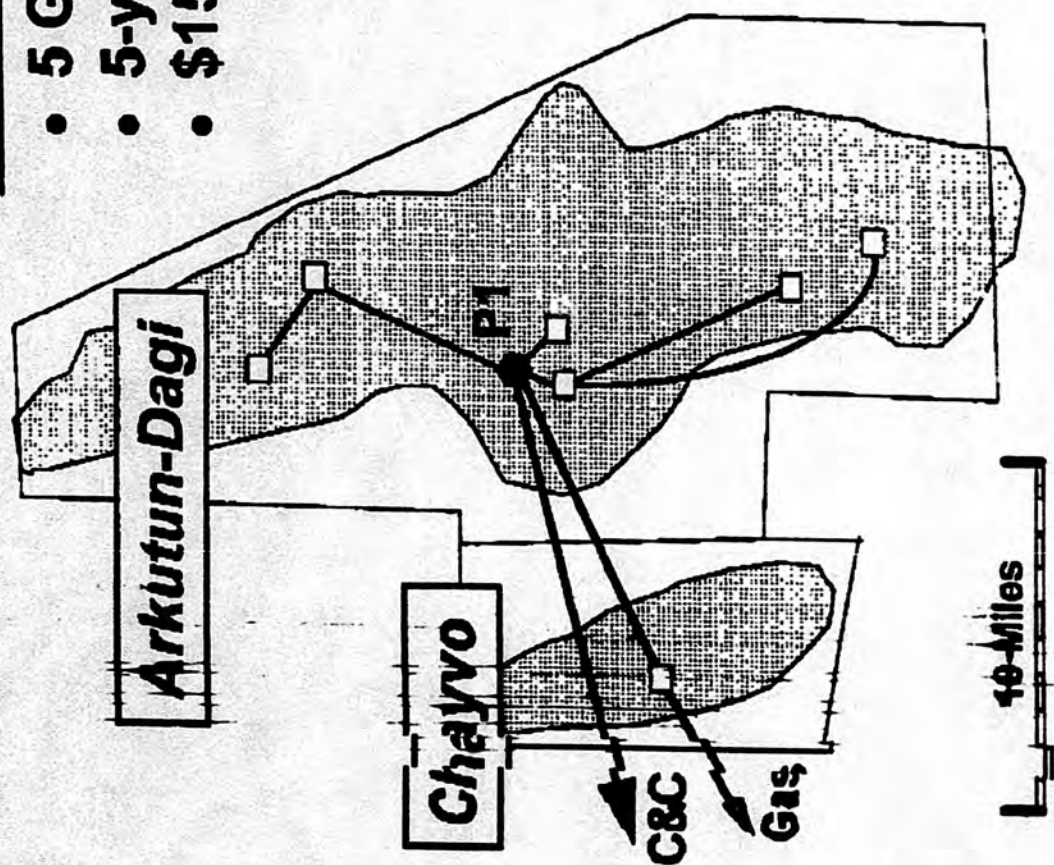
- 5 GOEB Resource Estimate
- 5-year Appraisal Program
- \$15 G Development

PHASE ONE -- A/D OIL

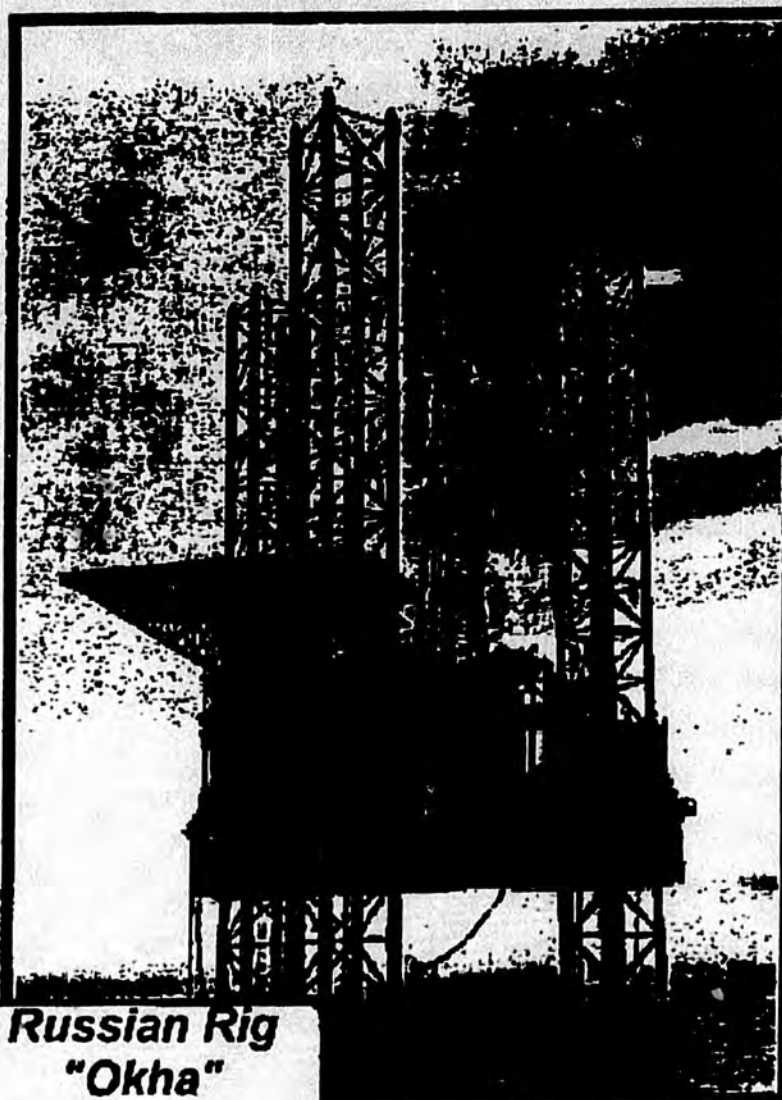
- Ice-resistant Platform
- ~115 kBD Capacity
- Domestic & Export Oil Sales

CHAYVO DELINEATION

- 3-D Seismic Survey in '97
- Assess Gas Markets



MAJOR DEVELOPMENT ACTIVITIES



**Russian Rig
"Okha"**

PROJECTS

- Appraisal/ Drilling
- Engineering & Design
- Offshore Platforms/ Facilities

INFRASTRUCTURE

- Onshore Pipelines/ Terminals
- Supply Logistics

RUSSIAN CONTENT

- PSA Requirements
- Experienced Workforce
- Need For Capital/ Technology

RELATED SUPPORT NEEDS



- **PORT FACILITIES**
- **ROADS & BRIDGES**
- **AIRPORTS & SERVICES**
- **HOTELS & RESTAURANTS**



Korsakov

PURSuing SAKHALIN



COMMERCIAL OPPORTUNITIES EXIST

- Direct & Related Project Support

COOPERATIVE EFFORTS

- Local Benefits Expected
- Financial/ Technical Needs
- Joint Ventures Encouraged

COMMITMENT REQUIRED

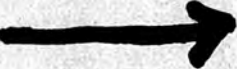
- Challenging Environment
- Long Term Projects

SCOMM

103:4

I. Bill / Sponosr / Fiscal / Statutes

VOLUME I

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

II. DOT/PF Anchorage International Airport Submittals

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

VOLUME II

III. Supporting Testimony

VOLUME III

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

IV. Non Supporting Testimony

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

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

- A. Special Review HB 432 *

VI. Public Hearing Transcripts

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

VII. Collateral Material & Research

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

* Included in all ITT committee member packets

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

A

B

SPONSOR STATEMENT

HB 432

"An Act relating to International Airport Revenue Bonds"

Representative John J. Cowdery

This bill amends the statutory bonding limit for the State of Alaska to sell International Airport revenue bonds. The current limit is \$100,825,000. This bill changes the limit to \$280,000,000. The difference between the old amount and the new amount is \$179,175,000, which is the amount of new debt proposed to finance passenger terminal improvements at Anchorage International Airport.

This increased bonding authority is only one component of the financing for proposed airport improvements. Another component includes federal highway funds for curbside improvements and a surface transportation access corridor. A third component is federal airport funding for ramp and airside improvements.

The bonding cap contained in this bill is \$25 million less than a similar bill introduced by the governor. This bill contemplates an additional \$25 million in federal funding. Consequently, we can reduce the amount the state needs to borrow. By taking the \$25 million off the table, it will not be available to expand the project.

	COWDERY PLAN	GOVERNOR'S PLAN
BONDED DEBT	179,000,000	204,000,000
FEDERAL AIRPORT \$	25,000,000	?
FEDERAL HWY. \$	26,000,000	26,000,000

The \$179 + million in proposed terminal improvements represent the single largest public works project the state has ever undertaken. The wisdom of taking on such a high amount of debt, and whether the International Airport Revenue Fund (IARF) can afford the debt, remains to be proven in the committee hearing process.

Several of the small air carriers have expressed concern that the proposed project is too big. They voted against it but they lost. Still, their concerns may be valid and we owe it to them to make the project no more expensive than is necessary.

This bill is also notable for what it does not contain. It differs from the governor's bill in that it does not change the statutes to allow for undefined brokerage fees and unspecified "obligations" to be charged against the IARF.

C

March, 19, 1998

IT&T Meeting on HB 432

I. INTRODUCTORY REMARKS:

Today is the fourth meeting of this committee on HB 432. It will be the last meeting in which we will take public testimony. I expect to have one more meeting to consider amendments, next Tuesday, March 24, 1998, after which we will move the bill.

A substantial effort has been made by many parties to analyze and digest a lot of information about his project. I have witnessed cooperation among the airport staff, their consultants, my office and this committee's consultants. I want to acknowledge Commissioner Perkins for setting the tone very early on in his department for complete disclosure and cooperation.

Nevertheless, it was reported to me that certain people may be afraid of retribution for the nature of their testimony for and against certain aspects relating to this project and to this legislation. I want the record to be loud and clear. I have checked with Speaker Phillips and Commissioner Perkins. They, nor I, will tolerate any hint of retributive behavior toward anyone who testified before this committee or participated in any way in this public process.

I urge any one who feels threatened to come to my office and meet with me or my staff about any complaint of this nature. You will find us to be very willing champions to protect you from the slightest hint of unprofessional conduct. I believe such fears to be unwarranted. However, I want to provide assurance on the record of the legislature's willingness to protect the democratic process.

HOUSE SPECIAL COMMITTEE ON
INTERNATIONAL TRADE AND TOURISM

We'll now convene the House Special Committee on International Trade and Tourism on February 24, the time is 5:00 PM.

Present are members: ✓ COWDERY, Chairman ✓
✓ PHILLIPS ✓
MULDER ✓
KOTT
✓ RYAN
JOULE and ✓
✓ ELTON ✓

It is my intention today to take testimony on HOUSE BILL 432. This bill would provide authorization for the state to issue up to \$280 million in revenue bond funds to pay for improvements to the Anchorage International Airport.

The amount of the bonding authorization may change depending on what we learn during the legislative process. I sponsored this bill because I support development and improvements at Anchorage International Airport. However, as the committee of first referral, it is our job to develop as complete a record as possible on the issues involved with this project.

We will try to surface as many questions about the underlying assumptions made to justify this project. We may not have time to get answers to all questions. But, we will set the stage for completion of the process by the time this bill gets to Finance Committee.

I plan to make the Department of Transportation officials, and the International Airport officials, and the Department of Revenue officials, work harder than they planned on working, to justify this project. I don't believe we should be penurious about Anchorage International Airport. But, I do believe we should incur the least amount of debt consistent with developing an excellent airport.

I plan to go until ~~about~~ 7 p.m. tonight. We will resume tomorrow at 5 pm for ~~another~~ ^{IN ABOUT} a shorter hearing. ~~Within~~ ^{DISCUSS ANY NEW QUESTIONS ABOUT} a week, after we receive a consultant report, we will meet again and ~~pass the bill out of committee, barring an unforeseen~~ ^{report.}

For starters, I would like to have my staff, MARCO PIGNALBERI, give us some background on this bill. Then we will hear from:

- Anchorage International Airport
- The Airline Airport Affairs Committee Chairman, Mr. Cliff Argue
- The Department of Revenue
- The Federal Aviation Administration
- The AFL-CIO
- Other public members who are on our teleconference sites

Marco, please proceed.

D

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

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
DEBT SERVICE			6,183.2	15,689.4	15,687.5	15,689.7
TOTAL OPERATING	0.0	0.0	6,183.2	15,689.4	15,687.5	15,689.7

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						
1001 CBRF						
International Airports Revenue Fund			6,183.2	15,689.4	15,687.5	15,689.7
Other						
TOTAL	0.0	0.0	6,183.2	15,689.4	15,687.5	15,689.7

Estimate of any current year cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The bill authorizes the State Bond Committee to issue an additional \$179.0 million of revenue bonds to expand the Anchorage International Airport. The debt service on these bonds will be funded from the International Airport Revenue Fund. Assuming an interest rate of 7% when the bonds are sold and a 25 year term, estimated debt service is approximately \$15.7 million.

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

Prepared by: Ross A. Kinney
Division: Treasury
Approved by Commissioner: Wilson L. Condon
Agency: Revenue

Phone: 465-4880
Date: February 20, 1998
Date: February 20, 1998

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Prepared by Hudson AIPF, LLC

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BOND DEBT SERVICE

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

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/01/1998					
04/01/1999			4,353,876.50	4,353,876.50	
06/30/1999					4,353,876.50
10/01/1999			4,353,876.50	4,353,876.50	
04/01/2000			4,353,876.50	4,353,876.50	
06/30/2000					8,707,753.00
10/01/2000			4,353,876.50	4,353,876.50	
04/01/2001			4,353,876.50	4,353,876.50	
06/30/2001					8,707,753.00
10/01/2001	4,490,000	3.950%	4,353,876.50	8,843,876.50	
04/01/2002			4,265,199.00	4,265,199.00	
06/30/2002					13,109,075.50
10/01/2002	4,670,000	4.040%	4,265,199.00	8,935,199.00	
04/01/2003			4,170,865.00	4,170,865.00	
06/30/2003					13,106,064.00
10/01/2003	4,865,000	4.100%	4,170,865.00	9,035,865.00	
04/01/2004			4,071,132.50	4,071,132.50	
06/30/2004					13,106,997.50
10/01/2004	5,070,000	4.150%	4,071,132.50	9,141,132.50	
04/01/2005			3,965,930.00	3,965,930.00	
06/30/2005					13,107,062.50
10/01/2005	5,285,000	4.200%	3,965,930.00	9,250,930.00	
04/01/2006			3,854,945.00	3,854,945.00	
06/30/2006					13,105,875.00
10/01/2006	5,515,000	4.250%	3,854,945.00	9,369,945.00	
04/01/2007			3,737,751.25	3,737,751.25	
06/30/2007					13,107,696.25
10/01/2007	5,755,000	4.300%	3,737,751.25	9,492,751.25	
04/01/2008			3,614,018.75	3,614,018.75	
06/30/2008					13,106,770.00
10/01/2008	6,010,000	4.400%	3,614,018.75	9,624,018.75	
04/01/2009			3,481,798.75	3,481,798.75	
06/30/2009					13,105,817.00
10/01/2009	6,300,000	4.900%	3,481,798.75	9,781,798.75	
04/01/2010			3,327,448.75	3,327,448.75	
06/30/2010					13,109,247.50
10/01/2010	6,615,000	4.900%	3,327,448.75	9,942,448.75	
04/01/2011			3,165,381.25	3,165,381.25	
06/30/2011					13,107,830.00
10/01/2011	6,945,000	4.900%	3,165,381.25	10,110,381.25	
04/01/2012			2,995,228.75	2,995,228.75	
06/30/2012					13,105,610.00
10/01/2012	7,295,000	4.900%	2,995,228.75	10,290,228.75	
04/01/2013			2,816,501.25	2,816,501.25	
06/30/2013					13,106,730.00
10/01/2013	7,665,000	4.900%	2,816,501.25	10,481,501.25	
04/01/2014			2,628,708.75	2,628,708.75	
06/30/2014					13,110,210.00
10/01/2014	8,055,000	5.100%	2,628,708.75	10,683,708.75	
04/01/2015			2,423,306.25	2,423,306.25	

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BOND DEBT SERVICE

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

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/30/2015					13,107,015.00
10/01/2015	8,480,000	5.100%	2,423,306.25	10,903,306.25	
04/01/2016			2,207,066.25	2,207,066.25	
06/30/2016					13,110,372.50
10/01/2016	8,920,000	5.100%	2,207,066.25	11,127,066.25	
04/01/2017			1,979,606.25	1,979,606.25	
06/30/2017					13,106,672.50
10/01/2017	9,390,000	5.100%	1,979,606.25	11,369,606.25	
04/01/2018			1,740,161.25	1,740,161.25	
06/30/2018					13,109,767.50
10/01/2018	9,880,000	5.100%	1,740,161.25	11,620,161.25	
04/01/2019			1,488,221.25	1,488,221.25	
06/30/2019					13,108,382.50
10/01/2019	10,400,000	5.150%	1,488,221.25	11,888,221.25	
04/01/2020			1,220,421.25	1,220,421.25	
06/30/2020					13,108,642.50
10/01/2020	10,950,000	5.150%	1,220,421.25	12,170,421.25	
04/01/2021			938,458.75	938,458.75	
06/30/2021					13,108,880.00
10/01/2021	11,530,000	5.150%	938,458.75	12,468,458.75	
04/01/2022			641,561.25	641,561.25	
06/30/2022					13,110,020.00
10/01/2022	12,135,000	5.150%	641,561.25	12,776,561.25	
04/01/2023			329,085.00	329,085.00	
06/30/2023					13,105,646.25
10/01/2023	12,780,000	5.150%	329,085.00	13,109,085.00	
06/30/2024					13,109,085.00
	179,000,000		144,248,852.00	323,248,852.00	323,248,852.00

NET DEBT SERVICE

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

Period Ending	Total Debt Service	Capitalized Interest Fund	Net Debt Service
06/30/1999	4,353,876.50	4,353,876.50	
06/30/2000	8,707,753.00	8,707,753.00	
06/30/2001	8,707,753.00	4,353,876.50	4,353,876.50
06/30/2002	13,109,075.50		13,109,075.50
06/30/2003	13,106,064.00		13,106,064.00
06/30/2004	13,106,997.50		13,106,997.50
06/30/2005	13,107,062.50		13,107,062.50
06/30/2006	13,105,875.00		13,105,875.00
06/30/2007	13,107,696.25		13,107,696.25
06/30/2008	13,106,770.00		13,106,770.00
06/30/2009	13,105,817.50		13,105,817.50
06/30/2010	13,109,247.50		13,109,247.50
06/30/2011	13,107,830.00		13,107,830.00
06/30/2012	13,105,610.00		13,105,610.00
06/30/2013	13,106,730.00		13,106,730.00
06/30/2014	13,110,210.00		13,110,210.00
06/30/2015	13,107,015.00		13,107,015.00
06/30/2016	13,110,372.50		13,110,372.50
06/30/2017	13,106,672.50		13,106,672.50
06/30/2018	13,109,767.50		13,109,767.50
06/30/2019	13,108,382.50		13,108,382.50
06/30/2020	13,108,642.50		13,108,642.50
06/30/2021	13,108,880.00		13,108,880.00
06/30/2022	13,110,020.00		13,110,020.00
06/30/2023	13,105,646.25		13,105,646.25
06/30/2024	13,109,085.00		13,109,085.00
	323,248,852.00	17,415,506.00	305,833,346.00

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BOND SUMMARY STATISTICS

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

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

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	41,650,000.00	100.000	4.232%	6.719
Term Bonds	34,820,000.00	100.000	4.900%	13.098
Term 2	44,725,000.00	100.000	5.100%	18.102
Term 3	57,795,000.00	100.000	5.150%	23.103
	179,000,000.00			16.094

BOND DEBT SERVICE

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

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/01/1998					
04/01/1999			5,269,088.75	5,269,088.75	
06/30/1999					5,269,088.75
10/01/1999			5,269,088.75	5,269,088.75	
04/01/2000			5,269,088.75	5,269,088.75	
06/30/2000					10,538,177.50
10/01/2000			5,269,088.75	5,269,088.75	
04/01/2001			5,269,088.75	5,269,088.75	
06/30/2001					10,538,177.50
10/01/2001	3,930,000	4.950%	5,269,088.75	9,199,088.75	
04/01/2002			5,171,821.25	5,171,821.25	
06/30/2002					14,370,910.00
10/01/2002	4,130,000	5.050%	5,171,821.25	9,301,821.25	
04/01/2003			5,067,538.75	5,067,538.75	
06/30/2003					14,369,360.00
10/01/2003	4,345,000	5.100%	5,067,538.75	9,412,538.75	
04/01/2004			4,956,741.25	4,956,741.25	
06/30/2004					14,369,280.00
10/01/2004	4,575,000	5.150%	4,956,741.25	9,531,741.25	
04/01/2005			4,838,935.00	4,838,935.00	
06/30/2005					14,370,676.25
10/01/2005	4,820,000	5.200%	4,838,935.00	9,658,935.00	
04/01/2006			4,713,615.00	4,713,615.00	
06/30/2006					14,372,550.00
10/01/2006	5,075,000	5.250%	4,713,615.00	9,788,615.00	
04/01/2007			4,580,396.25	4,580,396.25	
06/30/2007					14,369,011.25
10/01/2007	5,350,000	5.300%	4,580,396.25	9,930,396.25	
04/01/2008			4,438,621.25	4,438,621.25	
06/30/2008					14,369,017.50
10/01/2008	5,645,000	5.400%	4,438,621.25	10,083,621.25	
04/01/2009			4,286,206.25	4,286,206.25	
06/30/2009					14,369,827.50
10/01/2009	5,975,000	5.900%	4,286,206.25	10,261,206.25	
04/01/2010			4,109,943.75	4,109,943.75	
06/30/2010					14,371,150.00
10/01/2010	6,335,000	5.900%	4,109,943.75	10,444,943.75	
04/01/2011			3,923,061.25	3,923,061.25	
06/30/2011					14,368,005.00
10/01/2011	6,720,000	5.900%	3,923,061.25	10,643,061.25	
04/01/2012			3,724,821.25	3,724,821.25	
06/30/2012					14,367,882.50
10/01/2012	7,130,000	5.900%	3,724,821.25	10,854,821.25	
04/01/2013			3,514,486.25	3,514,486.25	
06/30/2013					14,369,307.50
10/01/2013	7,565,000	5.900%	3,514,486.25	11,079,486.25	
04/01/2014			3,291,318.75	3,291,318.75	
06/30/2014					14,370,805.00
10/01/2014	8,030,000	6.100%	3,291,318.75	11,321,318.75	
04/01/2015			3,046,403.75	3,046,403.75	

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BOND DEBT SERVICE

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

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/30/2015					14,367,722.50
10/01/2015	8,540,000	6.100%	3,046,403.75	11,586,403.75	
04/01/2016			2,785,933.75	2,785,933.75	
06/30/2016					14,372,337.50
10/01/2016	9,075,000	6.100%	2,785,933.75	11,860,933.75	
04/01/2017			2,509,146.25	2,509,146.25	
06/30/2017					14,370,080.00
10/01/2017	9,645,000	6.100%	2,509,146.25	12,154,146.25	
04/01/2018			2,214,973.75	2,214,973.75	
06/30/2018					14,369,120.00
10/01/2018	10,250,000	6.100%	2,214,973.75	12,464,973.75	
04/01/2019			1,902,348.75	1,902,348.75	
06/30/2019					14,367,322.50
10/01/2019	10,900,000	6.150%	1,902,348.75	12,802,348.75	
04/01/2020			1,567,173.75	1,567,173.75	
06/30/2020					14,369,522.50
10/01/2020	11,590,000	6.150%	1,567,173.75	13,157,173.75	
04/01/2021			1,210,781.25	1,210,781.25	
06/30/2021					14,367,955.00
10/01/2021	12,325,000	6.150%	1,210,781.25	13,535,781.25	
04/01/2022			831,787.50	831,787.50	
06/30/2022					14,367,568.75
10/01/2022	13,110,000	6.150%	831,787.50	13,941,787.50	
04/01/2023			428,655.00	428,655.00	
06/30/2023					14,370,442.50
10/01/2023	13,940,000	6.150%	428,655.00	14,368,655.00	
06/30/2024					14,368,655.00
	179,000,000		177,843,952.50	356,843,952.50	356,843,952.50

NET DEBT SERVICE

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

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

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BOND SUMMARY STATISTICS

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

Dated Date	10/01/1998
Delivery Date	10/01/1998
Last Maturity	10/01/2023
Arbitrage Yield	6.137115%
True Interest Cost (TIC)	6.137115%
Net Interest Cost (NIC)	6.019253%
All-In TIC	6.292908%
Average Coupon	6.019253%
Average Life (years)	16.506
Duration of Issue (years)	10.038
Par Amount	179,000,000.00
Bond Proceeds	179,000,000.00
Total Interest	177,843,952.50
Net Interest	177,843,952.50
Total Debt Service	356,843,952.50
Maximum Annual Debt Service	14,372,550.00
Average Annual Debt Service	14,273,758.10
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	37,870,000.00	100.000	5.236%	6.771
Term Bonds	33,725,000.00	100.000	5.900%	13.118
Term 2	41,540,000.00	100.000	6.100%	18.122
Term 3	61,865,000.00	100.000	6.150%	23.123
	179,000,000.00			16.506

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BOND DEBT SERVICE

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

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/01/1998					
04/01/1999			6,183,107.50	6,183,107.50	
06/30/1999					6,183,107.50
10/01/1999			6,183,107.50	6,183,107.50	
04/01/2000			6,183,107.50	6,183,107.50	
06/30/2000					12,366,215.00
10/01/2000			6,183,107.50	6,183,107.50	
04/01/2001			6,183,107.50	6,183,107.50	
06/30/2001					12,366,215.00
10/01/2001	3,425,000	5.950%	6,183,107.50	9,608,107.50	
04/01/2002			6,081,213.75	6,081,213.75	
06/30/2002					15,689,321.25
10/01/2002	3,635,000	6.050%	6,081,213.75	9,716,213.75	
04/01/2003			5,971,255.00	5,971,255.00	
06/30/2003					15,687,468.75
10/01/2003	3,865,000	6.100%	5,971,255.00	9,836,255.00	
04/01/2004			5,853,372.50	5,853,372.50	
06/30/2004					15,689,627.50
10/01/2004	4,110,000	6.150%	5,853,372.50	9,963,372.50	
04/01/2005			5,726,990.00	5,726,990.00	
06/30/2005					15,690,362.50
10/01/2005	4,370,000	6.200%	5,726,990.00	10,096,990.00	
04/01/2006			5,591,520.00	5,591,520.00	
06/30/2006					15,688,510.00
10/01/2006	4,650,000	6.250%	5,591,520.00	10,241,520.00	
04/01/2007			5,446,207.50	5,446,207.50	
06/30/2007					15,687,727.50
10/01/2007	4,955,000	6.300%	5,446,207.50	10,401,207.50	
04/01/2008			5,290,125.00	5,290,125.00	
06/30/2008					15,691,332.50
10/01/2008	5,280,000	6.400%	5,290,125.00	10,570,125.00	
04/01/2009			5,121,165.00	5,121,165.00	
06/30/2009					15,691,290.00
10/01/2009	5,640,000	6.900%	5,121,165.00	10,761,165.00	
04/01/2010			4,926,585.00	4,926,585.00	
06/30/2010					15,687,750.00
10/01/2010	6,045,000	6.900%	4,926,585.00	10,971,585.00	
04/01/2011			4,718,032.50	4,718,032.50	
06/30/2011					15,689,617.50
10/01/2011	6,475,000	6.900%	4,718,032.50	11,193,032.50	
04/01/2012			4,494,645.00	4,494,645.00	
06/30/2012					15,687,677.50
10/01/2012	6,940,000	6.900%	4,494,645.00	11,434,645.00	
04/01/2013			4,255,215.00	4,255,215.00	
06/30/2013					15,689,860.00
10/01/2013	7,435,000	6.900%	4,255,215.00	11,690,215.00	
04/01/2014			3,998,707.50	3,998,707.50	
06/30/2014					15,688,922.50
10/01/2014	7,975,000	7.100%	3,998,707.50	11,973,707.50	
04/01/2015			3,715,595.00	3,715,595.00	

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BOND DEBT SERVICE

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

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

NET DEBT SERVICE

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

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

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BOND SUMMARY STATISTICS

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

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

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	34,290,000.00	100.000	6.238%	6.824
Term Bonds	32,535,000.00	100.000	6.900%	13.138
Term 2	46,195,000.00	100.000	7.100%	18.142
Term 3	65,980,000.00	100.000	7.150%	23.143
	179,000,000.00			16.908

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 432

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

Expenditures/Revenues

(Thousands of Dollars)

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

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE

(Thousands of Dollars)

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

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared by Dennis Poshard, Special Assistant
 Division Commissioners Office
 Approved by *Joseph L. Poshard* Commissioner
 Agency Department of Transportation and Public Facilities

Phone 465-3900
 Date 2/20/98
 Date 2/20/98

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E

AMENDMENT

OFFERED IN THE _____

BY: _____

TO: HB 432

1 Page 1, line 1:

2 Delete "the bond authorization for"

3 Page 1, following line 3:

4 Insert a new bill section to read:

5 **"* Section 1.** AS 37.15.120 is amended to read:

6 **Sec. 37.15.120. Regulations.** The state bond committee may adopt regulations
7 for the performance of its duties and, except as otherwise provided in this chapter, may
8 designate by resolution one of its members to perform any act necessary to effectuate its
9 duties not required by statute to be performed by the state bond committee in meeting or
10 by resolution, or by another officer of the state."

11 Renumber the following bill section accordingly.

12 Page 1, following line 14:

13 Insert new bill sections to read:

14 **"* Sec. 3.** AS 37.15.420(a) is amended to read:

15 (a) There is established a capital project fund known as the "International Airports
16 Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except

1 any accrued interest paid on them or capitalized interest, which shall be paid into the
2 bond redemption fund) and grant or other money that is legally provided for the same
3 purposes for which the bonds are authorized. The money in the construction fund shall
4 be used to pay the costs of acquiring, equipping, constructing, and installing additions and
5 improvements to and extensions of and facilities for the airports and costs incidental
6 thereto, including costs of the authorization, issuance, and sale of the bonds, and the
7 costs of underwriting, credit enhancement, and payments required under federal tax
8 law. To the extent provided in the bond resolution, money in the construction fund may
9 also be used for the payment of interest on the bonds during the period of actual
10 construction, and for a further period, not exceeding one year after the period of
11 construction, that may be provided in the bond resolution. Money in the construction
12 fund may also be transferred to the bond redemption fund, to the extent provided in the
13 bond resolution, to establish a reserve for the payment of the principal of and interest on
14 the bonds.

15 * Sec. 4. AS 37.15.430(a) is amended to read:

16 (a) There is established an enterprise fund known as the "International Airports
17 Revenue Fund," into which shall be paid all revenue, fees, charges, and rentals derived
18 by the state from the ownership, lease, use, and operation of the airports and all of the
19 facilities and improvements of them and facilities and improvements used in connection
20 with them. The revenue, charges, fees, and rentals may not include the proceeds of any
21 state tax or license. The money in the revenue fund may only be used for the purpose of

22 (1) paying or securing the payment of the principal, redemption

1 ~~premiums, [OF AND] interest, and other payment obligations with respect to [ON]~~
2 the bonds and of and on any other revenue bonds issued by authorization of the legislature
3 to provide money to acquire, equip, construct, and install additions and improvements to,
4 and extensions of and facilities for, the airports, and to be payable out of the revenue fund;

5 (2) paying the normal and necessary costs of maintaining and operating
6 the airports and all of the improvements and facilities of them;

7 (3) paying the costs of renewals, replacements, and extraordinary repairs
8 to the airports and all of the improvements and facilities of them;

9 (4) redeeming before their fixed maturities any and all revenue bonds
10 issued for the purposes of the airports;

11 (5) providing money to acquire, construct, and install necessary additions
12 and improvements to and extensions of and facilities for the airports and all of their
13 facilities;

14 ~~(6) making payments required under federal tax law and bond~~
15 ~~administration expenses;~~ and

16 ~~(7) [(6)]~~ providing money to pay any and all other costs relating to the
17 ownership, use, and operation of the airports.

18 * Sec. 5. AS 37.15.450(a) is amended to read:

19 (a) The bonds may be sold at public or private sale in the manner, in the amounts
20 or series, and at the time or times that the committee determines. However, the bonds,
21 or each series of them, shall be sold at such a price so that the effective interest rate over
22 the life of the bonds does not exceed 11 percent per year or that rate of interest that is

1 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields
2 for the week previous to the date of sale of the bonds, whichever is higher. Interest shall
3 be payable for the period determined by the committee [ANNUALLY OR
4 SEMIANNUALLY].

5 * Sec. 6. AS 37.15.450(b) is amended to read:

6 (b) The bonds mature at the time or times fixed by the committee. The bonds
7 may be subject to redemption before their fixed maturities as determined by the
8 committee and with a premium or premiums fixed by the committee[, BUT A BOND IS
9 NOT SUBJECT TO REDEMPTION BEFORE ITS FIXED MATURITY DATE
10 UNLESS THE RIGHT SO TO REDEEM THAT BOND IS EXPRESSLY MENTIONED
11 ON THE FACE OF THE BOND]. The bonds may be in denominations determined by
12 the committee; may be issued in coupon form or in fully registered form, and may be
13 registrable as to principal or both principal and interest, all under regulations and
14 conditions that the committee shall provide; shall be payable as to principal and interest
15 at such place or places as may be determined by the committee; shall be signed on behalf
16 of the state by the governor and shall be attested by the lieutenant governor, both of which
17 signatures may be facsimile signatures; shall have the seal of the state impressed, printed,
18 or lithographed on them, and each of the interest coupons attached to them shall be signed
19 by the facsimile signatures of these officials; shall be issued under and subject to such
20 terms, conditions, and covenants providing for the payment of the principal of them and
21 interest on them and such other terms, conditions, covenants, and protective features
22 safeguarding this payment and relating to the maintenance, operation, and improvement

1 of the airports as found necessary by the committee, which covenants may include a
2 provision requiring the setting aside and maintenance of certain reserves to secure the
3 payment of this principal and interest. The committee may provide that any additional
4 bonds authorized after June 27, 1972 by the legislature to be payable out of the same
5 source or sources as the bonds authorized as of that date may later be issued on a parity
6 with the bonds authorized as of that date upon compliance with any conditions which the
7 committee may prescribe. The committee may provide for credit enhancement to
8 secure bonds issued under AS 37.15.410 - 37.15.550 and may enter into agreements
9 with the issuer of the credit enhancement under terms considered advisable by the
10 committee.

11 * Sec. 7. AS 37.15.460 is amended to read:

12 **Sec. 37.15.460. Bond resolution.** The committee shall adopt the bond resolution
13 and prepare all other documents and proceedings necessary for the issuance, sale, and
14 delivery of the bonds or any part or series of them. The bond resolution must fix the
15 maximum principal amount, denomination, [DATE,] maximum maturities, maximum
16 interest rates, place or places of payment, [RIGHTS OF REDEMPTION, IF ANY,
17 TERMS, FORM,] conditions, and covenants of the bonds or each series of them and may
18 authorize a designee to execute a trust agreement with respect to the bonds. The
19 committee shall also determine and provide for the [DATE AND] manner of sale of the
20 bonds, and shall provide whether the notice of sale is to be published elsewhere in
21 addition to [THE] publication as described in AS 37.15.040 [REQUIRED BY
22 AS 37.15.450].

1 * Sec. 8. AS 37.15.550(7) is amended to read:

2 (7) "committee" means the state bond committee created by
3 AS 37.15.110, staff of the committee acting under authority delegated by the
4 committee, or any other committee, body, department or officer of the state which or who
5 succeeds to the rights, powers, duties and obligations of the state bond committee by
6 lawful Act of the legislature."

7 Renumber the remaining bill section accordingly.

February 9, 1998

Section by Section Analysis**HB 382 - relating to international airports revenue bonds**

Section 1. This section amends existing law to conform with an amendment made in secs. 7 and 8 of the bill which permits the state bond committee to delegate certain responsibilities necessary to implement a bond sale to an employee of the Department of Revenue. (Page 1, line 6). Under existing law, these responsibilities may only be delegated to a member of the committee. Because committee members are principal department heads, it is more realistic to delegate these tasks to a staff person rather than a high ranking public officer who is occupied with many other duties.

Section 2. This section increases the authorization for the issuance and sale of \$204,000,000 of international airport revenue bonds (page 1, line 14). The proceeds from the sale of the bonds would be used to cover capital construction costs and certain costs of issuance of the bonds, additional security to bond holders and other costs required by federal tax law.

Section 3. This section permits any amounts calculated in the bond proceeds to cover capitalized interest to be deposited in the bond redemption fund. (Page 2, line 9). The section would also make it clear that bond proceeds in the international airports construction fund could be used to pay for certain costs of issuing the revenue bonds. These costs include amounts paid to bond underwriters and insurance or letter of credit issuers who provide additional security to bondholders. (Page 2, lines 15 and 16).

February 9, 1998

Section by Section Analysis
HB 382 - relating to international airports revenue bonds

Section 4. This amendment permits use of amounts in the international airports revenue fund for costs of refinancing and to cover rebate requirements that are included in covenants to bondholders. (Page 3, line 1). It would also permit payments to trustees. These proposed amendments complement other sections of the bill which would permit advance refunding transactions.

Section 5. This section of the bill would permit the committee to agree to an interval for the payment of interest that would be different than the annual or semi-annual period permitted by existing law. (Page 3, line 26, 27).

Section 6. This section of the bill deletes a limitation on the committee's power to redeem bonds issued after the effective date of the bill. (Page 3, line 31 - page 4, line 3). This would permit a defeasance of the bonds through an advance refunding transaction to save interest costs. It allows the state to take advantage of favorable market conditions without having to retire the bonds at the time of refunding. The section would also permit the committee to use a broader range of sources to provide security to bondholders which could result in a lower interest rate on the bonds. (Page 4, lines 22-25).

Section 7. This section would permit a resolution capping the authority granted for the issuance of bonds. (Page 4, lines 30, 31). If interest rates are in a state of flux or if it makes sense to

February 9, 1998

Section by Section Analysis
HB 382 - relating to international airports revenue bonds

increase or decrease the principal amount of the bonds, the sale could proceed without having to adopt a new resolution. It permits the committee to adapt to changing market conditions. The section also permits the designation of a staff person to execute an agreement with the bond trustee. (Page 5, lines 2-3). This frees up committee members from general administrative tasks. The section also permits the committee to provide a general notification of the manner of sale so that there would be no need to renote the sale if market conditions dictate that the date of sale be rescheduled. (Page 5, line 4). The section also would broaden the type of publications in which the notice of sale must appear. (Page 5, lines 5-6).

Section 8. This section permits the committee to delegate statutory powers to a staff person so that it is not necessary for the committee to formally meet and act on each element of a bond sale. This change would ease the administration of bond sales and free members of the committee from involvement in administrative and ministerial tasks.

Section 9. The effective date would be immediately after the governor signs the bill into law to permit the committee to issue a bond resolution as soon as possible so that certain preparatory costs can be reimbursed out of bond proceeds.

JLB:jn

AMENDMENT

OFFERED IN THE _____

BY: _____

TO: HB 432

- 1 Page 1, line 1:
- 2 Delete "the bond authorization for"
- 3 Page 1, following line 3:
- 4 Insert a new bill section to read:
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- 9 duties not required by statute to be performed by the state bond committee in meeting or
- 10 by resolution, or by another officer of the state."
- 11 Renumber the following bill section accordingly.
- 12 Page 1, following line 14:
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- 16 Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except

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2 bond redemption fund) and grant or other money that is legally provided for the same
3 purposes for which the bonds are authorized. The money in the construction fund shall
4 be used to pay the costs of acquiring, equipping, constructing, and installing additions and
5 improvements to and extensions of and facilities for the airports and costs incidental
6 thereto, including costs of the authorization, issuance, and sale of the bonds, and the
7 costs of underwriting, credit enhancement, and payments required under federal tax
8 law. To the extent provided in the bond resolution, money in the construction fund may
9 also be used for the payment of interest on the bonds during the period of actual
10 construction, and for a further period, not exceeding one year after the period of
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20 with them. The revenue, charges, fees, and rentals may not include the proceeds of any
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1 ~~premiums. [OF AND] interest, and other payment obligations with respect to [ON]~~
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4 and extensions of and facilities for, the airports, and to be payable out of the revenue fund:

5 (2) paying the normal and necessary costs of maintaining and operating
6 the airports and all of the improvements and facilities of them;

7 (3) paying the costs of renewals, replacements, and extraordinary repairs
8 to the airports and all of the improvements and facilities of them;

9 (4) redeeming before their fixed maturities any and all revenue bonds
10 issued for the purposes of the airports;

11 (5) providing money to acquire, construct, and install necessary additions
12 and improvements to and extensions of and facilities for the airports and all of their
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13 registrable as to principal or both principal and interest, all under regulations and
14 conditions that the committee shall provide; shall be payable as to principal and interest
15 at such place or places as may be determined by the committee; shall be signed on behalf
16 of the state by the governor and shall be attested by the lieutenant governor, both of which
17 signatures may be facsimile signatures; shall have the seal of the state impressed, printed,
18 or lithographed on them, and each of the interest coupons attached to them shall be signed
19 by the facsimile signatures of these officials; shall be issued under and subject to such
20 terms, conditions, and covenants providing for the payment of the principal of them and
21 interest on them and such other terms, conditions, covenants, and protective features
22 safeguarding this payment and relating to the maintenance, operation, and improvement

1 of the airports as found necessary by the committee, which covenants may include a
2 provision requiring the setting aside and maintenance of certain reserves to secure the
3 payment of this principal and interest. The committee may provide that any additional
4 bonds authorized after June 27, 1972 by the legislature to be payable out of the same
5 source or sources as the bonds authorized as of that date may later be issued on a parity
6 with the bonds authorized as of that date upon compliance with any conditions which the
7 committee may prescribe. The committee may provide for credit enhancement to
8 secure bonds issued under AS 37.15.410 - 37.15.550 and may enter into agreements
9 with the issuer of the credit enhancement under terms considered advisable by the
10 committee.

11 * Sec. 7. AS 37.15.460 is amended to read:

12 **Sec. 37.15.460. Bond resolution.** The committee shall adopt the bond resolution
13 and prepare all other documents and proceedings necessary for the issuance, sale, and
14 delivery of the bonds or any part or series of them. The bond resolution must fix the
15 maximum principal amount, denomination, [DATE,] maximum maturities, maximum
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22 AS 37.15.450].

1 * Sec. 8. AS 37.15.550(7) is amended to read:

2 (7) "committee" means the state bond committee created by
3 AS 37.15.110, staff of the committee acting under authority delegated by the
4 committee, or any other committee, body, department or officer of the state which or who
5 succeeds to the rights, powers, duties and obligations of the state bond committee by
6 lawful Act of the legislature."

7 Renumber the remaining bill section accordingly.

7

Article 03. INTERNATIONAL AIRPORTS REVENUE BONDS

Sec. 37.15.410. Bond authorization.

For the purpose of providing part or all of the money to be used, with or without any grants or other money that may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$100,825,000 is authorized to acquire, equip, construct, and install the additions, improvements, extensions, and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenue derived by the state from the ownership, lease, use, and operation of the airports, and of all the facilities of them and out of any other revenue or money that the state legislature may provide exclusive of any state tax or license.

Sec. 37.15.415. Continuing revenue bond debt service appropriation.

The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding international airports revenue bonds of the state are appropriated each fiscal year from the international airports revenue fund to the state bond committee to make all required payments of principal, interest, and redemption premium.

Sec. 37.15.420. Construction fund.

(a) There is established a capital project fund known as the "International Airports Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except any accrued interest paid on them, which shall be paid into the bond redemption fund) and grant or other money that is legally provided for the same purposes for which the bonds are authorized. The money in the construction fund shall be used to pay the costs of acquiring, equipping, constructing and installing additions and improvements to and extensions of and facilities for the airports and costs incidental thereto, including costs of the authorization, issuance and sale of the bonds. To the extent provided in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the period of actual construction, and for a further period, not exceeding one year after the period of construction, that may be provided in the bond resolution. Money in the construction fund may also be transferred to the bond redemption fund, to the extent provided in the bond resolution, to establish a reserve for the payment of the principal of and interest on the bonds.

(b) The bond resolution may provide for the investment of money in the construction fund in a manner that the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the construction fund.

Sec. 37.15.430. Revenue fund.

(a) There is established an enterprise fund known as the "International Airports Revenue Fund," into which shall be paid all revenue, fees, charges, and rentals derived by the state from the ownership, lease, use, and operation of the airports and all of the facilities and improvements of them and facilities and improvements used in connection with them. The revenue, charges, fees, and rentals may not include the proceeds of any state tax or license. The money in the revenue fund may only be used for the purpose of

(1) paying or securing the payment of the principal of and interest on the bonds and of and on any other revenue bonds issued by authorization of the legislature to provide money to acquire, equip, construct, and install additions and improvements to, and extensions of and facilities for, the airports, and to be payable out of the revenue fund;

(2) paying the normal and necessary costs of maintaining and operating the airports and all of the improvements and facilities of them;

(3) paying the costs of renewals, replacements, and extraordinary repairs to the airports and all of the improvements and facilities of them;

(4) redeeming before their fixed maturities any and all revenue bonds issued for the purposes of the airports;

(5) providing money to acquire, construct and install necessary additions and improvements to and extensions of and facilities for the airports and all of their facilities; and

(6) providing money to pay any and all other costs relating to the ownership, use, and operation of the airports.

(b) The investment of money in the revenue fund may be made in the manner that the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the revenue fund.

Sec. 37.15.440. Redemption fund.

There is another special fund of the state, known as the "International Airports Revenue Bond Redemption Fund," which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. The committee, on behalf of the state, shall obligate and bind the state to set aside and pay into the bond redemption fund any part or parts of, or all of, or a fixed proportion of, or a fixed amount of the money in the revenue fund sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if it considers it necessary, to set aside and maintain reserves for this purpose. The bond redemption fund shall be drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state.

Sec. 37.15.450. Bond terms.

(a) The bonds may be sold at public or private sale in the manner, in the amounts or series, and at the time or times that the committee determines. However, the bonds, or each series of them, shall be sold at such a price so that the effective interest rate over the life of the bonds does not exceed 11 percent per year or that rate of interest that is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. Interest shall be payable annually or semiannually.

(b) The bonds mature at the time or times fixed by the committee. The bonds may be subject to redemption before their fixed maturities as determined by the committee and with a premium or premiums fixed by the committee, but a bond is not subject to redemption before its fixed maturity date unless the

right so to redeem that bond is expressly mentioned on the face of the bond. The bonds may be in denominations determined by the committee; may be issued in coupon form or in fully registered form, and may be registrable as to principal or both principal and interest, all under regulations and conditions that the committee shall provide; shall be payable as to principal and interest at such place or places as may be determined by the committee; shall be signed on behalf of the state by the governor and shall be attested by the lieutenant governor, both of which signatures may be facsimile signatures; shall have the seal of the state impressed, printed or lithographed on them, and each of the interest coupons attached to them shall be signed by the facsimile signatures of these officials; shall be issued under and subject to such terms, conditions and covenants providing for the payment of the principal of them and interest on them and such other terms, conditions, covenants and protective features safeguarding this payment and relating to the maintenance, operation and improvement of the airports as found necessary by the committee, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of this principal and interest. The committee may provide that any additional bonds authorized after June 27, 1972 by the legislature to be payable out of the same source or sources as the bonds authorized as of that date may later be issued on a parity with the bonds authorized as of that date upon compliance with any conditions which the committee may prescribe.

(c) If found reasonably necessary, the committee may select a trustee or trustees for the holders of the bonds or any series of them, for the safeguarding and disbursement of any of the money in any of the funds created by AS 37.15.420, 37.15.430 and 37.15.440, or for duties with respect to the authentication, delivery, and registration of the bonds as the committee may determine, and shall fix the rights, duties, powers, and obligations of the trustee or trustees.

(d) In its determination of all of the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, conditions, and covenants of them as provided in (a), (b), and (c) of this section, the decisions of the committee shall be those found to be reasonably necessary for the best interests of the state and its inhabitants, and those that will accomplish the most advantageous sale of the bonds, with due regard, however, to necessary or normal costs of maintenance and operation, renewals, and replacements of and repairs to the airports and to all improvements to them and facilities of them owned, used, operated, or leased in connection with them, the future growth and expansion of the airports and all of such facilities, and the possibility of additional revenue bond financing for airports purposes. Any such decisions of the committee, as expressed in any bond resolution, are final and conclusive when any bonds have been issued pursuant to the bond resolution.

(e) A bond resolution may provide that the bonds issued must contain a recital that they are issued under AS 37.15.410 - 37.15.550, and a bond containing this recital shall be conclusively considered to be valid and to have been issued in conformity with AS 37.15.410 - 37.15.550.

(f) The validity of the authorization and issuance of bonds is not affected by any proceedings for the acquisition or construction of the additions, improvements, extensions, or facilities for which the bonds have been issued or by any contracts in connection with the acquisition or construction.

Sec. 37.15.460. Bond resolution.

The committee shall adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale and delivery of the bonds or any part or series of them. The bond resolution must fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall

provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.450.

Sec. 37.15.470. Enforcement by holder.

The holder of any bonds or the trustee for the holders of the bonds or any series of them may, by appropriate proceedings in the courts of record of the state, require and compel the transfer, setting aside and payment of money and the enforcement of all of the terms, conditions and covenants as required and provided in AS 37.15.410 - 37.15.550 and in the bond resolution.

Sec. 37.15.480. Amounts required for payments.

The committee shall, before December 31 of each year, commencing with the year in which the bonds are issued, certify to the commissioners of revenue and transportation and public facilities the amounts required in the next ensuing calendar year by the bond resolution or resolutions to be paid out of the revenue fund into the bond redemption fund and to be paid into and maintained in any reserve fund or account or any other fund or account created by the bond resolution or resolutions, and shall also certify to the commissioners the last date or dates upon which payments may be made.

Sec. 37.15.490. Bond negotiability.

The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state.

Sec. 37.15.500. Airport charges.

As provided in AS 02.15.090 (a), the commissioner of transportation and public facilities shall fix and collect the fees, charges, and rentals derived by the state from the ownership, lease, use, and operation of the airports and all of the facilities and improvements that will provide revenue sufficient to comply with all of the covenants of the bond resolution.

Sec. 37.15.510. State improvements to airports.

The state is authorized to acquire, equip, construct, and install additions and improvements to and extensions of the airports, facilities for the landing, parking, loading, storing, repairing, safety, and utility of aircraft at the airports and passenger, freight, and terminal facilities, including safety equipment and devices at the airports, found to be necessary by the commissioner of transportation and public facilities.

Sec. 37.15.520. Refunding.

(a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the state if in the opinion of the committee refunding is advantageous to and in the best interests of the state and its inhabitants.

(b) The issuance of refunding bonds need not be authorized by an Act of the legislature, and the committee shall adopt the resolution or resolutions and prepare all other documents and proceedings necessary for the issuance, exchange or sale, and delivery of such bonds. All provisions of AS 37.15.410 - 37.15.550 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale or exchange of them, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide funds for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest upon the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid pursuant to the call of them or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on them to the date of the call or retirement.

Sec. 37.15.530. Bonds as legal investments.

The bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees and other fiduciaries. The bonds may be accepted as security for deposits of all funds of the state and its political subdivisions.

Sec. 37.15.540. Statutory construction.

AS 37.15.410 - 37.15.550 shall be liberally construed in order to carry out the purposes for which they were enacted, and all existing laws in conflict with any of these sections are superseded insofar as necessary to accomplish the purposes of and carry out the provisions of these sections.

Sec. 37.15.550. Definitions.

In AS 37.15.410 - 37.15.550, unless the context otherwise requires:

(1) "airports" means the international airports owned and operated by the state and located at or near the cities of Anchorage and Fairbanks;

(2) "bond redemption fund" means the International Airports Revenue Bond Redemption Fund created by AS 37.15.440, including any accounts that are created in that fund after June 27, 1972;

(3) "bond resolution" means the resolution or resolutions authorizing the issuance of bonds, adopted by the committee under AS 37.15.460;

(4) "bonds" means the international airports revenue bonds authorized by AS 37.15.410 - 37.15.550;

(5) "commissioner of revenue" means the principal executive officer of the Department of Revenue of the state as provided in AS 44.25.010, or a successor;

(6) "commissioner of transportation and public facilities" means the principal executive officer of the Department of Transportation and Public Facilities of the state as provided in AS 44.42.010, or a successor;

(7) "committee" means the state bond committee created by AS 37.15.110, or any other committee, body, department or officer of the state which or who succeeds to the rights, powers, duties and obligations of the state bond committee by lawful Act of the legislature;

(8) "construction fund" means the International Airports Construction Fund created by AS 37.15.420 ;

(9) "revenue fund" means the International Airports Revenue Fund created by AS 37.15.430 .

Article 04. ALASKA CLEAN WATER FUND BONDS

Sec. 37.15.560. Bond authorization.

(a) For purposes of providing part of the money to be used to provide financial assistance to municipalities and other qualified entities for the purposes stated in AS 46.03.032 (d), including the costs of bond issuance and administration, the issuance and sale of revenue bonds of the state is authorized subject to (b) of this section. The bonds are to be issued by the state bond committee, as provided in AS 37.15.560 - 37.15.605, as part of the Alaska clean water fund revolving loan fund program (AS 46.03.032), a public enterprise of the state. The net proceeds of the sale of the bonds, remaining after any payment of costs of issuance and administration, shall be paid into the Alaska clean water fund. Accrued interest paid on the bonds shall be paid into the Alaska clean water fund for transfer to the Alaska clean water fund revenue bond redemption fund (AS 37.15.565).

(b) The state bond committee may not issue more than \$15,000,000 in revenue bonds under AS 37.15.560 - 37.15.605 during a fiscal year, excluding refunding bonds. The total unpaid principal amount of revenue bonds, including refunding bonds, but excluding refunded bonds, issued under AS 37.15.560 - 37.15.605, may not exceed \$150,000,000.

(c) The bonds do not constitute a general obligation of the state. Authorization by the voters of the state or the legislature is not required.

(d) The state bond committee may enter into agreements with other state agencies as necessary or convenient to implement AS 37.15.560 - 37.15.605.

(e) The state bond committee may contract for the services of underwriters, paying agents, trustees, bond printers, rating agencies, bond insurance, credit enhancement providers, accountants, financial advisors, and bond counsel, and other services as are necessary to accomplish the bond issuance and sale.

Sec. 37.15.565. Bond redemption fund.

(a) There is established a special fund of the state, known as the "Alaska clean water fund revenue bond redemption fund," which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. The committee, on behalf of the state, may obligate and bind the state to set aside and pay into the bond redemption fund, on a monthly or other periodic basis, any part or parts of, or all of, or a fixed proportion of, or a fixed amount of the money in the Alaska clean water fund (AS 46.03.032) sufficient to pay the principal of and interest and redemption premium, if any, on the bonds and, if it considers it necessary, to set aside and maintain reserves for this purpose. The bond redemption fund shall be drawn upon only for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, together with related trustee fees, if any.

(b) Money in the bond redemption fund may be invested in the same manner and on the same conditions as permitted for investment of money belonging to the state or held in the treasury under AS

070 ; however, the committee may agree with the bondholders to further limit these investments. Earnings on investments must be retained in the bond redemption fund.

(c) Separate accounts may be created in the bond redemption fund for the purposes of paying and securing the bonds. The accounts may be combined for purposes of investment.

11

A

NR: Norm Rokeberg
Questions from
3-5-98

3-19-98

NR: Did you look at actually expanding bag pick up area in new concourse C area and not really reworking the baggage area in existing area?

NR: Why did you use a 45 angle, when you could go down a perpendicular line from concourse B to concourse C and then your 40 ft expansion, it creates a triangle shape, expands a significant amount of square ft in cost, but it seems like you did not pick up a lot in an efficiency standpoint.

NR: In terms of overall concept again, extending beyond the jet way area of new concourse C redevelopment wing and out into the regional commuter parking area, the way the conceptual design is, it narrows down sign and then narrows down again and extends all the way as a walking area to the International terminal. This seems like an unusual design, particularly as it is less square feet and volume area what are the reasons:
1) for going all the way to the International terminal?
2) is the design going to accommodate the expansion if you had to put another pier out there to add additional gates later?

NR: Construction of Pier in 2005 or 2015?

NR: How much is that going to cost us in today's dollars?

NR: Today's dollars, and how many square feet for an 8 gate pier? How much would that be?

NR: The extension of the International Terminal that right now, as indicated, well there is currently no relationship, are there any domestic flights using the International Terminal right now?

NR: How much will be lopped off the connection from the end of the passenger terminal used for the regional carriers over at the International terminal?

NR: Corn shell verses the finish work cost for the fit out of premises? Particularly related to office space for the operations administration of the airport. How far in preliminary designs for Baggage system and how that all fits together to be able to come up with the dollar figures needed for the project?

NR: Are we talking corn shell or finished work detail costs?

NR: Mr. Halford indicated he was looking at preliminary project costs with extensions.

NR: How much is allocated to the finish work cost of the office space?

From the office of . . . **Representative John J.
Cowdery**

716 West 4th Ave., Suite 320
Anchorage, AK 99517
907-258-8188 phone
907-258-8727 fax

MEMORANDUM

faxed on
2/26/98
5:05 pm

TO: Mort Plumb

FROM: Representative Cowdery, Chairman International Trade & Tourism *JC*

DATE: February 1998

RE: ✓ HB 432 – International Airport Revenue Bonds

We would like written responses to the following questions.

1. What is the total debt capacity of the International Airport System?
2. Is the borrowing capacity for Anchorage legally separate from Fairbanks. i.e.. does debt incurred for AIA projects affect the borrowing capacity for FIA?
3. After the proposed project is completed, what will be the plane/passenger capacity at AIA and how long will this capacity satisfy anticipated demand?
4. What is the long range capital improvement plan, and accompanying cost estimates, for AIA and FIA?
5. Please match the funding sources to the projects in the above long range CIP and compare to debt capacity?
6. How does funding for the present proposal that is the object of HB 382, differ from funding methods used for past terminal projects at AIA or FIA?
7. What are the historical balances of the IARF? Please show which major capital projects were funded in which years?
8. How long is the proposed project's life and how long is the amortization period?
9. Under the current proposal, how long will it be before AIA will need to be expanded again?
10. In light of AIA traffic growth projections, has the building of new terminal been seriously evaluated?
11. Why are we incurring a 25-year debt for a remedy that may only be adequate for one or two years after completion?
12. Anchorage's international terminal sits empty through most of the high congestion hours experienced at the domestic terminal. Has the international terminal been seriously reviewed as a short-term, low cost alternative to expensive expansion?

13. How will AIA's landing fees compare nationally after the proposed \$165 million in debt is incurred?
14. How will those higher tariffs affect AIA's and FIA's ability to finance future expansion and attract new carriers?
15. Additional improvements will be proposed in a separate Cargo Master Plan.
 - What is the scope of these additional improvements?
 - What is their ballpark cost?
 - Have we always has a separate Cargo Master Plan?
 - How are the Cargo Master Plan and the Airport Master Plan related?
 - How will they be funded?
16. How much money is in the International Airport Revenue Fund at this point?
17. How much debt is against the IARF at this point?
18. Please explain how the Passenger Facility Charge system works now, and then how it would work if we adopted it for the Anchorage Airport. How much would it reduce the bonding needed for this project?
19. How will reduction in the requested bond authorization from \$304 million to \$280 million affect the project?

Questions for ITT Committee HB 432 ✓

faxed to
Mr.
Plumb
on

2/26/98

Mr. Plumb	I understand you have a correction you'd like to make in the record about the cost of taxiway construction.
Mr. Plumb	You told us that a 100 basis point rise in interest rates would cost in excess of \$40 million. If this happens, you would have to scale back the project. What prioritization have you done to achieve a scale back scenario.
Mr. Selkregg	
Mr. Plumb	How many square feet in the proposed new terminal.?
Mr. Eberle	What is the estimated cost per square foot?
	How does this cost compare with similar airports around the U.S.?
Mr. Eberle	What percentage of the budget will be for "contingency"?
	How much for Planning?
	How much for Design?
	How much for Engineering?
	How much for Construction?
Mr. Plumb	What is the cost of the total CIP program for Fairbanks and Anchorage Airports over the next 10 years.
Mr. Selkregg	
Mr. Plumb	Why did this project escalate from \$33 million in 9 months ago, to its present cost of \$204 million?
Mr. Selkregg	
Mr.	Cargo is the largest growth component at the airport. How can

Parkan	the legislature, or the governor, make spending decisions about the International Airport System if we don't know the whole picture, including cargo CIP requirements?
Mr. King	Concerning the Finance Plan: How much is in there to pay to Investment Bankers, brokers, bond counsel and others? How much are you being paid and does your compensation increase with the project size? Did your contract come about by competitive bid or proposal?
Mr. Selkreg	Same question: How much is your contract? Who are your subcontractors? Do you get paid more if the project is bigger? Did your contract come about by way of competitive bid or proposal?
Mr. King	The Finance Plan in November showed a bonding requirement of \$177 million. What caused the increase up to \$204 million?
Mr Plumb	Your booklet shows 717,000 sq. ft. in the new terminal. How much of that have the airlines and other parties agreed to rent? Do you have firm commitments from the airlines or others to rent this space? How much will rent per sq.ft. increase? Will preference be given to existing tenants? How much will be used for yours and other airport offices?
Followup	Will you have to increase airport leasing staff, or do you plan to use private sector brokers?
FAA - Mr.	I understand that Alaskans are already paying a Passenger Facility Charge but that it's going to Seattle and other airports

Simpson	instead of Anchorage or Fairbanks? Please tell me how PFC works. How much money is presently going to outside airports that could be coming here.
Mr. Parkan	Why is Governor Knowles ignoring Passenger Facilities Charges as part of the finance plan for this project, and, what did your financial consultant, Mr. King, say about the advisability of having PFC's?
Mr. Plumb	Why did EVA Airlines recently stop service at AIA?
Mr. King	What binds the airlines that voted to pay for this project to stick around until it is paid off?
	What happens if they quit servicing Anchorage, or if they go out of business?

Questions for ITT Committee HB 432 ✓

What does a 100 point change mean in terms of interest cost for this project?

Since future interest rates are unknown, you must have contingencies for higher interest costs. We have heard testimony that a 100 point rise in interest rates would cost in excess of \$40 million, in the event that interest rates rise, what aspects of the project would be scaled back?

If this bill goes through as drafted, what part or parts of the project will be reduced to make up for the \$25 million in savings?

What is the estimated cost per square foot of office and terminal space?
100-125-150?

Is this cost per square foot comparable to other airports nationwide?

How much latitude for contingencies does your plan include? 10-15%

Will your Cargo expansion plan also require extensive bonding authority?
When will those bonds be required?

In July of 1997, just seven months ago, you presented a 33 million dollar project for consideration by the airlines. What did the \$33 million dollar project consist of, and why has the scope of work increased six fold in just seven months?

In your presentation yesterday, it was mentioned that Delta airlines would be temporarily relocated to the International Terminal. Why is this alternative not being employed now? Why is this not a long-term solution?

From the office of . . . Representative Jonn J. Cowdery

State Capitol Bldg., Room 416

Juneau, AK 99801

907-465-3879 phone

907-465-2069 fax

MEMORANDUM

TO: Kurt Parkan, Deputy Commissioner DOT
FROM: Representative Cowdery J.C.
DATE: February 25, 1998
RE: HB 432
CC:

faxed ✓
to
Kurt
2/25/98
faxed to
Murt
2/26/98

Notes:

Please provide bibliography information for all documents created pursuant to the International Airport Expansion Program.

From the office of . . . Representative John J. Cowdery

State Capitol Bldg., Room 416

Juneau, AK 99801

907-465-3879 phone

907-465-2069 fax

MEMORANDUM

TO: Mort Plumb 243 - 0663
FROM: Representative Cowdery
DATE: February 24, 1998 10:30 am
RE: HB 432
CC:

Notes:

In addition to your testimony and presentation this evening, I would like to have the following questions, which I believe you have already received a copy of, answered in written form.

Thank you.

From the office of . . . **Representative John J. Cowdery**

State Capitol Building, Room 416

Juneau, AK 99801

907-465-3879 phone

907-465-2069 fax

MEMORANDUM

TO:

FROM:

DATE:

RE:

1. What is the total debt capacity of the International Airport System?
2. Is the borrowing capacity for Anchorage legally separate from Fairbanks, i.e., does debt incurred for AIA projects affect the borrowing capacity for FIA?
3. After the proposed project is completed, what will be the capacity of AIA and how long will this capacity satisfy anticipated demand?
4. What is the long range capital improvement plan, and accompanying cost estimates, for AIA and FIA?
5. Please match the funding sources to the projects in the above long range CIP and compare to debt capacity?
6. How does funding for the present proposal that is the object of HB 382, differ from funding methods used for past terminal projects at AIA or FIA?
7. What are the historical balances of the IARF. Please show which major capital projects were funded in which years?
8. How long is the proposed project's life and how long is the amortization period?
9. Under the current proposal, how long will it be before AIA will need to be expanded again?
10. In light of AIA traffic growth projections, has the building of new terminal been seriously evaluated?
11. Why are we incurring a 25-year debt for a remedy that may only be adequate for one or two years after completion?
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13. How will AIA's landing fees compare nationally after the proposed \$165 million in debt is incurred?
14. How will those higher tariffs affect AIA's and FIA's ability to finance future expansion and attract new carriers?

AIRPORT EXPANSION PROJECT
QUESTIONS for IT&T HEARING ON FEB 24, 1998

1. Please explain how the vote approval process works among the members of the Airline Airport Affairs Committee. How many airlines participated in the vote. What was the outcome of the vote?
2. The Project Proposal contains highway improvements totaling about \$26 million. Would these projects go forward anyway without the terminal expansion projects?
3. My office received information that about \$25 million in FAA funding is available for "ramp and airside" improvements as part of this proposed project. Is the \$25 million tied to a certain level of expenditure from the state, or, could any of that money be available without the project as proposed?
4. Your brochure says that additional improvements will be proposed in a separate CARGO MASTERPLAN.
 - What is the scope of these additional improvements.
 - What is their ballpark cost.
 - Have we always had a separate CARGO MASTERPLAN.
 - How are the cargo masterplan and the airport master plan related.
 - How will they be funded?
5. How much money is in the International Airport Revenue Fund, now?
6. How much debt is against the IARF, now?
7. How much annual debt service can the IARF afford to pay?
8. The Fiscal Note includes three interest rate scenarios, 5%, 6%, and 7%. Would you assign a likelihood to which of these rates we might get if the project goes forward this year? How about next year?
9. The Airport received letters in opposition to this project from ERA Aviation, Northern Air Cargo, and PennAir. These letters raised different arguments against the project. I'd like to see written replies to these letters.
10. Please explain how the Passenger Facility Charge system works now, and then how it would work if we adopted it for the Anchorage Airport. How much would it reduce the bonding needed for this project?

11. 5/10/98 - 7 Feb 98
12. Re: RT - ☒ - 2-10-98 - 10-10-98 - 10-10-98
13. How much increase SPAS for 1998?
14. How much increase Admin. SPAS? why?



Representative John Cowdery

Airport-
unit. CO

Get It on Street

when you have to small
increments of Project you
just add to the Admin
Bureaucracy cost to Administer.

25-50 Mill Range ok.

? How much of the 175m
will go for Admin. Contracts

How much for Design

How much for Consulting

Time From First Phase

2 - 3 -

B

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898

TEXT: (907) 465-3652
FAX: (907) 586-8365
PHONE: (907) 465-3900

March 4, 1998

The Honorable John J. Cowdery
International Trade & Tourism Committee
Alaska State Legislature
State Capitol, Room 416
Juneau, AK 99801-1182

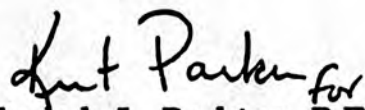
Dear Representative Cowdery:

Enclosed are responses to questions outlined in your February 26 memo, additional questions that were faxed to Mort Plumb on February 27, and several questions posed during the committee meeting on February 26. Also enclosed is additional supporting documentation related to various questions.

For the benefit of clarity and to minimize duplication of responses to similar questions, we have grouped the questions by topic and responded accordingly.

The Department will be available for tomorrow's scheduled meeting to answer any remaining questions the committee may have. Please let me know if you require any additional information on any of these issues.

Sincerely,


Joseph L. Perkins, P.E.
Commissioner

Enclosures

cc: International Trade & Tourism Committee Members

**House Special Committee on International Trade & Tourism
Response to questions 3/5/98**

NEED/PROGRAM QUESTIONS AND ANSWERS

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

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

The project is designed to accommodate 3,000,000 enplanements or 6 million passengers, which are projected for the year 2005. The ability of the project to meet airline needs is dependent on airline schedules and their ability or willingness to share gates or distribute daily gate use schedules more evenly.

The project will add five new jet gates for a total of 24, and seven new regional aircraft parking positions for a total of 20, along with associated gate lounges, ticket lobby, baggage claim facilities, and an extended curbside road. It is anticipated that some cross-use of apron will be required by regional and jet airlines.

Future domestic terminal expansions will depend on a number of factors:

- Rate of passenger growth
- Distribution of peak operation periods
- Ability of airlines to share or cross-use gates
- Level of service to the traveling public

According to the forecast of passenger traffic growth, an additional four jet gates may be needed in about 2010 with another four jet gates in about 2015.

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

Yes. The growth projections used on this project were the result of an in-depth aviation forecast conducted by TAMS Consultants. The forecast considered historical passenger growth, input from airlines, national aviation growth, local demographics, tourism, and other factors.

Looking at historical growth patterns, growth at Anchorage International Airport has been irregular with an overall trend in the range of 4.6% annual growth since 1990. Some year's growth has been flat or negative, while other years growth has been over 8%.

In 1993, Leigh Fisher prepared an enplanement forecast with results consistent with the TAMS forecast results.

Very serious consideration has been given to the forecast data, as this information forms a basis for the needs assessment and therefore the design and construction program.

Your booklet shows 717,000 sq. ft. in the new terminal. How much of that have the Airlines and other parties agreed to rent?

Do you have firm commitments from the Airlines or others to rent this space?

When the new Concourse C comes on line in late 2001, 93% of the available airline leasable space will be occupied. This is based on interviews with individual airlines and written requests for terminal space. Upon completion of all construction for the project in 2004 this percentage will be 80%. The Financial Model maintains a 10% vacancy rate for the life of the bonds.

How much will rent per sq. ft. increase?

Terminal rent at AIA will increase from \$32.97 in 1999 to \$41.75 in 2010 as compared to today's AIA rate of \$32.46. Comparable terminal rents at other medium hub airports in 1999 is \$40.63 and \$56.24 in the year 2010. See financial model addendum dated November 5, 1997, page 5.

Will preference be given to existing tenants?

Current tenants will be given an opportunity for equal space for the duration of their contract term. AIA will make every effort to accommodate requests for leased space.

How much will be used for your and others airport offices?

AIA administration area currently utilizes approximately 18,000 sq. ft. and expects to occupy a similar amount of space at the time of project completion. Conference room areas and potential consolidation will be considered in schematic design.

What binds the Airlines that voted to pay for this project to stick around until it is paid off?

What happens if they quit servicing Anchorage, or if they go out of business?

The project is being constructed in response to a real market based need on passenger traffic today and projected growth for the near future. Demand dictates the level of actual usage. When an Airline leaves or goes out of business, other Airlines capture that share of the market (For example, when Pan Am and National left Washington National Airport, US Air filled the void. In Anchorage, MarkAir left and Reno and American West moved in. This is no different than any other improvement made at the airport. Airlines using the facilities pay rental fees for its use regardless of whether

they were operating at the airport when the individual project was constructed.

Glycol disposal areas

AIA Environmental is presently working with an Airline Task Force to evaluate alternatives for addressing glycol disposal and recycling. Final recommendations are scheduled for January 1999.

CONCEPT/PLANNING QUESTIONS AND ANSWERS

Has the International Terminal been seriously reviewed as a short term, low cost alternative to expensive expansion?

Why not use the international terminal? Doesn't domestic terminal demand occur during hours that the international terminal is relatively quiet?

Near the low point in international passenger traffic in 1994, AIA Planning conducted a study to evaluate the use of the International Terminal for domestic operations. The study concluded that certain design features of the building were specific to larger international aircraft and the interior configuration of the building would have to be significantly changed to accommodate domestic operations. Correction of these problems was estimated to cost more than the building's original construction cost.

The conversion of the International Terminal to domestic operations at that time would have provided a domestic terminal which did not work well and today would have required a new international terminal to accommodate today's traffic. International passenger traffic is growing at a faster rate than domestic traffic. Last summer international passenger flights exceeded the terminal's ability to provide power-in parking due to larger aircraft sizes.

During construction of the new Domestic Terminal area Delta will temporarily operate out of the International Terminal. However, federal security requirements (Customs and Immigrations) make it difficult to accommodate domestic passengers in a building designed for uncleared International passengers. As International passenger traffic increases the ability to accommodate domestic passengers will become more difficult.

The International Terminal now serves over 70 International flights per week. Domestic services such as food service, retail, rental cars, gift shops, etc. are minimal. Parking is limited and the curbside access is single level. There is only one domestic baggage claim device.

Since the International Terminal was constructed in 1982 more than \$100 million has been generated in revenue to the Alaska International Airport

System in duty free operations alone. Additional revenue is received from terminal rent, gate use fees, and landing fees.

Will the baggage system for the new Domestic Terminal be like Denver's?

No, the baggage system for this project will be designed by Cook Newhouse Associates (CNA). CNA designed the baggage belt systems for the International Terminal and the North Terminal Baggage Addition. CNA is a nationally recognized designer of baggage systems and was not involved in the new Denver airport project.

Rep Cowdery wants to know if the project will be broken into small enough contracts to accommodate Alaskan firms.

Specific efforts will identify logical pieces of work to provide maximum opportunities for Alaskan contractors. Alaska firms should be active on all elements of work.

CARGO QUESTIONS AND ANSWERS

How can the legislature or the governor make spending decisions about AIA if we don't know the whole picture, including cargo CIP requirements?

What is scope of additional improvements?

The Master Plan for the airport does include cargo CIP requests. This Master Plan is being updated in the areas of cargo and airfield capacity. Improvements in the current Master Plan will be revalidated and additional projects considered. The Airlines will assist in the update of the Master Plan over the next two years.

What are their ballpark costs?

The updated Master Plan will prepare a cost estimate for each proposed improvement, which will be voted on by the Airlines and reviewed by the legislature. Cargo projects are included in the current 6 year CIP.

Have we always had a separate Cargo Master Plan?

How are Cargo Master Plan and Airport Master Plan related?

No. The Master Plan for the Airport has always included a cargo component. Because of the growth in cargo activity at AIA the cargo and airfield component of the Master Plan are being updated.