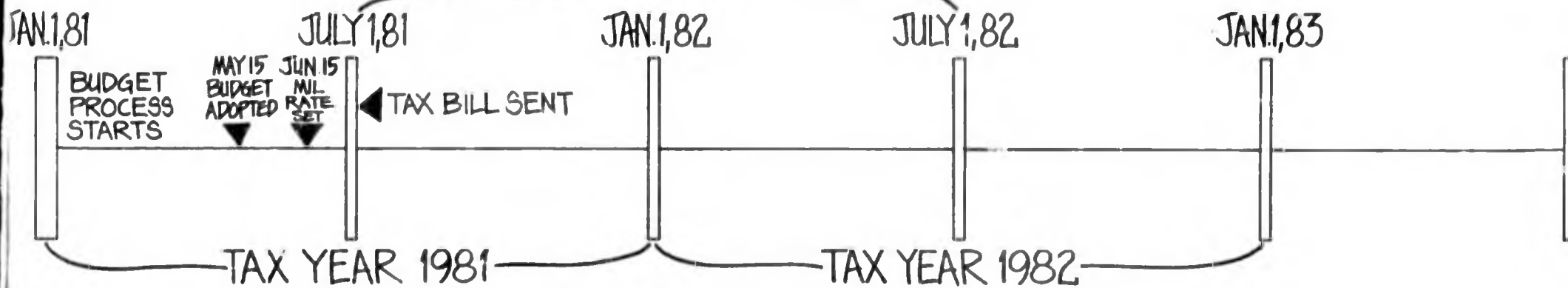


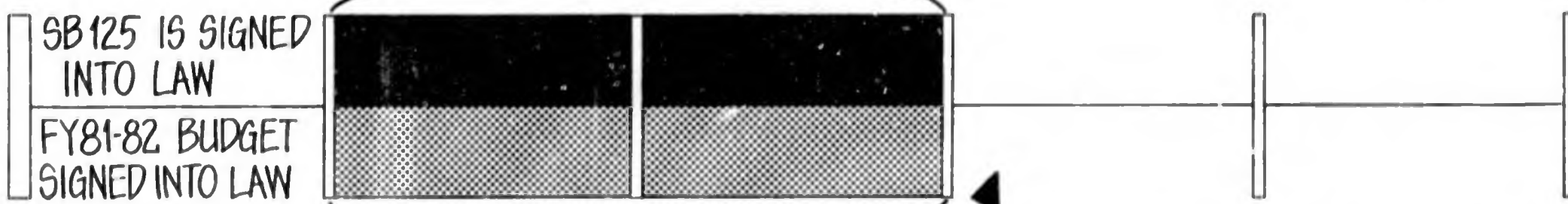
ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 86/2

1246 HCRA SB 236 - SB 329 1246

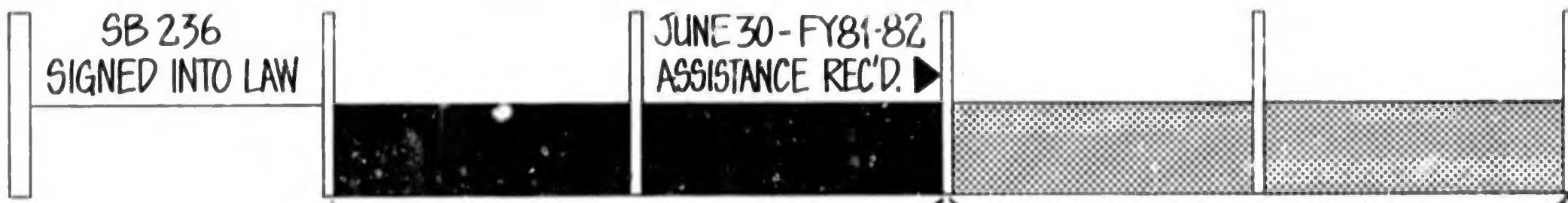
FISCAL YEAR 81-82



FROM SB 125 \$45,100,000



FROM FY 81-82 BUDGET \$80,500,000



MUNICIPALITIES OPERATE ON SB 125 ASSISTANCE - \$45,100,000

MUNICIPALITIES OPERATE ON FY 81-82 ASSISTANCE - \$80,500,000



Official Business

Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

Summary - SB 236 by Gilman, Dankworth, Bennett

"An Act relating to assistance to municipalities; and providing for an effective date."

The bill directs the Department of Revenue to distribute municipal assistance payments on the last day of the fiscal year for which the appropriation is made. A municipality would spend the funds in the fiscal year following the one in which the appropriation was made giving municipalities almost a year's notice and lead time to budget for municipal assistance revenues.

S

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Sec. 46.03.030. Grants for water supply, sewerage and solid waste facilities. (a) Repealed by § 19 ch 220 SLA 1976.

(b) The department may grant to a municipality, as funds are available, up to 50 percent of eligible costs not financed by the federal government, for public water supply, treatment and distribution systems and public sewage collection, treatment and discharge facilities for which construction has not commenced on or before June 21, 1976. The eligible cost of a project or portions of a project will be as determined by the federal agency granting the most monetary assistance. On projects or portions of projects, for which federal participation is not available, eligible costs will be determined by the department in accordance with (d) of this section. Projects shall be constructed in accordance with plans and specifications approved by the department.

(c) There is a water supply, sewerage and solid waste facilities fund created in the department to carry out the purposes of this section.

(d) The department shall, by regulation, identify those costs which are eligible costs for the purposes of this section. Eligible costs include the costs established in a construction contract which are necessary for construction of a project, but do not include the cost of interest and financing and right-of-way acquisition, or costs related to operation, maintenance, repair or replacement of a project.

(e) The department may grant to a municipality not more than 50 percent of the eligible costs, including costs of obtaining federal waivers from the requirement for secondary treatment plants, which are not paid for by the federal government for solid waste processing or disposal facilities constructed after July 1, 1980. However, the department may grant a municipality up to 60 percent of the eligible costs not paid for by the federal government for a solid waste processing or disposal facility constructed after July 1, 1980, if the facility is used for resource recovery. The eligible costs of a solid waste processing or disposal facility are determined by the federal agency granting the most monetary assistance for construction of the facility. For a solid waste processing or disposal facility for which federal money is not available, the department shall determine the eligible costs in accordance with (d) of this section. A municipality shall construct solid waste processing or disposal facilities financed by grants under this section according to plans and specifications approved by the department. (§ 3 ch 120 SLA 1971; am §§ 2, 19 ch 220 SLA 1976; am §§ 30, 31 ch 168 SLA 1978; am §§ 1-4 ch 163 SLA 1980)

Effect of amendments. — The 1978 amendment added "in accordance with (d) of this section" to the end of the third sentence of subsection (b) and added subsection (d).

The 1980 amendment deleted "the lesser of preceding "50 percent of" and "the" preceding "eligible costs", and substituted

"costs" for "cost or 50 percent of the eligible cost," near the beginning of subsection (b), substituted a comma for "and" following "water supply," and "and solid waste facilities" for "systems" in subsection (c), rewrote subsection (d), and added subsection (e).

Trade and Commerce
Title 45

The Honorable Don Bennett
The Honorable M. E. Dankworth

-2-

April 15, 1981

The following amendment is suggested to AS 46.03.030(d):

"The department shall by regulation, identify costs which are eligible costs for the purposes of this section. Eligible costs include the costs [established in a construction contract] which are necessary for the completion [construction] of a project, but do not include the cost of interest and financing and right-of-way acquisitions, or costs of [related to] operation, maintenance, repair or replacement of a project."

It is the opinion of the office of the Attorney General that the suggested amendment will authorize the department to award grants for the purchase of water delivery and sewage collection vehicles from funds appropriated by the Legislature. We have asked the Attorney General to advise whether this statutory change would alter the constitutional limitation prohibiting the use of bond funds for grants on vehicles.

The department apologizes for the short notice on this suggested amendment to SB 252. We strongly recommend your consideration of our request.

Sincerely,

Ernst W. Mueller
Ernst W. Mueller
Commissioner

cc: Senator Jalmar Kerttula
Senator Tim Kelly
Senator Bill Ray
Representative Jim Duncan
Representative Sam Cotten

GOVERNOR'S ACTION

Aid to Sen. Ziegler
(legislative employees)

SENATE RESOLUTION NO. 30, (see pages 999;1011). Read by the Governor on June 14 - Senate Resolve No. 8, 1982 (recognizing McKie Campbell, Bobby Carroll, Glenn Svendsen and Russ Josephson for their efforts in coming to the aid of Senator Robert H. Ziegler, Sr.).

Aid to Sen. Ziegler
(Juneau Fire Dept.)

SENATE RESOLUTION NO. 31, (see pages 999;1011). Read by the Governor on June 14 - Senate Resolve No. 9, 1982 (recognizing members of the Juneau Fire Department for their quick and efficient response to a crisis in the Alaska Senate).

BILLS VETOED BY THE GOVERNOR

Water, Sewer & Solid Waste Facilities

HOUSE CS FOR CS FOR SENATE BILL NO. 252 (FIN)(AM. HOUSE), (see pages 793;824;834;891;957;979). Vetoed by the Governor on June 16. The following message accompanied the bill:

Under the authority of art. II, sec. 15, of the Alaska Constitution, I have vetoed House Committee Substitute for Committee Substitute for Senate Bill 252 (Fin) am H, relating to grants for water supply, sewerage and solid waste facilities; and providing for an effective date. While I support the basic thrust of this bill - increasing the state's grant proportion of water, sewer and solid waste facilities - there are several provisions which are objectionable.

The bill would allow replacement of obsolete facilities to be grant eligible. In the past, the Department of Environmental Conservation has funded only new construction, expansion, and modification of facilities. Replacement of obsolete facilities should be funded by revenues accumulated from user charges. In this way, communities and users are encouraged to provide adequate operation and maintenance or they will foot the bill for costs to replace projects which have become "obsoletes" through neglect.

The bill would also apparently allow funding of water delivery and hoop bucket collection vehicles. The Attorney General has ruled that these vehicles cannot be eligible for funding through general obligation bond financing, as the Constitution restricts general obligation bonds to capital projects. General fund moneys could be used for vehicles; however, the principle source of funds for water and sewer projects has been general obligation bonds.

Finally, the bill would mandate that the Department of Environmental Conservation provide grants to communities with village safe water projects to assist in operation and maintenance of those projects. Presently, the authority to provide those grants is contained in the Village Safe Water Act and is discretionary. If the department determines that a community must have a state grant for the project to survive, and if the operation is sufficiently cost-efficient and funds are available, the department can fund grants to these villages. The proposed revisions would mandate these grants regardless of the community's ability to pay, the operating history of the project, or how well it is run. To the extent possible, these projects should pay their own way without relying on the State to subsidize them. *

A veto of this bill would have little affect over the next year. No funds were appropriated by the legislature to implement the provisions of the bill; in fact, the Department of Environmental Conservation does not have sufficient funds to amend grants under the existing formula to the extent it has grant applications. There is also no funding available for operation and maintenance grants to communities with village safe water facilities.

I am requesting the Commissioner of Environmental Conservation to work on draft legislation addressing these issues for me to consider for submittal to the next legislature.

filed 8/82 ls

GOVERNOR'S ACTION

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Aid to Sen. Ziegler (Juneau Fire Dept.) SENATE RESOLUTION NO. 31, (see pages 999;1011). Read by the Governor on June 14 - Senate Resolve No. 9, 1982 (recognizing members of the Juneau Fire Department for their quick and efficient response to a crisis in the Alaska Senate).

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I am requesting the Commissioner of Environmental Conservation to work on draft legislation addressing these issues for me to consider for submittal to the next legislature.

SB 252

Mtg. 5/11/82

HCRRA

O'Connell
Cloakem
Byzoma

~~Att~~ Kelton

- 70% - 75% - Senate Deleted Fiscal Note -
no way to fund bill -
- Will have to fund fewer even if we fund
at 50% level - 20 mill req. just to
hold even.
- FY82 - funded 30 mill worth of projects -
backlog of unfunded projects @ 20 mill.
- Gov proposed 30 mill in Bond proposition.
- Comm wants to make 30% grants to stretch
the funds further.

Cloakem - 030 (b) difference - House limits partial
to lesser 75 elig costs not financed on
87.5% - Senate doesn't list 2 and
never will occur -

Kelton
Cloakem - Net effect is the same.

1st year run out of \$ - either prioritize projects or

Lockmi - Effect absent the \$ is to increase % but spread
\$ will go to fewer projects.

Sec 2 - "Absolute" clause - Re AD. opinions @ the
request of the AMT.

- Effect of amendment -

Lockmi - Unworkable - less trouble w/ House version.

- Move to amend SB252 by replacing CS for WB304
(HESS) with

intent re fiscal note - nothing in cap budget -
\$20 mill to complete project

OC - Should fund w/ fiscal note of \$20 mill.

Vote All in favor - 4 - Anderson Absent -

Clay - Move the bill & attach \$20 mill
fiscal note.

CSSB Fiscal note is zero, analysis follows:
252
(FIN)

This fiscal note reflects a zero impact because the two engineers described in the previous fiscal note are provided for in HB 840.

Also, there is no increase in the grants and claims line item because the Governor's FY 83 capital budget already has \$25,000,000 included for this program. This legislation increases the percentage a municipality may receive from the state not the total amount of capital funds needed to operate the program.

IV. DATE 3-3-82 PREPARED BY Senator Frank R. Ferguson
AGENCY Legislature
PHONE 465-4923

CSSB Senate HESS committee
893 SB 893 - Section 4
(HESS) General Obligation Bonds for School district Construction

COMPARISON BETWEEN CS for SB 893 (HESS) and SB 893

School District	SENATE HESS PRIORITY	Thousands of Dollars	
		HESS CS SB 893	SB 893
(1) Ada School District	33	10,488.00	8,785.
(2) Alasha Gateway School District			9,000.
(3) Aleutian Chain School District	12,13,14	9,476.00	7,500.
(4) Annette Island School District			320.
(5) Barling Straits School District	4,5,6,7,11,27,9	11,485.00	10,500.
(6) Copper River School District			3,000.
(7) Craig City School District			3,500.
(8) Delta/Grady School District	30,31,34	2,600.00	3,920.
(9) Dillingham City School District			5,120.
(10) Hyakburg City School District			323.
(11) Iditarod Area School District	29	2,500.00	8,500.
(12) City and Borough of Juneau School District			8,000.
(13) King Cove City School District			9,750.
(14) Ketchikan Gateway Borough School District			10,000.
(15) Klaskanin City School District			340.
(16) Kodiak Island Borough School District			3,830.
(17) Kuspa School District			9,000.
(18) Lake and Peninsula School District	21.	2,055.00	4,193.
(19) Lower Kuskowim School District	20,37	11,737.00	3,680.

34
FOR SB252

A M E N D M E N T

TO: CSSB 252(Fin)

By Sackett

Page 1, line 25 - page 2, line 4:

Delete all material and insert the following:

* Sec. 2. AS 46.03.030(d) is amended to read:

(d) The department shall, by regulation, identify those costs which are eligible costs for the purposes of this section. Eligible costs include the costs [ESTABLISHED IN A CONSTRUCTION CONTRACT] which are necessary for construction of a project including the costs of replacing obsolete facilities, but do not include the cost of interest and financing and right-of-way acquisition, or costs related to operation, maintenance, and normal repairs. Eligible costs include the costs of the initial purchase of water delivery and honey bucket collection vehicles if the vehicles are determined by the department to be cost effective compared with conventional water supply and sewage collection systems. Eligible costs also include the cost of facilities for the maintenance and storage of those vehicles [REPAIR OR REPLACEMENT OF A PROJECT].

Page 2, following line 22 insert the following:

* Sec. 4. AS 46.03.900(19) is amended to read:

(19) "sewer system" or "sewerage system" means pipelines or conduits, pumping stations, and force mains, and all other appurtenant constructions, devices, and appliances used for conducting sewage,

industrial waste, or other wastes to a point of ultimate disposal and includes the original purchase of water delivery and honey bucket collection vehicles if the vehicles are determined by the department to be cost effective compared with conventional water supply and sewage collection systems and facilities for the maintenance and storage of those vehicles;

Page 2, line 23:

Change "Sec. 4" to "Ser. 5"

POSITION PAPER ON SENATE BILL 252

by
ERNST W. MUELLER, COMMISSIONER
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
Before the
HOUSE C&RA COMMITTEE
May 5, 1982

Senate Bill 252 amends existing statute AS 46.03.030. This statute authorizes the Department of Environmental Conservation to award grants up to 50 percent of the eligible costs for water, sewerage, and solid waste facilities. The primary purpose of the amendment is to increase the State's grant percentage to 70 percent. The Bill also provides for an effective date.

The Department supports this legislation for several reasons:

- 1) Small municipalities are often unable to raise the 50 percent local match required under the existing statute. The proposed amendment will allow many of these municipalities to improve their basic sanitation services.
- 2) Federal matching grants have been drastically reduced. It is expected that no EPA construction grant funds for FY-82 will be appropriated. Adoption of SB 252 with the accompanying fiscal note will help offset the impact of decreased federal revenues.
- 3) Alaska's residents will receive a nontaxable financial benefit. An increase in State funds will reduce LID and property assessments, thereby providing a financial benefit. Since there is no direct monetary return to the taxpayer, there can be no increase in their federal income tax.

The Department also supports the amendment suggested in Commissioner Ernst Mueller's April 15, 1981, letter to Senators Bennett and Dankworth. This amendment would enable the Department to continue the practice of awarding grants for water delivery and sewerage collection vehicles when this is a cost effective alternative. An opinion by the Office of the Attorney General now prevents us from awarding these grants.

Adoption of SB 252 will result in construction of projects that would not have been built under the 50 percent State grant program. As a practical matter, however, there is no means by which we can detail exact projects of their cost. We estimate the combined affect of decreased federal funds and passage of SB 252 would result in an increased funding demand of approximately \$20.0 million per year. The present grant demand averages over \$24 million per year. Therefore, the total demand for municipal grants for water, sewerage, and solid waste projects is expected to exceed \$44.0 million for FY-83 with the adoption of SB 252.

However, the grant program has been without funding since early January, and we presently have over \$19.0 million in grant applications which we are unable to fund. A bond proposition for \$30.0 million is proposed for the 1982 general election. It is apparent we will be able to fully obligate this \$30.0 million as soon as it is available at the present level of funding. To fully fund this program at the 70 percent level for FY-83 and FY-84, as well as finance the existing project backlog, would require \$100.0 to \$110.0 million. Passage of SB 252 without the funding for 70 percent grants will necessitate the award of grants at levels corresponding to available funding resources.

Additionally, a small increase to our staff will be required to handle this expanded program. We project the need for two additional engineers and their support costs. The details of this request are contained in the attached fiscal note.

Thank you for the opportunity to comment. I would be pleased to answer any questions you may have.

Attachment

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 252
 Title an Act relating to grants for water supply, sewerage, and solid waste facilities
 Requested by Kerttula and Kelly Date March 9, 1981

and providing for an effective date.

II. FISCAL DETAIL

Agency Affected Department of Environmental Conservation
 Program Category Affected NRMEC
 BRU, Program, or Subprogram(s) Affected Division of Facility Construction & Operation
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

Assumes an annual increase of 8% for operating budget items and 12% for capital budget item.

	FY 80	FY 81	FY 82	FY 83*	FY 84*	FY 85*
100 PERSONAL SERVICES				89.0	96.1	103.8
200 TRAVEL				17.0	18.4	19.9
300 CONTRACTUAL				8.0	8.6	9.3
400 COMMODITIES				0.5	0.5	0.6
500 EQUIPMENT				2.5	--	--
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.				20,000.0	22,400.0	25,088.0
TOTAL				20,117.0	22,523.6	25,221.6

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83*	FY 84*	FY 85*
GENERAL FUND				20,117.0	22,523.6	25,221.6
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83*	FY 84*	FY 85*
FULL TIME				2.0	2.0	2.0
PART TIME						
TEMPORARY						

*Grants, claims item represents the funding increase needed as a result of SB 252 and decreased federal revenues -- not total program needs.

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Positions requested include Environmental Engineers III & II to process the increased number of grant awards. It may also be necessary to increase our level of effort on some projects, since smaller communities will now be applying for grants. Many of these communities do not have the expertise to administer engineering and construction contracts and will rely on the Department for assistance. There also may be a decrease in the level of effort now devoted to EPA projects. If this occurs, it will not be necessary to fill both positions.

The \$20.0 million estimate for construction funding in FY 83 will need to be an appropriation if funds are to be available for this season's construction. For subsequent years, program funding could be provided through bond authorizations, appropriations, or a combination of the two sources.

IV. DATE May 3, 1982 PREPARED BY Keith Kelton
 AGENCY Alaska Department of Environmental Conservation
 Original: Legislative Finance PHONE 465-2610
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION
FACILITY CONSTRUCTION AND OPERATION DIVISION
STATUS REPORT
OF
MUNICIPAL GRANTS PROGRAM

April 1982

MUNICIPAL GRANTS

The municipal Grants Program is authorized by AS 46.03.030. This program provides grants up to 50 percent of the nonfederally financed costs for water, sewerage, and solid waste improvements. These grants may be used to pay for engineering, construction, legal, administrative and equipment costs. Grants are available only to incorporated municipalities. The State does not provide any operation and maintenance support beyond technical assistance.

Project scope, scheduling, and funding are left to local determination. The Department does not attempt to second-guess the validity or local priority of requested grants. The Department is concerned with approval of construction plans and specifications, contract documents for engineering design and for construction. Progress payments and interim construction inspections are made during the course of the project. Grantees' final project costs are audited by the Department. The emphasis of the program is to minimize grant requirements with the grantees responsible for the majority of project administration.

Funding for this program has been provided by general obligation bonds approved by the voters. Bonds totaling \$112.5 million have been authorized in 1970, 72, 76, 78, and 80. Grants are awarded on a first-come, first-serve basis, subject to the availability of funds. No priority system is presently utilized in awarding these grants.

The program has currently obligated all but approximately \$1.0 million of the bonds approved by the voters. This \$1.0 million is being held in reserve to fund grant increases due to change orders for existing projects under construction. We are in receipt of approved grant applications totaling nearly \$18.7 million, which we are unable to fund at this time. The projects will be funded in the order that applications were approved, subject to the availability of funds. A list of these projects is attached.

The Governor's capital budget request obtains \$10.0 million in general funds that will be available this summer, subject to approval by the Legislature. An additional \$40.0 million is proposed for voter approval in this fall's general election. As can be noted, general fund approval of \$10.0 million by the Legislature will result in over \$8.0 million of projects that cannot be constructed this summer. Delaying these projects by a year will result in approximately a 15 percent increase due to inflation.

It is our estimate that to fully meet the needs of grantees for the 1982 construction season, \$25.0 million will be required and should be available no later than June 1. The balance of program funding requirements could then be met by voter approval of bonds in the 1982 general election. It is estimated that an additional \$50.0 million will need to be approved for FY-83 & 84 if the grants program is to fully respond to the public's demand for sanitation improvements.

If funding is unavailable at the estimated levels of need, we propose to develop a priority system considering public health, benefiting population, and level of existing services. If this occurs, all grantees will be asked to submit their project applications by a specified date for the full calendar year. The projects would then be ranked in accordance with the priority system.

PENDING GRANTS

<u>Project</u>	<u>Date Received</u>	<u>Grant Amount</u>	<u>Date Funded</u>
Anchorage - SD 81-1 Fire Hydrants	12-16-81	\$ 425,520	
W81-13 Dowling Rd Water	12-16-81	100,950	
S81-20 Brown's LID	12-16-81	103,000	
S81-21 AERO LID 112	12-16-81	272,550	
S81-22 Stella LID 112	12-16-81	107,850	
Kotzebue - Water Transmission	12-21-81	232,380	
Water System Exp.	12-21-81	248,320	
Sewer System Exp.	12-21-81	1,153,800	
Ketchikan - Karlanna/Hawkins S/D	12-24-81	90,800	
Anchorage - S81-26 Abbot Loop Manor LID 132	12-31-81	292,650	
S81-18 Original LID 117	12-31-81	45,050	
Ketchikan - Penstock Ktn Lakes	1-11-81	19,320	
Seward - Terminal Water & Sewer SW82-1	1-22-82	1,562,657	
Anchorage - W82-3 Univ. Drive 16" Water	1-26-82	50,950	
W82-4 Ship Avenue Water	1-26-82	20,900	
S82-1 Shackleton LID Sewer	1-26-82	70,500	
S82-2 Alpine Village LID Sewer	1-26-82	238,200	
S82-3 Zodiac LID Sewer	1-26-82	60,250	
S82-4 Fire Lk Int. Phase III	1-26-82	120,694	
W82-2 Northern Lights Water	1-26-82	103,100	
Houston - Sanitary Landfill	2-11-82	30,000	
Anchorage - W82-6 Ship Creek Water Plant Exp.	2-19-82	4,580,850	
W82-5 Ingra St 16" Water 11th-15th	2-19-82	109,619	
Skagway - Solid Waste	2-21-82	211,610	
Water Storage Tank	2-21-82	269,000	
Sitka - Water Storage Tank	2-22-82	1,192,500	
Water Storage Tank	2-22-82	1,186,050	
Valdez - Solid Waste Landfill	2-22-82 (permit)	210,876	
Juneau - Vanderbilt Hill Water	2-23-82	616,431	
- Lemon Road Water	2-23-82	524,173	
Skagway - Water System	2-24-82	628,000	
Juneau - Bayview S/D	2-26-82	684,600	

PENDING GRANTS

Page 2

<u>Project</u>		<u>Date Received</u>	<u>Grant Amount</u>	<u>Date Funded</u>
Valdez	- Pioneer/Chitina Dr W & S	3-09-82	\$ 233,973	
Sitka.	- Car Smasher	3-12-82	11,160	
Sand Point-	Meadows S/D Phase I	3-24-82	1,867,800	
Soldotna	- Kobuk	3-25-82	383,906	
Kake	- Water Dist. Loop	3-30-82	122,305	
Nome	- Increase 82 Water & Sewer	4-01-82	<u>504,236</u>	
			<u>\$18,686,530</u>	

SB 252 TITLE & SPONSOR SUMMARY 14 46 5/05/82 PAGE 1 OF 3
 AMENDED TITLE: CSFB 252(FIN)
 AN ACT RELATING TO GRANTS FOR WATER SUPPLY, SEWERAGE AND
 SOLID WASTE FACILITIES; AND
 PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: KERTTULA. GENERAL DOLLARS \$6 (F. NOTE)
 OTHER DOLLARS 10

CO-SPONSORS: KELLY.
 CURRENT STATUS 5/03/82 IN (H) C&RA FEDERAL FINANCE
 SB 252 SENATE ACTION 14 46 5/05/82 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/09/81	01	1076	FIRST READING -- COMMITTEE REPORTS
04/09/81	02	1076	C&RA -- C&RA EXAM'04
04/29/82	03	1077	FIN -- CLOS
04/29/82	04	1077	FISCAL NOTE EQUALS ZERO
04/29/82	05	1077	ANALYSIS SEN SUPPL 438
04/03/82	06	1117	RLS -- OTHER03 TAKEN UP IMMEDIATELY
05/03/82	07	1118	SECOND READING
05/03/82	08	1118	SIN CS ADOPTED BY UNAN CONSENT
05/03/82	09	1118	ADVANCED TO 3RD READING BY UNAN CONSENT
05/03/82	10	1119	THIRD READING
05/03/82	11	1119	PASSED BY DIV 18-00-02
05/03/82	12	1120	EFFECTIVE DATE VOTE SAME AS PASSAGE

14 46 5/05/82 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/03/82	13	1120	FIRST READING -- COMMITTEE REPORTS C&RA FINANCE RULES

POSITION PAPER
HOUSE BILL 304
HOUSE FINANCE COMMITTEE
March 25, 1982

House Bill No 304 amends existing statute AS 46.03.030. This statute authorizes the Department of Environmental Conservation to award grants up to 50 percent of the eligible costs for water, sewerage, and solid waste facilities. The primary purpose of the amendment is to increase the state's grant percentage to 75 percent. The bill also provides for an effective date.

The department supports this legislation for several reasons:

- 1) Small municipalities are often unable to raise the 50 percent local match required under the existing statute. The amendment will allow many of these municipalities to improve their basic sanitation services.
- 2) Federal matching grants have been drastically reduced. It is expected that the EPA construction grant funds for FY 82 will not be appropriated. Adoption of HB 304 and the accompanying fiscal note will help offset the impact of decreased federal revenues.
- 3) Alaska's residents will receive a nontaxable financial benefit. The increase in state funds will reduce local user fees and property assessments, thereby providing a financial benefit. Since there is no direct monetary return to the taxpayer, there can be no increase in their federal income tax.

The department also supports the House HESS Committee substitute changing the effective date of the legislation to April 1. This change will allow those projects ready to proceed this summer to receive the higher grant participation.

The department also supports the amendment suggested in Commissioner Ernst Mueller's April 15, 1981, letter to Senators Bennett and Dankworth. This amendment will enable the department to continue the practice of awarding grants for water delivery and sewerage collection vehicles when this is the cost effective alternative. A recent opinion by the Office of the Attorney General prevents us from awarding these grants.

Under the existing statute, the department obligated nearly \$30.0 million for new water, sewerage, and solid waste projects in 1981. We estimate that the combination of decreased federal funds and passage of HB 304 will result in a demand for approximately \$41.0 million in grants for FY 83. The department therefore requests that an additional \$20.0 million be appropriated to fully finance the program. If HB 304 passes without a capital appropriation, the department plans to reduce the percentage of grant awards to a level corresponding to available funding resources.

II. FISCAL DETAIL

Agency Affected Department of Environmental Conservation

Program Category Affected NRMEC

BRU, Program, or Subprogram(s) Affected Facility Construction and Operation Section

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	NA	NA	91.3	98.6	106.5	115.0
200 TRAVEL	NA	NA	14.0	15.1	16.3	17.6
300 CONTRACTUAL	NA	NA	8.0	8.6	9.3	10.1
400 COMMODITIES	NA	NA	.5	0.5	0.6	0.6
500 EQUIPMENT	NA	NA	2.5	---	---	---
600 LAND & STRUCTURES	NA	NA	---	---	---	---
700 GRANTS, CLAIMS, ETC.	NA	NA	20,000.0	40,000.0	43,200.0	46,656.0
TOTAL	NA	NA	20,116.3	40,122.8	43,332.7	46,799.3

FUNDING (Thousands of Dollars)

GENERAL FUND	NA	NA	20,116.3	40,122.8	43,332.7	46,799.3
FEDERAL FUNDS	NA	NA	---	---	---	---
OTHER (Specify Fund Source)	NA	NA	---	---	---	---

POSITIONS

FULL TIME	NA	NA	2.0	2.0	2.0	2.0
PART TIME	NA	NA	1.0	1.0	1.0	1.0
TEMPORARY	NA	NA	---	---	---	---

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This fiscal note details the costs associated with hiring two new engineers (environmental engineers II and III) and converting an existing half time clerk typist II position to full time (PCN 18-7281). It is estimated that these additional staff will be required to handle the increased number of grants that will result from 75% funding. It may also be necessary to increase our level of effort on some projects, since smaller communities will now be applying for grants. Many of these communities do not have the expertise to administer engineering and construction contracts and may rely on the Department for assistance. There may also be a corresponding decrease in the level of effort now devoted to EPA projects. If this occurs, it may not be necessary to fill both engineering positions.

The \$20.0 million estimate for additional grant funding in FY 82 will need to be considered as an appropriation if funds are to be available. For subsequent years program funding may be provided through either bond issues, appropriations, or a combination of the two sources. For subsequent years we also recommend that any additional program expenditures be financed as a capital improvement program with funding coming from either the bond issues or the

IV. DATE March 23, 1981 PREPARED BY KEITH KELTON appropriate

AGENCY Department of Environmental Conservation

PHONE 465-2610

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

ATTACHMENT A

CALCULATION OF INCREASED FUNDING REQUIREMENTS

1980 - Total State grant obligation	\$20.5 M
1980 - State matching grant obligations for EPA projects	<u>4.0 M</u>
1980 - State only grant obligations	16.5 M

EFFECT OF 75 PERCENT FUNDING ON STATE GRANT OBLIGATIONS

\$16.5 M X $\frac{75\% \text{ funding level}}{50\% \text{ funding level}}$	\$24.75 M
--	-----------

EFFECT OF EPA FUNDING REDUCTIONS ON STATE GRANT OBLIGATIONS

Maximum future EPA funding estimated at	\$12.0 M/year
Present EPA funding average is	\$17.0 M/year

State Increase Required	=	\$17.0 - \$12.0	=	5.0 M
State Match	=	\$12.0 X 12.5%	=	<u>1.5 M</u>
				\$ 6.5 M

EFFECT OF SOLID WASTE GRANTS ON STATE GRANT OBLIGATIONS

Estimated annual demand for solid waste grants	\$ 6.0 M
--	----------

TOTAL FUNDING REQUIREMENTS

75% funding effect	\$24.75 M
EPA funding reduction effect	6.50 M
Solid waste grants effect	<u>6.00 M</u>
Total estimated annual needs based on 1980 rates	\$37.25 M

ADJUSTMENT FOR 10 PERCENT ANNUAL INFLATION

\$37.25 X 1.1	\$40.975 M
---------------	------------

Assume minimum FY 1982 funding requirement of	\$41.0 M
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ESTIMATED UNOBLIGATED BOND FUND BALANCE AT JULY 1, 1981

\$27.2 M - \$6.2 M	\$21.0 M Balance
--------------------	------------------

ESTIMATED ADDITIONAL NEEDS FOR FY 82

\$41.0 M - \$21.0 M	\$20.0 M Increase Applied
---------------------	---------------------------

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325

TELEPHONES
(907) 586-1325
586-6526

204 N FRANKLIN ST
JUNEAU, ALASKA 99801

March 23, 1982

To: House Finance Committee
From: Ginny Chitwood, AML Executive Director *GC*
Re: HB 304 - Grants for Water Supply, Sewerage,
& Solid Waste Facilities

The Alaska Municipal League urges your favorable consideration of HB 304, increasing the state share of construction grants for community water, sewer, and solid waste projects from 50% to 75% of the non-federal share.

Public Health Needs: Adequate and clean water, sanitary sewer, and solid waste disposal are basic public health issues that, for the most part, cannot be addressed on an individual basis. Because total costs of these projects are very large, it is hard for many areas to raise the current 50% local match.

Relief for Property Owners: The local share of water and sewer projects traditionally is paid by assessments on local property, not by general municipal taxation. Increasing the state share will provide direct relief to property owners and tax payers by reducing local improvement district (LID) payments.

Price of Land: A big issue for the last several years has been the high cost of land. One reason for the high prices in developing suburban areas is the cost of installing necessary water and sewer systems. Increased state participation in providing these systems will help lower the cost of making land available for use. For example, the per lot assessment for a proposed water system in Juneau would drop from \$1,217.19 to \$608.65 for the smallest lot in the project and from \$8,318.70 to \$4,159.35 for the largest lot, if the state share is increased to 75%. It cost an average of \$13,000 per lot in Ketchikan last year to provide sewerage under the current state construction grants program.

Mandated Costs: Many of the municipal water, sewer, and solid waste projects have costly additional features, not because communities want them but because they are

TO: Honorable Donald E. Clocksin
House Representatives

DATE: April 1, 1981

FILE NO:

TELEPHONE NO:

FROM:

Keith Kelton
Chief, Facility Construction &
Operation
Department of Environmental Conservation

SUBJECT: HB 304

In response to your request the Department proposes the following substitute wording for the first full sentence beginning on line 16 of page 1 of HB 304:

"A grant awarded under this subsection, for a project partly financed by the federal government, shall be limited to the lesser of 75 percent or the difference between the amount of the federal financing and 87.5 percent of the eligible project costs."

It is our belief that the proposed substitute wording will clarify any potential conflicts with line 12 and will still retain the provisions for local financing of 12.5 percent. Please advise if you have any additional concerns.

cc: Rep. Jim Duncan
Ginny Chitwood
Senator Donald Gilman

S

B

B

14

COMMITTEE REPORT

HOUSE

4/1/82

FURTHER: FINANCE

(5)

Date: 4/16/82

Mr. Speaker:

COMMUNITY & REGIONAL
AFFAIRS

The Committee on _____ has had CSSB 314 (C&RA) am

"An Act relating to exemptions from municipal property taxation; eff date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Robert H. Blumenthal

H. Chok

Need new fiscal note

Robert H. Blumenthal
CHAIRMAN



Official Business

Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

Summary -----CSSB 314(CRA)am

The Senate Committee Substitute for SB 314 allows exemption from municipal property tax assessments on one motor vehicle owned by a resident Alaskan who is over 65 and exempts such a person from payment of municipal motor vehicle registration tax (AS 28.10.431). It also provides that the state will reimburse a municipality for revenues lost to it by the exemption from payment of registration tax. Amends existing statutes effective immediately and retroactive to January 1, 1982.

Upon passage of the revised municipal code, the appropriate sections of the new code would be amended, and the amendments to the old code would be repealed.

Senate floor action included an amendment offered by Senator Ray:

language included: "per household" Page 1, line 16.

Chapter 53. Municipal Assessment and Taxation.

Article 1. Municipal Property Tax.

Section	Section
20. Required exemptions	50. Tax limitation
25. Optional exemptions and exclusions	55. No limitation on taxes to ^{by} bonds
35. Farm or agricultural lands	60. Full and true value
45. Tax on oil and gas production and pipeline property	100. Assessment roll

Sec. 29.53.010. General property tax.

NOTES TO DECISIONS

The North Slope Borough is a viable legal entity with powers to tax as provided to boroughs by this section. Arco Pipe Line Co. v. North Slope Borough.

Superior Court, 4th Jud. Dist., C.A. No. 73-336 and C.A. Nos. 73-294 to 73-306 (1973).

Sec. 29.53.020. Required exemptions. (a) The following property is exempt from general taxation:

- (1) municipal, state or federally owned property, except that private leaseholds, contracts or other interest in the property shall be taxable to the extent of those interests;
 - (2) household furniture of the head of a family or a householder not exceeding \$500 in value;
 - (3) property used exclusively for nonprofit religious, charitable, cemetery, hospital or educational purposes;
 - (4) property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of the auxiliary of such organization;
 - (5) money on deposit;
 - (6) the real property of certain residents of the state to the extent and subject to the conditions provided in (e) of this section.
 - (7) real property to the extent and subject to the conditions provided in (j) of this section.
 - (8) inventories located within a foreign trade zone established under AS 45.77.010, before those inventories are cleared by the United States Customs Service and admitted into domestic commerce.
- (b) "Property used exclusively for religious purposes" includes the following property owned by a religious organization:
- (1) the residence of a bishop, pastor, priest, rabbi, minister or religious order of a recognized religious organization;
 - (2) a structure, its furniture and its fixtures used solely for public worship, charitable purposes, religious administrative offices, religious education or a nonprofit hospital;

(3) lots supporting and mentioned in (1) or (2) of convenient use;

(4) lots required by local defined in (2) of this subsection

(c) Property described in (is derived is exempt only if t erty by nonprofit religious, c for classroom space.

(d) Laws exempting certai of Civil Procedure (AS 09) do and collected by municipalit

(e) The real property own abode by a resident 65 years the assessed value of the re granted with respect to the s are eligible for an exemption parties shall decide between (the benefit of the exemption. I this subsection which the asse to the parties concerned, has l for the purpose of obtaining t assessor is appealable under .

(f) No exemption may be gra the exemption on a form presc assessors. The claimant must f 15 of the assessment year for w the same year the governing shown may waive the claimant the exemption for that year a application as if timely filed. T tion for each assessment year application is filed within the assessor, he shall allow an exen of this section. If a claimant w assessment year has been waiv application for exemption is a claimant may have already pai to the property exempted shall at any time require proof in the and amount o an exemption cl

(g) The state shall reimburse the real property tax revenues section. However, reimburseme revenue lost to it only to the ext which was granted by the borou cation by an individual would city, under AS 29.53.025(a).

(3) lots supporting and adjacent to a structure or residence mentioned in (1) or (2) of this subsection which are necessary to convenient use;

(4) lots required by local ordinance for parking near a structure defined in (2) of this subsection.

(c) Property described in (a) or (b) of this section from which income is derived is exempt only if that income is solely from use of the property by nonprofit religious, charitable, hospital, or educational groups for classroom space.

(d) Laws exempting certain property from execution under the Code of Civil Procedure (AS 09) do not exempt the property from taxes levied and collected by municipalities.

(e) The real property owned and occupied as a permanent place of abode by a resident 65 years of age or over is exempt from taxation of the assessed value of the real property. Only one exemption may be granted with respect to the same property and, if two or more persons are eligible for an exemption with respect to the same property, the parties shall decide between or among themselves which shall receive the benefit of the exemption. No real property may be exempted under this subsection which the assessor determines, after notice and hearing to the parties concerned, has been conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor is appealable under AS 44.62.560 — 44.62.570.

(f) No exemption may be granted except upon written application for the exemption on a form prescribed by the state assessor for use by local assessors. The claimant must file the application no later than January 15 of the assessment year for which the exemption is sought, but during the same year the governing body of the municipality for good cause shown may waive the claimant's failure to make timely application for the exemption for that year and authorize the assessor to accept the application as if timely filed. The claimant must file a separate application for each assessment year in which the exemption is sought. If an application is filed within the required time and is approved by the assessor, he shall allow an exemption in accordance with the provisions of this section. If a claimant whose failure to file by January 15 of the assessment year has been waived as provided in this subsection and the application for exemption is approved, the amount of tax which the claimant may have already paid for the assessment year with respect to the property exempted shall be refunded to him. The assessor may at any time require proof in the form he considers necessary of the right and amount of an exemption claimed under this section.

(g) The state shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of (e) of this section. However, reimbursement will be made to a borough or city for revenue lost to it only to the extent that the loss exceeds an exemption which was granted by the borough or city, or which upon proper application by an individual would have been granted by the borough or city, under AS 29.53.025(a).

Title 26
Military Affairs
and Veterans

17479
Map Version

4/16/20
Assessment Year

4/16/20
Assessment Year

(h) Except as provided in (g) of this section, nothing in (e)—(i) of this section affects similar exemptions from property taxes granted by municipalities on September 10, 1972 or prevents municipalities from granting similar exemptions by ordinance as provided in AS 29.53.025(a).

(i) In (e) — (i) of this section the term "real property" includes but is not limited to mobile homes, whether classified as real or personal property for municipal tax purposes.

(j) Two percent of the assessed value of a structure is exempt from taxation if the structure contains a fire protection system approved under AS 18.70.081, in operating condition, and incorporated as a fixture or part of the structure. The exemption granted by this subsection is limited to

(1) an amount equal to two percent of the value of the structure based on the assessment for 1981, if the fire protection system is a fixture of the structure on January 1, 1981; or

(2) an amount equal to two percent of the value of the structure based on the assessment as of January 1 of the year immediately following the installation of the fire protection system if the fire protection system becomes a fixture of the structure after January 1, 1981. (§ 2 ch 118 SLA 1972; am §§ 1, 2 ch 60 SLA 1973; am § 1 ch 65 SLA 1975; am § 1 ch 191 SLA 1976; am § 1 ch 217 SLA 1976; am §§ 1, 2 ch 229 SLA 1976; am § 1 ch 97 SLA 1977; am §§ 2, 3 ch 45 SLA 1980; am § 2 ch 95 SLA 1980.)

Effect of amendments. — The 1973 amendment deleted "whose gross annual income totals less than \$10,000" preceding "is exempt" in the first sentence of subsection (e), deleted the language beginning "however" from the end of the present second sentence of that subsection, and deleted the language following "exemption claimed under this section" from the end of the fourth sentence of subsection (f).

The 1975 amendment, in subsection (f), divided the former second sentence into the present second and third sentences by substituting "The claimant" for "and" at the beginning of the present third sentence, added the language beginning "but during the same year" to the end of the second sentence, and added the present fifth sentence.

The first 1976 amendment, in subsection (b), substituted "a bishop, pastor" for "the pastor" in paragraph (1) and inserted "religious administrative offices" in paragraph (2).

The second 1976 amendment, in subsection (e), deleted "After January 1, 1973" from the beginning of the first sentence, added the language beginning "up to and

including an assessed value limit" to the end of that sentence, and added the former second sentence.

The third 1976 amendment added the second sentence of subsection (g), added "Except as provided in (g) of this section," to the beginning of subsection (h), and deleted the former second sentence of subsection (h), which read "However, under (e) — (i) of this section only the amount of revenue lost to the municipality by reason of the exemption authorized in those provisions may be reimbursed to the municipality by the state."

The 1977 amendment, in subsection (e), deleted "up to and including an assessed value limit determined no later than January 15 of each year by the commissioner of the Department of Community and Regional Affairs" from the end of the first sentence and deleted the former second sentence, which read "The assessed value limit is the upper limit of the third quartile class in a frequency distribution of previous year assessed values in the state."

The first 1980 amendment, added paragraph (7) of subsection (a) and subsection (j).

The second 1980 amendment paragraph (8) of subsection (a).

NO

Strict construction.

The courts must narrowly construe granting tax exemptions. Anchorage Area Borough v. Sisters of Charity of House of Providence, Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Burden of showing eligibility for exemption. — A taxpayer claiming exemption has the burden of showing the property is eligible for the exemption. Greater Anchorage Area Borough v. Sisters of Charity of House of Providence, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Exclusive use for nonprofit purposes, etc., must be shown in order to qualify for an exemption. Taxpayer must show not beneficial exclusive use for nonprofit or charitable, cemetery, hospital or educational purposes. Greater Anchorage Area Borough v. Sisters of Charity of House of Providence, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

When the property in question is used even in part by nonexempt parties for private business purposes, there can be no exemption. Greater Anchorage Area Borough v. Sisters of Charity of House of Providence, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Sec. 29.53.025. Optional exemptions. Municipalities may exclude or exempt property from taxation by ordinance or special election. An exclusion or exemption may not exceed \$10,000 for

(b) Municipalities may by ordinance (1) classify boats and vessels and (2) list the assessed valuation of registered or certificated net tonnage. The valuation shall not exceed \$5,000 net tons and shall not exceed \$10,000 for vessels less than five net tons;

(2) classify and exempt from taxation (A) the household furniture and (B) the property of an organization for profit-making purposes and to the extent provided that income derived therefrom does not exceed the actual cost to the

The second 1980 amendment, added paragraph (8) of subsection (a).

NOTES TO DECISIONS

Strict construction.

The courts must narrowly construe statutes granting tax exemptions. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Burden of showing eligibility for exemption. — A taxpayer claiming a tax exemption has the burden of showing that the property is eligible for the exemption. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Exclusive use for nonprofit religious, etc., purposes must be shown. In order to qualify for an exemption, the taxpayer must show not benefits, but exclusive use for nonprofit religious, charitable, cemetery, hospital or educational purposes. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

When the property in question is used even in part by nonexempt parties for their private business purposes, there can be no exemption. *Greater Anchorage Area Borough v. Sisters of Charity of House of Pro-*

vidence, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Actual use rather than owner's use should be analyzed in determining eligibility for an exemption. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Office space rented to doctors engaged in private practice. — Office space in a building partially used exclusively for nonprofit hospital purposes, rented to doctors engaged in the private practice of medicine by a nonprofit charitable and religious corporation, was not exempt from taxation. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

While the use of office space by doctor-tenants in conducting their private practices does provide incidental benefits to the adjacent hospital, the office space is not used exclusively for hospital purposes. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Sec. 29.53.025. Optional exemptions and exclusions. (a) Municipalities may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at a regular or special election. An exclusion or exemption authorized by this section may not exceed \$10,000 for any one residence.

(b) Municipalities may by ordinance

(1) classify boats and vessels for purposes of taxation and may establish the assessed valuation of boats and vessels on the basis of their registered or certificated net tonnage; a tax based upon a tonnage valuation shall not exceed \$5 a year for a boat or vessel of less than five net tons and shall not exceed \$15 a year for a boat or vessel of more than five net tons;

(2) classify and exempt from taxation

(A) the household furniture over \$500 in value and the effects of the head of a family or a householder; and

(B) the property of an organization not organized for business or profit-making purposes and used exclusively for community purposes, provided that income derived from rental of such property does not exceed the actual cost to the owner of the use by the renter; and

Title 26
Military Affairs
and Veterans

Year 74
Major Sullivan

Division of Administration
File 26

Division of Administration
File 26

State of Alaska

Department of Community & Regional Affairs

Date: April 14, 1982

POSITION PAPER

Requested by: House C & RA Committee

Subject: CSSB 314 am

Departmental Position: Strongly Support

Remarks:

The Department of Community and Regional Affairs strongly supports the passage of CS SB 31. (C&RA) am.

Under current law only certain taxing municipalities may exempt Senior Citizen motor vehicles from taxation. In spite of that fact, the law requires the Department to reimburse all taxing municipalities for the exemption of qualifying Senior Citizen motor vehicles.

This bill corrects that situation by providing the exemption for Senior Citizen motor vehicles in all taxing municipalities.

The Senate has acted on recommendations previously submitted by the Department to bring the original bill into its present form. All problems we had with the bill have now been resolved.

Thank you for your consideration of this bill.

PV/db/0877X

Original sponsors: Rodey, Dankworth
and Kerttula

Offered: 3/18/82
Referred: Finance

1 IN THE SENATE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 3 FOR SENATE BILL NO. 314 (C&RA) am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to exemptions from municipal property
7 taxation; and providing for an effective date."

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

9 * Section 1. AS 29.53.020(h) is amended to read:

10 (h) Except as provided in (g) of this section, nothing in (e) -
11 (i) or (k) of this section affects similar exemptions from property
12 taxes granted by a municipality [MUNICIPALITIES] on September 10, 1972
13 or prevents a municipality [MUNICIPALITIES] from granting similar ex-
14 emptions by ordinance as provided in AS 29.53.025(a).

15 * Sec. 2. AS 29.53.020 is amended by adding new subsections to read:

16 (k) One motor vehicle per household owned by a resident 65 years
17 of age or older on January 1 of the assessment year is exempt either
18 from taxation on its assessed value or from the registration tax under
19 AS 28.10.431. An exemption may be granted under this subsection only
20 upon written application on a form prescribed by the Department of
21 Public Safety. The state shall reimburse a municipality for tax reve-
22 nues lost to it because of the exemption required by this subsection.
23 Reimbursement to a municipality equals the amount of registration tax
24 authorized under AS 28.10.431(b) for each vehicle exempted under this
25 subsection.

26 (l) The Department of Community and Regional Affairs shall adopt
27 regulations to implement the provisions of (g) and (k) of this section.

28 * Sec. 3. AS 29.45.030(h) is amended to read:

29 (h) Except as provided in (g) of this section, nothing in (e) -

Same as 180

← not in 180

1 (1) or (k) of this section affects similar exemptions from property taxes
2 granted by a municipality on September 10, 1972 or prevents a munici-
3 pality from granting similar exemptions by ordinance as provided in
4 AS 29.53.025(a).

5 * Sec. 4. AS 29.45.030 is amended by adding new subsections to read:

6 (k) One motor vehicle per household owned by a resident 65 years
7 of age or older on January 1 of the assessment year is exempt either
8 from taxation on its assessed value or from the registration tax under
9 AS 28.10.431. An exemption may be granted under this subsection only
10 upon written application on a form prescribed by the Department of
11 Public Safety. The state shall reimburse a municipality for tax reve-
12 nues lost to it because of the exemption required by this subsection.
13 Reimbursement to a municipality equals the amount of registration tax
14 authorized under AS 28.10.431(b) for each vehicle exempted under this
15 subsection.

16 (l) The department shall adopt regulations to implement the pro-
17 visions of (g) and (k) of this section.

18 * Sec. 5. The exemption authorized in AS 29.45.030(k) as added in sec. 4
19 of this Act is in effect beginning with the calendar year 1982.

20 * Sec. 6. The amendments made in secs. 1 and 2 of this Act are repealed.

21 * Sec. 7. AS 28.10.411(c) and (d) are repealed.

22 * Sec. 8. The amendments and repeals made in secs. 1, 2, and 7 of this
23 Act are retroactive to January 1, 1982.

24 * Sec. 9. The amendments made in secs. 3 - 6 of this Act take effect on
25 the effective date of a version of House Bill No. 170 or Senate Bill No. 180
26 revising AS 29.

27 * Sec. 10. Sections 1, 2, 7, and of this Act take effect immediately in
28 accordance with AS 01.10.070(c).

Senior Citizen Motor Vehicle Registration Tax

FY 79 Program

January 1 thru June 30, 1979

Municipality	No. of Affidavits	\$ MVRT	Total No. of Affidavits	\$ MVRT	% of Total No. of Affidavits	% of Total \$ MVRT
<u>Exempt Seniors</u>						
Anchorage, Municipality of	1,256	\$25,344				
Ketchikan Gateway Borough	231	4,716				
Petersburg, City of	6	140	1,493	\$30,200	49.1%	52.9%
<u>No Tax on Vehicles</u>						
Fairbanks North Star Borough	362	\$ 5,683				
Juneau, Cft. & Borough of	196	3,885				
Cordova, City of	37	830				
Craig, City of	1	5				
Eagle, City of	2	80				
Pelican, City of	0	0				
Valdez, City of	7	135				
Wrangell, City of	26	300				
Yakutat, City of	1	10	632	\$10,928	20.8%	19.1%
<u>Seniors not Exempt</u>						
Bristol Bay Borough	0	\$ 0				
Haines Borough	54	970				
Kenai Peninsula Borough	298	5,131				
Kodiak Island Borough	30	785				
Matanuska-Susitna Borough	312	5,330				
North Star Borough	0	0				
Sitka, City & Borough of	66	1,335				
Dillingham, City of	8	295				
King Cove, City of	0	0				
Nenana, City of	0	0				
Nome, City of	20	255				
Skagway, City of	14	165				
Unalaska, City of	0	0	802	\$14,274	26.4%	25.0%
<u>Non-Reimbursable</u>						
(Outside Taxing Jurisdictions)	115	\$ 1,681	115	\$ 1,681	3.7%	3.0%
TOTAL			3,042	\$57,083		

from 7/15 - 5/11 - 2,870 - 4,755

Bill Ray

The Office of the State Assessor operates 4 programs for seniors age 65 and older.

By far the largest of the four senior citizen programs is the Property Tax Exemption for Homeowners, which is just winding up its 7th year of operation. Last year 23 municipalities were paid over \$1.7 million for exemptions granted to over 3,100 households. Compared to similar programs in other states, this almost unlimited exemption is the most liberal in the country. Considering the program began with a \$10,000 income limit, the Alaska senior population has experienced a great windfall in this program.

A companion to the Homeowner Exemption is the Senior Citizen Renter Payment. This is a fairly new program, in the 3rd year of operation. About 550 households received almost \$100,000 this year based upon the formula, 1/2% per mill times total annual rent paid. For example, if you live in an area subject to a millage rate of 16, your payment would be 8% of the rent you paid last year. The formula including a \$375 limit per application keeps the average payments to senior renters very low (about \$180 per applicant) compared to those made to the average senior homeowner (about \$520 per applicant).

A third program benefiting seniors is the Sewer and Water Assessment Deferment which exempts seniors from paying local improvement district levies for sewer or water projects so long as the property is owned and occupied by the senior, the minor heir, or widow or widower of the original applicant. This is a lump sum payment to the municipality and the lien is transferred from the local jurisdiction to the State. As evil as the lien sounds at first blush, we see the program as extending an interest free loan to the property. The property has been increased in value by the sewer or water facility, and will in the end pay for that improvement. At the same time, the hard pressed fixed income of the senior is protected from what can be a devastating capital expenditure (these run about \$1,000 to \$8,000 per individual). The Sewer and Water Deferment is a minor program, which has paid about \$156,000 to 161 homeowners since its inception in 1976. A little over \$17,000 has been paid back during the same 3 years.

Last but not least, is our newest program, the Motor Vehicle Registration Tax Payment. This is a strange program that exempts seniors from paying property tax on vehicles so long as the municipality they reside in has opted to have the State collect the tax. Locally collected taxes on vehicles have not been and cannot, under current law, be exempted. Our Department is charged with paying a set fee per senior to a city or borough (and here's the kicker) regardless of whether the jurisdiction is eligible for the tax levied. This means we are paying 3 kinds of municipalities for this exemption. One, those that are actually exempting seniors through the State collection option; two, those that must collect ad valorem tax from seniors locally; and third, those municipalities

SB 317/HB 615 - passed from S. CAC today

that do not tax vehicles at all. We are guessing that this payment will take around \$150,000 for the 1st year's operation, paying for around 5,700 senior vehicles. We are estimating that about \$70,000 of this \$150,000 will be reimbursement for actual revenue loss and that only about 3,500 seniors will be exempted from paying a vehicle tax levy.

Our annual report, "Alaska Taxable", published each January, has a wealth of information on these programs for those that are interested.

POSITION PAPER

Requested by: Senate Community and Regional Affairs

Subject: Regarding exemption from property tax and special road assessments.

Departmental Position: Support

Remarks:

Sections 1 and 2 of HB 314 would correct some problems that exist with the current statute. These problems involve the exemption of senior citizens' motor vehicles and state reimbursement to municipalities for that exemption.

There are currently three procedures in practice within the state regarding taxation of motor vehicles. The present statute was written to cover only one of those practices, leaving the other two as problem areas.

In the case where a municipality has opted to have the state collect taxes on motor vehicles for the municipality, the senior citizen is exempt, and the municipality is reimbursed. This is the way the program was intended to work.

One of the problems is in a municipality where a local property tax is levied on motor vehicles. Based on current statute the state reimburses these municipalities. However, Title 29 currently does not allow the municipalities to exempt the seniors, therefore a double payment to a municipality exists.

The second problem is in municipalities that do not tax motor vehicles. Under statute, the state still reimburses these municipalities for revenues they might have lost.

The Department strongly supports the bill but recommends amendment of (i) to read as follows:

- (1) The state shall reimburse a municipality for revenues lost to it under (k) of this section. The payment shall be an amount equal to the tax levied under AS 28.10.431(b) for each vehicle for which a senior citizen exemption form, as prescribed by the Department of Public Safety, is submitted.

Currently, the senior citizens fill out the exemption form when they buy their license plates. That form is forwarded to the Department of Community and Regional Affairs. The affected municipality is reimbursed based on the schedule located in AS 28.10.431(b).

The existing language in (1) of HB 314 would require reimbursement based on a local levy. That form of reimbursement would require completion of another form by the Senior, another request by the municipality and an additional payment procedure by the state. The Department would recommend the above amendment in order to continue the current very simple and inexpensive administrative process.

Section 3 of the bill deals with a different program. That program currently defers senior citizens' special assessments for sewer and water improvements for as long as the senior citizen resides on the property.

This section of the bill would expand that program to include special road assessments. As with the sewer and water assessments the large bills for special road assessments places a tremendous burden on the limited budget of many senior citizens. Therefore, the Department supports that language. The attached fiscal note is based on estimations prepared by municipalities.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 314
Title Regarding exemption from property tax and special road assessments.
Requested by Senate Community & Regional Affairs Date 3/3/82

II. FISCAL DETAIL

Agency Affected Community & Regional Affairs
Program Category Affected Health & Social Services
BRU, Program, Or Subprogram(s) Affected Senior Citizen tax relief
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES		290.0	319.0	350.9	386.0	424.6
700 GRANTS, CLAIMS, ETC.						
TOTAL		290.0	319.0	350.9	386.0	424.6

FUNDING (Thousands of Dollars)

GENERAL FUND		290.0	319.0	350.9	386.0	424.6
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME		0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

No impact is anticipated from Section 1 and 2 of the bill. Section 3 of bill would require the state to pay special road assessments. Forty-five municipalities were asked to estimate probable impact of the proposed legislation in the respective communities. Only nineteen responses were received and only five of those were able to estimate impact. Based on that limited response it appears that the program would cost approximately \$290,000 if first year. That reimbursement could be handled with existing staff. Subsequent years assume increases of 10% per year.

IV. DATE March 3, 1982

PREPARED BY Terry L. Farley

AGENCY Community & Regional Affairs

PHONE 465-4730

Original: Legislative Finance
cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

32

2

B

9

SB 329 - AN ACT MAKING A SPECIAL APPROPRIATION TO THE ALASKA
MUNICIPAL BOND BANK AUTHORITY FOR THE PURCHASE OF

REVENUE BOND ISSUED BY THE CITY OF NENANA

- general obligation bonds -

Testimony
of
Jack Coghill, Mayor of Nenana
and
David Rose, Executive Director
The Municipal Bond Bank

COGHILL - The history behind this bill is that in the summer of 1980, the Alaska Railroad indicated to the then leasehold operator of their fleet on the Yukon and Tanana Rivers that the General Services Administration was desirous of terminating their contract through the Federal Rail Administration and was going to sell the equipment under the General Services Administration surplus property on October 1. This triggered a flurry. We contacted the Alaska Railroad knowing that the lifeline on the Yukon River all the way from Saint Mary's up to Fort Yukon was in jeopardy because the barge operation on the river operates four months of the year and if they were to put this to the open market, surely this equipment would go out of state and it would devastate the Yukon River transportation system. So we met with the railroad in August and started a scenario going with them whereby the City of Nenana would be interested in acquiring the equipment and continuing an operating lease on the river. This contact stopped the General Services Administration's position of selling the property in October.

Subsequently we met with the Alaska Railroad in November and with the General Services Administration surplus property people and started

to get the appraisal of the equipment put together to find out exactly what the price was and how we could go into the purchase of it. At that time we contacted the Municipal Bond Bank and subsequently Dave Rose started the process going as to finding out what kind of bonds we could get and where we could place them.

In January we signed a letter of intent with the Alaska Railroad and with Yutana Barge Lines, giving them their leasehold right to negotiate first in good faith with the City of Nenana as to the operation of the barges. Subsequently we put the proposition before the people of Nenana and we got a three to one passage on a bond issue on the 21st of February. Since that time we have found that because the assessed valuation of the municipality of Nenana is about \$6.5 million, there was a real question as to whether we could market on the open bond market a \$2.5 million structure. Just to put the figures together--it was real tough. As to the technicality of it, I'll turn that over to Mr. Rose. We have an operating agreement or a letter of intent with Yutana Barge Lines which gives a good substantial pay-back to the bond issue, and we're not looking for any handout; what we're looking for is a method of investing to keep the barge system in tact on the Yukon River and its tributaries.

DAVE ROSE - Mr. Chairman, I'm Dave Rose the Executive Director of the Municipal Bond Bank. Just to amplify a little bit of what Jack has had to say, the bond bank board and, of course myself, h

looked through the request from the City of Nenana, and we are impressed by the public policy implications and the importance of the project with respect to the refueling of the villages in the whole Tanana and Yukon region. We consider the acquisition and the avoidance of the loss of this equipment to be paramount in fuel resupply for these villages. We did, of course, see whether these bonds, the Nenana bonds, could be marketed nationally, or our bonds on behalf of them, and we find that while we think that the loan can be repaid, and we think that the project from an economic standpoint is viable, probably the debt is not that kind of debt that can be nationally marketed. It just would not be accepted on the Wall Street markets as the kind of securities that would normally be purchased. Hence, you have SB 329 which basically appropriates money to the bond bank which would then act to buy the bonds for the City of Nenana. Nenana would on a set schedule pay the bond bank the funds, both principal and interest, over a period of time. The board of directors of the bond bank would be the approving authority with respect to the structuring of the debt in terms of years and rate, and it would be based on ability to pay for the project.

One of the major flaws we found in analyzing the credit was the fact that the plan is for Yutana Barge Lines to continue to operate as they've always operated. The only thing that changes here is the ownership of the floating stock. And the city has some expenses that the railroad does not normally have. For example,

the federal government generally self-insures. Well, in this case the City of Nenana is going to have to buy some insurance. And the maintenance has been allowed to lag a little bit on the federal side and the City of Nenana would want to maintain just a little bit better. So, some of the costs would be a little bit higher than historically what we've seen." And the ability of Yutana Barge Lines to pay is going to fluctuate, of course, with their profitability. All in all, we think it is a good debt. We think it's a good project and we think it has immense regional importance with respect to the resupply of the fuel on the Tanana and Yukon. In this respect we would ask for your support of SB 329. We believe we can administer it, and we think it is a sound project albeit not nationally marketable.

SACKETT - One statement regarding this service. All the way down the Yukon to the mouth, and up the river to the Canadian border, and on the Tanana, the only method by which the villages receive anything--fuel, heavy construction equipment, trucks, building materials--is by ordering it from Fairbanks, having it shipped to Nenana, and then down by barge. All of our diesel fuel is shipped that way and so it's kind of an emergency situation of trying to get the service there, and hopefully somebody running the operation.

STURGULEWSKI - I support this, but I think there is one kind of important thing if you want to look at the safety of it that was brought out in Community and Regional Affairs. Dave, could

you explain the Municipal Bond Bank's call on any revenue sharing funds in case of default on this?

DAVE ROSE - Mr. Chairman, Senator on a general obligation debt, the bond bank has a requirement that if debt is not paid timely, it has the right, in fact by law, it must go in and seize any moneys due from the state to a municipality in an amount necessary to clear or avoid the default. It is a very, very strong provision. Needless to say, the bond bank has been in existence for some five to six years; we've never even had a late payment on some 70 to 80 million dollars of debt. The reason simply is that if a city does not pay, we can levy upon the money due them from the state. So we would expect that we would be paid.

STIMSON - Dave is this an arrangement that you've made in a number of cases for small municipalities?

DAVE ROSE - Senator, no it is not with respect to the state. This is the first one. However, last year we did borrow \$1.7 million dollars from the federal government to handle exactly the same way for the City of Seward, and we borrowed some \$6.7 million from the federal government for construction of the hospital in the Kenai Peninsula Borough. This is the first type like this with respect to the state itself furnishing the funds.

STIMSON - To pursue that just a little bit further. Now when we appropriate this money to the Dept. of Revenue, do we essentially

then just move that money out of our general fund to your bond bank authority and we don't see it any more?

DAVID ROSE - Mr. Chairman, Senator, for the moment that is correct. However, the bond bank does not retain any of its funds that it earns. Within our act there is a requirement that surplus money derived from the appropriation of funds go back to the state general fund. Every year the bond bank earns a surplus. For example, this year we'll turn back some \$460,000 of surplus funds. So that every year if we have surplus moneys they go back to the state. So I would expect in the long run all of this money will be returned to the state under the present law as now written.

SACKETT - You say that this is the first time we've had a situation where the moneys would go along these lines. You had a borrowing program twice. Last year didn't we also have a grant program where the legislature appropriated moneys to Anchorage because they couldn't sell their bonds on the market.

DAVID ROSE - Senator, that was a subsidy program where a lot of cities could not sell their debt in excess of 8%. So what we sold on the national market at 10, there was an appropriation then to make up the differential of the 2%. And that was statewide-- Anchorage, Sitka, Bristol Bay--were major beneficiaries.

DANKWORK - If there are no further questions, I would move it out with individual recommendations.

THE FOLLOWING PAGES WERE TREATED AS
A UNIT IN THE ORIGINAL FILE.

CHAIRMAN:

ROHMAN J. LEVESQUE

BOARD MEMBERS:

THOMAS K. WILLIAMS

LEE MCANERNEY

LANCE ANDERSON

CARROLL FADER



601 WEST FIFTH AVENUE
SUITE 430
ANCHORAGE, ALASKA 99501
(907) 274-7366

EXECUTIVE DIRECTOR:

DAVID A. ROSE

ALASKA MUNICIPAL BOND BANK AUTHORITY

The AMBBA Board of Directors finds that the proposed loan to the City of Nenana is too weak to be funded through a national marketing of bonds and declines to issue debt to fund this loan.

However, the AMBBA Board of Directors believes that the public need, both for the City of Nenana and the entire river system, must be aggressively met in a timely manner.

Therefore it resolves that its Executive Director is directed to work with the City of Nenana to seek other funding alternatives.

Adopted March 3, 1981

71-35

FOSTER & MARSHALL, INC.

INVESTMENT BANKERS AND BROKERS

205 COLUMBIA STREET
SEATTLE, WASHINGTON 98104
(206) 344-2700

OFFICES
IN THE PRINCIPAL CITIES OF THE
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CHICAGO BOARD OPTIONS EXCHANGE

February 23, 1981

Mr. David Rose
Alaskan Municipal Bond Bank
The Financial Plaza
601 West Fifth Avenue
Suite 325
Anchorage, Alaska 99501

Re: City of Nenana Port Authority Project Financing, 1981

Dear Mr. Rose:

The City of Nenana has applied for a loan from the Bond Bank in the amount of \$2.5 million. It is the intent of the City to use proceeds of the proposed bond issue to purchase a tug and barge fleet from the Alaska Railroad. Evidently, during late 1980, the Alaska Railroad decided to discontinue its involvement in operations along the Yukon and Tenena Rivers, and the City of Nenana views the termination of services by the railroad as having a crucial impact on the economic viability of the City. Therein lies the justification for the current project. Voters of the City will decide whether or not to authorize issuance of bonds up to the \$2.5 million amount on February 24, 1981.

FINANCIAL INFORMATION

The City currently has \$43,000 in general obligation debt outstanding and \$215,000 in authorized, but unissued, general obligation debt. With regard to the latter, this bond issue will probably be effected within the next twelve months to retire a Bond Anticipation Note issued during 1979 to construct water and sewer improvements for the City. Based upon the City's current assessed valuation of approximately \$6.0 million, the debt ratio picture with the outstanding and proposed \$215,000 bond issue debt is reasonable. Obviously, the issuance of \$2.5 million in straight general obligation debt would distort the ratio picture to the point of being totally out of the question. The issuance of the proposed \$2.5 million in general obligation debt at this time would eliminate the ability of the City to issue future general obligation debt, specifically, the \$215,000 to retire the outstanding Bond Anticipation Note.

This brings us to the alternative of issuing revenue bonds and pledging revenues of the tug and barge operation to the payment of the bonds with a City general obligation backup as security. Strength of the underlying

revenue security in this type of situation, obviously, is the first consideration. As we understand the structure of the proposed project, the City of Nenana would form a port authority that would purchase the tug and barge vessels from the Alaska Railroad and subsequently lease the vessels to Yutana Barge Lines. Revenues from the lease arrangement would then be used to pay off the bonds. A cursory review of the financial operations of Yutana Barge Lines was of little comfort. Briefly, as shown in Schedule I which is a combined statement of operations for Yutana Barge Line and Black Navigation, the company operated at a loss for the years 1976 and 1977, and at a profit for the years 1978 and 1979. Operating revenues that would be available to pay debt service as of the end of the year 1979, therefore, would be approximately \$175,000. A quick look at the asset and liability structure of the Company shows that the Company was basically insolvent at the end of the year 1979. Schedule II shows a summary of current assets versus current liabilities for the last four years. Another drawback is the source of revenue for the Company. As shown in Schedule III, the Company relies heavily on two sources for the majority of revenue earned. These sources were an unnamed oil company and government agencies. Combined revenues from the two sources accounted for approximately 60% of the total revenues generated by the Company for each of the past four years. Taking a look at the debt equity picture for the Company we see that the Company is extremely highly levered. The debt equity ratio for the company for the past years is summarized in schedule IV; as of the end of the year 1979 debt was almost 4.0 times equity. As shown in the accompanying schedules, this is not the type of financial record that would be looked upon very favorably as an underlying security for debt issued.

We feel that the structure of the project financing as proposed is very weak and would meet with considerable resistance in today's Tax-Exempt Bond Market. The resistance, frankly, might be to the point of not even being possible. Also, the size of debt contemplated whether it be general obligation or revenue debt with the general obligation backup by the City of Nenana would be detrimental to the City's ability to issue further debt. We do not think that is fair to the City. It is therefore our recommendation, that the Bond Bank Board not approve this financing as structured and, further, that it recommend to the City that it seek other alternatives. We will remain available to assist the Bond Bank and the City in any further efforts to secure State or other assistance.

Cordially,

FOSTER & MARSHALL, INC.

John D. Urbina
Vice President
Municipal Finance Department

SCHEDULE 1

YUTANA BARGE LINES/BLACK NAVIGATION

COMBINED STATEMENT

OF

OPERATIONS

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
Operating Revenues:				
Freight	\$3,177,000	\$2,803,000	\$2,767,000	\$2,428,000
Literage & Cargo Handling	420,000	452,000		
Sale of Equipment	143,000	-		
Other	<u>23,000</u>	<u>12,200</u>	_____	_____
Total	<u>\$3,763,000</u>	<u>\$3,267,200</u>	<u>\$2,767,000</u>	<u>\$2,428,000</u>
Operating Expenses	\$2,740,000	\$2,536,000	\$2,350,000	\$1,989,000
General and Administrative Expenses	514,000	443,000	415,000	392,000
Loss on M.V. Fire	105,000			
Interest Expense	202,000	180,000	157,000	133,000
Other Income	<u>(22,000)</u>	<u>(46,000)</u>	<u>42,000</u>	<u>15,500</u>
Income Before Taxes and Extraordinary Items	225,000	124,000	(113,000)	(70,400)
Taxes				
Extraordinary Items	<u>50,000</u>	_____	_____	<u>20,000</u>
Net Income	\$ 175,000	\$ 124,000	\$ (113,000)	\$ (50,400)

SCHEDULE II

CURRENT ASSETS VS. CURRENT LIABILITIES

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
Current Assets	\$437,500	\$572,500	\$385,000	\$311,500
Current Liabilities	<u>440,000</u>	<u>542,000</u>	<u>362,000</u>	<u>498,000</u>
	\$ (2,500)	\$ 30,500	\$ 23,000	\$ (186,500)

SCHEDULE III

MAJOR CUSTOMERS

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
Oil Company	34%	35%	32%	33%
Government Agencies	<u>22%</u>	<u>26%</u>	<u>28%</u>	<u>29%</u>
	56%	61%	60%	62%

SCHEDULE IV

DEBT/EQUITY RATIO

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
	3.73	8.17	9.10	4.12

CHAIRMAN:
NORMAN J. LEVESQUE

BOARD MEMBERS:
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LEE McANULTY
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601 WEST FIFTH AVENUE
SUITE 325
ANCHORAGE, ALASKA 99501
(907) 274-7366

EXECUTIVE DIRECTOR:
DAVID A. ROSE

ALASKA MUNICIPAL BOND BANK AUTHORITY

APPLICATION (Please Print or Type)

The undersigned governmental unit (the applicant) hereby requests purchase by the Alaska Municipal Bond Bank Authority of the bond issue of the applicant described below. *This application shall not be deemed to be a commitment on the part of the applicant or of the Alaska Municipal Bond Bank Authority.*

SECTION I: General Information

(a) Name of Governmental Unit (Applicant): City of Nenana

(b) Name of Chief Administrative Official: John N. Coghill
(Specify title if other than Mayor)

(c) Person to whom correspondence and inquiries concerning this application should be sent: Name: John N. Coghill / Steve Bainbridge
Title: Mayor

Address: Box 177 Nenana, Ak. Phone: 832-5441

(d) Senior Finance Officer - Name: Kaye Knutson
Title: City Clerk-Treasurer Phone: 832-5441

(e) Applicant's Regular Legal Counsel - Name: James DeWitt
Suite 206 - Medical & Arts Bldg.
Address: 1919 Lathrop St. Fairbanks, Ak. 99701 Phone: 452-2211

(f) Bond Attorney for this Issue - Name: Richard O. Gantz
Firm Name: Hughes, Thorness, Gantz, Powell & Brundin
Mailing Address: 509 W. Third Avenue Anchorage, Ak. Phone: 274-7525

(g) Total amount of bond purchase request: \$ \$2,500,000 (2.5 million)

(h) Purpose(s) for which bonds will be used:

<u>Amount</u>	<u>Purpose</u>	<u>Date of Approving Election(s)</u>
<u>2.5 million</u>	<u>Acquisition of Alaska Railroad property and financing of capital improvements related to the development of the Nenana City port operation.</u>	<u>February 24, 1991</u>

(i)

**MATURITY SCHEDULE OF BONDS REQUESTED
(IN DENOMINATIONS OF \$5,000)**

1981 \$ _____	1987 \$ _____	1993 \$ _____	1999 \$ _____
1982 \$ _____	1988 \$ _____	1994 \$ _____	2000 _____
1983 \$ _____	1989 \$ _____	1995 \$ _____	2001 \$ _____
1984 \$ _____	1990 \$ _____	1996 \$ _____	2002 \$ _____
1985 \$ _____	1991 \$ _____	1997 \$ _____	2003 ; _____
1986 \$ _____	1992 \$ _____	1998 \$ _____	2004 \$ _____

(Dated date and monthly maturity date will be specified by the Bond Bank.)

(i) Briefly describe project(s) to be financed with requested bond issue: Purchase of the Alaska Railroads tug and barge fleet and certain personal and real property as described in the "Letter of Intent Between the Alaska Railroad & the City of Nenana" (attached to this application)

(k) Name and address of Engineer/Architect: Steve Bainbridge
Address: City of Nenana Phone: 832-5441
Nenana, Ak. Zip: 99760

(l) Status of Project to be financed with this Bond Issue:
Engineering/Architect's plans and specifications completed? YES NO
If "NO" when do you expect completion? October 1981
When do you plan to open construction bids? April 1982
If regulatory agencies have not yet approved project, when do you expect approval? N/A Date

(m) Source of Funds for Project:	(n) Use of Funds for Project
Bonds being requested \$ <u>2,500,000</u>	Construction \$ _____
Federal Funds _____	Land _____
State Funds _____	Architect/Engineer _____
Applicant's Other Funds _____	Contingency _____
Other (Specify): _____	Other Costs _____
TOTAL FUNDS \$ _____	TOTAL COSTS \$ _____

(o) Have all required Grant funds been approved? YES NO
If "NO", when do you expect final approval? _____ Date

Fill in the following details on presently outstanding General Obligation bonds of your municipality. If you have more than four issues, please attach separate sheet showing annual principal and interest payments, please enclose. If you have more than four issues, please attach separate sheet showing additional issues.

(a)	<u>Issue 1</u>	<u>Issue 2</u>	<u>Issue 3</u>	<u>Issue 4</u>
Original Amount of Issue	\$ <u>300,000</u>	\$ _____	\$ _____	\$ _____
Purpose of Bonds	<u>Construction of school</u>	_____	_____	_____
Date of Issue	<u>December 20, 1967</u>	_____	_____	_____
Amount Outstanding as of				
Date of Application	\$ <u>233,000</u>	\$ _____	\$ _____	\$ _____
Maturity Date (mo/day)	<u>January 1, 1998</u>	_____	_____	_____

<u>Maturities</u>	<u>Amount</u>	<u>Coupon Int. Rate</u>	<u>Amount</u>	<u>Coupon Int. Rate</u>	<u>Amount</u>	<u>Coupon Int. Rate</u>	<u>Amount</u>	<u>Coupon Int. Rate</u>
1981	_____	_____	_____	_____	_____	_____	_____	_____
1982	_____	_____	_____	_____	_____	_____	_____	_____
1983	_____	_____	_____	_____	_____	_____	_____	_____
1984	_____	_____	_____	_____	_____	_____	_____	_____
1985	_____	_____	_____	_____	_____	_____	_____	_____
1986	_____	_____	_____	_____	_____	_____	_____	_____
1987	_____	_____	_____	_____	_____	_____	_____	_____
1988	_____	_____	_____	_____	_____	_____	_____	_____
1989	_____	_____	_____	_____	_____	_____	_____	_____
1990	_____	_____	_____	_____	_____	_____	_____	_____
1991	_____	_____	_____	_____	_____	_____	_____	_____
1992	_____	_____	_____	_____	_____	_____	_____	_____
1993	_____	_____	_____	_____	_____	_____	_____	_____
1994	_____	_____	_____	_____	_____	_____	_____	_____
1995	_____	_____	_____	_____	_____	_____	_____	_____
1996	_____	_____	_____	_____	_____	_____	_____	_____
1997	_____	_____	_____	_____	_____	_____	_____	_____
1998	_____	_____	_____	_____	_____	_____	_____	_____
1999	_____	_____	_____	_____	_____	_____	_____	_____
2000	_____	_____	_____	_____	_____	_____	_____	_____
2001	_____	_____	_____	_____	_____	_____	_____	_____

See attached schedules listed as Attachment "C"

(b) - Complete information below on bonds that have been authorized by the voters but not yet issued:

<u>Purpose</u>	<u>Date of Approving Election</u>	<u>Amount Bonds Authorized</u>	<u>Amount of Authorization Previously Issued</u> <u>Amount</u>	<u>Date</u>	<u>We plan to issue Remainder of Authorized Bonds about: (m/y)</u>
Construction of	April 10, 1978	215,000	\$		
Community Water & Sewer Project					
(See attached "First Renewal of Bond Anticipation Note" date February 1, 1978)					

(c) General Obligation Bond Fund Balances as of: January 21, 1981
Date

<u>Fund Name</u>	<u>Balance</u>
School Bonds	\$ 233,000

(d) Outstanding Bond Anticipation Notes issued in anticipation of requested bond issue: \$ _____
\$ None Due Date: N/A

Outstanding Bond Anticipation Notes issued in anticipation of other authorized bonds:
\$ 215,000 Due Date: February 1, 1982

(e) Outstanding Revenue Bonds as of: January 21, 1981
Date

<u>Amount Outstanding</u>	<u>Type of Bonds</u> <u>(i.e. Utility Revenue, Port Terminal Revenue, etc.)</u>
\$ None	N/A

SECTION 3: Tax Collection and Financial Information

(a) Please specify assessed valuation of all taxable property within applicant's corporate limits, and property taxes collected for past 5 years:

Year	Assessed Value	Amount of Property Tax Levy	Amount Collected in Year of Levy	Amount Collected as of _____ Date
1976	\$ see enclosed audit	Page 5	\$ _____	\$ _____
1977	" "	" "	_____	_____
1978	" "	Page 4	_____	_____
1979	" "	" "	_____	_____
1980	" "	" "	_____	_____

(b) List below 10 largest taxpayers within applicant's boundary or jurisdiction:

Name of Taxpayer	10 Largest Taxpayers Type of Business	Assessed Valuation
1. John B. Coghill	Nenana Fuel Co.	\$ 709,109.00
2. Glacier State Telephone	Phone Utility	596,133.00
3. Yutana Barge Lines	Barge Lines	579,995.00
4. Howard Holbert	Corner Bar & Motel	560,805.00
5. Robert Coghill	General Store	446,256.00
6. Robert Beck	Excavation	265,043.00
7. Norman Suckling	Rentals	224,003.00
8. Arthur Hanks	Apartments	191,947.00
9. Vern Weiss	Bar	98,333.00
10. Bud Meyers	Real Estate	88,719.00

(c) List other sources of income that have been, or will in the future be used to pay principal and interest on General Obligation Bonds:

Year	Sales Tax	State Funds	Other (Specify)
1976	\$ See enclosed Page 6	\$ _____	\$ _____
1977	" " " 7	_____	_____
1978	" " " 6	_____	_____
1979	" " " 6	_____	_____
1980	" " " 6	_____	_____
1981	" " " 6	_____	_____

(d) Enclose copy of most recent financial statement, 1980 budget, and any other information that will assist us in evaluating your request.

(e) Has your municipality ever defaulted on the payment of principal or interest upon any of its General Obligation Bonds or other indebtedness? YES NO

(a) List the three (3) largest employers in your local area:

	<u>Firm Name</u>	<u>Type of Business</u>	<u>Estimated Employment</u>
1.	Yukon Koyukuk School District	School	75
2.	Yutana Barge Lines	Barge Lines	35
3.	Wilderness Builders	Timber	45

(b) Please list population figures for your community:

<u>Year</u>	<u>Population</u>	<u>Year</u>	<u>Population</u>
1960	300	1978	508
1970	416	1979	508
1975	478	1980	592

(c) Give a brief summary of the economy of your municipality. Include major industries, and anticipated additions or changes in employment prospects. Describe any negative economic factors.

Nonana is located in Interior Alaska at the confluence of the Nenana and the Tanana River; and is tied to Anchorage & Fairbanks by the Alaska Railroad and the Parks Highway. This combination allows Nenana to serve as the hub of transportation for Interior Alaska. The major economy of the community revolves around shipping freight to Alaskan villages, and it is for this very reason the City of Nenana wishes to acquire the Alaska Railroad property described elsewhere in this application. As the Alaska Railroad "proposes to divest itself of its responsibility for the operation of a river freight transport service", it is of the utmost importance that the City of Nenana acquire the Railroad's interest in this service so that this equipment does not leave Nenana. This acquisition of the Alaska Railroad property will allow the City of Nenana to further develop its transportation and cargo shipment capabilities, especially as it applies to the development of the Nenana-Totchaket Agriculture project in this area.

The facts and representations in this application form and addendum are true in all respects to the best of our knowledge.

Date of Application:

JANUARY 21 1981

Signature

[Handwritten Signature]

Name

JOHN B. COGHILL

Title

MAYOR



FEB 04 1981

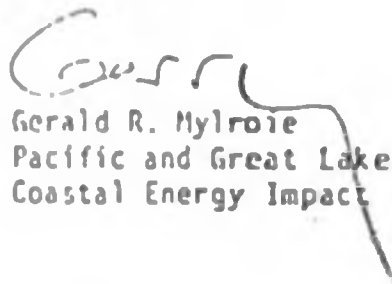
Mr. David A. Rose
Executive Director
Alaska Municipal Bond Bank
601 West Fifth Avenue
Suite 325
Anchorage, Alaska 99501

Dear Dave,

Regarding the Nenana project, it appears that it is not eligible for CEIP assistance. While the acquisition of the oil barges, and tug boat could be considered a public facility, we can not find how they are "required as a result of coastal energy activity". Also our regulations would not consider Nenana a unit of general purpose government which had authority over coastal zone. (15 CFR 931.20) Our records show that Nenama is not in the coastal zone.

If this is incorrect or if you have a rational for why the facility is required as a result of coastal energy activity, we will be glad to consider it.

Sincerely,



Gerald R. Mylroie
Pacific and Great Lakes Area Manager
Coastal Energy Impact Program

cc: Lamar Cotton



YUTANA BARGE LINES, INC.
BLACK NAVIGATION COMPANY, INC.

NOTES TO
PRO-FORMA OPERATING STATEMENTS

1980 through 1985
PREPARED JANUARY 8, 1981

These pro-forma operating statements are the representation of the management of Yutana Barge Lines, Inc. and Black Navigation Company, Inc. The projections are based on assumptions which are described below. Since these projections were prepared before the closing of the books for the year ended December 31, 1980, that year has been designated (e) for estimated.

ASSUMPTIONS

Operating revenues will increase 12% per year from the 1980 level which was a 15% increase over 1979. The increase will be due to a 2% per year freight volume increase and a 10% rate increase each year.

Operating expenses, in the aggregate, increase 8% per year although individual line items change by various percentages. Except for 1981, depreciation remains constant as it is assumed that new additions will replace assets which become fully depreciated.

Charter rents remains constant at \$370,000 which represents \$270,000 for lease of the vessels, equipment and property from the City of Nenana plus \$100,000 for charter and rent of other equipment.

Interest expense is assumed to remain constant even though the projections show steady growth of the companies. This is because there is assumed to be no substantial increase in long term debt. The existing debt will be paid down and some of the increased working capital needs will be internally financed as the financial position of the companies improves.

Other income is miscellaneous rents, interest, etc. and is based on recent experience.

Income taxes are provided at the combined statutory rates for Federal and Alaska with a modest reduction for some assumed investment tax credit.

These pro-forma statements make no allowance for major changes in operations, but rather assume steady growth and consistent operating methods. External factors such as a substantial increase or decrease in tonnage in a given year could have a significant impact on the projected results.

YUTANA BARGE LINES, INC.
BLACK NAVIGATION CO., INC.
PRO-FORMA OPERATING STATEMENTS
\$ (000)

	<u>1980 (c)</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
OPERATING REVENUES	4,165	4,665	5,225	5,850	6,550	7,230
OPERATING EXPENSES						
Crew Wages	445	490	540	595	655	720
Depreciation	450	470	450	450	450	450
Repair and Maintenance	530	530	540	640	705	775
Insurance	285	315	340	370	400	430
Charter Rents	370	370	370	370	370	370
Food & Supplies	162	194	210	230	250	275
Other Operating Expenses	195	224	245	270	300	330
Fuel	357	392	430	450	490	510
Payroll Taxes & Employee Benefits	201	230	265	305	350	400
Dock & Warehouse Wages	140	161	185	210	240	280
	3,135	3,376	3,605	3,890	4,200	4,540
Income from operations	1,030	1,289	1,620	1,960	2,350	2,690
GENERAL & ADMINISTRATIVE						
Office & Supervision Salaries	710	775	840	907	975	1,045
Officers Salary & Expense	150	161	172	183	196	210
Office Rent & Utilities	65	70	77	85	93	100
Other Administrative Expenses	50	56	63	70	78	90
Legal & Accounting	35	45	50	55	60	70
Travel & Entertainment	18	25	27	30	33	35
Bad Debts	45	30	33	36	40	45
	573	612	662	716	775	845
INTEREST EXPENSE	200	180	180	180	180	180
OTHER INCOME	(50)	(50)	(50)	(50)	(50)	(50)
	72	72	72	86	95	95
Income before income taxes	307	547	828	1,114	1,445	1,815
PROVISION FOR INCOME TAXES	132	220	279	324	420	482
Net Income	175	327	549	790	1,025	1,333

The accompanying notes are an integral part of these pro-forma operating statements.

RESOLUTION NO. 00-10

WHEREAS; The City of Nenana is the major river port entry for all the communities on the Yukon River Drainage and;

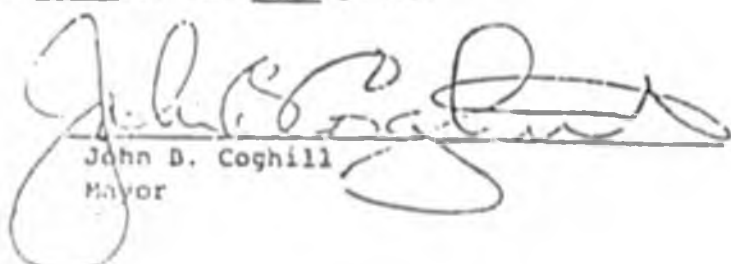
WHEREAS; The Rail, Highway connections to this trade area has been located at Nenana since 1920 and;

Whereas; The U.S. Government has expressed its intent to dispose of its interest in the Barges and Tugs operating on this drainage by a Public Sale regardless as to where they may be used and;

Whereas; The City of Nenana feels that the interest of all the communities on the Yukon River system as well as the economy of Nenana would suffer irreparable harm if such action is allowed to happen by the G.S.A. of the U.S. Government.

Now therefore be it resolved that the Common Council of the City of Nenana hereby authorize the Mayor, or his designated representative, to negotiate the purchase and transfer of all its floating stock, docks, and adjoining land, and related equipment from the Alaska Railroad to the City of Nenana.

ADOPTED by the City Council of the City of Nenana, Alaska this 30 day of August, 1900 by a vote of 4 for and 0 against


John D. Coghill
Mayor

Introduced: 8/30/00

Adopted: 8/30/00

Attest: William S. Brown
City Clerk

FIRST RENEWAL OF

BOND ANTICIPATION NOTE DATED FEBRUARY 1, 1979

The CITY OF NENANA, ALASKA, a municipal organization organized under the laws of the State of Alaska, herein called maker, for value received promises to pay to the FARMERS HOME ADMINISTRATION, Department of Agriculture, United States of America, herein called payee, the sum of TWO HUNDRED FIFTEEN THOUSAND DOLLARS (\$215,000.00), according to the following terms and conditions:

1. Payee shall provide the principal to maker under this note as partial funding for the construction of a water and sewer system for the maker. Payment shall be made according to the following schedule:

Approval of construction plans and specifications,
award of construction contract and issuance of
notice to proceed 30% payment.

Construction certified 25% complete 55% payment.

Construction certified 50% complete - 80% payment.

Construction certified complete and final costs
summary submitted - 90% payment.

Bonds completed and accepted 100% payment.

Payment shall be made upon certification as to construction progress by the project engineer and delivery of documents as required. Payment shall be delivered to a designated checking account of maker.

2. This first renewal of the bond anticipation note dated February 1, 1979 shall bear interest at five percent (5%) interest per annum. Interest shall begin to accrue on principal when checks for payment are delivered to maker. Delivery made by mail shall be complete when the checks are mailed. Checks mailed to maker in an amount of more than One Thousand Dollars (\$1,000.00) shall be mailed by certified mail, return receipt requested. Interest shall accrue only on principal delivered and shall be paid quarterly as accrued. Interest payments shall be made to payee at 101 12th Avenue, Fairbanks, Alaska 99701.

3. This first renewal of the bond anticipation note dated February 1, 1979 is made by maker in anticipation of the purchase by payee of the general obligation bonds authorized by the City Council, City of Nenana, Alaska on March 16, 1978 by Ordinance No. 78-2, and approved by the voters of the City of Nenana, Alaska at a special election on April 10, 1978. This note is payable solely out of proceeds of the sale of those general obligation bonds or out of the proceeds of a new bond anticipation note or notes in the event the general obligation bonds have not been sold on or before the maturity date of this first renewal of the bond anticipation note dated February 1, 1979, and out of and upon the full faith and credit of the City of Nenana, Alaska.

4. The delivery of the permanent bond instruments to payee or the payment in full of principal and accrued interest shall cancel this first renewal of the bond anticipation note dated February 1, 1979, and this first renewal of the bond anticipation note dated February 1, 1979 shall then be delivered to maker marked as "paid".

Mayor of the City of Nenana, Alaska, acting under authority of a resolution by the City Council. This renewal may be itself renewed for an additional term of one year from the due date of this first renewal.

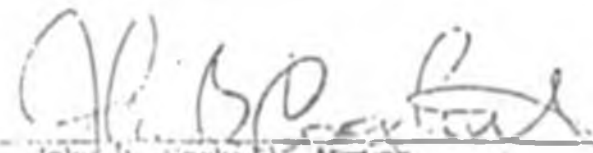
6. The maker pledges its full faith, credit, taxing power and resources to the repayment of this bond anticipation note. The maker pledges to use the proceeds of this note for the single purpose of financing construction of a water and sewer system for the City of Nenana, Alaska.

7. Upon receipt of this first renewal of the bond anticipation note dated February 1, 1979, the payee shall deliver to maker the bond anticipation note dated February 1, 1979, marked as "Paid". There shall be no further liability to the City under or an account of the original bond anticipation note dated February 1, 1979. Any liability to the City of Nenana, Alaska shall be based exclusively upon this renewal, and according to the terms and conditions of this renewal.

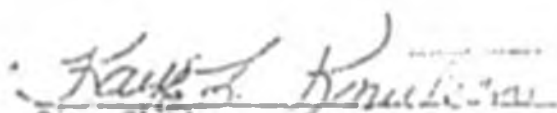
8. It is certified and declared that this first renewal of the bond anticipation note dated February 1, 1979 is issued pursuant to and in strict compliance with the Constitution and laws of the State of Alaska, and the Code of Ordinances of the City of Nenana, Alaska, and Resolutions of the City of Nenana, Alaska, and that all acts, conditions and other things required to happen and to be done and performed precedent to and in the issuance of this renewal have happened, been done and performed.

IN WITNESS WHEREOF, the CITY OF NENANA, ALASKA, a municipal corporation organized under the laws of the State of Alaska has caused this note to be executed by its duly authorized officers in the manner and form prescribed by Alaska law and Resolution No. 80-1 this 1st day of February, 1980.

CITY OF NENANA, ALASKA

By: 
John H. Coghill, Mayor
City of Nenana, Alaska

ATTEST:


City Clerk
City of Nenana, Alaska

(seal)

GENERAL OBLIGATION SCHOOL BONDS
 \$300,000 Single Bond 1967 Issue
 30 Years, 6 Per Cent Interest
 Maturity Schedule/Debt Service

<u>YEARS</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>	<u>Annu Tot</u>
July 1, 1968	\$ 300,000	\$ -0-	\$ 9,500*	\$ 9,500 ^{pd}	\$
Jan. 1, 1969	300,000	5,000	9,000	14,000 ^{pd}	23,5
July 1, 1969	295,000	-0-	8,850	8,850 ^{pd}	
Jan. 1, 1970	295,000	5,000	8,850	13,850 ^{pd}	22,7
July 1, 1970	290,000	-0-	8,700	8,700 ^{pd}	
Jan. 1, 1971	290,000	5,000	8,700	13,700 ^{pd}	22,4
July 1, 1971	285,000	-0-	8,550	8,550 ^{pd}	
Jan. 1, 1972	285,000	5,000	8,550	13,550 ^{pd}	22,1
July 1, 1972	280,000	-0-	8,400	8,400 ^{pd}	
Jan. 1, 1973	280,000	5,000	8,400	13,400 ^{pd}	21,8
July 1, 1973	275,000	-0-	8,250	8,250 ^{pd}	
Jan. 1, 1974	275,000	5,000	8,250	13,250 ^{pd}	21,5
July 1, 1974	270,000	-0-	8,100	8,100 ^{pd}	
Jan. 1, 1975	270,000	5,000	8,100	13,100 ^{pd}	21,2
July 1, 1975	265,000	-0-	7,950	7,950 ^{pd}	
Jan. 1, 1976	265,000	6,000	7,950	13,950 ^{pd}	21,9
July 1, 1976	259,000	-0-	7,770	7,770	
Jan. 1, 1977	259,000	6,000	7,770	13,770	21,5
July 1, 1977	253,000	-0-	7,590	7,590	
Jan. 1, 1978	253,000	6,000	7,590	13,590	21,1
July 1, 1978	247,000	-0-	7,410	7,410	
Jan. 1, 1979	247,000	7,000	7,410	14,410	21,8
July 1, 1979	240,000	-0-	7,200	7,200	
Jan. 1, 1980	240,000	7,000	7,200	14,200	21,4
July 1, 1980	233,000	-0-	6,990	6,990	
Jan. 1, 1981	233,000	8,000	6,990	14,990	21,9
July 1, 1981	225,000	-0-	6,750	6,750	
Jan. 1, 1982	225,000	8,000	6,750	14,750	21,5
July 1, 1982	217,000	-0-	6,510	6,510	
Jan. 1, 1983	217,000	8,000	6,510	14,510	21,0
July 1, 1983	209,000	-0-	6,270	6,270	
Jan. 1, 1984	209,000	9,000	6,270	15,270	21,5
July 1, 1984	200,000	-0-	6,000	6,000	
Jan. 1, 1985	200,000	10,000	6,000	16,000	22,0
July 1, 1985	190,000	-0-	5,700	5,700	
Jan. 1, 1986	190,000	10,000	5,700	15,700	21,4
July 1, 1986	180,000	-0-	5,400	5,400	
Jan. 1, 1987	180,000	11,000	5,400	16,400	21,8
July 1, 1987	169,000	-0-	5,070	5,070	
Jan. 1, 1988	169,000	11,000	5,070	16,070	21,1
July 1, 1988	158,000	-0-	4,740	4,740	
Jan. 1, 1989	158,000	12,000	4,740	16,740	21,4
July 1, 1989	146,000	-0-	4,380	4,380	

Attachment -

CITY OF NENANA GENERAL OBLIGATION SCHOOL BONDS - CONTINUED

<u>YEARS</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>	<u>Ann Te</u>
Jan. 1, 1990	\$ 146,000	\$13,000	\$ 4,380	\$17,380	\$ 21
July 1, 1990	133,000	-0-	3,990	3,990	
Jan. 1, 1991	133,000	14,000	3,990	17,990	21
July 1, 1991	119,000	-0-	3,570	3,570	
Jan. 1, 1992	119,000	15,000	3,570	18,570	22
July 1, 1992	104,000	-0-	3,120	3,120	
Jan. 1, 1993	104,000	15,000	3,120	18,120	21
July 1, 1993	89,000	-0-	2,670	2,670	
Jan. 1, 1994	89,000	16,000	2,670	18,670	21
July 1, 1994	73,000	-0-	2,190	2,190	
Jan. 1, 1995	73,000	17,000	2,190	19,190	21
July 1, 1995	56,000	-0-	1,680	1,680	
Jan. 1, 1996	56,000	18,000	1,680	19,680	21
July 1, 1996	38,000	-0-	1,140	1,140	
Jan. 1, 1997	38,000	19,000	1,140	20,140	21
July 1, 1997	19,000	-0-	570	570	
Jan. 1, 1998	19,000	19,000	570	19,570	20

* NOTE: Assumes bond is dated and delivered on December 20, 1967

LETTER OF INTENT

Between

THE CITY OF NENANA,
YUTANA BARGE LINES, INC.

And

WATCO, INC.

In August, 1980, the Alaska Railroad (ARR) announced its intention to sell its tug and barge fleet pursuant to GSA procedures and thereby terminate its river freight transportation system on the Yukon River and its tributaries. The sale of that equipment and reduction or closure of the river freight operations at Nenana, Alaska will have severe, adverse consequences for the economies of Nenana and the many communities along the Yukon River and its tributaries unless steps are taken to preserve the river transportation system. These circumstances have impelled the City of Nenana, Alaska (Nenana) and Yutana Barge Lines, Inc. (YBL) to act as follows.

Nenana has executed a letter of intent with ARR in which Nenana and ARR have set forth their proposal and mutual intent for Nenana to establish a Port Authority and to acquire from ARR its tug and barge fleet and related equipment and to enter into a long term lease of certain lands and buildings at Nenana for the Port Authority.

YBL, an Alaska corporation, operates a commercial tug and barge service on the Yukon River and its tributaries and has operated the equipment and used the facilities described above

YDL also operates its own tug and barge fleet in conjunction with the ARR equipment and facilities. WATCO, INC., an Alaska corporation, is affiliated with YDL.

The Nenana port facilities and river transportation system currently operated by ARR and YDL provide significant employment in Nenana and its vicinity and are vital to the continued growth and development of Nenana and to the general well being of the many remote communities located along the Yukon River and its tributaries which depend upon the Nenana port facilities and river transportation system for delivery of freight and petroleum products.

Nenana, YDL and WATCO recognize their mutual interest in the transfer of the ARR equipment and facilities to Nenana and the establishment of a Port Authority by Nenana to promote commerce in and through Nenana and the Yukon River and its tributaries, to provide employment in Nenana and its vicinity, to provide income for the maintenance and growth of the Port Authority, and to enhance the general welfare of the entire Yukon River drainage.

Nenana, YDL and WATCO therefore state their mutual intent as follows:

1. It is the intent of the parties to enter into three agreements for operation of the port facilities and equipment at Nenana as follows:

- (a) An agreement for the charter by YDL of the river stock to be purchased by Nenana from ARR at an annual hire rate of \$200,000;

and certain port property at Nenana at the rate of

\$100,000 per annum; and

740,000

- (c) An agreement between WATCO and Nenana for WATCO, as the Port Authority contractor, to operate the port facilities at the rate of \$4.50 per ton of cargo loaded outbound from Nenana, but, in any event, not less than \$160,000 per annum.

2. It is the intent of Nenana, YBL, and WATCO to make the term of each of these agreements as long as possible for the following reasons:

- (a) To provide continuity of river freight service to the communities of the Yukon River drainage;
- (b) To allow long term planning and financing by Nenana and YBL for improvements, replacements of existing equipment and facilities, and growth of the port facilities; and
- (c) To contain to the extent possible the growth of tariff increases for river freight in the Yukon River drainage.

3. Nenana, YBL, and WATCO recognize that Nenana intends to finance its acquisition of the port facilities and river stock by tax-exempt bonds and that the Internal Revenue Code may impose durational limits on the agreements, which the parties will attempt to accommodate.

4. This letter is an expression of intent only, and does not create enforceable rights in Nenana, YBL, WATCO, or any third party, and imposes no duty on Nenana, YBL, or WATCO, except to work in good faith to reach the agreements suggested above.

DATED: Feb. 2, 1981

ATTEST: *[Signature]*

CITY OF NENANA, ALASKA

By: *[Signature]*

 Mayor

YUKON RIVER PORT AUTHORITY, INC.
 WATCO, INC.

By: *[Signature]*

 U.S. District Court

THE PRECEDING PAGES WERE TREATED AS
A UNIT IN THE ORIGINAL FILE.

THE FOLLOWING PAGES WERE TREATED AS
A UNIT IN THE ORIGINAL FILE.

Alaska State Legislature

HOME ADDRESS
P.O. BOX 65
GALENA, ALASKA 99741

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
TELEPHONE 485-3753



Senate

SENATOR

John C. Sackett

SENATE FINANCE COMMITTEE

John C. Sackett

MEMORANDUM

March 25, 1981

TO: Senator Gilman
FROM: Senator Sackett *JCS*
SUBJECT: Nenana G.O. Bonds and the Municipal Bond
Bank Authority *➤*

I just met with Tom Williams, Commissioner of the Department of Revenue, and he explained why two separate bills are necessary.

First of all, the City of Nenana's G.O. Bonds would be rejected by the public if they went through the bond bank under normal conditions as their rating is too low and too risky. Consequently, we would have to back them up with general funds as proposed in the bill I introduced this morning, and in essence have the state buy the bonds rather than the normal bond market.

S.B. 137 does not address this unique need of Nenana as it only authorizes the M.B.B. Authority to sell up to 20 m. in revenue bonds, and according to Commissioner Williams, Nenana would still be rejected.

Commissioner Williams said he is available to testify before your committee, and I would appreciate it if your office would call on him as he is very knowledgeable on this subject. He has to be out of town this coming Monday and Tuesday, but will be here on Thursday and Friday of this week. I have to be in Anchorage on Friday but otherwise will be here.

Attached for your review is the entire packet that was submitted by the City of Nenana.

Letter of Intent
Between
The Alaska Railroad
and
The City of Nenana

WHEREAS, The Alaska Railroad proposes to divest itself of direct involvement in and responsibility for the operation of a freight transportation service to communities along the Tanana and Yukon Rivers, and;

WHEREAS, the City of Nenana proposes to establish a Port Authority for the purpose, among others, of operating a public port to sustain and continue the provision of freight transportation services along the Tanana and Yukon Rivers, and;

WHEREAS, the City of Nenana has requested The Alaska Railroad to sell to it the Railroad's tug and barge fleet and related equipment, and;

WHEREAS, the City of Nenana has requested The Alaska Railroad to lease to it certain lands and related buildings, structures and other improvements in order to establish the Port Authority and continue to provide a river freight transportation service.

NOW THEREFORE, it is agreed that:

The Alaska Railroad will sell to the City of Nenana its tug and barge fleets, as described on Attachment A, for the total sum of one million six hundred ninety-eight thousand dollars (\$1,698,000);

The Alaska Railroad will sell to the City of Nenana certain personal property, as described on Attachment B for the total sum of fifteen thousand four hundred fifty dollars (\$15,450);

The Alaska Railroad will lease to the City of Nenana those lands previously used by Yutana Barge Lines, plus certain other lands within its Nenana Terminal Reserve, approximating 237 acres more or less, and more specifically described in the appraisal report dated December 19, 1980, and prepared by Price and Associates Appraisers for the annual rental of \$48,620 and subject to the terms of the lease as negotiated and agreed upon, for a period of not to exceed fifty-five years;

The City of Nenana will dedicate the use of the leased lands and facilities to providing for transportation services, facilities and related industrial and commercial purposes, including operation of a public dock;

The City of Nenana will dedicate the use of the vessels and other personal property to continuing river freight transportation services.

The Alaska Railroad and City of Nenana will continue to foster the development of the intermodal capabilities of the Nenana area. To accomplish this development, it is the intent of both parties to negotiate an equitable trade of lands for the realignment of and the increase of The Alaska Railroad right-of-way, terminal areas, and the expansion of the future port area. The appraisals in effect at the time of the signing of this letter of intent shall prevail for five years from this date.

AGREED TO and signed this 16 day of January, 1981, at Anchorage, Alaska.

THE ALASKA RAILROAD

CITY OF NENANA

F. H. Jones
F. H. Jones, General Manager

John B. Coghill
John B. Coghill, Mayor

Subscribed and sworn before me this 16th day of January, 1981.

Robert L. Caper
Notary Public in and for the State of Alaska

My commission expires 10/25/83

Authority FPMR 101-45 304-2 & 101-45.304-12

Standard Form 126
February 1965
Prescribed by General
Services Administration
FPMR (41 CFR) 101-45.303

REPORT OF PERSONAL PROPERTY FOR SALE

PAGE 1 OF 3 PAGES

1. FROM (Name and address of issuing agency. Please include ZIP code) The Alaska Railroad FRA/DOT Pouch 7-2111 Anchorage, AK 99510		2. REPORT NO. SUP 81-001	3. DATE
4. FSC GROUP See below		5. TOTAL ACQUISITION COST	
6. PUBLIC MAY INSPECT PROPERTY BY CONTACTING (Name, address, telephone number. Please include ZIP code) Pouch 7-2111 Anchorage, AK 99510		7. PROPERTY LOCATED AT Yutana Barge Lines City of Nenana Nenana, AK 99760	
8. TO General Services Administration, Region 10 DPS Property Management and Disposal Service GSA Center Auburn, WA 98002 Attention: Chief, Sales Branch		9. (a) ACTIVITY WILL LOAD FOR PURCHASER <input type="checkbox"/> (1) YES <input checked="" type="checkbox"/> (2) NO	
		10. (b) EXTENT (Wholesale/Tail)	
11. SEND EXECUTED SALES DOCUMENTS TO (Name and address. Please include ZIP code) The Alaska Railroad FRA/DOT Pouch 7-2111 Anchorage, AK 99510		10. PROPERTY IN EXCHANGE/SALE <input type="checkbox"/> (a) YES <input checked="" type="checkbox"/> (b) NO	11. PROPERTY IS REIMBURSABLE <input checked="" type="checkbox"/> (a) YES <input type="checkbox"/> (b) NO
12. SEND EXECUTED SALES DOCUMENTS TO (Name and address. Please include ZIP code) The Alaska Railroad FRA/DOT Pouch 7-2111 Anchorage, AK 99510		13. STATION DEPOSIT SYMBOL OR STATION ACCOUNT NUMBER 69 X 4400	
14. STATION DEPOSIT SYMBOL OR STATION ACCOUNT NUMBER 69 75 0003		15. UTILIZATION AND DONATION SCREENING REQUIREMENTS COMPLETED. PROPERTY IS AVAILABLE FOR SALE.	

BY (Signature and title)

1,600,000.00

16. PROPERTY LIST (Use continuation sheet, if necessary)

ITEM NO. (a)	ITEM NO. ASSIGNED BY GSA (b)	COMMERCIAL DESCRIPTION AND CONDITION (c)	UNIT (d)	NUMBER OF UNITS (e)	ACQUISITION COST	
					FED UNIT (f)	TOTAL (g)
1	U	FSC 1925 River tug, "Tanana", steel hull, with two deck high deckhouse, length 99 ft., breadth 35 ft., depth _____, 336 gross and 228 net tons, twin tunnel, twin screw, two 600 HP Enterprise diesel engines, two 75 KW Delco generators driven by 6-71 diesel engines. Built at Portland, Oregon, in 1953, condition code 4, more details available in 4-25-80 marine survey report ARR P/N BT010 R/A _____	Ea.	1		550,000.00
2	V	FSC 1930 ARR P/N 3005 River oil barge "Frank Turner No. 1," steel hull, 100' length, breadth 26', depth 4.6' 105 gross/net tons, with 8' x 12' aft deck house with 30KW Caterpillar generator, built at Bellingham, WA in 1952. More details in survey report, condition code 6	Ea.	1		50,000.00

17. RECEIPT OF PROPERTY AT GSA SALES SITE OR CENTER ACKNOWLEDGED SIGNATURE AND TITLE _____ DATE _____	18. RECEIPT OF REPORT IS HEREBY ACKNOWLEDGED SIGNATURE AND TITLE _____ DATE _____
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FOR GSA INTERNAL USE ONLY

19. SALE NO.	20. TYPE OF SALE	21. INSPECTION DATES	22. BID OPENING DATE AND TIME
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REPORT OF PERSONAL PROPERTY FOR SALE
(CONTINUATION SHEET)

FROM (Name and address of owning agency. Please include ZIP Code)

The Alaska Railroad FRA/DOT
Pouch 7-2111, Anchorage, AK 99510

FSC GROUP

REPORT NO.

See below SUP81-001

PROPERTY LIST

ITEM NO. (a)	ITEM NO. ASSIGNED BY GSA (b)	COMMERCIAL DESCRIPTION AND CONDITION (c)	UNIT (d)	NUMBER OF UNITS (e)	ACQUISITION COST	
					PER UNIT (f)	TOTAL (g)
3		FSC 1930 ARR P/N BG006 River oil barge "Polaris No. 6", steel hull, 85.5' length, 21.5' breadth, 4.1' depth, 62 gross tons, built at Olympia, WA in 1941. More details in survey report. Condition code 6.	Ea.	1	38,000.	38,000.00
4		FSC 1930 BG015 River oil barge "No. 1", steel hull, 120' length, 29' breadth, 6.5' depth, 207 gross/net tons, 329' bbls. capacity, built in Alaska about 1945. More details in survey report. Condition code 6.	Ea.	1	30,000.	30,000.00
5		FSC 1930 BG016 River oil barge "No. 2", steel hull, 120' length, 29' breadth, 6.5' depth, 260 gross/net tons, 3291 bbls. capacity, built in Alaska in 1945. More details in survey report. Condition code 9.	Ea.	1	75,000.	75,000.00
6		FSC 1930 BG017 River oil barge "No. 3", steel hull, 175' length, 44' breadth, depth, 473 gross/net tons, built in Portland, Oregon, in 1953, more details in survey report. Condition code 8.	Ea.	1	95,000.	95,000.00
7		FSC 1930 BG018 River oil barge "No. 4", steel hull, 175' length, 44' breadth, 4' depth, 473 gross/net tons, built in Portland, Oregon, in 1953. More details in survey report. Condition code 4.	Ea.	1	175,000.	175,000.00
8		FSC 1930 BG024 River oil barge "No. 5", steel hull, 175.3' length, 44' breadth, 4.1' depth, 495 gross/net tons, built in Seattle, WA, in 1964, more details in survey report. Condition code 4.	Ea.	1	235,000.	235,000.00

REPORT OF PERSONAL PROPERTY FOR SALE
(CONTINUATION SHEET)

Name (Name and address of owning agency. Please include ZIP Code)

FSC GROUP

REPORT NO.

The Alaska Railroad FRA/DOT
Pouch 7-2111, Anchorage, AK 99510

See below

SUP 81-001

PROPERTY LIST

ITEM NO. (a)	ITEM NO. ASSIGNED BY GSA (b)	COMMERCIAL DESCRIPTION AND CONDITION (c)	UNIT (d)	NUMBER OF UNITS (e)	ACQUISITION COST	
					PER UNIT (f)	TOTAL (g)
9		FSC 1930 BG025 River oil barge "No. 6", steel hull, 175.3' length, 44' breadth, 7'4" depth, 484 net tons, built in Seattle, WA in 1971. More details in survey report. Condition code 4.	Ea.	1	300,000.	300,000.00
10		FSC 1930 BG019 World War II steel-ordnance barge "WOOB-11," 100' length, 30' breadth, 6' depth, more details in survey report. Condition code 4.	Ea.	1	40,000.	40,000.00
11		FSC 1930 BG020 World War II steel ordnance barge "WOOB-12," 100' length, 30' breadth, 6' depth. More details in survey report. Condition code 4.	Ea.	1	35,000.	35,000.00
12		FSC 1930 BG021 River oil barge "Stewart," steel hull, 140' length, 40' breadth, 7' depth. Built at Victoria, B.C., Canada, in 1948. More details in survey report. Condition code 5.	Ea.	1	75,000.	75,000.00

CONDITION AND VALUATION SURVEY

ALASKA RAILROAD RIVER TUG TANANA

Nenana, Alaska - 10 April 1980

ACTION AT THE REQUEST of Mr. Jerry Dana, Yutana Barge Lines, Nenana, Alaska, I, the undersigned surveyor, did, ~~on 10 April 1980~~ and subsequent dates, attend the Alaska Railroad River Tug TANANA for a Condition and Valuation Survey. I was accompanied on this survey, made with the vessel afloat (iced-in) at Yutana Barge Lines Yard, Nenana, Alaska, by Mr. Jerry Peters of Alaska Railroad, and Mr. Sherwood Clouse of Yutana Barge Lines.

DESCRIPTION:

Alaska Railroad River Tug TANANA, Official No. 272,122, call letters VG2995, is a steel tug built at Portland, Oregon in 1953. The vessel is operated by Yutana Barge Lines in towing on Yukon River and tributaries.

Dimensions:

The vessel is about 99' length (reg.), 35' breadth, and 7.2' depth; of 336 gross and 228 net tons.

Arrangement:

~~The hull is fitted with a stern propeller and rudder, thus permitting the vessel to operate in both directions.~~

There is a two deck high steel deckhouse with wheelhouse on top. The deckhouse covers most of the length of the vessel. The engine room is located from about midship aft, with a shaft tunnel space aft of the engine room. Forward of the engine room is an auxiliary engine room and shop space. Forward of this is a fore-peak space. Each of the spaces are separated by watertight bulkheads. The deckhouse is given over to galley, two bedrooms, 15 staterooms with 17 berths, heads, and the wheelhouse on top.

On deck forward are two pushbess and an anchoring and warping winch. On deck aft of the deckhouse are carried two powerboats handled by light booms.

Machinery:

Propulsion is by two ~~600 HP diesel engines~~ Engines are air starting and direct reversing. There is a fuel centrifuge. There are two 75 KW IELCO generators driven by 6-71 diesel engines. There is a starting air compressor and two air receivers. The main switchboard is in the engine room aft.

Steering:

By a hydraulic system driven by a 10 HP electric motor. There are lever type steering controls. Rudders are fitted with "monkey" rudders.

Pumps:

3" x 2" Centrifugal fire pump.

Winches:

MARBLE bow deck winch. Two vertical deck capstans.

Galley:

Complete galley equipment with built-in freezer, dry stores room, refrigerator. There are two messrooms.

Wheelhouse:

Complete equipment for river navigation, including VHF transceiver, fathometer, magnetic compass, and two large searchlights on top of the wheelhouse.

CONDITIONS NOTED:

The machinery of this vessel has been operated for many years by the same Chief Engineer. It was stated that his dedication and expertise has kept the breakdowns to a minimum. Due to its age, replacement parts are difficult to obtain and modernization of the machinery seems indicated in all areas; i.e., propulsion, auxiliaries, electrical, and piping. The original machinery castings are reported leaky due to age and repeated disassembly for repairs. The electrical switchgear is likewise obsolete. The steering gear is also reported to be worn.