

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5206 SCRA SB 167 - SB 168

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3-17-87

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CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

FED F.Y.	FED SEED GRANT	STATE MATCH	TOTAL
88	\$10,895,400	\$2,179,080	\$13,074,480
89	\$10,763,600	\$2,152,720	\$12,916,320
90	\$11,263,600	\$2,252,720	\$13,516,320
91	\$14,527,200	\$2,905,440	\$17,432,640
92	\$10,895,400	\$2,179,080	\$13,074,480
93	\$7,263,600	\$1,452,720	\$8,716,320
94	\$3,631,800	\$726,360	\$4,358,160
TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720

CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

1987	1988	1989	1990	1991	1992	1993	1994	1995
July	July	July	July	July	July	July	July	July
SFY 88	SFY 89	SFY 90	SFY 91	SFY 92	SFY 93	SFY 94		

Oct	Oct	Oct	Oct	Oct	Oct	Oct	Oct	Oct
FFY 88	FFY 89	FFY 90	FFY 91	FFY 92	FFY 93	FFY 94		
\$ 10.89 M	\$ 10.76 M	\$ 11.26 M	\$ 14.53 M	\$ 10.89 M	\$ 7.26 M	\$ 3.63 M		

3-17-87

SB167

STATE MATCH DECISION TREE

Note: SFY=State Fiscal Year
FFY=Federal Fiscal Year

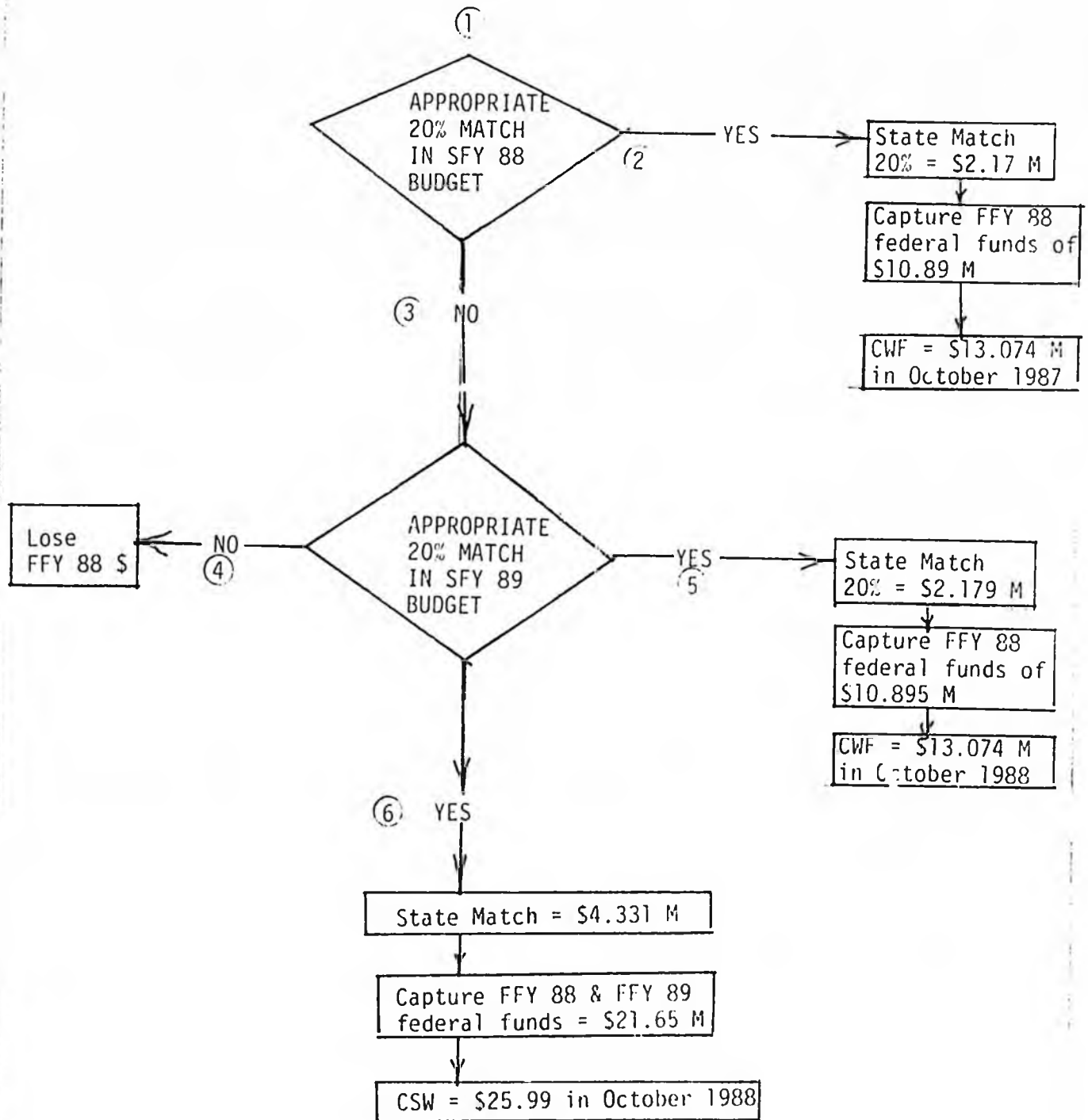


EXHIBIT I

MUNICIPALITY	TOTAL FED GRANT AWARDS
ANCHORAGE	\$54,982,845
BRISTOL BAY BOR.	\$6,131,552
CORDOVA	\$3,194,776
DILLINGHAM	\$1,526,780
FAIRBANKS	\$11,475,009
HAINES	\$1,086,224
HOMER	\$15,000
JUNEAU	\$19,188,866
KENAI	\$4,181,559
KETCHIKAN	\$12,918,119
KODIAK	\$7,553,029
NOME	\$308,358
PALMER	\$1,056,674
PELICAN	\$37,497
PETERSBURG	\$6,285,531
SELDOVIA	\$18,579
SEWARD	\$5,404,575
SKAGWAY	\$2,455,092
SITKA	\$17,498,197
SOLDOTNA	\$2,739,608
UNALASKA	\$4,055,070
VALDEZ	\$4,889,029
WASILLA	\$8,916,207
WHITTIER	\$856,420
WRANGELL	\$387,089
TOTALS:	\$177,161,685

February 4, 1987

ISSUE ANALYSIS

STATE MATCHING FOR REVOLVING LOAN FUND

ISSUE: Should the Department of Environmental Conservation pursue an appropriation in the FY88 budget to match a federal capitalization grant?

INTRODUCTION

With reauthorization of the Clean Water Act, federal money will be available to Alaska for a State Revolving Loan Fund. One requirement for receiving the federal money is that it be matched with 20% State funds. The fund capitalization would be as presented in Table 1 and Figure 2 (attached).

Because the federal fiscal year (FFY) runs from October 1 through September 30, it spans two state fiscal years (SFY). FFY88 will be the first year that Alaska will request a capitalization grant; therefore, a decision needs to be made on whether to seek funding for the State match in the SFY88 budget.

SFY88 APPROPRIATION?

YES

- Easier to explain: As a bill passes through legislative committees it will be very easy to explain a fiscal note that shows capitalizing the funds in the same year the federal money is available. If there is no need for any money in SFY88, one might ask "...why should this bill pass this session."
- Interest: By capitalizing the loan fund in SFY88, the fund will accumulate interest for one year (approximately \$650,000). This has the advantage of providing for administrative expenses from money already made. The administrative costs would be forward funded.
- Less Risk: If the bill and appropriation do not pass this session, there will be another opportunity to capture the \$10.89 million in federal funds. However, if no attempt is made this session, there will only be one opportunity, and the \$10.89 million could be lost.
- Less Needed in SFY89: If a match is requested in SFY88, \$2.18 would be needed. However, if the match was delayed until SFY89, the match for two years would be needed, or \$4.33.

NO

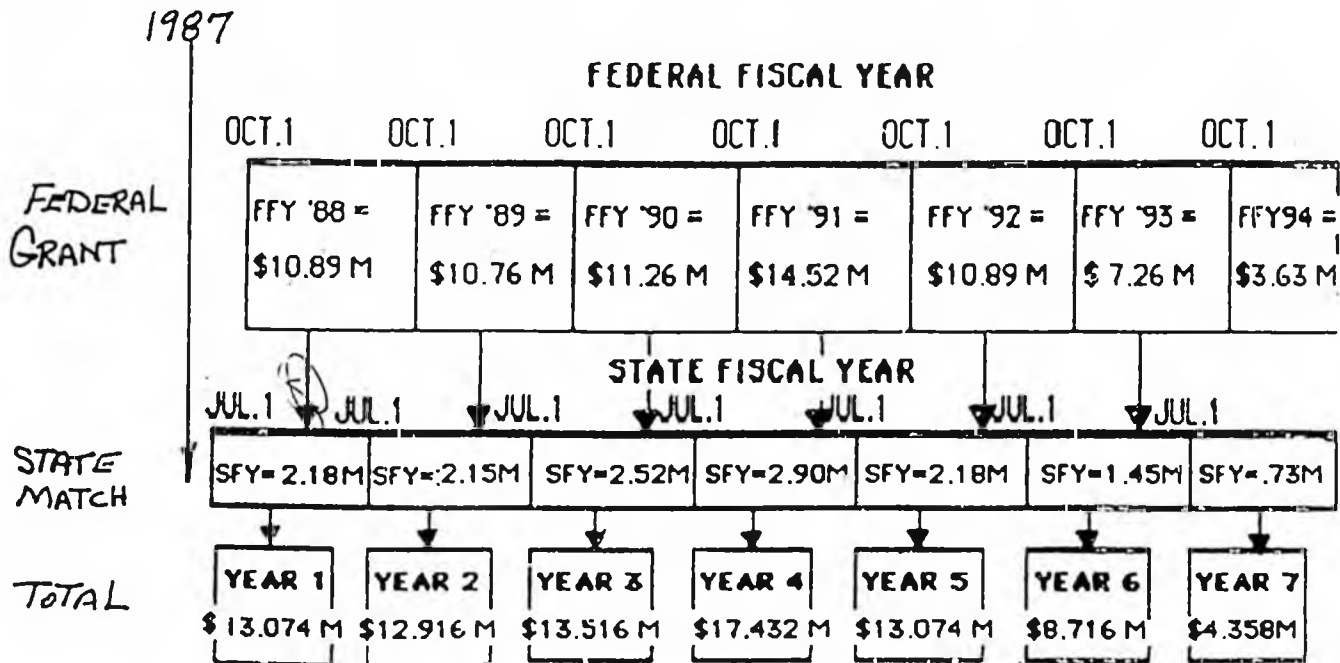
- State Financial Crisis: Because the State is having to deal with declining revenues and a deficit, there will be less funds to go around.

RECOMMENDATION

It is recommended the Department pursue funding in the FY88 budget to match the federal capitalization grant.

CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

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88	\$10,895,400	\$2,179,080	\$13,074,480
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TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720



SUMMARY OF REVOLVING LOAN FUND TITLE II REQUIREMENTS

I. ELIGIBILITY RELATED PROVISIONS.

1. 201(b). Must Use Best Practicable Waste Treatment Technology.
2. 201(g)(1). Must be secondary treatment or more stringent or any cost effective alternative for the following categories:
 - new interceptors
 - I/I correction
 - Other categories determined by governor
3. 201(n)(1). Can use funds for combined sewer overflows.
4. 201(o). Encouraged to file a capital financing plan that
 - projects future requirements for \geq 10 years.
 - projects nature, extent, costs, timing of future expansions.
 - sets forth financing plans for future expansions.
5. 211. No collectors unless
 - replacement/major rehab or existing systems necessary for total system integrity or;
 - new collectors in existing community with sufficient existing or planned capacity for treatment.

II. APPLICATION RELATED PROVISIONS.

1. 201(g)(2). Applicant must:
 - evaluate alternative waste treatment technology.
 - allow for application of later technology to provide for reclaiming/recycling of water.
2. 201(g)(3). Applicant must show that sewer collection system doesn't have excessive infiltration.
3. 201(g)(5). Applicant must study/evaluate
 - innovative/alternative technology.
 - reclamation reuse of water or elimination of discharge.
 - land treatment.
 - low energy usage systems.
4. 201(g)(6). Applicant must analyze open space and recreational opportunities.
5. 204(a)(1). Before approving grants, Administrator shall determine that treatment works are included in any applicable 208 plan.
6. 204(a)(2). Before approving grants, Administrator shall determine that treatment works are included in any applicable 303(e) plan.
7. 204(b)(2). Applicant must:
 - adopt a user charge system
 - demonstrate legal, managerial, & financial capability to construct/operate/maintain the treatment works.
8. 218. The applicant must
 - show the cost effective solution in the facility plan
 - use value engineering for high cost projects.
9. 511(c)(1). Projects are subject to NEPA.

III. CONSTRUCTION RELATED PROVISIONS.

1. 204(d)(2). Grantee must provide one year performance
 - certification.
2. 513. Project is subject to Davis-Bacon wage rates.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : _____

Publish Date : _____

Revision Date: _____

Agency Affected : _____

Title : _____

BRU : _____

Sponsor : _____

Components : _____

Requestor : _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	2179.0	2152.7	2252.7	2905.4	2179.0	1452.7
FEDERAL FUNDS	10895.4	10763.6	11263.6	14527.2	10895.4	7262.6
OTHER						
TOTAL	13074.4	12916.3	13516.3	17432.6	13074.4	8716.3

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by : _____

Phone : _____

Division : _____

Date : _____

Approved by Commissioner : _____

Date : _____

Agency : _____

Distribution (by preparer) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

"TITLE VI—STATE WATER POLLUTION CONTROL: REVOLVING FUNDS

"SEC. 601. GRANTS TO STATES FOR ESTABLISHMENT OF REVOLVING FUNDS.

"(a) GENERAL AUTHORITY.—Subject to the provisions of this title, the Administrator shall make capitalization grants to each State for the purpose of establishing a water pollution control revolving fund for providing assistance (1) for construction of treatment works (as defined in section 212 of this Act) which are publicly owned, (2) for implementing a management program under section 319, and (3) for developing and implementing a conservation and management plan under section 320.

"(b) SCHEDULE OF GRANT PAYMENTS.—The Administrator and each State shall jointly establish a schedule of payments under which the Administrator will pay to the State the amount of each grant to be made to the State under this title. Such schedule shall be based on the State's intended use plan under section 606(c) of this Act, except that—

"(1) such payments shall be made in quarterly installments, and

"(2) such payments shall be made as expeditiously as possible, but in no event later than the earlier of—

"(A) 8 quarters after the date such funds were obligated by the State, or

"(B) 12 quarters after the date such funds were allotted to the State.

"SEC. 602. CAPITALIZATION GRANT AGREEMENTS.

"(a) GENERAL RULE.—To receive a capitalization grant with funds made available under this title and section 205(m) of this Act a State shall enter into an agreement with the Administrator which shall include but not be limited to the specifications set forth in subsection (b) of this section.

"(b) SPECIFIC REQUIREMENTS.—The Administrator shall enter into an agreement under this section with a State only after the State has established to the satisfaction of the Administrator that—

"(1) the State will accept grant payments with funds to be made available under this title and section 205(m) of this Act in accordance with a payment schedule established jointly by the Administrator under section 601(b) of this Act and will deposit all such payments in the water pollution control revolving fund established by the State in accordance with this title;

"(2) the State will deposit in the fund from State moneys an amount equal to at least 20 percent of the total amount of all capitalization grants which will be made to the State with funds to be made available under this title and section 205(m) of this Act on or before the date on which each quarterly grant payment will be made to the State under this title;

"(3) the State will enter into binding commitments to provide assistance in accordance with the requirements of this title in an amount equal to 120 percent of the amount of each such grant payment within 1 year after the receipt of such grant payment;

"(4) all funds in the fund will be expended in an expeditious and timely manner;

"(5) all funds in the fund as a result of capitalization grants under this title and section 205(m) of this Act will first be used to assure maintenance of progress, as determined by the Governor of the State, toward compliance with enforceable deadlines, goals, and requirements of this Act, including the municipal compliance deadline;

"(6) treatment works eligible under section 603(c)(1) of this Act which will be constructed in whole or in part before fiscal year 1995 with funds directly made available by capitalization grants under this title and section 205(m) of this Act will meet the requirements of, or otherwise be treated (as determined by the Governor of the State) under sections 201(b), 201(g)(1), 201(g)(2), 201(g)(3), 201(g)(5), 201(g)(6), 201(n)(1), 201(o), 204(a)(1), 204(a)(2), 204(b)(1), 204(d)(2), 211, 218, 511(c)(1), and 518 of this Act in the same manner as treatment works constructed with assistance under title II of this Act;

"(7) in addition to complying with the requirements of this title, the State will commit or expend each quarterly grant payment which it will receive under this title in accordance with laws and procedures applicable to the commitment or expenditure of revenues of the State;

"(8) in carrying out the requirements of section 606 of this Act, the State will use accounting, audit, and fiscal procedures conforming to generally accepted government accounting standards;

"(9) the State will require as a condition of making a loan or providing other assistance, as described in section 603(d) of this Act, from the fund that the recipient of such assistance will maintain project accounts in accordance with generally accepted government accounting standards; and

"(10) the State will make annual reports to the Administrator on the actual use of funds in accordance with section 606(d) of this Act.

"SEC. 601. WATER POLLUTION CONTROL REVOLVING LOAN FUNDS.

"(a) REQUIREMENTS FOR OBLIGATION OF GRANT FUNDS.—Before a State may receive a capitalization grant with funds made available under this title and section 205(m) of this Act, the State shall first establish a water pollution control revolving fund which complies with the requirements of this section.

"(b) ADMINISTRATION.—Each State water pollution control revolving fund shall be administered by an instrumentality of the State with such powers and limitations as may be required to operate such fund in accordance with the requirements and objectives of this Act.

"(c) PROJECTS ELIGIBLE FOR ASSISTANCE.—The amounts of funds available to each State water pollution control revolving fund shall be used only for providing financial assistance (1) to any municipality, intermunicipal, interstate, or State agency for construction of publicly owned treatment works (as defined in section 212 of this Act), (2) for the implementation of a management program established under section 319 of this Act, and (3) for development and

implementation of a conservation and management plan under section 320 of this Act. The fund shall be established, maintained, and credited with repayments, and the fund balance shall be available in perpetuity for providing such financial assistance.

"(d) TYPES OF ASSISTANCE.—Except as otherwise limited by State law, a water pollution control revolving fund of a State under this section may be used only—

"(1) to make loans, on the condition that—

"(A) such loans are made at or below market interest rates, including interest free loans, at terms not to exceed 20 years;

"(B) annual principal and interest payments will commence not later than 1 year after completion of any project and all loans will be fully amortized not later than 20 years after project completion;

"(C) the recipient of a loan will establish a dedicated source of revenue for repayment of loans; and

"(D) the fund will be credited with all payments of principal and interest on all loans;

"(2) to buy or refinance the debt obligation of municipalities and intermunicipal and interstate agencies within the State at or below market rates, where such debt obligations were incurred after March 7, 1985;

"(3) to guarantee, or purchase insurance for, local obligations where such action would improve credit market access or reduce interest rates;

"(4) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State if the proceeds of the sale of such bonds will be deposited in the fund;

"(5) to provide loan guarantees for similar revolving funds established by municipalities or intermunicipal agencies;

"(6) to earn interest on fund accounts; and

"(7) for the reasonable costs of administering the fund and conducting activities under this title, except that such amounts shall not exceed 4 percent of all grant awards to such fund under this title.

"(e) LIMITATION TO PREVENT DOUBLE BENEFITS.—If a State makes, from its water pollution revolving fund, a loan which will finance the cost of facility planning and the preparation of plans, specifications, and estimates for construction of publicly owned treatment works, the State shall ensure that if the recipient of such loan receives a grant under section 201(g) of this Act for construction of such treatment works and an allowance under section 201(1X1) of this Act for non-Federal funds expended for such planning and preparation, such recipient will promptly repay such loan to the extent of such allowance.

"(f) CONSISTENCY WITH PLANNING REQUIREMENTS.—A State may provide financial assistance from its water pollution control revolving fund only with respect to a project which is consistent with plans, if any, developed under sections 205(j), 208, 308(e), 319, and 320 of this Act.

"(g) PRIORITY LIST REQUIREMENT.—The State may provide financial assistance from its water pollution control revolving fund only

with respect to a project for construction of a treatment works described in subsection (c)(1) if such project is on the State's priority list under section 216 of this Act. Such assistance may be provided regardless of the rank of such project on such list.

"(h) ELIGIBILITY OF NON-FEDERAL SHARE OF CONSTRUCTION GRANT PROJECTS.—A State water pollution control revolving fund may provide assistance (other than under subsection (d)(1) of this section) to a municipality or intermunicipal or interstate agency with respect to the non-Federal share of the costs of a treatment works project for which such municipality or agency is receiving assistance from the Administrator under any other authority only if such assistance is necessary to allow such project to proceed.

"SEC. 604. ALLOTMENT OF FUNDS.

"(a) FORMULA.—Sums authorized to be appropriated to carry out this section for each of fiscal years 1989 and 1990 shall be allotted by the Administrator in accordance with section 205(c) of this Act.

"(b) RESERVATION OF FUNDS FOR PLANNING.—Each State shall reserve each fiscal year 1 percent of the sums allotted to such State under this section for such fiscal year, or \$100,000, whichever amount is greater, to carry out planning under sections 205(j) and 303(e) of this Act.

"(c) ALLOTMENT PERIOD.—

"(1) PERIOD OF AVAILABILITY FOR GRANT AWARD.—Sums allotted to a State under this section for a fiscal year shall be available for obligation by the State during the fiscal year for which sums are authorized and during the following fiscal year.

"(2) REALLOTMENT OF UNOBLIGATED FUNDS.—The amount of any allotment not obligated by the State by the last day of the 2-year period of availability established by paragraph (1) shall be immediately reallocated by the Administrator on the basis of the same ratio as is applicable to sums allotted under title II of this Act for the second fiscal year of such 2-year period. None of the funds reallocated by the Administrator shall be reallocated to any State which has not obligated all sums allotted to such State in the first fiscal year of such 2-year period.

"SEC. 605. CORRECTIVE ACTION.

"(a) NOTIFICATION OF NONCOMPLIANCE.—If the Administrator determines that a State has not complied with its agreement with the Administrator under section 602 of this Act or any other requirement of this title, the Administrator shall notify the State of such noncompliance and the necessary corrective action.

"(b) WITHHOLDING OF PAYMENTS.—If a State does not take corrective action within 60 days after the date a State receives notification of such action under subsection (a), the Administrator shall withhold additional payments to the State until the Administrator is satisfied that the State has taken the necessary corrective action.

"(c) REALLOTMENT OF WITHHELD PAYMENTS.—If the Administrator is not satisfied that adequate corrective actions have been taken by the State within 12 months after the State is notified of such actions under subsection (a), the payments withheld from the State by the Administrator under subsection (b) shall be made available for reallocation in accordance with the most recent formula for allotment of funds under this title.

"SEC. 606. AUDITS, REPORTS, AND FISCAL CONTROLS; INTENDED USE PLAN.

"(a) FISCAL CONTROL AND AUDITING PROCEDURES.—Each State electing to establish a water pollution control revolving fund under this title shall establish fiscal controls and accounting procedures sufficient to assure proper accounting during appropriate accounting periods for—

"(1) payments received by the fund;

"(2) disbursements made by the fund; and

"(3) fund balances at the beginning and end of the accounting period.

"(b) ANNUAL FEDERAL AUDITS.—The Administrator shall, at least on an annual basis, conduct or require each State to have independently conducted reviews and audits as may be deemed necessary or appropriate by the Administrator to carry out the objectives of this section. Audits of the use of funds deposited in the water pollution revolving fund established by such State shall be conducted in accordance with the auditing procedures of the General Accounting Office, including chapter 75 of title 31, United States Code.

"(c) INTENDED USE PLAN.—After providing for public comment and review, each State shall annually prepare a plan identifying the intended uses of the amounts available to its water pollution control revolving fund. Such intended use plan shall include, but not be limited to—

"(1) a list of those projects for construction of publicly owned treatment works on the State's priority list developed pursuant to section 216 of this Act and a list of activities eligible for assistance under sections 319 and 320 of this Act;

"(2) a description of the short- and long-term goals and objectives of its water pollution control revolving fund;

"(3) information on the activities to be supported, including a description of project categories, discharge requirements under titles III and IV of this Act, terms of financial assistance, and communities served;

"(4) assurances and specific proposals for meeting the requirements of paragraphs (3), (4), (5), and (6) of section 602(b) of this Act; and

"(5) the criteria and method established for the distribution of funds.

"(d) ANNUAL REPORT.—Beginning the first fiscal year after the receipt of payments under this title, the State shall provide an annual report to the Administrator describing how the State has met the goals and objectives for the previous fiscal year as identified in the plan prepared for the previous fiscal year pursuant to subsection (c), including identification of loan recipients, loan amounts, and loan terms and similar details on other forms of financial assistance provided from the water pollution control revolving fund.

"(e) ANNUAL FEDERAL OVERSIGHT REVIEW.—The Administrator shall conduct an annual oversight review of each State plan prepared under subsection (c), each State report prepared under subsection (d), and other such materials as are considered necessary and appropriate in carrying out the purposes of this title. After reasonable notice by the Administrator to the State or the recipient of a loan from a water pollution control revolving fund, the State or loan recipient shall make available to the Administrator such

records as the Administrator reasonably requires to review and determine compliance with this title.

"(f) APPLICABILITY OF TITLE II PROVISIONS.—Except to the extent provided in this title, the provisions of title II shall not apply to grants under this title.

"SEC. 607. AUTHORIZATION OF APPROPRIATIONS.

"There is authorized to be appropriated to carry out the purposes of this title the following sums:

"(1) \$1,200,000,000 per fiscal year for each of fiscal years 1989 and 1990;

"(2) \$2,400,000,000 for fiscal year 1991;

"(3) \$1,800,000,000 for fiscal year 1992;

"(4) \$1,200,000,000 for fiscal year 1993; and

"(5) \$600,000,000 for fiscal year 1994."

(b) STATE-OPTION TO USE TITLE II FUNDS.—Section 205 is amended by adding at the end thereof the following new subsection:

"(m) DISCRETIONARY DEPOSITS INTO STATE WATER POLLUTION CONTROL REVOLVING FUNDS.—

"(1) **FROM CONSTRUCTION GRANT ALLOTMENTS.**—In addition to any amounts deposited in a water pollution control revolving fund established by a State under title VI, upon request of the Governor of such State, the Administrator shall make available to the State for deposit, as capitalization grants, in such fund in any fiscal year beginning after September 30, 1986, such amount of the amounts allotted to such State under this section for such fiscal year as the Governor considers appropriate; except that (A) in fiscal year 1987, such deposit may not exceed 50 percent of the amounts allotted to such State under this section for such fiscal year, and (B) in fiscal year 1988, such deposit may not exceed 75 percent of the amount allotted to such State under this section for this fiscal year.

"(2) **NOTICE REQUIREMENT.**—The Governor of a State may make a request under paragraph (1) for a deposit into the water pollution control revolving fund of such State—

"(A) in fiscal year 1987 only if no later than 90 days after the date of the enactment of this subsection, and

"(B) in each fiscal year thereafter only if 90 days before the first day of such fiscal year,

the State provides notice of its intent to make such deposit.

"(3) **EXCEPTION.**—Sums reserved under section 205(j) of this Act shall not be available for obligation under this subsection."

(c) REPORT TO CONGRESS.—Section 516 is amended by adding at the end thereof the following new subsection:

"(g) STATE REVOLVING FUND REPORT.—

"(1) **IN GENERAL.**—Not later than February 10, 1990, the Administrator shall submit to Congress a report on the financial status and operations of water pollution control revolving funds established by the States under title VI of this Act. The Administrator shall prepare such report in cooperation with the States, including water pollution control agencies and other water pollution control planning and financing agencies.

"(2) CONTENTS.—The report under this subsection shall also include the following:

"(A) an inventory of the facilities that are in significant noncompliance with the enforceable requirements of this Act;

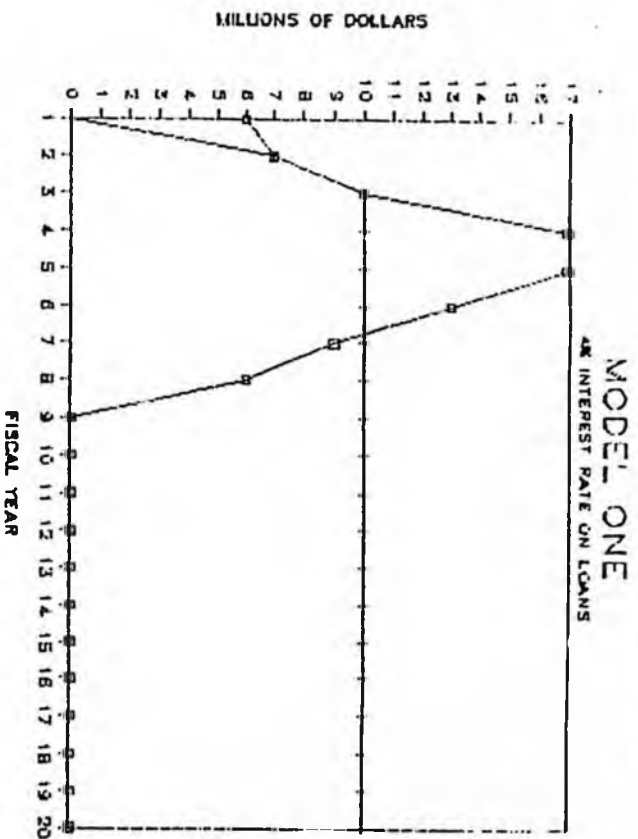
"(B) an estimate of the cost of construction necessary to bring such facilities into compliance with such requirements;

"(C) an assessment of the availability of sources of funds for financing such needed construction, including an estimate of the amount of funds available for providing assistance for such construction through September 30, 1999, from the water pollution control revolving funds established by the States under title VI of this Act;

"(D) an assessment of the operations, loan portfolio, and loan conditions of such revolving funds;

"(E) an assessment of the effect on user charges of the assistance provided by such revolving funds compared to the assistance provided with funds appropriated pursuant to section 207 of this Act; and

"(F) an assessment of the efficiency of the operation and maintenance of treatment works constructed with assistance provided by such revolving funds compared to the efficiency of the operation and maintenance of treatment works constructed with assistance provided under section 201 of this Act."

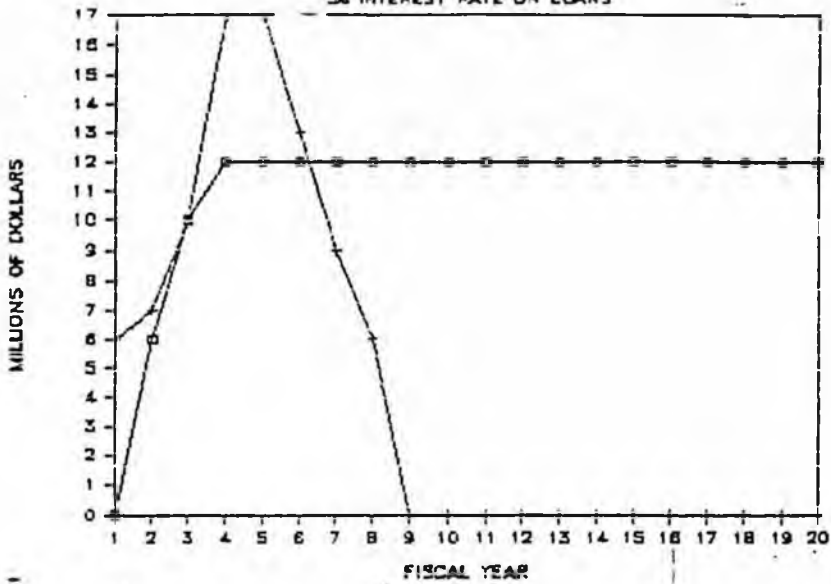


	YEAR 1	YEAR 5	YEAR 10	YEAR 15	YEAR 20
RESOURCES OF FUNDS					
REMAINING BALANCE					
PROFIT/LIQUIDATION					
Current	16	17	3	3	3
Cumulative	16	57	55	55	55
EDMS (SEED)					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
OTHER INCOME (INCLUDING DEPOSIT)					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
NET LOAN REQUIREMENTS					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
NET LOAN REQUIREMENTS					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
INVESTED FUNDS					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
Interest Rate for Invested Funds	7.25%	7.00%	7.25%	7.25%	7.25%
Interest on Invested Funds	10	12	12	11	11
NET TOTAL SOURCES OF FUNDS					
Current	16	32	30	32	35
Cumulative	16	94	373	373	516

	YEAR 1	YEAR 5	YEAR 10	YEAR 15	YEAR 20
USES OF FUNDS					
BOND RETIREMENT					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
NET LOAN REQUIREMENTS					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
EDMS (SEED)					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
OTHER INCOME (INCLUDING DEPOSIT)					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
NET LOAN REQUIREMENTS					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
INVESTED FUNDS					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
Interest Rate for Invested Funds	7.25%	7.00%	7.25%	7.25%	7.25%
Interest on Invested Funds	10	12	12	11	11
NET TOTAL SOURCES OF FUNDS					
Current	16	32	30	32	35
Cumulative	16	94	373	373	516

MODEL TWO

5% INTEREST RATE ON LOANS



SIRF SUMMARY REPORT

	YEAR 1	YEAR 5	YEAR 10	YEAR 15	YEAR 20
SOURCES OF FUNDS					
BEGINNING BALANCE		12	16	2	3
CAPITALIZATION					
Current	16	17	3	0	0
Cumulative	16	57	85	85	85
BONDS ISSUED					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
LOAN ACTIVITY					
LOAN REPAYMENTS					
Current	10	1	6	11	17
Cumulative	10	2	24	71	130
LOAN DEFAULTS					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
NET LOAN REPAYMENTS					
Current	10	1	6	11	13
Cumulative	10	2	24	71	130
INVESTED FUNDS					
Interest Rate for Invested Funds	7.00%	7.00%	7.00%	7.00%	7.00%
Interest on Invested Funds	10	11	11	10	0
TOTAL SOURCES OF FUNDS					
Current	16	31	23	12	16
Cumulative	16	95	259	328	454
USES OF FUNDS					
BOND RETIREMENT					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
TOTAL BOND INSURANCE FEE	10	0	0	0	0
LOAN ACTIVITY					
LOANS MADE					
Current	10	12	12	12	12
Cumulative	10	40	100	150	220
GRANTS MADE					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	10	12	12	12	12
Cumulative	10	40	100	150	220
ADMINISTRATIVE/OPERATIONAL COSTS	10	11	11	11	11
TOTAL USES OF FUNDS					
Current	10	13	13	13	13
Cumulative	10	42	145	158	232
FUND BALANCE (END OF YEAR)	16	82	176	161	16
INFLATION ANALYSIS OF FUNDS					
INFLATION RATE	4.72%	4.28%	4.20%	4.20%	4.00%
CONSTANT DOLLARS	16	17	11	0	3

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION
OFFICE OF THE COMMISSIONER
P.O. BOX 0, JUNEAU 99811-1800

465-2600

March 25, 1987

MAR 26 1987

The Honorable Arliss Sturgulewski
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Sturgulewski:

During the public hearing on SB 167 held by the Community and Regional Affairs Committee, you asked for an explanation of how the proposed Alaska Clean Water Fund will impact the Department's existing grant program.

The Department of Environmental Conservation administers three grant programs:

1. The 50 Percent Matching Construction Grants Program;
2. The Village Safe Water Program; and
3. The Federally Funded Construction Grants Program.

SB 167 would set up a state revolving loan fund that would take the place of the federally funded Construction Grants Program. This program is being phased out by Congress. However, federal restrictions would limit the type of projects that could be constructed through the proposed loan fund. Therefore, the State must maintain the two State funded programs. Additional reasons for this conclusion are described below.

1. 50 PERCENT MATCHING CONSTRUCTION GRANTS PROGRAM (AS 46.03)

The Construction Grants Program provides grants up to 50 percent of the nonfederally financed costs for water, sewer, and solid waste projects. These grants pay for engineering, construction, legal, administrative, and equipment costs. Only incorporated municipalities can receive grants through this program. Traditionally, local governments have raised their match by the formation of local improvement districts, sales tax, or the sale of local bonds.

2. VILLAGE SAFE WATER PROGRAM (AS 46.07)

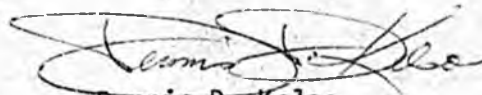
The Village Safe Water (VSW) Program is available to unincorporated and second class communities and covers 100 percent of project expenses. VSW is more than just a funding mechanism. Our engineering staff, experienced in cold climate utility development, acts as the village's "city engineer" in the planning, design, and construction management of the project when the community does not have the management expertise needed for a major capital project. These grants can be used for construction of water systems, wastewater collection and disposal, solid waste disposal, laundromats, and bathing facilities.

3. ALASKA CLEAN WATER ACT (Proposed by SB 167)

The Federal Construction Grants Program currently provides about \$14 million a year to Alaskan communities for construction of wastewater treatment plant projects. This program has existed since 1972, but will be phased out and replaced with a State Revolving Loan Fund Program. SB 167 establishes the framework for Alaska's revolving fund. Monies in the fund will be available to all incorporated communities. However, federal eligibility guidelines will restrict the use of the funds to major sewage treatment facilities and some segments of sewage collection systems. The federal monies cannot be used for water supply and solid waste projects.

Each program targets a different community-type and is tailored to meet specific needs. To maintain mechanisms for meeting the State's sanitation needs, all three programs must be in place. The Legislature, as it has in the past, will continue to direct the State's efforts in meeting these sanitation needs, through the capital budgeting process.

Sincerely,



Dennis D. Kelso
Commissioner

STATE OF ALASKA
THE LEGISLATURE

POUCH Y : STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 27, 1987

SUBJECT: Dedication of funds to clean water fund by
SB 167 (Grants for water supply, sewage and
solid waste facilities)

TO: Senator Rick Halford

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked whether the Alaska clean water loan fund created by SB 167 violates the constitutional prohibition against the dedication of state funds for a special purpose. You have provided me with a copy of Title VI (State Water Pollution Control Revolving Funds) of P.L. 100-4, amending the Federal Water Pollution Control Act (33 U.S.C. 1251 - 1376), commonly known as the Clean Water Act.

The Alaska Constitution, Article IX, Section 7, permits the state to dedicate funds "when required by the federal government for participation in federal programs." The question then is whether SB 167 creates a dedicated fund in order to participate in a federal program and whether the state program is not more extensive than the federal requirements. In my opinion, the bill complies with the requirements of the exception for a federal program.

The recent amendments to the federal Clean Water Act require that states establish revolving loan funds that meet certain standards in order to be eligible to participate in the capitalization grants. The state must establish a separate fund consisting of federal capitalization grant payments (Sec. 602(b)(1)), the required state matching funds (Sec. 602(b)(2)), loan repayments including interest (Sec. 603(d)(1)(D)), and interest earned on fund accounts (Sec. 603(d)(6)). As long as the state does not deposit more than the required state match in the fund, contributions specified in the bill should be exempt from the prohibition against dedicated funds.

. Senator Halford
Page 2
March 27, 1987

The requirements imposed in SB 167 for management of the fund and the projects that are eligible for participation in the program appear to be consistent with the federal legislation. Under AS 46.03.032(d), added by section 4 of SB 167, the state permits the fund to be used for

- (1) buying or refinancing municipal treatment works debt obligations;
- (2) constructing facilities associated with public sewage collection treatment and discharge facilities;
- (3) constructing public water supply, treatment, and distribution systems; and
- (4) guaranteeing or purchasing insurance for public agency obligations related to treatment works construction.

Under sec. 603 (c) of the federal legislation, amounts in the fund are to be used only for financial assistance

- (1) for construction of publicly owned treatment works (as defined in section 212 of this Act), (2) for the implementation of a management program established under section 319 of this Act, and (3) for development and implementation of a conservation and management plan under sec 320 of this Act.

Under Sec. 603(d)(2), the fund may also be used to buy or refinance municipal debt obligations.

"Treatment works" is defined at 33 U.S.C 1292(2)(A) and apparently is not amended in the new federal legislation. The term includes devices and systems used for storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes or necessary to recycle or reuse water. The proposed use of funds in the Alaska clean water revolving loan fund appears consistent with the requirements of federal law and necessary to participate in a federal program. Therefore, the dedication of funds does not violate the Alaska constitution.

If I may be of further assistance, please advise.

TBC:mkr
m10/063

ISSUE PAPER

INTEREST RATE OF ALASKA CLEAN WATER FUND LOANS

ISSUE:

THE LETTER OF INTENT ATTACHED TO SB 167 TIES THE INTEREST RATE CHARGED ON LOANS MADE FROM THE ALASKA CLEAN WATER FUND TO REVENUE BOND RATES AS DEFINED BY THE ALASKA MUNICIPAL BOND BANK AUTHORITY. THE INTEREST RATE NEEDS TO BE TIED TO A RECOGNIZED STANDARD. THE MUNICIPAL BOND BANK AUTHORITY'S RATE IS NOT A STANDARD. THE LETTER OF INTENT NEEDS TO BE AMENDED.

ISSUE ANALYSIS:

THE DEPARTMENT HAS SPOKEN WITH FINANCIAL CONSULTANTS AND MR. PERRY DAVIS, EXECUTIVE DIRECTOR OF ALASKA MUNICIPAL BOND AUTHORITY AND HAVE LEARNED THAT;

1. THE ALASKA MUNICIPAL BOND BANK AUTHORITY SELLS BONDS ON THE OPEN MARKET. BONDS ARE USUALLY SOLD THROUGH A COMPETITIVE BID PROCESS. THE INTEREST RATE ON THESE SALES DEPENDS ON THE COMMUNITIES' FINANCIAL STATUS, PROJECTS TO BE FINANCED AND CURRENT BOND MARKET CLIMATE.
2. THE ALASKA MUNICIPAL BOND BANK AUTHORITY IS NOT IN THE BUSINESS OF ESTABLISHING BOND RATES. THEY WOULD BE UNABLE TO PROVIDE THE DEPARTMENT WITH A RATE.
3. THE ALASKA MUNICIPAL BOND BANK AUTHORITY HAS DEALT WITH VERY FEW REVENUE BOND ISSUES. THE MOST RECENT WAS IN 1982.
4. THE RECOGNIZED STANDARD FOR BOND INTEREST RATES IS MERRILL LYNCH'S MUNICIPAL BOND INDEX. INTEREST RATES ARE PUBLISHED EACH FRIDAY IN THE WALL STREET JOURNAL. THE INDEX IS BASED ON YIELDS THAT ABOUT 500 MAJOR ISSUERS, MAINLY OF INVESTMENT GRADE, WOULD PAY ON NEW LONG-TERM TAX EXEMPT SECURITIES. THE INDEX IS PREPARED BY MERRILL LYNCH, PIERCE, FENNER & SMITH INC., BASED ON DATA SUPPLIED BY KENNY INFORMATION SYSTEMS. RATES ARE GIVEN FOR GENERAL OBLIGATION BONDS WITH A 20 YEAR MATURITY AND REVENUE BONDS WITH A THIRTY YEAR MATURITY. LOANS FROM THE ALASKA CLEAN WATER FUND WILL BE MADE FOR NO LONGER THAN TWENTY YEARS.

PROPOSED AMENDMENT:

PROPOSE THAT THE LETTER OF INTENT BE AMENDED TO READ -

" 1. THE INTEREST RATE CHARGED TO A COMMUNITY FOR LOANS FROM THE ALASKA CLEAN WATER FUND WILL BE 66% OF THE CURRENT RATE DEFINED BY THE MUNICIPAL BOND INDEX FOR ALL LOANS PRIOR TO JULY 1, 1992, AND 75% OF THE CURRENT RATE FOR ALL LOANS AFTER JULY 1, 1992;"

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Adopted

Tim Kelly
Sturgulewski

Senate Community and Regional Affairs Committee

LETTER OF INTENT SB 167

It is the intent of the Senate Committee on Community and Regional Affairs that, contingent upon federal requirements, when establishing interest rate policy as defined in AS 46.03.032 (i) (2) and setting interest standards for collateral or security as defined in AS 46.03.032 (i) (4) and (e), the department will adhere to the following;

1. The interest rate charged to a community for loans from the Alaska Clean Water Fund will be 66% of the current rate defined by the ~~Municipal Bond Index for all loans prior to July 1, 1992,~~ and 75% of the current rate for all loans after July 1, 1992; and
2. In order to determine that repayment of loans is secured (as required by federal legislation), the department will perform a financial capability review of the community. This review must demonstrate that the recipient has sufficiently pledged a dedicated revenue stream to repay the loan as well as operate and maintain the facility; and
3. Municipalities that repay loans to the Alaska Clean Water Fund by consumer utility billings will charge a rate that is consistent with the savings realized by municipalities participating in this loan program.

Rick Halford
Rick Halford

Fred Zharoff
Fred Zharoff

Mike Szymanski
Mike Szymanski

Tim Kelly
Tim Kelly, Vice Chairman

Arliss Sturgulewski
Arliss Sturgulewski, Chair

Alaska State Legislature

ARLISS STURGIULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Fiscal note #2
Rev. [unclear]
read all 3

Senate

Community and Regional Affairs Committee

TO: Senate C&RA Members

March 17, 1987

FROM: Senate C&RA Staff

MEL

RE: SB 167 - "A. Act relating to grants for water supply, sewage, and solid waste facilities; establishing a revolving loan fund; and providing for an effective date."

SB 167 would set up the legal structure and state matching funds necessary for Alaska to take advantage of the federal funds authorized under the reenactment of the federal clean water act that Congress has recently passed.

Enclosed in this packet is an analysis of SB 167 by DEC, a position paper by DEC, three fiscal notes, and a list of communities that have benefited from this program in the past.

The three fiscal notes each represent a different possible scenario. Gary Haden of DEC will explain the fiscal notes. Commissioner Kelso and the bill's prime sponsor, Senator Halford are also expected to testify.

THE CONSTRUCTION GRANTS PROGRAM

THE CLEAN WATER ACT, PASSED IN 1977, PROVIDED FOR FEDERAL GRANTS TO COMMUNITIES FOR THE CONSTRUCTION OF WASTEWATER TREATMENT FACILITIES. TO DATE, TWENTY-FOUR ALASKAN MUNICIPALITIES AND CITIES HAVE RECEIVED A TOTAL OF \$177,161,685 IN FEDERAL GRANTS FOR WASTEWATER FACILITY CONSTRUCTION. IN 1979 THE CONSTRUCTION GRANTS SECTION OF THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION ASSUMED DELEGATION OF ADMINISTRATIVE AND TECHNICAL FUNCTIONS ASSOCIATED WITH THE GRANTS PROGRAM.

REAUTHORIZATION OF THE CLEAN WATER ACT

THE CLEAN WATER ACT PROVIDED FOR FEDERAL CONSTRUCTION GRANTS FROM 1977 TO 1985. THIS YEAR CONGRESS INTRODUCED A REAUTHORIZATION OF THE ACT WHICH NOT ONLY AMENDS DATES AND FUNDING LEVELS BUT ALSO PROVIDES FOR A PHASE OUT OF THE CONSTRUCTION GRANTS PROGRAM AND A PHASE IN OF A REVOLVING LOAN PROGRAM.

FUNDING: FEDERAL GRANTS AND 20 PERCENT STATE MATCHING FUNDS WILL PROVIDE THE INITIAL REVENUE FOR THE FUND.

<u>FEDERAL FISCAL YEAR</u>	<u>FEDERAL GRANT</u>	<u>REQUIRED STATE MATCH</u>	<u>TOTAL</u>
1988	\$10,895,400	\$2,179,080	\$13,074,480
1989	\$10,763,600	\$2,152,720	\$13,516,320
1990	\$11,263,600	\$2,252,720	\$13,516,320
1991	\$14,527,200	\$2,905,440	\$17,432,640
1992	\$10,895,400	\$2,179,080	\$13,074,480
1993	\$ 7,263,600	\$1,452,720	\$ 8,716,320
1994	\$ 3,631,800	\$ 726,360	\$ 4,358,160
TOTALS	\$69,240,600	\$13,848,120	\$83,088,720

AFTER THE FIRST SEVEN YEARS OF THE FUNDS OPERATION, INPUT OF FEDERAL GRANTS WILL CEASE. THE FUND WILL, HOWEVER, CONTINUE TO REJUVENATE ITSELF. AS COMMUNITIES MAKE PAYMENTS ON BOTH THE PRINCIPAL AND INTEREST OF THEIR LOANS, NEW LOANS WILL BE MADE. IF AN INTEREST RATE OF 5% IS CHARGED, A LOANING CAPACITY OF \$10.75 MILLION PER YEAR CAN BE OBTAINED BEGINNING THE THIRD YEAR THE FUND IS IN OPERATION. THIS IS WITHOUT ADDITIONAL LEGISLATIVE APPROPRIATION AFTER 1994. IN ADDITION, BY INVESTING FUNDS WHICH ARE NOT CURRENTLY BEING LOANED IN SHORT TERM ENDEAVORS (e.g. U.S. TREASURY BILLS) THE SIZE OF THE FUND WILL SLOWLY INCREASE AND ENHANCE LOANING CAPACITY.

TYPES OF ASSISTANCE: OPTIONS INCLUDE LOW INTEREST LOANS, BOND INSURANCE, INTEREST SUBSIDIES OR BOND GUARANTEES. ALL LOANS WILL BE MADE AT AN INTEREST RATE BELOW THE MARKET RATE AND MAY BE ISSUED FOR UP TO 100% OF ALL ELIGIBLE COSTS ASSOCIATED WITH PROJECT CONSTRUCTION.

IMMEDIATE LEGISLATIVE ACTION NEEDED: IT WILL TAKE SEVERAL MONTHS TO DRAFT REQUIRED REGULATIONS, DEVELOP DETAILED PLANS FOR IMPLEMENTING THE PROGRAM AND OBTAIN EPA APPROVAL FOR IMPLEMENTATION. STATE LEGISLATION AUTHORIZING THE ALASKA CLEAN WATER FUND MUST BE ENACTED THIS LEGISLATIVE SESSION OR THE STATE COULD LOSE UP TO \$10.895 MILLION IN FEDERAL FUNDS FOR FFY 88.

THE ALASKA CLEAN WATER FUND

BY ESTABLISHING THE ALASKA CLEAN WATER FUND AND PROVIDING 20% MATCHING GRANTS TO THE FUND, THE STATE WILL CAPTURE APPROXIMATELY \$69,240,600 IN ANNUAL FEDERAL CAPITALIZATION GRANTS. ALASKA'S SHARE OF THE FEDERAL ALLOTMENT IS AS FOLLOWS:

<u>FED. FISCAL YR</u>	<u>FEDERAL</u>	<u>REQ. STATE MATCH</u>	<u>TOTAL</u>
1988	\$10,895,400	\$ 2,179,080	\$13,074,480
1989	10,763,600	2,152,720	12,916,320
1990	11,263,600	2,252,720	13,516,320
1991	14,527,200	2,905,440	17,432,640
1992	10,895,400	2,179,080	13,074,480
1993	7,262,600	1,452,720	8,716,320
1994	<u>3,631,800</u>	<u>726,360</u>	<u>4,358,160</u>
TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720

IT WILL TAKE SEVERAL MONTHS TO DRAFT REQUIRED REGULATIONS, DEVELOP DETAILED PLANS FOR IMPLEMENTING THE PROGRAM AND OBTAIN FEDERAL APPROVAL. IF ALASKA IS TO RECEIVE FFY 88 FUNDS FEDERAL APPROVAL OF THE PROGRAM MUST BE SOUGHT PRIOR TO OCTOBER 1, 1987. HB.. MUST PASS THIS LEGISLATIVE SESSION AS A SINGLE SESSION DELAY COULD COST THE STATE \$10,895,400 IN FEDERAL FUNDS.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
STATE REVOLVING WASTEWATER TREATMENT FACILITIES LOAN FUND

BACKGROUND OF FEDERAL GRANTS PROGRAM

- The Federal Government is phasing out its construction grant program for wastewater treatment projects
- Since 1972 \$160,223,000 for Alaskan communities
- 1982 The Department received full delegation of federal program
- Program will be phased out by 1990

CLEAN WATER REVOLVING LOAN FUND

- From 1987 to 1994, \$76,500,000 seed money from the Federal Government available to establish a revolving loan fund for wastewater treatment projects
- Requires 20% state match, for total of \$15,300,840
- After 1994 no more federal money will be put into the fund. It should be self sustaining
- Loans will be made at rate less than or equal to the current market rate

PROGRAM ADMINISTRATION

- The existing staff of The Facility Construction and Operation Division will be used for the loan program
- Administrative costs will come from loan fund
- Operation of the loan program will follow current federal construction grants procedures
- Projects selected by same process used in current federal program

TYPES OF ASSISTANCE

- Low interest rate loans
- Bond insurance
- Interest subsidies
- Bond Guarantees
- Refinancing of certain projects

SUMMARY

1. Funds Authorized for Construction Grants and State Revolving Loan Programs

o GRANTS \$2.4 billion annually for FY 86-88 Section 211/207
 \$1.2 billion annually for FY 89-90

o LOANS \$1.2 billion annually for FY 89-90 Section 212/607
 \$2.4 billion for FY 91
 \$1.8 billion for FY 92
 \$1.2 billion for FY 93
 \$.6 billion for FY 94

GRANTS TOTAL: \$9.6 billion LOANS TOTAL: \$8.4 billion (See next item)

o In FY 87, 50% of a State's grants allotment may be transferred to its revolving loan funds, 75% in FY 1988, and 100% in FY 89-90. (Sec. 212/606)

2. State Revolving Loan Programs

Federal capitalization of State revolving loan programs is authorized, with the State to provide at least 20% matching. The funds "resulting from" the capitalization grant (i.e., grant, 205m State discretionary deposit, match, and repayments) must first be used for the enforceable requirements of the Act, including the municipal compliance deadline. Of those funds, projects that receive assistance from an amount equal to the grant or 205m payment must meet enumerated Title II requirements, including limitations on eligible categories (i.e., Categories I, II, III(a), and IV(b) with 20% of the funds discretionary for other previously eligible categories and nonpoint source programs (319). Once the enforceable requirements are met, funds in excess of the Federal grants may be used for any project defined in Section 212 (Definitions), Section 319 (Nonpoint Sources) and Section 320 (National Estuary Programs). Types of assistance include loans, refinancing local debt obligations incurred after 3/7/85, guarantees or insurance for local obligations, and as a source of revenue or security for payment of principal and interest on State bonds where proceeds go to revolving funds (leveraging). Payments to States to be made quarterly within stated periods of time. Yearly audits are necessary. Annual oversight of State programs by EPA is required. (Sec 212 contains new Title VI for State revolving loan funds).

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

POSITION PAPER

Bill No: SB 167

Date: March 16, 1987

Title: An Act relating to grants for water supply, sewage, and solid waste facilities; establishing a Revolving Loan Fund; and providing for an effective date.

Contact: Gary Hayden
465-2610

Department's Position

We support the bill.


Effect of the Bill

SB 167 would create the mechanism the State needs to take advantage of federal dollars authorized under the 1987 amendments to the Clean Water Act. The amendments provide for a transition from a federally funded grant program for sewage treatment facilities to a federally and State funded loan program. About \$69 million in federal funds will be available in the next seven years to capitalize a revolving loan fund in Alaska. The State would match with another twenty percent. SB 167 will allow the Department of Environmental Conservation to make low interest loans to communities to construct sewage treatment plants.

The bill also makes adjustments to the existing statute concerning the Department's fifty percent Construction Grants Program.

Impact on the Agency

The proposed revolving loan program would replace the federal grant program being administered by the Department. Therefore, we would administer the proposed loan program with existing staff, with no increase in the operating budget.



Dennis D. Keiso
Commissioner

Attachment 1

FISCAL NOTE ASSUMPTIONS AND ANALYSIS

- 1 All operating and administrative expenses will be paid by a percentage set aside from annual federal grants to the program. Operating projections have, therefore, been left blank. Additional staff will not be needed. Staff that now administer the federal grant program will administer the federal loan program.
- 2 Loan repayments to the fund and interest earned by the fund have not been included in this analysis.
- 3 Federal capitalization grants to the loan fund will be available annually for seven years (FFY 88 - FFY 94). An extension of the fiscal analysis on the front page is given below.

	<u>FY 93</u>	<u>FY 94</u>
General Fund	1,452,720	726,360
Federal Funds	7,262,600	3,631,800
Other	-0-	-0-
Total	8,716,320	4,358,160

SEVEN YEAR TOTAL: General Fund \$ 13,848,120
 Federal Funds \$ 69,240,500
 \$ 83,088,720

①

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : _____

Publish Date : _____

Revision Date: _____

Title: Act establishing a Revolving
Loan Fund (Alaska Clean Water Fund)

Agency Affected: Environmental Conservation

BRU: Facility Construction & Operation

Sponsor: Senator Rick Halford

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	2,179.0	2,152.7	2,252.7	2,905.4	2,179.0	1,452.7
FEDERAL FUNDS	10,895.1	10,763.6	11,263.6	14,527.2	10,895.4	7,263.6
OTHER						
TOTAL	13,074.4	12,916.3	13,516.3	17,432.6	13,074.4	8,716.3

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Passage of the revolving loan fund bill will give the state the ability to accept a total of \$69,240,000 in federal dollars to capitalize the funds. Federal Funds require a 20% state match. Passage of the bill does not obligate the state to accept the federal dollars or to appropriate the match (see attachment).

Prepared by: Lord Telfer
Division: Facility Construction & Operation

Phone: 465-2610
Date: 3/17/87

Approved by Commissioner: _____
Agency: Environmental Conservation

Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

②

REQUEST: _____

Bill Version: SB 167
Publish Date: _____

Revision Date: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation

Title: Grants for water supply & sewage facilities; establishing revolving loan fund

Sponsor: Senator Halford

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	2179.0	2152.7	2252.7	2905.4	2179.0
FEDERAL FUNDS	-0-	10895.4	10763.6	11263.6	14527.2	10895.4
OTHER						
TOTAL	-0-	13074.4	12916.3	13516.3	17432.6	13074.4

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Passage of the revolving loan fund bill will give the state the ability to accept a total of \$69,240,000 in federal dollars to capitalize the fund. Federal funds require a 20% state match. Passage of the bill does not obligate the state to accept the federal dollars or to appropriate the match. *Please see attachment.

Prepared by: Lori Telfer
Division: Facility Construction and Operation

Phone: 465-2610
Date: 3/17/87

Approved by Commissioner: [Signature]
Agency: Environmental Conservation

Date: 3/17/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Attachment 1

FISCAL NOTE ASSUMPTIONS AND ANALYSIS

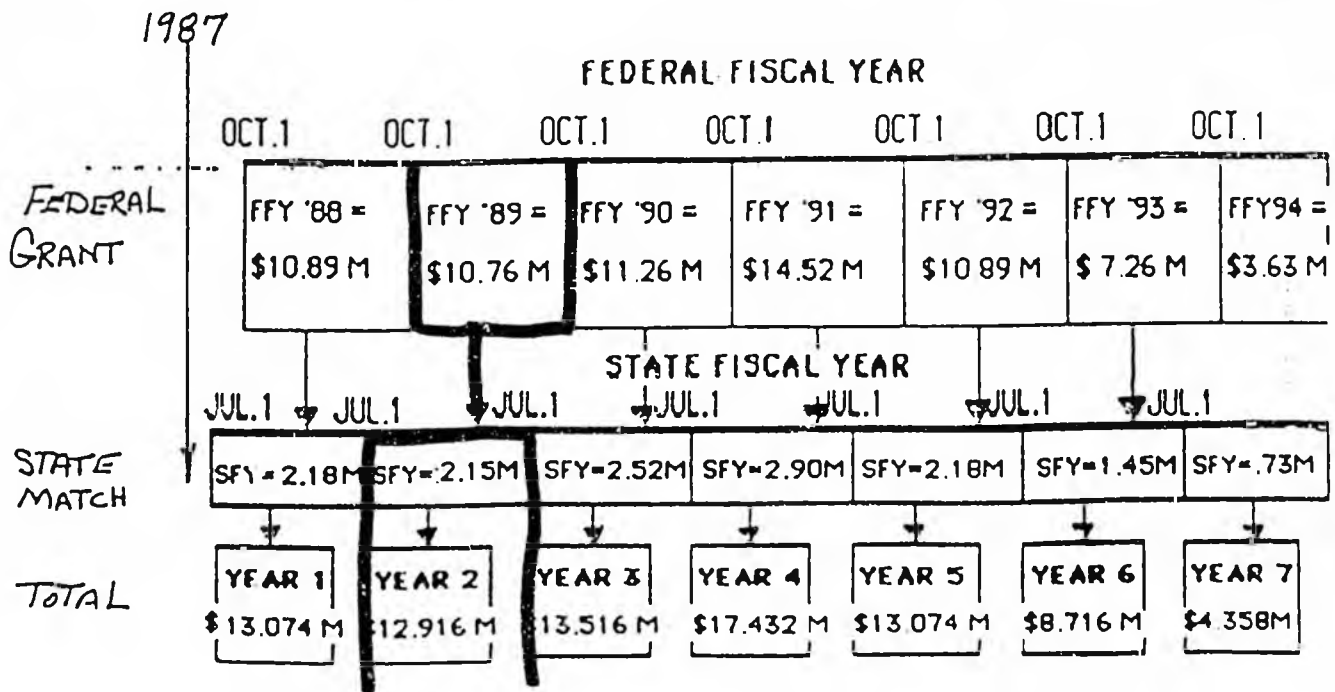
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- 2 Loan repayments to the fund and interest earned by the fund have not been included in this analysis.
- 3 Federal capitalization grants to the loan fund will be available annually for seven years (FFY 88 - FFY 94). An extension of the fiscal analysis on the front page is given below.

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General Fund	1,452,720	726,360
Federal Funds	7,262,600	3,631,800
Other	-0-	-0-
Total	8,716,320	4,358,160

SEVEN YEAR TOTAL: General Fund \$ 13,848,120
 Federal Funds \$ 69,240,600
 \$ 83,088,720

CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

FED F.Y.	FED SEED GRANT	STATE MATCH	TOTAL
88	\$10,895,400	\$2,179,080	\$13,074,480
89	\$10,763,600	\$2,152,720	\$12,916,320
90	\$11,263,600	\$2,252,720	\$13,516,320
91	\$14,527,200	\$2,905,440	\$17,432,640
92	\$10,895,400	\$2,179,080	\$13,074,480
93	\$7,263,600	\$1,452,720	\$8,716,320
94	\$3,631,800	\$726,360	\$4,358,160
TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720



STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

3

REQUEST: _____

Bill Version : _____
Publish Date : _____

Revision Date: _____
Title: Act establishing a Revolving Loan
Fund (Alaska Clean Water Fund)
Sponsor: Senator Rick Halford
Requestor: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation

Components : _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	4,331.8	2,252.7	2,905.4	2,179.0	1,452.7
FEDERAL FUNDS	-0-	21,659.0	11,263.6	14,527.2	10,895.4	7,262.6
OTHER						
TOTAL	-0-	25,990.8	13,516.3	17,432.6	13,074.4	8,716.3

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Passage of the revolving loan fund bill will give the state the ability to accept a total of \$69,240,000 in federal dollars to capitalize the funds. Federal funds require a 20% state match. Passage of the bill does not obligate the state to accept the federal dollars or to appropriate the match (see attachment).

Prepared by: Lori Telfer
Division: Facility Construction & Operation

Phone: 465-2610
Date: 3/17/87

Approved by Commissioner: _____
Agency: Environmental Conservation

Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

MUNICIPALITY

TOTAL FED GRANT AWARDS

ANCHORAGE	\$54,982,845
BRISTOL BAY BOR.	\$6,131,552
CORDOVA	\$3,194,776
DILLINGHAM	\$1,526,780
FAIRBANKS	\$11,475,009
HAINES	\$1,086,224
HOMER	\$15,000
JUNEAU	\$19,188,866
KENAI	\$4,181,559
KETCHIKAN	\$12,918,119
KODIAK	\$7,553,029
NOME	\$308,358
PALMER	\$1,056,674
PELICAN	\$37,497
PETERSBURG	\$6,285,531
SELDOVIA	\$18,579
SEWARD	\$5,404,575
SKAGWAY	\$2,455,092
SITKA	\$17,498,197
SOLDOTNA	\$2,739,608
UNALASKA	\$4,055,070
VALDEZ	\$4,889,029
WASILLA	\$8,916,207
WHITTIER	\$856,420
WRANGELL	\$387,089

TOTALS:

\$177,161,685

SB

168



Alaska State Legislature

SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811

(907) 465-4766

COMMITTEES:
FINANCE
RESOURCES
BUDGET AND AUDIT

M E M O R A N D U M

February 29, 1988

To: Senator Arliss Sturgulewski
Chair, Senate Community & Regional Affairs

From: Senator Jim Duncan

Subject: SB 168 Relating to establishment of a port authority

I would like to request that you schedule SB 168 for another hearing before the Senate Community and Regional Affairs Committee. I have reviewed the proposed legislation with the Juneau Economic Development Committee Chairman and staff and believe that we should continue to work to have the provisions of this measure approved and enacted into law.

This legislation was drafted after considering port authority statutes from several other states and modeling the best of what they had to offer while considering Alaska's unique situation. I would recommend that the Committee make some minor technical changes similar to those made in House Bill 209, the House version of this measure and move it on to the next committee of referral.

I look forward to seeing SB 168 on your Committee calendar again soon.

UNIVERSITY OF WASHINGTON
SEATTLE, WASHINGTON 98195

Institute for Marine Studies, HF-05
3707 Brooklyn Avenue N.E.

Telephone: (206) 543-7004

August 31, 1987

Mr. G. V. McCorkle
Harbormaster/Port Administrator
City of Kodiak
P.O. Box 1397
Kodiak, Alaska 99615

Dear Corky:

You asked me to jot down some of the pros and cons of a port authority for Alaska communities and provide some comments on the potential viability of such authorities in Alaska. On the surface this sounded like an interesting challenge - as it turned out this was a pretty complex question and a far bigger challenge than anticipated. There are lots of things to consider in this type of analysis. However, the areas of control, administration and financing appear to be the key factors.

From the standpoint of control of the harbor, there are mainly pros to consider. The formation of a port authority would provide for more direct control of the harbor by an autonomous government agency whose sole concern is the harbor. No longer would the Harbormaster have to find ways to bring harbor issues to the attention of the City or Borough Mayor, Council, Manager and staff. The authority's budget, harbor policies and other harbor business would be the only things on the agenda and final and prompt decisions could be made by the Port Authority's Board without concurrence of a City or Borough governing body. The potential drawback here is that there would be several areas (zoning, tax collections, etc.) that would require coordination and cooperation between independent government organizations. Overall, there would certainly be better (or at least more direct) control over the harbor with a port authority.

Another area that would be impacted by the formation of a port authority is administration. Presently the Harbormaster has a small staff that is directly involved in running the harbor. The Harbormaster depends on City or Borough staff for finance, legal, police and other administrative support. In the vast majority of cases, the Harbormaster's department is not charged for these services since it is just another City/Borough department. With a port authority, the authority would need its own staff to perform these functions. This would be an added expense that must be considered when forming a port authority.

The area that has far more negative than positive aspects is finance. A port authority would have to have some form of continuing tax support since most harbor operations in Alaska are not self-supporting. This tax support would need to be in the form of an operating levy that does not require a periodic vote of the taxpayers to revalidate it since the port authority would need this tax revenue base to sustain its viability. Thus operating revenues for a port authority would come from moorage and service fees, rents, and taxes.

Funding for capital improvements brings out another set of positives and negatives. From a positive standpoint, a port authority with its own general obligation and revenue bonding powers ensures that the harbor will not have to seek funding from a City or Borough organization in competition with street, sewer/water and other civic needs. It would also insure that federal or state grant/loan funding could be more aggressively sought for harbor improvements. However, the port authority would probably have to seek voter approval for any significant financing effort and this might place the port authority in direct competition with City or Borough issues with a more universal public purpose (schools, water/sewer systems, etc.).

Lastly, if there were a negative cash flow in any period, it would be more difficult for a port authority to seek a short-term loan from a bank than for a City or Borough to simply transfer funds from one internal account to another on an interim loan basis.

One suggestion that has recently surfaced in Alaska is the formation of regional port authorities. This is a good idea if your community hasn't the capability to operate as an independent port authority. But, for a community that has significant financial capability, such as Kodiak, Dutch Harbor, Sitka, Anchorage or Ketchikan, etc., a regional port authority has little positive value - especially if financing for such an authority would be secured by property taxes or harbor revenues of all the communities in the region. A regional port authority might have validity if the State of Alaska would pledge itself to secure the debt issued by such an authority, but that appears unlikely.

As an overall statement, it is difficult for me to understand what advantage there is to forming an independent port authority in the majority of Alaska communities. For most Alaska communities the subject of port authorities arises due to frustration on the part of port users with what they see as non-responsiveness of the Harbormasters and/or frustration on the part of Harbormasters with what they see as non-responsiveness of Mayors, Councils, Managers and staffs to requests for prompt consideration and resolution of harbor-related issues. If this is true, then rather than create another layer of government by forming a port authority, it might be more productive to change how harbors are administered by City or Borough governments.

Strengthening the tie between the harbor and the Mayor, Council, and Manager may well solve some of this frustration. This could be accomplished in several ways. Two that appear most effective are the formation of a semi-autonomous Harbor Committee or the formation of a Harbor Board.

The Harbor Committee would be appointed by the City or Borough Mayor and Council to work with the Harbormaster to oversee policy and facilitate the operational management of the harbor (set rates, formulate budgets, and provide a forum to discuss harbor-related matters). Certain decisions of the Harbor Committee would be subject to approval by the Mayor, Council and/or Manager, but many administrative matters could be handled by this Committee without concurrence by others.

The Harbor Board is a stronger form of management. The Board would be composed of Council Members who would be charged with harbor responsibilities. This Board would give a formal report to the Council (or Assembly) at regular intervals and would bring before the Council any actions requiring confirmation. The Mayor and/or Manager might be ex-officio members of this Board.

Both the Committee and Board structure would act as a quasi-legislative body, the Board, of course, being the more autonomous body. The Committee or Board format still ensures that the harbor operates as a part of the City or Borough and, thus, would not increase the cost of harbor administration. In effect, they would favorably affect the control of the harbor without incurring any of the administrative or financial negatives of a port authority.

There are both positive and negative factors to consider in forming independent port authorities in Alaska. However, in my opinion, the negatives far outweigh the positives in the majority of Alaska communities.

Corky, I hope this adequately answers the questions you posed.

Sincerely,



Thomas J. Dowd
Affiliate Professor

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

TO: Senate C&RA Members

March 24, 1987

FROM: Senate C&RA Staff

ME

RE: SB 168 - "An Act relating to establishment of a port authority by a municipality."

SB 168 is designed to enable municipalities to to establish their own port authority commissions. The bill's goal is to create a mechanism that municipalities can use to focus on water related economic development.

Alaska currently has a port facilities and development act, however, it stipulates that funding must be appropriated by the state. SB 168 would allow funds to be raised by any legal means approved by the appropriate city council or borough assembly.

The bill provides that a municipality's port authority commission would be established by ordinance and three commissioner's elected. The commission would do its own budget and long range planning. The bill is based on legislation from the State of Washington.

This packet contains a memo from the sponsor and his sectional analysis, a memo from the Senate Advisory Council, and the existing state law on ports.



Official Business

Alaska State Legislature

Senate

MAR 10 1987

P.O. BOX V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

DATE: March 9, 1987

TO: Senator Arliss Sturgulewski
Chairman
Community & Regional Affairs Committee

FROM: Senator Jim Duncan

RE: SB 168, Port Authorities bill

I respectfully request that a hearing for Senate Bill No. 168 be scheduled at the earliest convenience.

The Port Authority bill would enable local governing bodies to establish their own Port Authority Commissions which, in turn, will allow them to focus some attention on waterfront development. It is my contention that Alaska has a great potential for waterfront development and we need to initiate the necessary action it will take to unleash that potential. I believe the Port Authority bill is a good start.

The economic growth to many of Alaska's communities could be tremendous through development and planning of our Ports while utilizing creative financing. A Port Commission would be established by ordinance and have three elected officials. No state dollars are to allocated through this legislation.

Thank you for your consideration on SB 168.



Official Business

Alaska State Legislature

Senate

P.O. BOX V
State Capitol
Juneau, Alaska 9981

BILL ANALYSIS OF

SENATE BILL NO. 168

"An Act relating to establishment of a port authority by a municipality."

The legislation would be added to Title 29, Chapter 35 of the Alaska Statutes.

Under Section 29.35.600, the Port Authority Commission may be established with the adoption of an ordinance by the governing body. Also include in this section are the procedures for the nomination and ensuing election of commissioners.

Under Section 29.35.610, the Port Authority is supervised and controlled by the Port Commission. This section explains the term of a Port Commissioner and allows for the adoption of meeting rules.

Under Section 29.35.620, the Port Commission may employ a director, retain legal counsel, and employ other personnel deemed necessary.

Under Section 29.35.630, the powers of the Port Commission are described including economic analysis, acquisition of property, development of plans, entering into contracts, raise revenues, lease property, and accept grants and donations.

Under Section 29.35.650, the financing of the Port Authority is explained. Finances may be obtained through donations, borrowed money, revenues from any property, building, or facility under its control, and the issuance of revenue bonds (these revenue bonds are not a debt of the municipality or state).

Under Section 29.35.660, when the Port Commission proposes a project using revenue bonds, a Development Plan is to be prepared and submitted to the governing body. This section explains what a Development Plan must contain.

Under Section 29.35.670, the procedure for the approval of a Development Plan from the Port Commission is covered.

Page two

Under Section 29.35.680, the budget shall be prepared by the Director of the Port Authority with approval by the governing body. The budget may not include money of the municipality except if authorized by the governing body.

Alaska State Legislature

Senate Advisory Council



P.O. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator Duncan
Alaska State Senate

ATTN: Ron Whitcraft

FROM: Lee Ann Lucas *ml*
Senate Advisory Council

DATE: February 18, 1987

RE: Port Authorities

Referencing your request for information on the organization, administration and authorities of various port authorities, I offer the following.

Today, there are 105 state, local, county or independent public seaports in the United States and its territories, 76 of them Corporate members of the American Association of Port Authorities (AAPA). Historically, port development and operation in the United States has been a local or state function. There is considerable variety in the structure, powers and the purpose of port authorities in the United States.

I contacted Mr. Rexford Sherman, Director for Research and Information Services with the AAPA. Mr. Sherman provided a copy of a report entitled "Public Port Agencies In The United States and Canada" (copy attached) which gives an overview of port authorities.

Also attached is a listing of the AAPA Corporate Member Ports. As you can see, the complexity becomes evident in looking at just the port authorities that comprise the U.S. corporate membership of the APPA. Some are administrative divisions of state government. Others are in effect public corporations set up under state law and directed to develop specific port areas in the public interest. Some are state port authorities with responsibility for the several ports that may lie in a given state. In other instances, states have created port administrations that are basically political subdivisions of the state, frequently called navigation districts, which like other such subdivisions (e.g., school districts or

Senator Duncan
2/18/87
Page 2

townships) have the power to tax and float bonds. In addition there are county and municipal port departments and, to further complicate the picture, bi-state port authorities with jurisdictions covering two states.

In the North Atlantic, the preference appears to have been for public corporations, state port administrations and bi-state ports. State port authorities are most common in the South Atlantic. Independent navigation districts are particularly popular in the Gulf and Pacific Northwest, while municipal port departments are favored in California.

The variety of port structure types and their distribution among the various U.S. port ranges is indicated in the attached chart. For example, the Massachusetts Port Authority is a autonomous public corporation set up through an act of the legislature which has a seven-member Board of Directors appointed by the Governor. The Port of Bellingham is defined as an independent navigation district which has three elected Commissioners. Attached are the enabling acts for the State of Washington and the State of Massachusetts.

Most U.S. port authorities (though there are exceptions) are governed by a board of commissioners (or directors) which oversee port policy and operations as custodians of the public interest. But among the 80 U.S. member port authorities, most boards (48) are appointed, usually by a governor (sometimes with the advice and consent of the state legislature), mayor, city council or county commissioners. Twenty-two boards, however, are elected by local voters. Nine have no board whatsoever. Elected boards are most common among independent navigation districts. On the other hand, state port authorities and other state-chartered port corporations are generally appointive. Typically, state port departments do not have a board of any sort.

After you have had a chance to review the attached materials, please call me and I will collect the enabling acts, charters and information you feel may be useful in formulating similar legislation.

LAL:lal
Attachments

Attached materials available from
Senator Duncan's office.

(3) "cost" includes the cost of acquisition or construction of all or any part of transportation facilities and of all or any property, rights, easements and franchises considered by an authority to be necessary, useful, or convenient, including without limitation reimbursements to the authority or any other person of money expended for the purposes of the authority and interest or discount on bonds to finance those expenses, engineering and inspection costs and legal expenses, the cost of financial, professional and other advice, and the cost of issuance of bonds;

(4) "district" means the area within the boundaries of an authority;

(5) "person" includes a corporation, company, partnership, firm, association, organization, business trust, society, state or agency or subdivision of the state, municipality of the state, or an authority, as well as a natural person.

(6) "transportation facilities", or "facilities", or "projects" means harbor, port, shipping and transportation facilities of all kinds, including harbors, channels, turning basins, anchorage areas, jetties, breakwaters, waterways, canals, locks, tidal basins, wharves, docks, piers, slips, bulkheads, public landings, warehouses, terminals, refrigerating and cold storage plants, rolling stock, car ferries, tugs, boats, conveyors, tunnels, bridges, highways, roads and railroads, and appliances of all kinds for the handling, storage, inspection and transportation of freight and natural resource products; it also includes all property, rights, easements and franchises relative to a facility and necessary or convenient for the acquisition, construction or operation of the facility, but does not include airport facilities. (§ 2 ch 98 SLA 1983)

Chapter 15. State Participation in Port Facilities and Development.

Section	Section
10. State grants for port facilities construction	50. Combined port and ferry terminal facilities
20. Criteria for establishing eligibility	60. Regulations
30. Limitation on grants	70. Definitions
40. Disposition of state land for port facilities development projects	80. Short title

Sec. 30.15.010. State grants for port facilities construction. To the extent funds are appropriated by the legislature, or from the proceeds from the sale of bonds, the state may make grants to municipalities to finance a portion of the cost of constructing local, regional or state port facilities. The state shall participate only in those projects approved by the governor on recommendation of the commissioner. (§ 1 ch 85 SLA 1974; am E.O. No. 39, § 11 (1977))

Sec. 30.15.020. Criteria for establishing eligibility. (a) Before a grant may be awarded under this chapter, the commissioner shall determine that

- (1) the grant is for a feasible project;
- (2) the project is endorsed by resolution of the governing body of the sponsoring municipality on its own behalf, or on behalf of a service area in an organized borough if a service area is established to finance and construct port facilities and operate and maintain them once constructed; and
- (3) the municipality can clearly demonstrate its ability to finance the local share of project costs.

(b) A grant may not be awarded under this chapter for a port facility development project until a study of its feasibility is conducted and submitted with the application for the grant. The project also must be justifiable on the basis of public convenience and necessity. The study shall be conducted by consultants, engineers or other technical experts, who may be officers or employees of the municipality in making application for a grant. (§ 1 ch 85 SLA 1974; am E.O. No. 39, § 11 (1977))

Sec. 30.15.030. Limitation on grants. Grants for the development of port facilities may not exceed

- (1) 90 per cent of project costs for municipalities under 5,000 population;
- (2) 80 per cent of project costs for municipalities 5,000 population and over. (§ 1 ch 85 SLA 1974)

Sec. 30.15.040. Disposition of state land for port facilities development projects. The division of lands in the Department of Natural Resources, subject to the applicable provisions of AS 38.05 and 38.10, may convey title or other interests in state land, provide for the exchange of state land, or make other arrangements with respect to state land that may be necessary to complete a project for which a state grant is approved under this chapter. (§ 1 ch 85 SLA 1974)

Sec. 30.15.050. Combined port and ferry terminal facilities. A grant may be awarded under this chapter for a port facilities development project that includes, or combines, state ferry terminal facilities as a part of the project. However, the state shall pay the proportionate projects costs attributable to the ferry terminal including but not limited to vehicle staging areas, transfer spans and aprons, passenger terminal facilities and offices, docks and other docking facilities for ferry vessels. (§ 1 ch 85 SLA 1974)

Sec. 30.15.060. Regulations. The commissioner shall adopt regulations under the Administrative Procedure Act (AS 44.62) that the commissioner considers necessary to carry out the provisions of this chapter. (§ 1 ch 85 SLA 1974; am E.O. No. 39, § 11 (1977))

Sec. 30.15.070. Definitions. In this chapter

(1) "commissioner" means commissioner of transportation and public facilities;

(2) "department" means Department of Transportation and Public Facilities;

(3) "municipality" means a home rule or general law borough or city including but not limited to a unified municipality organized under AS 29.68;

(4) "port facilities" means docks, wharves, bulkheads, seawalls, landfills, warehouses, staging areas, transfer spans and aprons, lifting equipment and similar structures together with the necessary equipment and facilities required to accommodate waterborne commerce and shipping, including but not limited to combined port and ferry terminal facilities;

(5) "project costs" means the cost of financing or borrowing, site acquisition and rights-of-way, planning, engineering and designing, construction, equipment acquisition and installation, but does not include the cost of operation or maintenance of the port facilities once constructed or the cost of feasibility studies required in making application for a grant under this chapter. (§ 1 ch 85 SLA 1974; am E.O. No. 39, § 11 (1977))

Sec. 30.15.080. Short title. This chapter may be cited as the Port Facilities Development Act. (§ 1 ch 85 SLA 1974)

Chapter 20. Regulation of Tank Vessel Traffic.

[Repealed, § 11 ch 115 SLA 1980.]

Chapter 25. Oil Terminal Facilities; Transfer of Crude Oil, Refined Petroleum Products or Their By-Products.

[Repealed, § 11 ch 116 SLA 1980.]

Chapter 30. Abandoned and Derelict Vessels.

Article

1. Abandoned Vessels (§§ 30.30.010 — 30.30.080)
2. Derelict Vessels (§§ 30.30.090 — 30.30.100)
3. Vessels Abandoned on Business Premises of Persons Engaged in Repair Business (§§ 30.30.110 — 30.30.150)
4. Miscellaneous (§§ 30.30.160 — 30.30.180)



Official Business

Alaska State Legislature

Senate

3/15/81
PRINT/TV

P.O. BOX V
State Capitol
Juneau, Alaska 99811

NEWS RELEASE

CONTACT:
Ron Whitcraft
465-4766

JUNEAU --- LEGISLATION WAS INTRODUCED TODAY (FRIDAY), IN THE ALASKA SENATE, THAT WOULD GIVE AN ECONOMIC BOOST TO MANY COMMUNITIES IN THE STATE. THE MEASURE WOULD ENABLE LOCAL GOVERNING BODIES TO ESTABLISH THEIR OWN PORT AUTHORITY COMMISSIONS AND THEREBY GIVE THEM THE ABILITY TO FOCUS SOME ATTENTION ON WATERFRONT DEVELOPMENT.

THE BILL'S AUTHOR, SENATOR JIM DUNCAN OF JUNEAU, STATED THAT ALASKA HAS A GREAT POTENTIAL FOR WATERFRONT DEVELOPMENT. ALTHOUGH ALASKA HAS A PORT FACILITIES AND DEVELOPMENT ACT IN PLACE NOW, IT STIPULATES THAT FUNDS ARE APPROPRIATED BY THE STATE. SENATE BILL ONE SIXTY-EIGHT ALLOWS PORT DEVELOPMENT DOLLARS TO BE RAISED HOWEVER THE COMMISSION SEES FIT WHETHER BY REVENUE BONDS, WORKING WITH THE PRIVATE SECTOR, OR WHATEVER MECHANISM IS SUITABLE FOR A COMMUNITY.

SENATOR DUNCAN SAID, "THE BILL IS AN ATTEMPT TO STRENGTHEN OUR ABILITY IN THIS STATE TO DEVELOP OUR WATERFRONT AREAS AND TO BRING MORE ECONOMIC ACTIVITY INTO THE COMMUNITIES OF ALASKA."

S-B ONE SIXTY-EIGHT PROVIDES THAT A COMMUNITY'S PORT AUTHORITY COMMISSION WOULD BE ESTABLISHED BY ORDINANCE AND THAT THREE COMMISSIONERS ARE ELECTED TO SERVE THE BODY. THE COMMISSION

PAGE TWO

WOULD ALSO CREATE ITS BUDGET AND DO ITS OWN LONG RANGE PLANNING,
ALL DESIGNED TO PROMOTE THE ECONOMIC GROWTH OF A COMMUNITY.

"IT IS NOT AN ATTEMPT TO BUILD ANOTHER BUREAUCRACY AND WE'RE NOT
ASKING FOR ANY STATE MONEY," DUNCAN ADDED. "IT'S PURELY UP TO
LOCAL COMMUNITIES TO MAKE THE DECISION AS TO WHETHER THEY WANT TO
FOCUS IN ON THAT TYPE OF DEVELOPMENT."

A M E N D M E N T

1

Offered in the SENATE

By Duncan

TO: SB 168

Page 1, lines 11 and 12:

Delete "borough, unified municipality, or city in the unorganized
borough"

Insert "municipality, other than a second class city,"

Page 3, line 28, after "municipality":

Insert "that establishes a port authority"

A M E N D M E N T

Offered in the SENATE

By Duncan

TO: SB 168

Page 3, line 18, after "duties":

Insert ", including agreements with other port commissions providing for shared development or management of facilities located within the jurisdiction of any of the commissions"



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 25, 1987

MEMORANDUM

TO: Representative Mike Davis

ATTN: Catherine Reardon

FROM: Jay Moor *JM*
Legislative Analyst

RE: Port Authorities: Feasibility in Alaska
Research Request 87.186

You have asked for a general description of public port authorities (also called port districts), how they are established, how they work, how they are financed, and whether they might be feasible for communities in Alaska. In responding to the request, this memorandum looks at the experience with port authorities around the country, highlighting that of Washington State.

CONCLUSIONS

Looking at successful port authorities across the country, there are many models from which to select. The formation of any local or statewide port authority in Alaska depends, first, upon the enactment of enabling legislation. For a port authority in Alaska to be feasible, once formed, requires that the enabling legislation be responsive to Alaska's unique political and economic conditions.

Because of its great number of successful local port districts, the state of Washington is often viewed as a model for Alaska. However, Washington State may not be the most appropriate model for Alaska--its advantages may not necessarily accrue to the communities of this state. As a result of a constitutional provision, for example, an independent port district in Alaska, unlike its counterpart in Washington, would not have any general taxing authority. Without an areawide property tax as security for indebtedness, bonds (a major source of port district funds) would be more expensive to float.

Washington port districts are at one extreme on a spectrum of relative autonomy, where they operate more or less independently from the surrounding general purpose governments. While this allows for greater economic adaptability and flexibility, it has also created unnecessary conflict between the development objectives of the port and the more comprehensive objectives of the community at large. Enabling legislation should ensure that a port authority's objectives are publicly discussed and incorporated into the general planning for a city or borough and that the port's authority is subordinate to that of the general purpose government on matters of zoning and permitting.

There are almost as many configurations for setting up port districts as there are ports in the United States. Some states have a single authority providing financial backing, planning, and marketing resources to all local ports. Other states, like Washington, allow each local port district to undertake those same functions using local resources. While this latter situation works well where there is a broad and solid general revenue base--derived from extensive existing development--newly developing ports in localities having limited economic bases may have difficulty in supporting themselves from local revenues alone.

Alternatives to autonomous local port districts that might be considered for Alaska are: a) the port run as a city department; and b) a statewide development authority. Criteria for evaluation of these options should include scale of operations, revenue base, available local resources, relative degree of local development, and desired degree of adaptability and flexibility. The Alaska Industrial Development Authority might, for example, be allowed to provide regional economic planning for a group of ports, extend its bonding capacity to help finance port projects, and supply staff for issuance of revenue bonds, general administration and marketing. As a city department, a port would have the backing of municipal faith and credit as security for its bonds and could make use of all departmental resources for administration, rather than duplicating many ongoing city functions. Where ports are of small size, this "piggybacking" could be a more efficient solution than independent districts.

Finally, there is no reason why legislation cannot offer more than one option for the formation of port districts. Oregon legislation establishes local port authorities but also sets up a state port revolving fund and a state ports division. A separate enabling statute addresses the Port of Portland,¹ an entity of quite different type and scale from the smaller, local ports.¹

¹Oregon Revised Statutes, Chapters 777 and 778.

PORTS: A PUBLIC ASSET

Ports, as transfer points for commercial and industrial goods and as access points for regional services, are among a community's primary economic assets. Port activities generate income, which in turn produce revenue. The multiplier effect from a port permeates a local economy, affecting all levels and sectors. A port and its facilities deserve and often receive a special place in the economic development plan for a community and its region. The port is the key infrastructure component to a flow of goods and services upon which most economic activity in the community may depend.

Many public port authorities were first formed in the United States as a means for wresting control of commercial ports from the railroads, which often had a monopoly over waterfront facilities. A railroad with trunk line terminals at more than one port would allow selective financial and physical deterioration to occur. The Washington State Port District Act of 1911 was a response to this situation with regard to the ports of Tacoma and Seattle. Port authorities were intended to ensure the continued development of harbor facilities in the public interest. Thus, it is not surprising that port areas have been seen as unique developmental opportunities and given special legal status.

RANGE OF RESPONSIBILITIES

Many port authorities (or port districts) are not limited in their range of responsibilities to waterfronts and harbors. Clearly, a port's developmental potential is dependent upon other physical assets, the operation of which is equally in the public interest. In some states, legislation, written to enable special purpose districts to control water-related functions, also provides for district authority over the development and operation of airports, rail facilities, and industrial districts for enterprises that require port access. The Port of New York Authority, for example, was formed to help develop land transportation systems, providing access to hinterland regions, and was given power to construct bridges and tunnels. Under Washington State law, broadened in 1963 to include many nonharbor functions, any local port district may:

...construct, condemn, purchase, acquire, add to, maintain, conduct and operate systems of sea walls, jetties, piers, wharves, docks, boat landings, and other harbor improvements, warehouses, storehouses, elevators, grainbins, cold storage plants, terminal icing plants, bunkers, oil tanks, ferries, canals, locks, tidal basins, bridges, subways, tramways, cableways, conveyors, administration buildings, fishing terminals, together with modern appliances and buildings for the economical handling, packaging, storing, and transporting of freight and handling of passenger traffic, rail and motor vehicle transfer and terminal facilities, water transfer and terminal facilities, air transfer and terminal facilities, and any combination of such transfer and terminal facilities, commercial transportation, transfer, handling, storage and terminal facilities,

and improvements relating to industrial and manufacturing activities within the district, and in connection with the operation of the facilities and improvements of the district, it may perform all customary services including the handling, weighing, measuring, and reconditioning all commodities received. A district may also construct, condemn, purchase, acquire, add to and maintain facilities for the freezing or processing of goods, agricultural products, meats or perishable commodities. A port district may also construct, purchase and operate belt line railways, but shall not acquire the same by condemnation.²

Washington statutes expressly allow port districts to establish, operate, and maintain foreign trade zones, pursuant to permission of the U.S. government (RCWA 53.08.030). Districts may improve lands for sale or lease for industrial and commercial purposes and may develop sewer, water, and pollution control facilities to serve their own properties (RCWA 53.08.040). Local improvement districts, where special levies can be assessed, may be set up within port districts (RCWA 53.08.050). Washington port districts may lease and sell their property (RCWA 53.08.080-091). They are further empowered "to initiate and carry on the necessary studies, investigations and surveys required for the proper development, improvement and utilization of all port properties, utilities and facilities, and for industrial development with the district when such agricultural and industrial development is carried out by a public agency, institution, or body for a public purpose, and to assemble and analyze the data thus obtained...."(RCWA 53.08.160).

Washington port districts may also develop and operate public park and recreation facilities if needed to utilize port property more fully (RCWA 53.08.260).

Port districts must adopt a comprehensive scheme or plan of harbor improvement before creating such improvement (RCWA 53.20.010).

Port districts may create industrial development districts within their boundaries for the purpose of developing "marginal lands," making use of a grant of the power of eminent domain, as required (RCWA 53.25).

Washington port districts may establish trade centers (RCWA 53.29.020) and develop and operate toll bridges, tunnels, and highway approaches (RCWA 53.34.010).

Generally, U.S. port authorities as public corporations may exercise the power of eminent domain, conduct studies and develop plans, levy facility charges, issue bonds, sue and be sued, apply for federal grants, and enter into contracts and agreements. Many have police powers for purposes of

²Revised Code of Washington 53.08.020.

maintaining security and of enforcing ordinances applying to port properties. A few may have regulatory authority, such as the licensing of stevedores, enforcement of environmental and land-use regulations, and management of submerged lands within a port's jurisdiction.³

POLITICAL STATUS AND ORGANIZATION

Examining a random selection of port authorities in only a few states may lead one to an unwarranted conclusion that the national history of such authorities has tended toward a steady evolution of the species. Actually, viewed over the long term nationwide, the political status of port authorities is in constant flux and seems to depend upon current perceptions of where the power lies to control public assets most effectively. The Maryland Port Authority (now the Maryland Port Administration), for example, was set up by the state in 1956 to take control of the Port of Baltimore from a city agency; but in California, the state gave back control of the San Francisco waterfront to the Port of San Francisco in 1969.

Degrees of autonomy may vary. The statewide Massachusetts Port Authority, for example, is nearly autonomous and "shall not be subject to the supervision or regulation of the [state] department of public works or of any department, commission, board, bureau or agency of the Commonwealth." Certain decisions made by the North Carolina State Ports Authority, on the other hand, require review and approval by the governor and council of state, and management personnel are appointed by the state's secretary of commerce. Employee salaries are fixed by the governor.⁴

Some port authorities are integral administrative divisions of state, county, or municipal government. State departments administer port authorities in Alabama and Maryland, among other, mostly East Coast, states. Municipal port departments run ports for Los Angeles, Pensacola, Milwaukee, Providence, and Richmond in California. The Port of Miami is run by a Dade County department.⁵

Port authorities operate as independent political subdivisions in Ohio, Washington, Oregon, and Texas.

³Rexford B. Sherman, "Public Port Agencies in the United States and Canada," The American Association of Port Authorities, Alexandria, Virginia, September, 1985, pp. 6 - 7.

⁴Ibid., p. 3.

⁵Ibid., p. 5.

The most common types of port authority organization are:

- 1) municipal or county public corporation;
- 2) independent municipal or county commission;
- 3) municipal or county public department;
- 4) state public corporation;
- 5) state independent commission;
- 6) district public corporation;
- 7) private corporation;
- 8) bi-state public corporation;
- 9) state government department;
- 10) district independent commission.

The principal factors of government organization are: a) the political unit which selects the members of the port authority (i.e., board of commissioners); and b) the political unit giving financial support to the port authority. In instances where these two have not been the same, the alternative arrangements seldom prove practical.⁶

Commissions have, to a great degree, political independence and can combine legislative and administrative powers, but they do not have the right to sue and be sued or to issue securities under their own corporate name. They may, however, acquire land and facilities by condemnation, do economic and physical development planning, construct facilities, and regulate privately owned terminals.

Port authorities, as either state or local public corporations, are independent from other units of government but are subordinate to the unit of government creating them. They may sue and be sued, incur debt, enter contracts under their own seals, and issue securities in the name of the corporation. They provide maximum freedom of action in development and administrative activity and maximum insulation from partisan politics.

In the state of Washington, port districts are established as limited purpose municipal corporations, although with their broad grant of powers they bear some resemblance to general purpose governments (i.e., cities and counties). In both Washington and Oregon, port districts are authorized to assess, levy, and collect taxes on all real and personal property situated within the district. This provides a relatively certain base of revenue for operations. In Oregon, districts coincide with all or part of river basin drainages (ORS Chapter 777). Since 1972, in Washington, new port districts must coincide with county boundaries, although a two-year moratorium on this requirement was set in 1986.

⁶Marvin L. Fair, Port Administration in the United States, Cambridge, Maryland, Cornell Maritime Press, 1954, pp. 61 - 62.

Of 105 U.S. port authorities, 66 governing bodies are appointed, 27 elected, and 9 have no governing body. In three instances, county commissioners also constitute the port authority board. Appointments may be made by the governor, mayor, or board of county commissioners or they may be a mixture of state and local appointments. Specific geographical and professional criteria may be set out in the enabling legislation, requiring selection from the state at large and/or specific economic sectors (e.g., agriculture, industry, or fishing). The number of commissioners or directors ranges from 3 (normal for local commissions in Washington State) to 33 (Board of the Philadelphia Port Corporation).

In Washington State, a port commission is responsible for organizing itself, electing its officers and adopting its rules of organization and official seal. A port district may be formed pursuant to a majority of county voters voting in favor of it in the form of a resolution, placed on the ballot by the board of county commissioners. By petition of at least 10 percent of the voters, the commissioners may be required to place the issue on the ballot (RCWA 53.04.020).

FINANCING

Investment needs of a port vary with its plans for development. Real estate acquisition, terminal facility construction or improvement, parks and tourist facility development, warehousing, commercial space, and costs of servicing bonds and notes are all investment costs, direct and indirect. Operating expenses vary with size of port and with type and extent of maintenance and operations. Staff is needed to handle maintenance, operations, traffic, and promotion, and administration including accounting, engineering, and planning.

The possible sources of funding for a port authority include:

- 1) taxes levied by the port;
- 2) taxes levied on behalf of the port by the parent political unit or units;
- 3) bond issues secured by taxable wealth of the local entity or state;
- 4) bonds and other forms of indebtedness secured by income of the port as a whole;
- 5) bonds issued with specific revenues of the port pledged;
- 6) income from bridges, tunnels, industries, and other nonport operating sources;
- 7) appropriations as subsidies from state or local governments (operating revenues may or may not be turned back into the city, county, or state treasuries); and
- 8) port revenues.

7 "Public Port Agencies in the United States and Canada," pp. 8-9.

The mix of sources may change as a port develops. Substantial appropriations or a bond issue may provide initial financing, whereas continuing development and operations would ideally be provided through port revenues. Flexibility in financing methods is essential and, in this regard, public corporations enjoy an advantage.⁸

Port income is usually split between wharfage, dockage, and tollage, other terminal services, rentals and leases, and other operating means. Income may be used as a basis for bond security. Bond security may also be based on taxation (of all kinds), revenue from specific facilities, and general obligation (or "full faith and credit" of the state or general purpose unit of government). Some sources of bond security have been unique. At one time, for example, New Orleans received 9/20 of one cent per gallon of the state gas tax which was dedicated to the retirement of port bonds.

In constructing specific income-generating facilities, port authorities will often use revenue bonds as the means for financing. There must be adequate assurance, though, that sufficient revenues will be available to service revenue bonds with a satisfactory safety margin provided. Otherwise there will be no market for the bonds.

Whether or not a port should be self-supporting is open to debate. As a public corporation engaged in a revenue recovery business (similar to power and light utilities and to railroads), the port should perhaps be self-supporting. On the other hand, public benefit from well-developed port facilities argues that only marginal costs or operating activities be self-sustaining. Still another argument maintains that a port is so essential to everyday life that even its operations ought to be subsidized as necessary.⁹ Generally, the greater the subsidy, the greater will be the eventual political pressure for oversight by the subsidizing entity.

In Washington State, all port districts may levy a basic tax for general port purposes to a maximum of 45 cents per \$1,000 of assessed valuation on all property in the district (which can cover a whole county). When an industrial development district has been formed, commissioners may levy an additional 45 cents per \$1,000 assessed valuation for up to 12 years. Any port district may levy up to another 45 cents per \$1,000 valuation for dredging, canal construction, and land leveling purposes. Local improvement assessments may be made for necessary land improvements in industrial

⁸Port Administration in the United States, pp.135-137, and Marc Hershman, et al, Under New Management: Port Growth and Emerging Coastal Management Programs, Seattle and London, A Washington Seagrant Publication, distributed by the University of Washington Press, 1978, p. 14.

⁹Port Administration in the United States, pp. 143 - 144.

development districts. For county property valued at \$100,000, yearly property assessments by a port district could amount to \$135 plus local improvement assessments.

General obligation bonds in Washington may not exceed 1/4 of one percent of the total assessed valuation of the taxable property within the port district without a vote of the people. With voter approval, general obligation bonds up to 3/4 of one percent of the assessed valuation may be issued. Additional indebtedness up to 1/2 of one percent of the assessed valuation may be incurred by ports with less than \$200 million of assessed valuation for airport capital improvement purposes. Of this 1/2 of one percent, 1/8 of one percent may be incurred without a vote of the people. The remainder would require approval of the voters. Total indebtedness for all port purposes cannot exceed 1-1/4 percent of the assessed value of taxable property within the district.¹⁰

THREE PORTS IN WASHINGTON STATE: BELLINGHAM, EVERETT, PORT ANGELES

Following are summaries of information obtained from representatives of port authorities and planning departments in three cities in Washington State. Each was asked to discuss the operation of the local port authority from his or her professional perspective and to evaluate strengths and weaknesses of the authority, especially as it relates to the general purpose unit of government.

Bellingham

The Bellingham Port Commission is made up of an attorney, a fisherman, and a general member, resident of the county. Each is elected for a four-year term, and elections generate much public participation.

The port consists of a special district inside the city limits that contains the main waterfront area and a number of properties including the airport, marina in Blaine, industrial park at Sumas, a northern terminal inside the city, and deepwater port to the south.

Development goals for the port have been adopted by the city as a basis for its planning. Neither the city planner nor the port representative felt there were any conflicts between the port's goals and the city's, although apparently there has been some controversy over the development of various properties.

¹⁰Washington Public Ports Association, "Knowing the Waters: Basic Legal Guidelines for Port District Officials," no date.

The Port Authority must go through normal city zoning procedures for changes in land use. The city planner felt that, despite the lack of real conflict between port goals and the city's, it would be good to clarify, in the enabling statute, the connection between the two entities--especially with regard to fire, police, and planning responsibilities.

Everett

The Port of Everett controls the main marine terminal and a 2,200-slip marina with more than 60 acres of adjacent land. It does not have jurisdiction over the airport or over nonwater-oriented facilities.

Several years ago, the port had considerable success in developing three acres next to its fisheries wharves as a commercial village with retail space. A California developer did the project so well he was asked to develop the remaining 60+ acres. He proposed condominiums, restaurants, and offices, displacing many of the marine-related uses like dredging and boat building.

While there was congruence between city planning and port district objectives in promoting the project, there was a fatal backlash from the affected interest groups, primarily the existing businesses and marine users. They had not been consulted in the planning process. While the concept may have been a revenue generator (of the type seen in San Diego, where waterfront marine terminal facilities are minimized in favor of residential and retail activities), an incomplete planning process squelched the original project.

Policy of both port and city now gives high priority to water-oriented land uses and plans have been reworked accordingly. This, of course, does not preclude such uses as parks and recreation or even hotel complexes, which can be lucrative sources of revenue.

In Washington, the Shoreline Master Planning process and the State Environmental Policy Act requirements force a public dialogue during the project development process. While the enabling legislation for ports is weak on planning requirements, a port must eventually face citizens' committees and various interest groups as a result of other mandated local planning programs. Everett discovered that public involvement at the front end of a project can save a lot of expense and good will later.

Port Angeles

The Port of Port Angeles is involved in a controversy of another type. The port controls the airport, marina, and two industrial parks. The city, county, and port had been working on a joint harbor plan for two and one-half years without much friction at the staff level. At the policy level, however, the timber and fishing interests guiding the port wanted to

designate downtown land for log storage and fish processing. The city, on the other hand, took a more long-range, strategic view and saw wood products exports dying down as a result of the state's sustained yield logging policy. With a national park on its doorstep and direct access to travelers from Victoria, the city also felt that tourism potential was relatively untapped. There was an inherent clash between two proposed goals for waterfront development.

As in Everett, the local planning process broke down because of the lack of attention to front-end policy planning and community participation. This state of affairs was fostered by enabling legislation for ports (and for cities) that does not clarify the relationship between port and city planning. Who, for example, was to be the lead agency and what was to be the mechanism for public oversight?

Correspondents in the three Washington cities above made some general observations on problems of port districts and offered suggestions for improving their operation in the state of Washington.

First, port districts have not been open to the public and have not encouraged citizen participation in goal setting. A port district is less of a local team player, using the press to exert pressure to obtain needed permits and to place the general government administration in a bad light.

Second, port districts have developed more from a subjective, intuitive base than from a solid market analysis and analytical information. One port district has, for the first time, hired a director from outside the interest group of major users and has found that some basic developmental assumptions are being challenged--by the director. His business background (as a private sector economist) brings with it a set of logical questions about markets and rates of return which had not been asked before.

Third, Washington is fortunate in having state-mandated local planning processes in place to safeguard the general public interest and to resolve conflicts. Even though enabling legislation for ports requires only minimal planning, the ports are beginning to hire planners who must project and evaluate consequences of port action before the fact. One correspondent suggested that the process could be improved by requiring a port to have a five-year master development plan and a capital improvements plan, updated yearly. Other suggestions were to make the port's authority subordinate to local zoning and building codes and to explicitly permit port districts to undertake recreation and other noneconomic development projects.

Fourth, in Washington, port districts have considerable independence. They have broad and flexible revenue-generating capability, much like general purpose governments, but without the same kind of public oversight. As a marketing entity, for example, a port district maintains an entertainment "slush" fund unhampered by adequate accounting procedures. On the positive

side, funding flexibility and relative independence of action allows port districts in Washington to respond quickly to changing economic and technological conditions. The Port of Seattle was one of the first ports in the country to take advantage of containerization technology. And Washington ports were able to install coal tipping facilities ahead of the ports in Oregon which were inhibited by the planning and permitting processes of state agencies.

Fifth, commissions with only three members can easily circumvent discussion of issues. One commissioner with an idea needs agreement from only one other commission member to translate the idea into action. This may be done before any negative aspects become apparent. Increasing the number of elected commissioners to five would help ensure adequate airing of all points of view and would increase community representation.

COMMENTS OF PROFESSOR DAVID OLSON, UNIVERSITY OF WASHINGTON

Professor David Olson, Chair of the Political Science Department at the University of Washington, a recognized authority on port districts, provided the following comments when asked about their political organization related to economic performance.

The great advantage of a port district with general taxing authority in Washington is that it can obtain money at a cheaper rate than can a general purpose government. By dedicating a stream of revenue from a specific project as security for revenue bonds, it can realize lower interest rates. This is not necessarily true where a project may be financially marginal and the financing process includes a market test.¹¹

The advantage of having a port commission or authority separate from city operations is that liability extends to the port as an entity, not to the municipality, and a port's accountability is not diluted by actions and responsibilities of other city departments. In one major California city, named by Professor Olson, where the port is operated as a city department, the city overbills the port (a major source of revenue) as much as ten times for fire services, data processing, etc. These services would be supplied on contract or by staff at a lower cost if the port were a separate entity.

¹¹In fact, the director of the Alaska Housing Finance Corporation has stated that the bonds of special purpose units of government in Alaska are rated at least one notch below bonds of its parent entity, largely because of a district's or authority's lack of general taxing powers.

Representative Davis
March 25, 1987
Page 13

State oversight or involvement in port business can be good in that it provides a broader base for financing and helps coordinate among competing port districts, improving their efficiency. The tradeoff is in loss of local control and decreased adaptability and flexibility. Decision time becomes longer with the decrease in autonomy.

If you have questions or need additional information, please contact this agency.

Attachments:

- 1) State of Oregon ports enabling legislation.
- 2) Gretchen Keiser, "Port of Seattle Commission," House Research Agency, Research Memorandum 85.341, June 6, 1985 (includes the State of Washington ports enabling legislation).
- 3) Washington Public Ports Association, "Knowing the Waters: Basic Legal Guidelines for Port District Officials," no date.
- 4) "The Public Port Concept and Its Contribution to the Economic Development of Washington," no date.

Introduced: 3/6/87
Referred: Community & Regional Affairs,
Labor & Commerce & Finance

5-0727A

*financial responsibility of
2nd class cities*

*check w/ bond council on munic. liability -
extraterritorial powers - amendment?*

ownership of property

1 IN THE SENATE

BY DUNCAN, ZHAROFF,
KERTTULA AND SZYMANSKI

SENATE BILL NO. 168

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to establishment of a port authority
by a municipality."

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

* Section 1. AS 29.35 is amended by adding new sections to read:

ARTICLE 9. PORT AUTHORITIES.

Sec. 29.35.600. ESTABLISHMENT OF AUTHORITY. (a) A borough,
unified municipality, or city in the unorganized borough may establish
a port authority. The authority shall be a corporate public body that
may sue and be sued in any court of the state. The authority pos-
sesses all powers specified in the ordinance under which it is formed
in addition to those enumerated in AS 29.35.600 - 29.35.690.

(b) In a resolution proposing formation of a port authority, the
governing body shall set a date for the holding of a public hearing on
the adoption of a proposed ordinance establishing the authority and
designating the powers of the authority. After the public hearing, if
the governing body intends to proceed with the establishment of the
authority, it must do so by ordinance subject to voter approval.

(c) At the time of adopting an ordinance proposing formation of
a port authority, the governing body shall issue a call for nomination
of port commissioners, specifying the filing deadline and procedure
for making nominations. The election of the initial members of the
port commission shall take place at the same time as the election on
the question of forming a port authority. If at least one candidate
for each of the three commission seats is not nominated, the proposal

*Airport 2
3 seaport
4 now airport working
5*

1 to form a port authority is void and no election on the question shall
2 be held.

3 Sec. 29.35.610. PORT COMMISSION. (a) A port authority shall be
4 under the supervision and control of a port commission consisting of
5 three elected members. The term of a member is six years, except that
6 one initial member shall serve a term of four years, and one initial
7 member shall serve a term of five years, to be determined by lot.
8 Commission members may be reelected.

9 (b) A vacancy on the commission shall be filled by appointment
10 by the mayor. An appointed member serves for the remainder of the
11 term to which appointed. On notice and an opportunity to be heard, a
12 member of the commission may be removed for cause by the governing
13 body. Removal of a member is subject to review by the superior court.

14 (c) The commission shall adopt rules governing its procedure and
15 the holding of regular meetings. Special meetings may be held when
16 called in the manner provided in the rules of the commission.

17 Sec. 29.35.620. EXECUTIVE DIRECTOR AND EMPLOYEES. (a) The port
18 commission may employ and fix the compensation of a director, subject
19 to the approval of the governing body of the municipality. The direc-
20 tor serves at the pleasure of the commission. A member of the commis-
21 sion is not eligible to hold the position of director.

22 (b) The commission may retain legal counsel to advise the com-
23 mission in the proper performance of its duties. The legal counsel
24 shall represent the commission in actions brought by or against the
25 commission.

26 (c) The commission may employ other personnel considered neces-
27 sary by the commission.

28 (d) The employees of the commission may participate in municipal
29 retirement and insurance programs of the municipality.

OWN 7

1 Sec. 29.35.630. POWERS. The port commission may
2 (1) study and analyze the effect of economic changes and
3 growth on the waterfront and waterways;
4 (2) acquire, construct, repair, renovate, and manage sea
5 walls, jetties, piers, wharves, docks, boat landings, and other harbor
6 improvements, warehouses, cold storage plants, grain bins, bunkers,
7 ferries, bridges, and other facilities for the handling, storing, and
8 transporting of freight and passengers, or the processing of seafood,
9 agricultural products, and other goods;
10 (3) develop long-range plans, in cooperation with the
11 governing body, designed to promote the economic growth of the
12 municipality;
13 (4) implement any plan of development in waterways or in
14 the waterfront areas in accordance with the powers of the port au-
15 thority under AS 29.35.600 - 29.35.690 or the ordinance under which
16 the authority is established;
17 (5) make and enter into contracts necessary or incidental
18 to the exercise of its powers and the performance of its duties;
19 (6) acquire and convey, or otherwise dispose of, land and
20 other property;
21 (7) fix, charge, and collect fees, rents, and charges for
22 the use of a building or property under its control or any part of it,
23 or facility in it, and pledge the fees, rents, and charges for the
24 payment of revenue bonds issued by the authority;
25 (8) lease a building or property under its control;
26 (9) accept grants and donations from a public or private
27 source.
28 Sec. 29.35.640. EMINENT DOMAIN. A municipality may take private
29 property under AS 09.55.420 - 09.55.460 for the purpose of transfer to

1 the port authority, and may transfer the property to the authority on
2 terms and conditions it considers appropriate, and the taking, trans-
3 fer, and use shall be considered necessary for public purposes and for
4 the benefit of the public.

5 Sec. 29.35.650. FINANCING. (a) The activities of the port
6 authority shall be financed from one or more of the following sources:

7 (1) donations to the authority for the performance of its
8 functions;

9 (2) money borrowed and to be repaid;

10 (3) revenue from any property, building, or facility owned,
11 leased, licensed, or operated by the authority or under its control,
12 subject to the limitations imposed upon the authority by trusts or
13 other agreements;

14 (4) money obtained from other sources approved by the
15 governing body of the municipality.

16 (b) Upon approval of a development plan under AS 29.35.670, the
17 authority may borrow money and issue negotiable revenue bonds as
18 provided for a municipality under AS 29.47. Revenue bonds issued by
19 the authority are not a debt of the municipality or the state.

20 Sec. 29.35.660. DEVELOPMENT PLAN. When the port commission
21 decides to finance a project in whole or in part by the use of revenue
22 bonds, it shall prepare a development plan for submission to the
23 governing body. The development plan must contain

24 (1) the boundaries of the project area in relation to
25 highways, streets, streams, or otherwise and a legal description of
26 the area;

27 (2) the location and extent of existing streets and other
28 public and private structures within the project area and a
29 designation of the location, character, and extent of the categories

- 1 of public and private land uses proposed for the project area;
- 2 (3) a description of existing improvements in the project
- 3 area to be demolished, repaired, or altered, a description of any
- 4 repairs and alterations, and an estimate of the time required for
- 5 completion;
- 6 (4) the location, extent, character, and estimated cost of
- 7 the improvements including rehabilitation contemplated for the project
- 8 area and an estimate of the time required for completion;
- 9 (5) a statement of the construction or stages of construc-
- 10 tion planned, and the estimated time of completion of each stage;
- 11 (6) a description of any parts of the project area to be
- 12 left as open space and the use contemplated for the space;
- 13 (7) a description of any portions of the project area that
- 14 the commission intends to sell, donate, exchange, or lease to or from
- 15 the municipality and the proposed terms;
- 16 (8) a description of desired zoning changes and changes in
- 17 streets, street levels, intersections, and utilities;
- 18 (9) an estimate of the cost of the project and a statement
- 19 of the proposed method of financing the project and the ability of the
- 20 authority to arrange the financing;
- 21 (10) designation of the person to whom all or a portion of
- 22 the project is to be leased, sold, or conveyed if that information is
- 23 available to the commission.

*Clarify
evolution
of development
plan*

24 Sec. 29.35.670. APPROVAL OF DEVELOPMENT PLAN. (a) Upon receipt
25 of a development plan from the port authority, the governing body
26 shall hold a public hearing on the plan. After the public hearing,
27 the governing body shall by ordinance approve or reject the plan, or
28 approve it with modification.

29 (b) Amendments to an approved development plan must be submitted

1 by the authority to the governing body for approval or rejection.

2 Sec. 29.35.680. BUDGET. The director of the port authority
3 shall prepare and submit for the approval of the port commission a
4 budget for the operation of the authority for the ensuing fiscal year.
5 The budget shall be prepared in the manner and contain the information
6 required of municipal departments. Before the budget may be adopted
7 by the commission, it must be approved by the governing body of the
8 municipality. Money of the municipality may not be included in the
9 budget of the authority except that money authorized by the governing
10 body of the municipality.

11 Sec. 29.35.690. DISSOLUTION. A port authority may be dissolved
12 by ordinance approved by the voters. The property and assets of the
13 authority remaining after the satisfaction of the obligations of the
14 authority belong to the municipality.

A M E N D M E N T

Offered in the SENATE

By Duncan

TO: SB 168

Page 1, lines 11 and 12:

Delete "borough, unified municipality, or city in the unorganized
borough"

Insert "municipality, other than a second class city,"

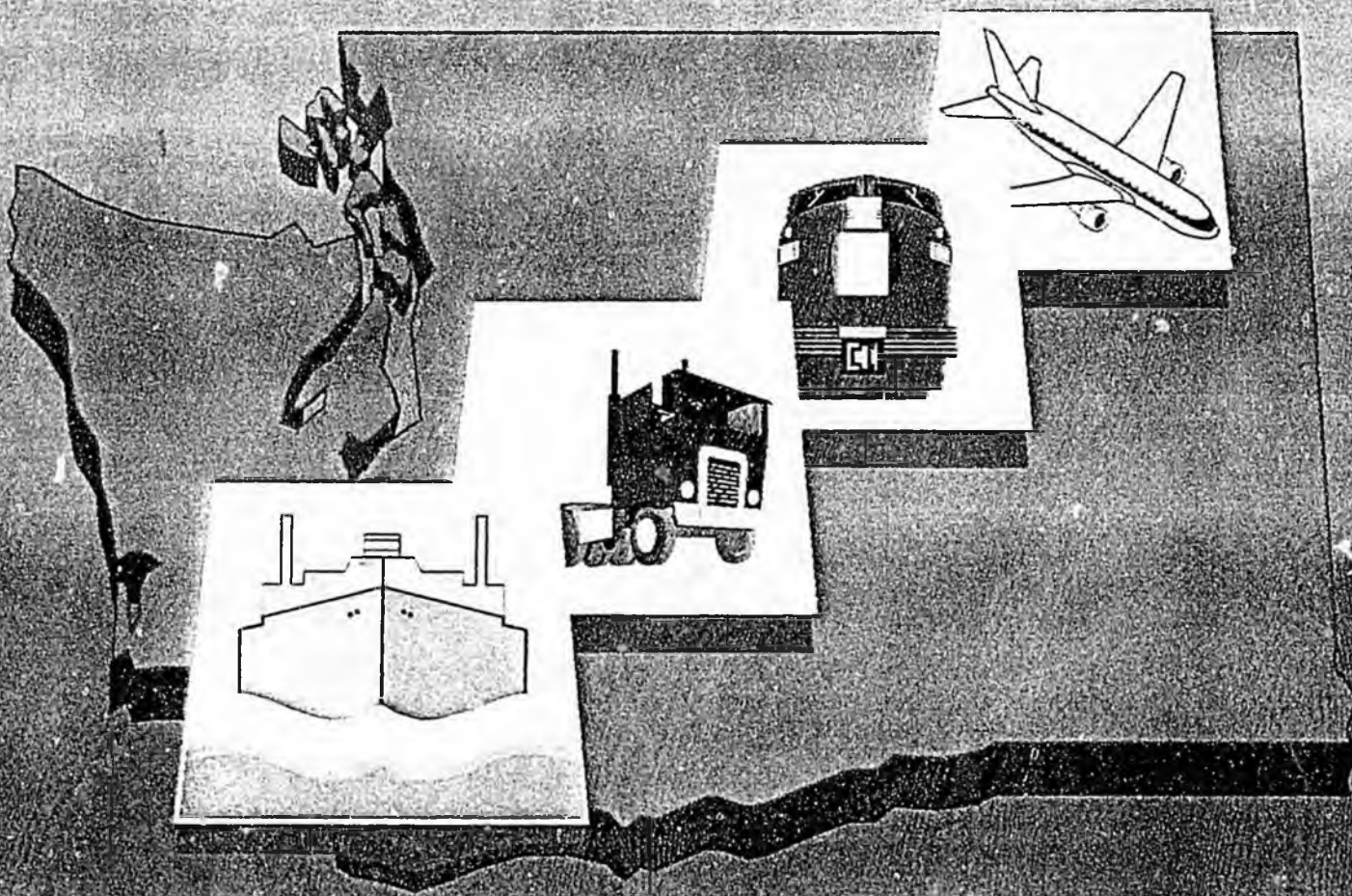
Page 3, line 28, after "municipality":

Insert "that establishes a port authority"

PORTS AND TRANSPORTATION SYSTEMS STUDY

For the Public Ports of Washington State

EXECUTIVE SUMMARY



TAMS

TIPPETTS-ABBETT-McCARTHY-STRATTON ■ ENGINEERS AND PLANNERS

1985

PORTS AND TRANSPORTATION SYSTEMS STUDY

For the Public Ports of Washington State

EXECUTIVE SUMMARY

of

**The Second Update of the 1975
Public Ports System Study**

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WASHINGTON PUBLIC PORTS ASSOCIATION
and the
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This study is the result of a cooperative effort between the Washington Public Ports Association and the Washington State Department of Transportation to develop a long range strategic planning document which identifies and examines the physical, operational, administrative and legislative policy factors that impact the movement of waterborne commerce through the state.

This is the third Public Ports System Study carried out by the WPPA. The first, in 1975, covered the deep draft ports of Washington and also included the port of Portland, Oregon. The second study in 1980 considered all of the public ports in the state, including the upper Columbia River and inland waterway system and also examined the impact of the Extended 200-Mile Fishery Limit.

In recent years the increased level of competition between shippers, carriers and the ports that serve them has brought about an increased awareness of the need for operational and economic efficiencies through the complete transportation chain from initial origin to final destination. Since partial deregulation in 1980, considerable technological developments and innovative pricing structures have improved the efficiency of the national railroad system and this in turn has impacted trucking and highway system needs. In recognition of this growing importance of the inland transportation system to the port industry, the scope of this latest study includes the rail, highway, air cargo and pipelines systems in addition to ports and waterways.

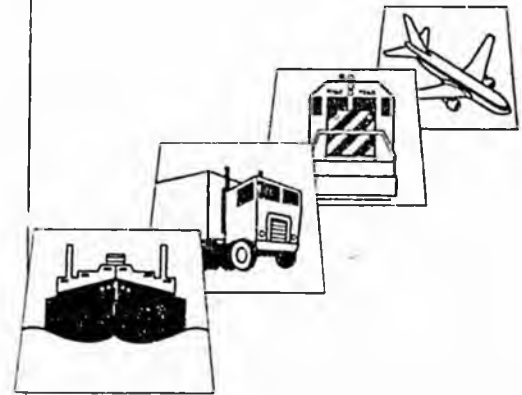
The efficient movement of commodities within and through Washington is dependent upon an integrated transportation network. Changes and new developments in any component of the network of highways, airports, railroads, ports and waterways may impact all other transport modes. The principal goal of this study is to evaluate the state freight transportation system and recommend any necessary improvements so that existing and future trade opportunities may evolve under a minimum of constraint.

Specifically, the study presents an analysis of the existing and future status of Washington's freight transportation system. The performance and capacity of each component of the transportation network is examined, trends in commodity movements are discussed and major issues impacting the system are identified. Future waterborne commerce volumes are projected and compared with the system capacity in order to assess future facility needs.

Finally, the study examines the informational bases available for strategic modal planning decisions, reviews funding mechanisms, and discusses port related policy and legislative actions.

This Executive Summary presents the highlights and key conclusions of the study.

Introduction



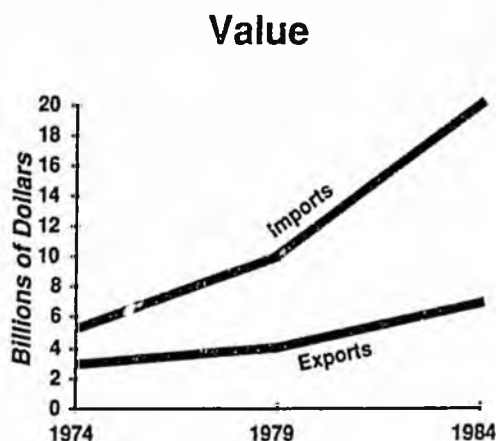
The Existing Transportation Network

Waterborne Commerce

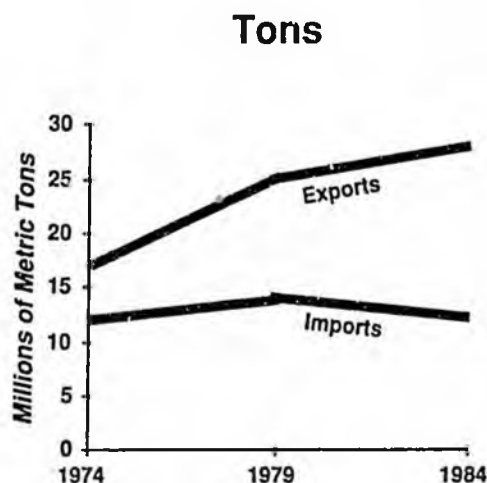
The existing statewide transportation network consists of a system of public and private ports and waterways, railroads, roads and highways, pipelines and airports. Each component of the transportation network facilitates the movement of a vast range of commodities and products through the state. Current and future commodity flows were investigated for each of the major transport modes.

Of the 53.8 million metric tons of cargo handled through the statewide port system in 1984, 41.8 million tons were international cargoes. Although export tonnages exceeded import tonnage by a factor of 2.5, these exports were worth just 25 percent of the estimated \$21.3 billion value of all import cargoes.

Figure 1: International Trade, through Washington State 1974-1984



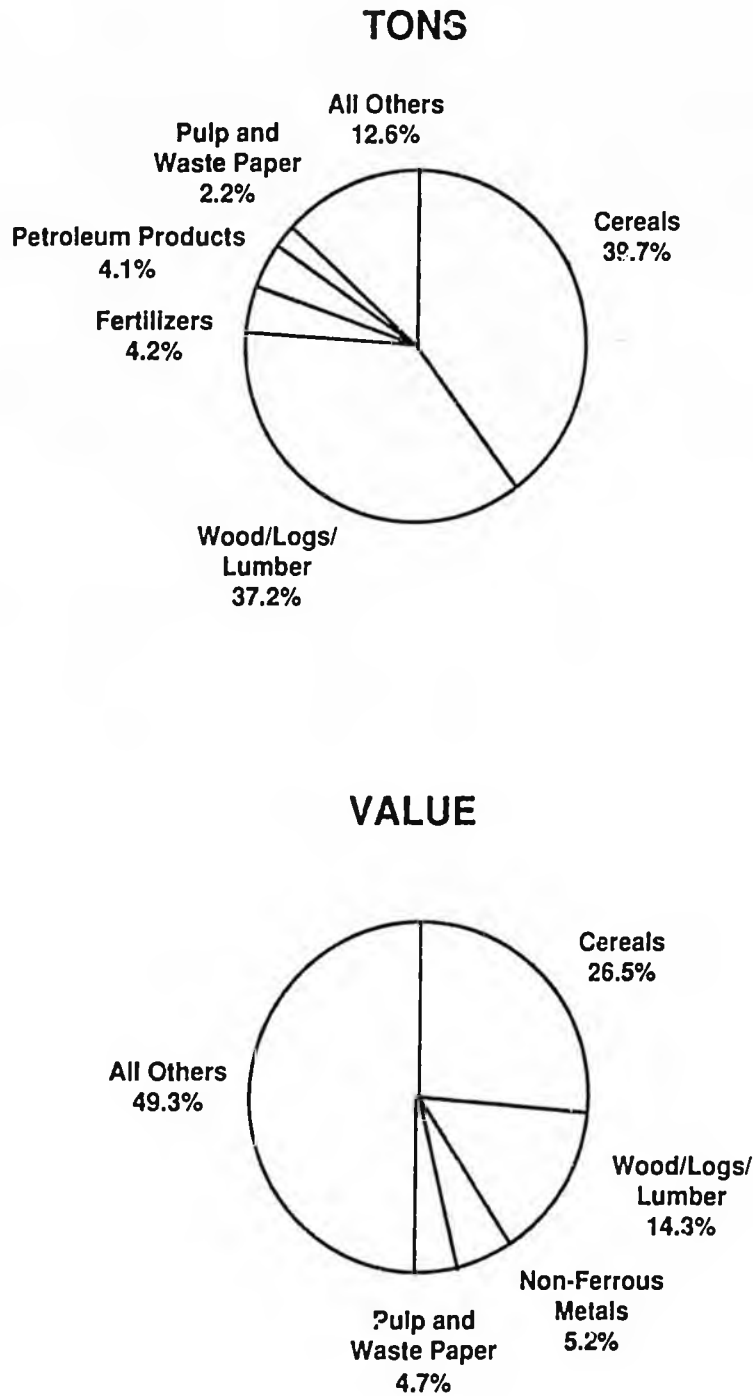
Since 1974, Washington ports have maintained a fairly consistent share of total West Coast international trade. In the past ten years, the statewide market share of all West Coast import tonnage has ranged between 24 and 31 percent while export tonnage has remained at a relatively stable 40 percent of total West Coast exports.



Washington is a production and export center for raw materials and natural resources. Five of the top ten export commodities are forest products, representing 39.4 percent of all exports from the state.

Exports

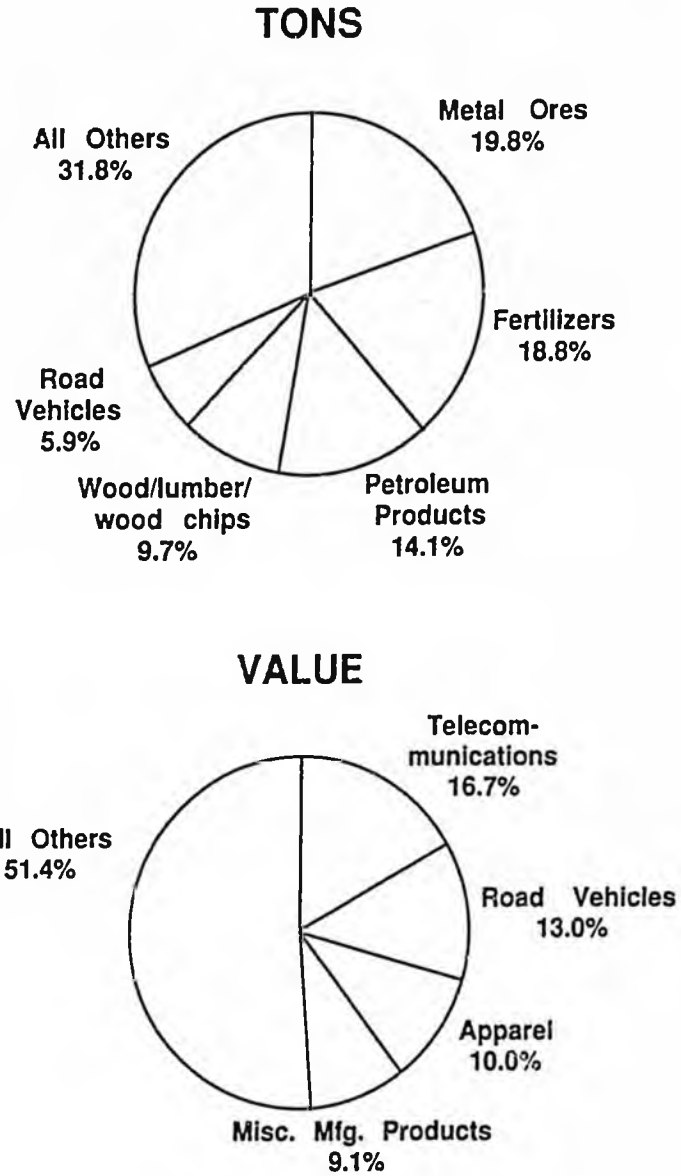
Figure 2: Washington State Exports; Leading Commodities, 1984



Imports

In terms of tonnage, the top ten import commodities are principally metal ores and fertilizers. However, high value consumer goods such as telecommunications equipment, vehicles and apparel dominate the mix of import commodities in terms of product value.

Figure 3: Washington State Imports;
Leading Commodities, 1984



Trading Partners

The principal trading partners for both exports and imports are Pacific Rim nations. Japan is the leading destination for Washington exports in terms of tonnage and value, and the leading import source in terms of commodity value.