

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 00/2

9489 HOUSE • TRANSPORTATION •

126

May 21 11 42 AM '97 CITY ATTORNEYS P.5

Mayor and Council

Re: Vehicle Impoundment/Forfeiture for DWI

November 13, 1997

Page 4

the 30 days. Those recovering the vehicle pay administrative and towing and storage fees.

d. Forfeiture.

About 10 percent of all vehicles towed incident to a DWI arrest are forfeited and sold at auction. This represents approximately one-third of all vehicles for which Anchorage sought forfeiture. To date, all vehicles forfeited have been sold at auction, but the ordinance also provides that the police may use forfeited vehicles for purposes of law enforcement.

Auctions of forfeited vehicles are held once a month, casually on the fourth Saturday of each month.

e. Sale of Abandoned Vehicles Pursuant to Towing and Storage Liens.

Vehicles for which the Municipality seeks 30 days of impoundment are disposed of by the towing and storage contractor if no one recovers the vehicle after being sent notice of the intent to sell the vehicle if there is no recovery. This disposal occurs under the state's towing and storage lien created in AS 28.10.502.

f. Dispositions in 1996 (10 Month Period).

Disposition of Vehicles Towed Incident to DWI Arrest
January 1 - October 31, 1996

Recovered after 30 days of impoundment	457
Released pursuant to stipulation	326
Forfeited and sold at auction	127
Abandoned after impoundment and sold	156
Pending/Other	<u>498</u>
Total	1,564

4. Revenues and Costs of Program.

If the council adopts a forfeiture ordinance it needs to strongly consider adding a $\frac{1}{2}$ time paralegal to be paid from the program. Anchorage has added staff at the Municipal Attorney's Office and the Anchorage Police Department to operate the DWI vehicle impoundment/forfeiture program. It also collects revenues from administrative fees, attorney's fees, net auction proceeds, and vehicle return bond forfeitures. It is estimated that revenues will cover approximately three-quarters of the costs in 1996.

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5. Publicity.

Anchorage ordinances require that bars, liquor stores, and restaurants which serve alcohol post signs warning of the impoundment/forfeiture law. The signs say "DRIVE DRUNK-LOSE YOUR CAR!" and "Don't Get Hooked on Drinking and Driving." These signs are intended to be eye-catching, with bold print underscoring the simple message.

6. Effects on Incidence of Driving While Intoxicated.

According to the Anchorage police department, the program's effects on the incidence of DWI are difficult to measure. The number of DWI arrests fell in 1995 -- the program's first full year of operation -- but rose in 1996. The difficulty of assessing the program's effect on incidence of DWI appears to be caused by an increased law enforcement focus on DWI which occurred since the program started in April of 1994. The total number of Anchorage Police Department (APD) patrol officers has increased since that date. Probably more significant than the total number of patrol officers, however, is the number of hours of police resources specifically devoted to DWI enforcement. A special federal grant has allowed APD to pay overtime to officers to work on traffic enforcement. Enforcement of traffic laws against speeding, improper turns and lane changes, and stoplight violations, particularly at night, is a proven method of producing DWI arrests. Officers assigned to DWI enforcement also routinely process persons arrested for DWI by other patrol officers, thus allowing patrol officers to be more efficient and increase their total DWI arrests.

A probably more accurate measure of the true incidence of DWI than the number of DWI arrests is the number of deaths from alcohol-related DWI automobile crashes.

**Number of Deaths from Alcohol-Related DWI Automobile Crashes
1990-1996**

1990	13
1991	13
1992	12
1993	12
1994	13
1995	9
1996 (through 10/29/96)	7

In addition, the program appears to prevent an infrequent but troubling phenomenon. In a number of cases over the years, the Anchorage police recalled arresting a person for DWI who would

NOV 21 2 12 PM '97 CITY ATTORNEYS

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secure release on bail or on own recognizance who would return to the vehicle and drive drunk again, occasionally causing a crash with death or injury. Since the impoundment/forfeiture program began, no one has driven drunk in the same vehicle after being arrested for DWI that same night.

The legal issues arising in forfeiture ordinances are seizure, due process, double jeopardy and excessive punishment questions.

7. Judicial Review.

The only reported case involving a judicial council review of Anchorage's ordinance is Municipality of Anchorage v. Skagen, 920 P.2d 284 (Alaska 1996). Skagen challenged the ordinance on a double jeopardy argument - essentially that the ordinance exposed him twice to criminal sanctions in the form of vehicle forfeiture. The court disposed of the case on other grounds and no other constitutional issues were raised or discussed. Popular assertion that the Anchorage ordinance had been fully tested in court is misplaced. Nonetheless, case law from other jurisdictions (although somewhat split) tend to support civil forfeiture schemes.

8. Split Functions.

Anchorage has an advantage in pursuing vehicle forfeitures because it prosecutes its own DWI and Refusal cases. It can thus closely coordinate a total case resolution involving the criminal charges and the civil forfeiture action. In Fairbanks the State prosecutes DWI and Refusal cases. About 400 cases (DWI/Refusal) occur annually inside the City's limits.

Separate jurisdictional control over the criminal and civil cases will require considerable interaction and cooperation with the district attorney's office. No doubt there will be considerable paperwork generated on the civil forfeiture side as our experience in drug asset forfeiture cases have shown over the years.

With only one secretary I'm not at all certain we can add another mountain of paperwork. Another half-time secretary or paralegal (presumably funded through impoundment fees) will be needed to start-up and keep the program running smoothly. Unlike Anchorage I do not propose adding an attorney to prosecute these forfeitures unless experience later compels the council otherwise.

9. The Portland Experience.

I have attached a study completed by Ian Crosby in 1995 which

107 21 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
F.B

Mayor and Council
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analyzed the effectiveness of vehicle seizure in reducing arrests among "problem" drunk drivers.

Notably at p.29 Crosby asks why seizure would deter where other sanctions have failed. He concludes that,

While offenders may view brief jail terms with indifference and simply fail to pay fines, the loss of use of a vehicle through seizure or forfeiture is a tangible penalty. Many offenders have few financial resources. The investment which is lost in a vehicle which is forfeited may be considerable to them, even if the vehicle was of relatively little value. The cost of replacing a vehicle can serve as an unavoidable fine, even if a vehicle is only seized and released, if an offender also loses access to it. With vehicles which are released, the consequences incurred at the hands of third parties also may enhance the deterrent effect of seizure.

HPK/lmd

HB

361

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 361

Revision Date _____	Dept. Affected <u>DOT&PF</u>
Title <u>Private Maintenance of State Highway</u>	BRU <u>Commissioners Office</u>
Sponsor <u>Representative Masek</u>	Component <u>Office of the Commissioner</u>
Requester <u>(H) TRA</u>	Component Serial No. <u>530</u>

Expenditures/Revenues (Thousands of Dollars)

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

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

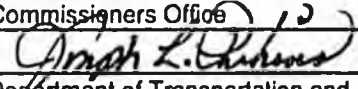
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: 0.0

POSITIONS

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

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

Prepared by	Dennis Poshard, Special Assistant	Phone	465-3900
Division	Commissioners Office	Date	1/17/98
Approved by	 Commissioner	Date	1/17/98
Agency	Department of Transportation and Public Facilities		

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SPONSOR STATEMENT – 361

Setting Conditions for Private Maintenance of State Highways

This legislation is intended to give the Department of Transportation and Public Facilities the ability to regulate private contractors who undertake the maintenance of state owned roads.

The impetus for this legislation arose out of a situation in my district where a private company began maintaining a state owned road that was posted by the Department as being closed for the winter. The problem we encountered was there were no requirements in law or regulation that would hold them to any kind of standards. This resulted in numerous complaints from the general public who were having problems accessing recreational lands and private property.

After some discussion with the Department it was concluded that some statutory authority needed to be put into place so they could have some enforcement capabilities in regulating private contractors who undertook maintenance of those roads the Department chose not to in the winter.

HB 361 also makes it clear the state would not be liable if a private contractor began maintaining a state road. It also states that such maintenance shall not be eligible for cost recovery from the state.

Although this bill addresses a specific circumstance, I believe it is a good idea for the legislature to head off future problems by giving DOT/PF the statutory ability to regulate these types of operations. Any time a private contractor begins maintaining a state road, they should have to follow guidelines set out by the Department so that public access and public safety are protected. Furthermore, the state needs to be able to make sure the maintenance is performed in a manner that is not damaging to the road surface and roadbed.

HB

404

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 404

Revision Date _____	Dept. Affected <u>DOT&PF</u>	
Title <u>Regs of Commercial Vehicles</u>	BRU <u>Commissioners Office</u>	
	Component <u>Office of the Commissioner</u>	
Sponsor <u>House Transportation</u>		
Requester <u>House Transportation</u>	Component Senal No. <u>530</u>	

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	407.9	411.0	415.0	419.2	423.4	427.6
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	9.5	9.5	9.5	9.5	9.5
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	105.0	0.0	0.0	0.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	512.9	420.5	424.5	428.7	432.9	437.1

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	612.5	612.5	612.5	612.5	612.5	612.5
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	512.9	420.5	424.5	428.7	432.9	437.1
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	512.9	420.5	424.5	428.7	432.9	437.1

Estimate of any current year (FY98) cost: 0.0

POSITIONS

POSITIONS	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Full-time	9	9	9	9	9	9
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This bill transfers the responsibility for establishing and collecting out of state registration fees for commercial trucks and increases the registration fee from the \$10 range to \$350 thereby generating approximately 612.5 in new revenue to fund size, weight & safety inspections. When added to the current collections of about 40.0 there is adequate funding to support this fiscal note. Additionally, this will provide protection to the motoring public by ensuring safer commercial vehicles and to our bridges and highways by ensuring properly loaded trucks. This will also create a level playing field for the industry that is essential to their ability to compete fairly in the market place and to ensure that a good part of Alaska's work is done by Alaskans.

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

Phone 465-3900
 Date 2/23/98
 Date 2/23/98

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Analysis:
Program Summary:

This legislation will:

Add nine new Weigh Station Operator I, 2453-12, positions distributed as follows:			Add three new inspection vehicles as follows:		
	#	Amount		#	Amount
Tok	3	147.5	Tok	1	35.0
Fairbanks	1	44.7	Fairbanks	1	35.0
Sterling	3	123.4	Sterling	1	35.0
Anchorage	2	86.3	Anchorage	0	0
	9	407.9		3	105.0

Tok

Add three additional positions to issue temporary registration permits 24 hours per day and perform size, weight and driver/vehicle safety inspections. Trained personnel will be on duty at all times to ensure that truck traffic coming into and leaving the state at Tok is complying with our laws and regulations. One or more persons will be trained to perform driver/vehicle inspections at commercial vehicle crash scenes. The additional revenue collections are estimated to be 1,750 vehicles at \$350 per vehicle = \$ 612.5.

Fairbanks

Add one position to allow additional coverage to increase truck size, weight and safety enforcement at the weigh stations by performing size and weight as well as safety inspections. Temporary registrations will be issued at the Fairbanks Weigh Stations.

Sterling

Add three new positions to the current one position staff at the Sterling Weigh Station to perform size, weight and driver/vehicle safety inspections and to issue temporary registrations for those vehicles entering the state at Seward, Kenai or Homer. This station is the only truck size, weight and safety inspection facility on the Kenai Peninsula located on the very busy Sterling Highway. There is no resident driver/vehicle safety inspector located on the Kenai Peninsula at this time. Since the weigh station is open only one shift per day, five days per week, it is nearly impossible to estimate the volume of unregistered out of state commercial vehicle traffic. The potential for increased revenue is small. The priority at this station is to provide the size, weight and safety inspections that are not being done at the present time.

Anchorage

Add two new positions to enable 24 hour per day, seven day per week staffing at the Glenn Outbound and the Potter Weigh Stations. These two positions will focus on truck size and weight enforcement with the present seven other size and weight enforcement personnel. There are presently three commercial vehicle inspector positions stationed in Anchorage who can effectively monitor truck traffic for driver and vehicle safety concerns. This additional coverage will allow for the issuance of temporary registrations at the Anchorage Weigh Stations for unregistered vehicles arriving at the Port of Anchorage.

These new positions will monitor all incoming and outgoing traffic into the state at the Tok Weigh Station and will enhance the coverage at the other stations listed above. The new positions will enable us to:

- issue out of state temporary registrations to foreign (out of state) commercial vehicles, thereby ensuring the proper payment of fees from those who live outside of our state.
- conduct size and weight inspections to ensure that the vehicles and their loads conform with state regulations governing truck size and weight.
- perform safety inspections of both the drivers and their vehicles to ensure compliance with state and federal safety and hazardous materials regulations.
- verify that the proper insurance coverage is in place to provide liability protection to our citizens.

Vehicle maintenance of \$ 9.5 for the three vehicles will be absorbed in the division budget in FY99. This cost has been identified as an increase in Contractual Services for the next five years.

Funding:

The intent of this fee increase is to provide additional new revenue to fund badly needed truck size, weight and safety enforcement. We estimate that \$ 612.5 in revenue can be generated with three new positions in Tok to operate the weigh station 24 hours per day, seven days per week. The other six positions will be placed in the locations with the greatest need for increased size, weight and safety enforcement. While these other six positions will generate a small increase in revenue, the important issue is the increased size, weight and safety enforcement. When the trucking activities were consolidated into DOT&PF, it was recognized that the funding for the program is inadequate. This is an attempt to increase the level of enforcement at a minimal cost to the state. It is important to recognize that the fee increase helps to correct an inequity that has existed for many years in that out of state vehicles can operate in our state at a very minimal cost while Alaska carriers do not enjoy the same low fees in other states.

ALASKA TRUCKING ASSOCIATION, INC.

3443 Minnesota Drive • Anchorage, Alaska 99503 • PHONE (907) 276-1149 • FAX (907) 274-1946

1998 Trucking Legislation

HB 404 Before House Transportation Committee

February 25, 1998

The Alaska Trucking Association, in cooperation with General Teamsters Local 959, are supporting House Transportation Committee Bill 404, crafted to resolve problems related to truck user's concerns in three major areas:

First: A current Statute related to commercial vehicle safety inspections (Sec.19.10.310) is amended to allow for the inspection criteria found in the Federal Motor Carrier Safety Regulations as adopted by Alaska to meet the State's requirements. Needed badly and a good deal.

Second: Fees for out-of-state trucks (Sec.28.10.152) that wish to operate in Alaska temporarily, are increased from \$50 to \$350. This brings Alaska fees more in line with what is charged by other States and Provinces issuing temporary permits. Revenue generated from this fee will be identified as a program receipt. The Governor's Budget will request this "new" money be appropriated for weigh station operation. It does not solve the problem of under funding for weighing and safety issues, but does help.

Third: The Bill will eliminate the requirement for annual registration of commercial trailers with DMV. The money currently collected will be added to the registration cost of commercial "power units", so as to be revenue neutral. A \$10 one time fee will be assessed commercial trailers. This change will result in saving about 20,000 transactions annually at DMV saving more than \$100,000 annually. The change is also required if Alaska wants to become part of the International Registration Plan. IRP allows for a greatly simplified method of prorating the use of trucks between various States and Provinces. The industry gains substantial efficiency by not having to physically "tag" every one of the almost 20,000 commercial trailers in Alaska annually.



A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 404

1 Page 4, lines 10 - 11:

2 Delete all material.

3 Renumber the following bill sections accordingly.

4 Page 9, following line 10:

5 Insert a new bill section to read:

6 **** Sec. 20.** AS 28.10.421 is amended by adding a new subsection to read:

7 (i) A one-time registration fee of \$10 is imposed upon initial registration for
8 a trailer or semi-trailer used for commercial purposes."

9 Renumber the following bill sections accordingly.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 404

1 Page 8, following line 11:

2 Insert a new bill section to read:

3 **** Sec. 19.** AS 28.10.421(b) is amended to read:

4 (b) The biennial registration fees under this subsection are imposed within the
5 following classifications for:

6 (1) a passenger vehicle or motor home not primarily used or
7 maintained for the transportation of persons or property for hire or for other
8 commercial use \$ 68;

9 (2) a pick-up truck or a van not exceeding 6,000 pounds unladen
10 weight and not primarily used or maintained for the transportation of persons or
11 property for hire or for other commercial use \$ 78;

12 (3) a taxicab \$138;

13 (4) a motor bus with a seating capacity for 20 or more persons and
14 used exclusively for commercial purposes in the transporting of visitors or tourists
15 \$168;

16 (5) a motorcycle or a motor-driven cycle \$ 38;

17 (6) a trailer not primarily used or maintained for the transportation
18 of persons or property for hire or for other commercial use, including, but not limited
19 to, a boat trailer, baggage trailer, box trailer, utility trailer, house trailer, travel trailer,
20 or a trailer rented or offered for rent \$ 10."

21 Renumber the following bill sections accordingly.

22 Page 8, line 18, following "is":

23 Insert "primarily"

1 Page 8, line 19, following "or":

2 Insert "primarily used"

3 Page 8, line 31, following "and":

4 Insert "primarily"

5 Page 9, following line 10:

6 Insert a new bill section to read:

7 "* **Sec. 22.** AS 28.10.661 is amended by adding a new paragraph to read:

8 (3) "primarily used" means use for a period that exceeds six months
9 of a calendar year."

10 Renumber the following bill sections accordingly.

11 Page 11, line 11:

12 Delete "secs. 1 - 23"

13 Insert "secs. 1 - 25"

14 Page 11, line 13:

15 Delete "Section 24"

16 Insert "Section 26"

17 Page 11, line 14:

18 Delete "sec. 25"

19 Insert "sec. 27"

Alaska State Legislature

DATE: 143 March 1998
143 March 1998
143 March 1998
143 March 1998
143 March 1998




NO. 1998
State Capital
Juneau, AK 99802
907 465-2603
fx 907 465-5885

Representative Gary Davis

MEMORANDUM

DATE: February 23, 1998

TO: Representative Bill Williams, Chair
House Transportation Committee

FROM: Representative Gary Davis 

RE: Amendment to House Bill 404

Please review the attached amendment that I would like to offer to House Bill 404 scheduled in your committee Wednesday, February 25, 1998. It has come to my attention that current statutes regarding registration rates for vehicles are all-encompassing and difficult to enforce.

Currently rates are set for vehicles not used for commercial purposes and for vehicles used for commercial purposes. Unfortunately, the statutes don't specify an amount or percentage of time the vehicle must be used for commercial purposes. This means, because of the way the statute is phrased, that any vehicle used for any commercial purpose for any amount of time must technically be registered as a commercial vehicle. Several examples of individuals affected are listed below. The frequency of which they use their vehicle is not considered; only whether or not the vehicle is used for any commercial use.

- Realtors who use their vehicles to go to homes they show to potential buyers
- Attorneys who use their vehicles to go interview their clients at locations other than the attorneys' offices (such as the clients home, or place in which they are incarcerated)
- Individuals with a home-based business, such as a secretarial service, who use their vehicles to take their work either to the post office or to clients' establishments
- Commercial fishermen who use their vehicles to take their nets to their boats;

Representative Bill Williams

February 23, 1998

Page 2

- Guides who use their vehicle to tow their boats to launch sites
- Pizza delivery persons who use their own vehicle to make deliveries to client's home
- Even parents of children with paper delivery routes should register their vehicles as commercial vehicles if they ever provide their children ride in inclement weather.

I do not believe this was the intent of the legislation when it was enacted. The attached amendment inserts the word "primarily" in the sections concerning registration fees and defines primarily as being more than six months in a calendar year. I believe that this clarifies the statutes and is more in line with its intent.

I realize the Division of Motor Vehicles will most likely present a fiscal note showing a revenue loss for this amendment; however, I would be curious to know their estimate of the revenues never collected from individuals who are technically in violation of current law. Also, while the amendment would still make enforcement of the statute difficult and the state would have to rely on voluntary compliance, that situation is no different than the one we currently face.

If you have any questions, please contact me or Deb Davidson of my staff.

GLD/dld

Attachment

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 404

- 1 Page 7, line 4:
- 2 Delete "60"
- 3 Insert "30"

HB

412

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 412

Revision Date _____	Dept. Affected <u>DOT&PF</u>	_____
Title <u>Transfer Railroad Land To Whittier</u>	BRU <u>Commissioners Office</u>	_____
Sponsor <u>Representative Cowdery</u>	Component <u>Office of the Commissioner</u>	_____
Requester <u>H TRA</u>	Component Serial No. <u>530</u>	_____

Expenditures/Revenues (Thousands of Dollars)

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

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

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

Estimate of any current year (FY98) cost: 0.0

POSITIONS

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

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

Prepared by	<u>Dennis Poshard, Special Assistant</u>	Phone	<u>465-3900</u>
Division	<u>Commissioners Office 12</u>	Date	<u>3/3/98</u>
Approved by	<u><i>[Signature]</i></u> Commissioner	Date	<u>3/3/98</u>
Agency	<u>Department of Transportation and Public Facilities</u>		

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**Road access
to Whittier will**

BE IMPROVED

**this small community
with needs for added
infrastructure.**



How will tiny Whittier cope with HUNDREDS OF THOUSANDS of visitors?

MILLIONS OF UNEMPLOYED DOLLARS MUST BE INVESTED SOON.

■ Planning Document Update

Update of the City of Whittier's 1995 comprehensive plan is crucial. Detailed outlines of goals and policies, public needs, anticipated growth, and necessary development are needed *now*.

\$0.2M

■ Water/Sewer/Streets Upgrades

Upgrade of water, sewer, and streets is urgent. Sewer and water services are in violation of EPA regulations. Easements for utility upgrades may be difficult to acquire: The Alaska Railroad Corporation (ARRC) has not granted easements for existing utility operations on its property. Whittier's 14 miles of main roads (10 miles paved) are ARRC-owned, and city employees must trespass to maintain them. Road erosion is reaching critical proportions, threatening to cut off the town from the railroad tunnel.

\$4.7M

■ Ferry Terminal Reconstruction

With road access, major reconstruction of the ferry terminal and dock will be needed. The city has requested regular service of the *MVs Bartlett* and *Kennicott* - if dock reconstruction can be completed.

\$4.5M

■ Community Services Expansion

Police protection, fire and rescue, health care, and recreation opportunities need to be expanded, and public parking and transportation should be instituted. There are 4 times as many calls for volunteer EMT assistance in summer than in winter, and volunteers cannot respond to all emergencies. Upon road completion, the Alaska Department of Transportation & Public Facilities will require the city to employ 2 EMT-3s and certified fire-fighting staff. A contract physician from Kenai is trying to provide service to the city clinic in Begich Towers 2 days a week.

\$1.5M

■ Small Boat Harbor Expansion

The Whittier Small Boat Harbor, with 332 berths and 100 parking spaces, operates beyond capacity and will need extensive improvements. More than 750 vessels are on the harbor wait list for permanent moorage, and the list is continuing to grow by about 21 vessels a month. Most wait list customers are Anchorage residents. The city will assume ownership of the harbor, and expansion will be needed to accommodate increased private, excursion, and charter traffic.

\$15.5M

■ Government Facility Improvements

New government facilities are needed to meet community requirements and comply with federal regulations. (*All* city facilities contain asbestos and are non-ADA-compliant.) City offices are in 4 apartments in Begich Towers, a residential building. Council chambers (in another building) with no telephone/teleconference capabilities also serve as courtroom, fire hall, and a meeting place for the planning commission, port and harbor commission, and emergency training. When the facility has been unusable because of roof leaks, lack of heat, or flooding, meetings have been held at a local bar.

\$2.5M

■ Roadside Enhancements

Day use is expected to increase from an annual average of 17,000 to 74,000 in the first year the road is open. Urgently needed enhancements include a third boat ramp and more and improved campsites. Bank fishing areas, bike paths, sidewalks, parking, picnic tables, waste facilities, and trash collection for visitors are necessary but *nonexistent*. Two existing boat ramps are over-utilized. Unimproved campsites behind Begich Towers accommodate only 12 medium-sized campers. There are no dumpstations or water/electrical hookups for RVs. The state will complete 6 miles of hiking trails in Shotgun Cove in 1998, but more are needed. Areas that could be developed for enhancements are on state lands and would require site control.

\$3.0M

■ Environmental Stewardship

Environmental concerns are extensive and solutions will be costly. Increased human presence may complicate existing concerns, inhibiting private development and exacerbating regulatory compliance issues. Three FUDS (the harbor, the tank farm, and the former military power generation site) are designated for cleanup, and there are numerous potential cleanup sites.

\$25.0M

■ Encouragement of Private Sector

Programs such as marketing, promotion, grants, and loans would enable private businesses to undertake some of the development projects required in Whittier. Available lands are scarce, and acquisition of state-owned land is crucial to allow leasing to support new enterprises. Development of food service, lodging, transportation, and community services will enhance the visitor's experience at Whittier.

\$1.5M



With road access to Whittier, the flood of summer visitors will be akin to more than the entire Alaska population visiting the 600-acre townsite every summer. To prepare for this metamorphosis, numerous improvements are in dire need of funding.

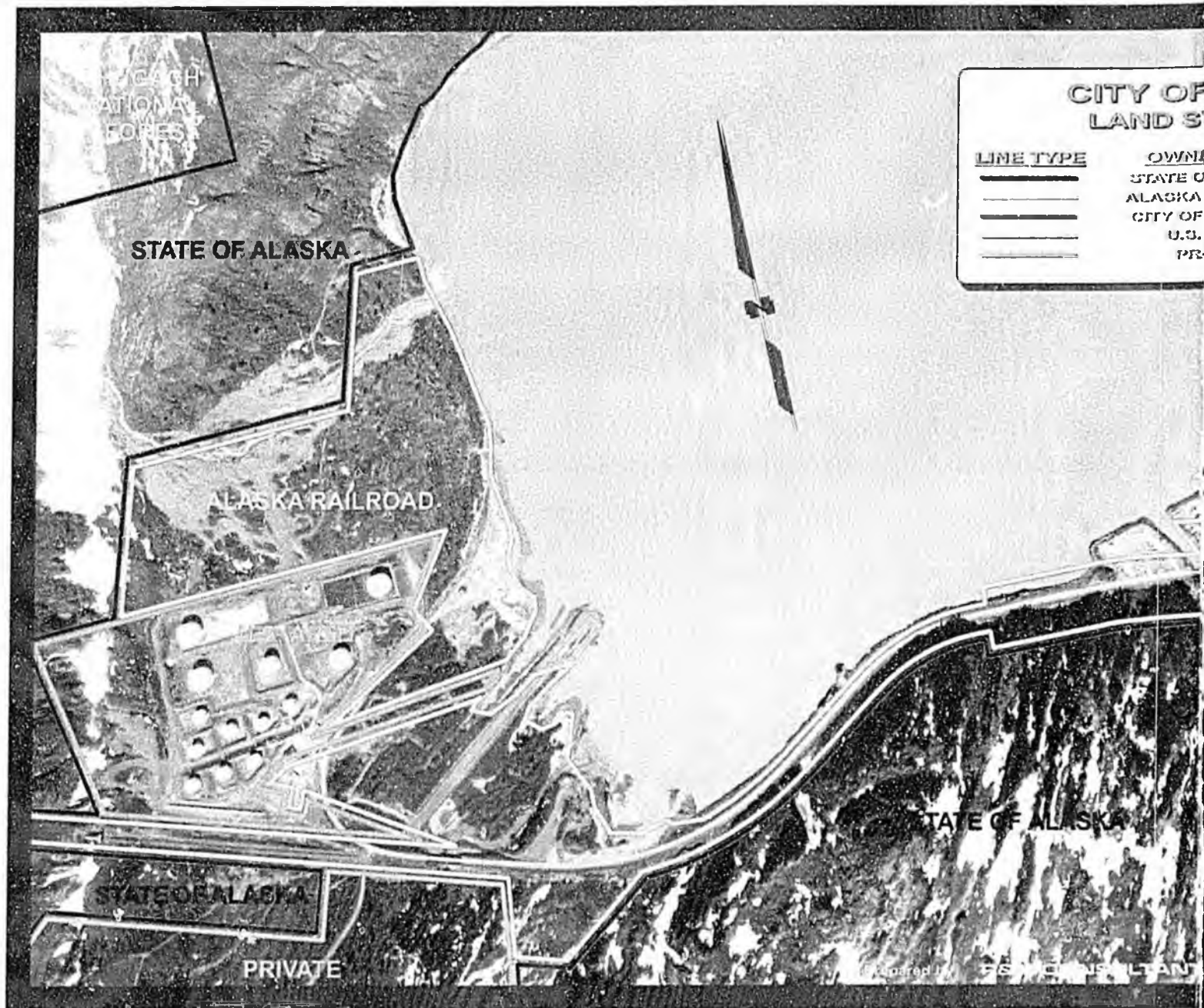
- **Planning Document Update**
- **Water/Sewer/Streets Upgrade**
- **Ferry Terminal Reconstruction**
- **Community Services Expansion**
- **Government Facility Improvements**
- **Small Boat Harbor Expansion**
- **Roadside Enhancements**
- **Environmental Stewardship**
- **Encouragement of Private Sector**



The City of Whittier

*Detailed documents on individual projects available on request.
For information contact:*

Carrie L. Williams, City Manager, City of Whittier
P.O. Box 608, Whittier, Alaska 99693
Tel.: (907) 472-2337 Fax: (907) 472-2404
E-mail: jqfv74a@prodigy.com

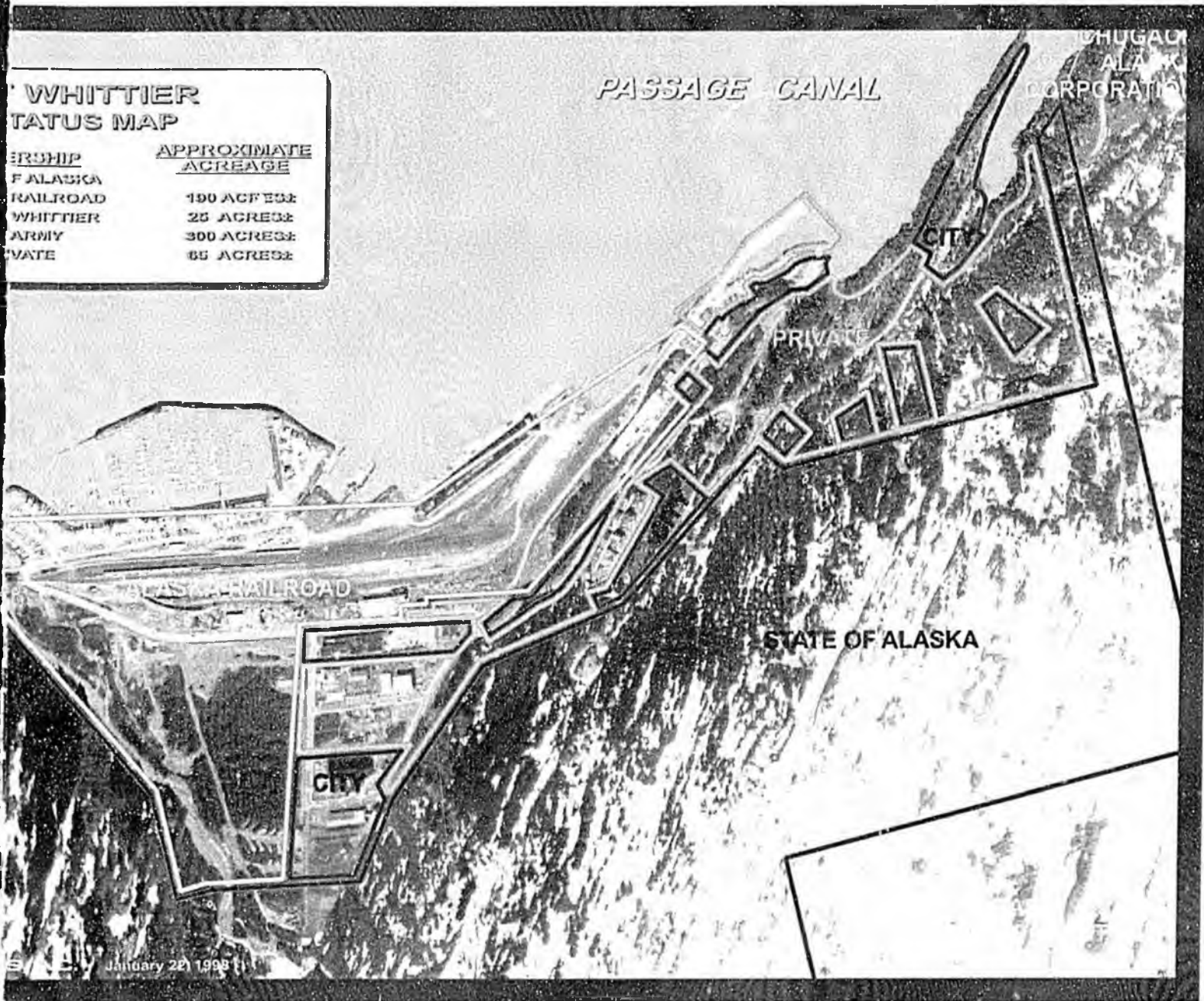


A ROAD CONNECTING WHITTIER WITH ALASKA HIGHWAYS, open Prince William Sound to Southcentral Alaska and visitors from out of state, resulting in a 10-fold increase, and the Alaska Department of Transportation & Public Safety estimates that the number of visitors will increase to 897,000. State encouragement of road access must be supported with critical

Whittier is on a delta on the south shore of Passage Canal in Prince William Sound. The town is bordered by mountain ridges, state and federal lands, and the Chugach National Forest. During the first year of road access, this community of 297 persons is expected to be inundated with 897,000 visitors, more than 10 times the average annual number of visitors received previously. Whittier will be unable to provide necessary services without major outside investment. Visitors will burden the already overloaded community with requirements for parking, rest areas, campsites, water, sewer, boat launches, trails, parks, lodging, transportation, boat dockage, public safety, health care, public information, food service, and

WHITTIER STATUS MAP

LANDSHIP	APPROXIMATE ACREAGE
FEDERAL	190 ACRES
RAILROAD	25 ACRES
WHITTIER	300 ACRES
ARMY	65 ACRES
PRIVATE	65 ACRES



is planned for completion in 2000. The road was funded primarily to outside the state. During the first year Whittier expects 897,000 visitors, Public Facilities estimates that the average daily traffic count will reach fully needed infrastructure, services, and economic development.

much more. The taxable land base and city sales tax proceeds are inadequate to fund the community services that will be needed. Annual City of Whittier revenue from all sources is approximately \$650,000. The core community area of about 600 acres includes only about 300 acres of private land. Available private properties in Whittier are steep, rocky lots on which construction is difficult and expensive. Railroad leasehold properties are taxable, but state and federal lands are not. Expected population increases with road access will not generate the taxes and other contributions needed to pay for police, fire, water, sewer, or emergency medical services.

WHITTIER FACTS

Status

Classification	Second Class City
Year of Incorporation	1969
Population	297
School District	Chugach Rural Education Attendance Area
Form of Government	City Manager
Native Corporation	Chugach Alaska Corporation

Land Area Within City Core

Total Area	577 acres (excluding right-of-ways)
Federally Owned	65 acres
State-owned	90 acres (includes railroad)
City-owned	22 acres
Private	300 acres

Economics

Annual Municipal Revenue	\$650,000 (all sources)
Median Household Income	\$33,636 (1990 Census)
Primary Employers	Alaska Railroad Corporation, State of Alaska, City of Whittier, Chugach Rural Education Attendance Area
Housing	Beigh Towers houses 90% of the population.

Services

Public Water System	Serves 98.4% of households
Public Sewer System	Serves 96% of households
Heating	100% of households use fuel oil or kerosene
Police	3 full-time officers, including Director of Public Safety
Fire/Ambulance	1 fire truck, 7 volunteer firemen (4 certified EMTs)
Medical	City-owned clinic with one part-time employee; periodic visits by contract physician from Kenai
Search and Rescue	None
Dental	None
Mental Health	None
Public Transportation	None
Airline	None (short emergency strip owned by Alaska Department of Transportation & Public Facilities)
Taxi/Car Rental	None
Visitor Accommodations	40 rooms (bed-and-breakfasts and hotels)
Visitor Information	None
Recreational / Cultural	No movie theater, youth center, or community hall. Museum not open. Public library hours depend on volunteer availability.

**CITY OF WHITTIER PETITION FOR LEGISLATIVE
SUPPORT**

H.B 412

WE THE UNDERSIGNED, AS CITIZENS OF THE CITY OF WHITTIER, ASK THE ALASKA LEGISLATURE TO SUPPORT THE TRANSFER OF ALL NON-RAIL ESSENTIAL LANDS FROM THE ALASKA RAILROAD CORPORATION TO THE CITY OF WHITTIER, THEREBY PROVIDING SECURITY FOR PUBLIC SERVICES AND LAND FOR ECONOMIC GROWTH & DEVELOPMENT, FOR ALL THE CITIZENS OF WHITTIER AND THE 1.5 MILLION ANNUAL VISITORS (DOT-EIS '95) EXPECTED TO ARRIVE WITH ROAD ACCESS.

NAME

ADDRESS

PHONE

NAME	ADDRESS	PHONE
William Coumb	Box 690 Whittier	472-2365
JOSEPH S. GRAY	P.O. Box 613 Whittier	472-2431
Donald Van Buren, Jr.	P.O. Box 650 Whittier	472-2565
J. J. Enterprise	P.O. Box 631 Whittier	472-2466
Mason D. Williams	P.O. Box 635 Whittier	472-2529
John J. Williams	P.O. Box 726 Whittier	472-2367
STYLIANOS N. MARIOTRAKAKIS	P.O. Box 694 Whittier-AK	99693
KAREN E. WILLIAMS	P.O. Box 762 Whittier	99693
John K. Williams	P.O. Box 707 Whittier	99693
Rene Sanchez	P.O. Box 783 Whittier	AK 99693
James D. Williams	P.O. Box 664 Whittier	AK 99693
Frank W. Williams	P.O. Box 746 Whittier	AK 99693
John J. Williams	RT #1404 Whittier	99693
John C. Williams	P.O. Box 702 Whittier	99693
John J. Williams	P.O. Box 797 Whittier	99693
Brenda Coville	P.O. Box 690	" 472-2365
Carrie J. Williams	P.O. Box 608	" 472-2549
Richard Arneson	Box 778	Whittier 472-2441
Charlene B. Arneson	Box 778	Whittier 99693 472-2241
Dale Arneson	Box 664	Whittier 472-2428
Georgia West	Box 790	Whittier
James West	Box 790	Whittier
John J. Williams	Box 703	Whittier 472-2493
Melba Saigo	Box 781	" 472-2354 v100

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CITY OF WHITTIER PETITION FOR LEGISLATIVE
SUPPORT

H.B 412

WE THE UNDERSIGNED, AS CITIZENS OF THE CITY OF WHITTIER, ASK THE ALASKA LEGISLATURE TO SUPPORT THE TRANSFER OF ALL NON-RAIL ESSENTIAL LANDS FROM THE ALASKA RAILROAD CORPORATION TO THE CITY OF WHITTIER, THEREBY PROVIDING SECURITY FOR PUBLIC SERVICES AND LAND FOR ECONOMIC GROWTH & DEVELOPMENT, FOR ALL THE CITIZENS OF WHITTIER AND THE 1.5 MILLION ANNUAL VISITORS (DOT-EIS '95) EXPECTED TO ARRIVE WITH ROAD ACCESS.

NAME ADDRESS PHONE

Terry Arildsen	PO Box 608 WHITTIER AK.	472-2317
Heidi Hildebrand	PO. Box 667 WHITTIER AK	472-2386
Christopher Brundet	PO Box 797 WHITTIER AK.	
John Blair	706 Whittier	7 C E C S
Shelby Blair	706 Whittier	472-2338
Edy Anderson	#675 Whittier	472-2347
Doreen Bernstein	PO 753 Whittier	472-2475
S.S. Smythe	S.S. Smythe #794 Whittier AK	472-2306
Chas. Walker	P.O. 750 WHITTIER AK 99693	472-2354
Paul J. Vombal	PO 642	" "
Debra Parks	P.O. Box 738 Whittier AK 99693	472-2535
Winn Hayward	PO Box 774 Whittier AK	472-2566

CITY OF WHITTIER PETITION FOR LEGISLATIVE SUPPORT

OR VISITORS OF WHITTIER,

WE THE UNDERSIGNED, AS CITIZENS OF THE CITY OF WHITTIER, ASK THE ALASKA LEGISLATURE TO SUPPORT THE TRANSFER OF ALL NON-RAIL ESSENTIAL LANDS FROM THE ALASKA RAILROAD CORPORATION TO THE CITY OF WHITTIER, THEREBY PROVIDING SECURITY FOR PUBLIC SERVICES AND LAND FOR ECONOMIC GROWTH & DEVELOPMENT, FOR ALL THE CITIZENS OF WHITTIER AND THE 1.5 MILLION ANNUAL VISITORS (DOT-EIS '95) EXPECTED TO ARRIVE WITH ROAD ACCESS.

Table with 3 columns: NAME, ADDRESS, PHONE. Contains handwritten entries for Michael J. Boudin, Doris V. Bend, Tina F. Parker, and Laurie H. Sutton, followed by empty rows.

10

CITIZENS OF ALASKA PETITION FOR LEGISLATIVE SUPPORT

WE THE UNDERSIGNED, AS CITIZENS OF ALASKA, WHO ARE BOAT OWNERS AND VISITORS TO WHITTIER AND PRINCE WILLIAMS SOUND, ASK THE ALASKA LEGISLATURE TO SUPPORT THE TRANSFER OF ALL NON-RAIL ESSENTIAL LANDS FROM THE ALASKA RAILROAD CORPORATION TO THE CITY OF WHITTIER, THEREBY PROVIDING THE CITY WITH THE ABILITY TO INCREASE PUBLIC SERVICES AND MAKE LANDS AVAILABLE FOR ECONOMIC GROWTH & DEVELOPMENT, FOR ALL THE CITIZENS OF ALASKA AND THE 1.5 MILLION ANNUAL VISITORS (DOT-EIS '95) EXPECTED TO ARRIVE WITH ROAD ACCESS.

NAME	ADDRESS	PHONE
ANDRON MARTUSHEFF	ANCHOR POINT AK Box 227	235-3789
R. VRSAovic	P.O. Box 709 Whittier AK. 99693	472-2508
Theodore Bayon	P.O. Box 605 Whittier AK 99693	472-2384
Brenda Small	Box 777 Whittier AK. 99693	472-2533
William Juffe	Box 609 Whittier AK 99693	2492
Don G. Scott	Box 661 Whittier AK 99993	472 2507
W. A. Tolme	Box 609 Whittier AK 99693	472 2492
David E. Morrison	Box 671443 Chugiak, AK 99567	688-6180
Cheri Morrison	Box 671443 Chugiak, AK 99567	695-6180
Dickens Carter	12644 Galleon Cir ANC 99515	345-3192
REBA CARTER	12641 GALLEON CIR ANC AK 99515	345-3182
Ron Dake	P.O. Box 611 Whittier AK 99693	472 2335
Ronald A. Tresham	176 E. Park Ave. Wasilla AK. 99654	907-376-3041
Kenneth W. Barber	Box 7330 Palmer AK 99645	907-945-4446
NATHAN MAY	PO Box 81961 Wasilla AK 99607	
Jordan May	HC 03-8438-2 Palmer AK 99645	
Stephanie May	HC 03-8438-2 Palmer AK 99645	
Suzanne B. Pusden	P.O. Box 1661 Whittier AK 99693	907-472-2507
Kevin C. Zee	HC03 Box 8385 PALMER AK 99645	746-0868
Don Zee	P.O. Box 612 Whittier AK 99693	

SPONSOR STATEMENT

Representative John J. Cowdery

The purpose of HB 412 is to mitigate an emergency for the City of Whittier by transferring land that is non-essential to railroad operations to the city. Whittier has had long standing problems in getting control of land needed to carry out its governmental functions. The land it needs for water, sewer, utilities, docks, harbors, parking and traffic control is owned by the Alaska Railroad Corporation. The city can't plan, invest in capital projects or apply for grant money because the land they operate on is leased from the ARRC and subject to short term cancellation. The city plows snow from city streets that are technically owned by the railroad. After more than two years of negotiating with ARRC, and expending over \$200,000, the City of Whittier is no closer to gaining control of its land than when they started.

There are about 600 acres of developable land in central Whittier. Alaska Railroad Corporation owns 190 acres, of which 45 +/- are necessary for their operation. The U.S. Army owns 300 acres. Private landowners have 65 acres. The City of Whittier owns a mere 25 acres.

The emergency aspect comes in to play when the new tunnel and road to Whittier are completed on schedule, 18 months from now. DOT/PF anticipates an impact of 5000 cars per day to hit Whittier. Even if they are half right, 2500 cars and people per day are an insurmountable problem for a community of 250 people that can't control its land base. Planning funds promised to the city from DOT/PF and ARRC have not been provided and ARRC pays no taxes to offset costs they impose on the city. In Whittier's case, the proverbial light at the end of the tunnel is a stream of cars, 18 months and one construction season away. The public health and safety cannot be maintained without equipping the local government with control of its public facilities.

It has become apparent the ARRC will not willingly give up land to the City of Whittier. It will be impossible for the City of Whittier to develop if its core area is owned by a hostile agency of the state of Alaska. HB 412 will correct the imbalance while allowing the railroad to keep land it needs for its own operations.



THE CITY OF WHITTIER

Gateway to the Western Prince William Sound

P. O. Box 608 • Whittier, Alaska 99693 • (907) 472-2327 • Fax (907) 472-2404

February 12, 1998

Representative John Cowdery
Alaska House of Representatives
Juneau, Alaska

Re: City of Whittier, Request for Legislative Bill Introduction

Dear Representative Cowdery;

The City of Whittier requests introduction of a bill in support of Municipal land acquisition of all non-rail essential Alaska Railroad lands within the City of Whittier.

The City has been fortunate in legislative support of the Whittier Access Road project, however with this rapidly approaching new improved access comes advantages and responsibilities. Not only the responsibility to provide basic services of safe water, sewer, streets and public safety, but also the requirement to make available adequate parking, visitor services, public amenities and harbor/marine services. We believe many of these requirements can be met by a joining of public support and private economic development projects.

The citizens of Whittier wish to meet their responsibilities for the future but with a mere 25 acres of municipal land and nearly all (190 acres) of the developable land held by the ARRC we are not able to provide economic development or public amenity areas.

Over the past two years the City has spent in excess of \$200,000 in attempts to negotiate leases with the ARRC.

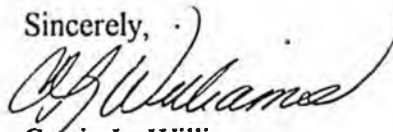
Although a request for legislation has been considered in the past, the community has chosen to attempt negotiations with the ARRC. It has become abundantly clear that legislative intervention is the only remaining way to provide for the rapidly increasing demands when the "Road to Whittier" (April 2000, 18 months) will open Prince William Sound to the world.

The enclosed Council Resolution 508-97 encapsulates the community's resolve to take a pro active position on this matter. Your support and introduction of land acquisition legislation,

Representative Cowdery
February 12, 1998
Page 2

on behalf of the public users of Alaska, is sincerely appreciated. Please do not hesitate to call for any required documentation in support of this request.

Sincerely,

A handwritten signature in cursive script, appearing to read "C. Williams", written in black ink.

Carrie L. Williams
City Manager

Enclosure

**CITY OF WHITTIER
CURRENT STATUS, ISSUES OF
ALASKA RAILROAD MEETING 12/22/97**

Issue I: Compliance to local Planning and Zoning

Result: As of this date only signed letter of commitment dated 12/31/97, ARRC, agreeing to compliance with City planning and zoning ordinance. No new ARRC projects have been brought before the administration of P & Z for review and we are unaware of any which may be currently planned.

Issue II: Fish Pond Project, public amenity area lease

Result: City has received a letter agreeing to lease area to City in support of project under "standard" public amenity lease. After review of blank standard amenity lease by city attorneys and administration there are several items in the standard form which constitute substantial risk to the City (i.e.: cancellation at will of the ARRC, with all improvements retained by the railroad without compensation to investor. Lease rate based upon adjoining property usage, if adjoined property is commercial the public amenity rate of the City would change to commercial rates etc.) The City will need substantial change to the standard policy amenity lease before we would be able to accept such an agreement.

Issue III: Water/Sewer/Storm Sewer Easements

Result: The City substantially revised the draft water/sewer/storm sewer license prepared by ARRC. We believe a final agreement has been reached but have not yet received the final version of the document.

Issue IV: Street Easements

Result: Nothing concerning streets has been received. ARRC's legal counsel has identified this as the next project to work on. No easement, license or maintenance agreement is in place and City remains at risk and still must trespass to provide daily maintenance, snow plowing and services to continue to provide citizens access to the harbor and the rail station area.

Issue V: Emergency Plan Update & Training, with Local Public Safety

Result: A copy of the complete ARRC emergency plan, apparently for all of Alaskan operations has been received, with no further explanation. There has been no contact, from railroad officials, or scheduling for coordination of training between Whittier public safety and any division of ARRC.

Issue VI: ARRC, Viking Harbor Feasibility Review, Due by 2/1/98

Result: Information was gathered from the harbor master, by the railroad. As of this date the ARRC has made inquiry to Corps of Engineers to assess the possibility of becoming a direct project sponsor. City legal counsel has given written reminder to the railroad as to their contractual obligation to the City. No response has been received.

**CITY OF WHITTIER
CURRENT STATUS, ISSUES OF
ALASKA RAILROAD MEETING 12/22/97**

page 2

Issue VII: Capital Funding Support

Result: The ARRC has provided no written or oral support for Whittier Capital Funding needs to any party we are aware of either at the State Administration or Legislative level.

Issue VIII: FUDS, Federal Legislative Support

Result: The City has not been copied on or received any evidence of communication that may have taken place between the ARRC and any agency, federal or state, concerning the need to continue the federally funded clean up of military related haz-mat in Whittier. This support would benefit the railroad and the City and ARRC support would be of value.

Issue IX: Whittier Joint Planning Effort

Result: The ARRC has budgeted for \$50,000. to apply toward planning efforts. Commissioner Perkins, Department of Transportation has also stated that a matching amount would be committed and control by the DOT to begin a planning process for Whittier and road impact issues. The first meeting to develop the scope of work was held at the DOT on 2/25/98 and was attended by Mr. Blasingame, ARRC, Mark Mayo, DOT (several other DOT representatives) and Carrie Williams, City of Whittier.

Issue X: R V Park, Lease Renewal

Result: No renewal or extension of existing RV park lease has been received (expiration 4/2000). The City has requested renewal with adequate terms to allow for capitalization of needed improvements. Standard public amenity lease, again, would pose too great a risk and would require change before approval.

Issue XI: Public Safety Agreement/Improved Community Relations

Result: No action of any type to date. ARRC department of security and transportation was to meet with Whittier emergency services and correct communications and clarify need for priority passage of emergency vehicles. Recent events have provided no notification of track removal (last incident 2/10/98) providing delay in ambulance transport. Education of ARRC employees to improve working relationship between City and rail staff in areas of current conflict (road maintenance, snow removal & rail outage notification).

**CITY OF WHITTIER
CURRENT STATUS, ISSUES OF
ALASKA RAILROAD MEETING 12/22/97**

page 3

Issue XII: Water Well Protection

Result: The current ARRC water/sewer/storm sewer license should provide protection of well site. Also, to be addressed was current set backs (200 feet) of potential hazardous materials from wells, this set back is not being met by rail road lessees. Environmental division of ARRC has not responded to correcting this issue and no change in operations in water well area has been observed.

Issue XIII: Erosion of Whittier Street

Result: No contact has been made by construction management of ARRC to address the erosion of the road at Whittier Creek. This property is wholly owned and controlled by the railroad and the DOD permit is still existing. As noted previously, street issues have not received any response from the ARRC but apparently is the next issue to be addressed.

Issue XIV: Head of Bay, Upland Lease Request

Result: The request to lease property previously under "intent to lease ('96)" has had no response. This issue has been previously discussed on several occasions since July of '97. These lands would provide the ability to access tidelands and develop current DNR (orig. BLM) 40 acre campsite and provide additional boat launch facilities.

Issue XV: Sales Tax, Reports and Payment

Result: Report on 3% taxable leases has been received and projected obligation stated, however no payment has been received to date (due 10/10/97).



THE CITY OF WHITTIER

Gateway to the Western Prince William Sound

P.O. Box 608 • Whittier, Alaska 99693 • (907) 472-2327 • Fax (907) 472-2404

MEMORANDUM

To: Representative John Cowdery

From: Mayor Bill Coumbe

Date: February 27, 1998

Subject: February 25, 1998 DOT/Alaska Railroad Meeting

Mark Mayo of the Alaska DOT asked me and Carrie Williams, the city manager, to attend a meeting with DOT and ARRC representatives. We were told that the purpose of the meeting was to address specific land use and land planning concerns of the City including site control for water, sewer, streets and other improvements required to satisfy both short term and long term needs of the City. The emphasis, we were told, would be on addressing short term needs arising from the opening of the road. Finally, several people in Juneau and Anchorage said that we could expect to hear about "positive results" in addressing many of the city's past concerns, and one person informed us that "we would be extremely happy and excited" about the matters which would be presented at this meeting.

I must tell you that virtually nothing happened at the meeting (which lasted only about 40 minutes). The first part of the meeting was mostly a discussion between ARRC and DOT about the cooperative agreement between them and the mechanics of transferring funds between the two agencies to pay for the work. The next topic was a discussion about the scope of work which DOT had drafted prior to the meeting. Carrie Williams and I raised a concern of the City's that using HDR as the planning consultant might create conflicts of interest because HDR was a consultant to one of the fiber optic cable companies and was helping that company place its cable in a location that is very undesirable to future economic development of Whittier's tidelands. In addition, we pointed out that HDR has a long term, large contract to do work for DOT and explained that under the circumstances the City felt that HDR will not be as responsive to the City's needs and views, as it will be to DOT and its fiber optic cable client. The City felt a more neutral party should be hired. The City's concerns were noted but HDR is being hired to do the work.

No substantive matters were discussed and no new policies or actions were announced or discussed. I left this meeting feeling that the City was not going to be an equal participant in the

planning effort. Even more importantly, the meeting made me feel that the planning effort would be a slow, lengthy effort that would be very heavy with "process" and very light on practical, useful ideas and guidance for solving Whittier's short term needs. I was disappointed, especially in light of the high hopes that had been suggested in advance of the meeting. Honestly and candidly, I felt that the meeting was not worth the expense of getting to it and the time we spent going to it.



THE CITY OF WHITTIER

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MEMORANDUM

To: Representative John Cowdery

From: Carrie L. Williams, City Manager, Whittier

Date: February 27, 1998

Subject: February 25, DOT/Alaska Railroad Meeting Report

As city manager, Mayor Bill Coumbe and myself were asked to attend a meeting organized by Department of Transportation representative Mark Mayo. The purpose of the meeting was to address specific lands use and planning concerns that the City has attempted resolution over the past several years. It was our understanding that this meeting was to produce clearly defined results on site control issues for the Whittier water, sewer, streets and several other issues of basic community long standing concerns, as well as establishing short term immediately needs to accommodate for the impact of the Whittier road opening.

We met for not longer than forty minutes and were informed that the intent of the DOT was to add their funding to Alaska Railroad planning moneys. This funding would be used to add to the current scope of work for HDR, (Whittier road access planning contractor). Discussion was held between the DOT and ARRC regarding the cooperative agreement and the mechanics of transferring funds from the railroad to the state. The City questioned the ability of HDR to act objectively, due to the firms current involvement with the DOT, Fiber Optics firms and other parties currently planning projects in the City, which may face objections from the City. This objection was noted.

We had been led to believe that this meeting was of critical nature and true, results would be immediately forth coming. We had been informed by several individuals that "we would be happy and excited with the result." It was going to be a complete change from the historical nature of these meetings. In fact it was not. Although polite, organized and possibly well intentioned it is again going to be a complex and expensive planning process taking a minimum of three to four months to re-analysis the data of numerous EIS studies of the past and their potential impact.

We as city officials attended this meeting to address what has here to fore been identified as obvious needs which any community would reasonably address when change is imminent. Parking, public attenuates, boating facilities, RV areas, camp sites, public safety, water, sewer,

Representative Cowdery

February 27, 1998

Page 2

streets and economic development must be addressed immediately, if we are to stand a chance of dealing with even half of the impact that will occur with the road opening in twenty-four months.

Neither the Mayor nor myself could understand why we had again spent time and municipal funds for another meeting and were unable to accomplish any meaningful results.

BRIEF HISTORY OF ALASKA RAILROAD LAND
IN WHITTIER BEFORE AND AFTER TRANSFER
TO THE STATE OF ALASKA

In 1914 the land in what is now the core area of Whittier was set aside for a town site to be associated with a railroad. In 1941 and 1942 a portion of this withdrawal was surveyed and platted into lots, blocks and streets. The purpose of this survey appears to have been to allow for sale of lots to the public. The platted land is what is now the core area (triangle area) in downtown Whittier. The survey is USS 2559. According to a 1946 memorandum to the Secretary of the Interior, the military needed Whittier as a port during the war and therefore the land was not sold. Instead, in 1943 the Railroad (which was part of the US Department of the Interior) transferred control of the land to the military. In 1946 the land was transferred by the military back to the Railroad. In 1947 the Secretary of the Interior changed the designation of the land from town site to railroad terminal reserve.

In the 50s and 60s there were several Public Land Orders transferring jurisdiction over lands in Whittier (both inside and outside of USS 2559) to the military and then back to the Railroad. These actions seem to reflect military use and then discontinued use. Some land was excessed both in the 60s and 70s. The 265 acre parcel owned by Passage Canal (Brooke Marston and partners) was excessed by the military and sold to the public. Similarly, the parcel acquired by the City in 1973 was excessed and sold to the City by GSA.

In 1984 federal legislation transferred the Railroad to the State of Alaska, not to the Alaska Railroad Corporation. 45 USC § 1203(a). The federal legislation breaks the railroad lands into two categories: the right of way (meaning a 200 foot corridor with the tracks in the center) and all other land. There was no requirement in federal law that the land be conveyed by the State to the Alaska Railroad Corporation. However, there were two conditions. First, if the State "converted [the land] to a use that would prevent the State-owned railroad from continuing to operate, the real property (including permanent improvements to the property) shall revert to the United States Government...." 45 USC § 1209(a). This provision is of no relevance today because it applied for only 10 years and thus expired in 1994.

Second, the federal statute says that if the State discontinues use of the land within the right of way (that is, the 200 foot corridor) that land reverts to the United States and the United States must reconvey the land to the abutting landowner. 45 USC § 1209(b) and (c). This is equivalent to situations where a City vacates a street easement.

So why does the Railroad own so much land in Whittier and elsewhere that is not used to run the railroad? The answer is a function of history and state policy adopted in 1984. Historically, the federal government withdrew large blocks of land for the federal railroad even though the land needed for actual operations was a much smaller amount. This did not create any particular problem for the federal government because if an adjustment was needed, the federal government could easily transfer land between its various agencies. This approach resulted in the federal railroad having title to a substantial amount of land not used for railroad purposes.

The State bargained with the United States for all of the land under the railroads jurisdiction and was successful in getting it. The State then made a policy decision to give all of the land to the newly created State Alaska Railroad Corporation. The State did not have to give all of the land to this corporation. The State could just as easily have given rail essential lands to the new corporation and all other land to a different State agency (such as DNR or DOT) or to municipal entities. This probably would have been difficult to do in 1984 since the State did not necessarily know which lands were rail essential. Nonetheless, the fundamental point is that there was no legal or logical impediment to dividing the federal railroad land into land needed for rail operations and other lands. It was strictly a policy decision by the 1984 legislature and administration to give all federal land under the jurisdiction of the federal railroad to the state Alaska Railroad Corporation. This policy decision can be revisited by any legislature at any time without fear that lands will revert to the federal government.

HB

432

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

Expenditures/Revenues: (Thousands of Dollars)

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 OBRF						
International Airport Revenue Fund			6,183.2	15,689.4	15,687.5	15,689.7
Other						
TOTAL	0.0	0.0	6,183.2	15,689.4	15,687.5	15,689.7

Estimate of any current year cost: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

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

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

Prepared by: Ross A. Kinney
 Division: Treasury
 Approved by Commissioner: Walter L. Gordon *Ross A. Kinney*
 Agency: Revenue

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

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BOND DEBT SERVICE

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

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/01/1998					
04/01/1999			4,353,876.50	4,353,876.50	
06/30/1999					4,353,876.50
10/01/1999			4,353,876.50	4,353,876.50	
04/01/2000			4,353,876.50	4,353,876.50	
06/30/2000					8,707,753.00
10/01/2000			4,353,876.50	4,353,876.50	
04/01/2001			4,353,876.50	4,353,876.50	
06/30/2001					8,707,753.00
10/01/2001	4,490,000	3.950%	4,353,876.50	8,843,876.50	
04/01/2002			4,265,199.00	4,265,199.00	
06/30/2002					13,109,075.50
10/01/2002	4,670,000	4.040%	4,265,199.00	8,935,199.00	
04/01/2003			4,170,865.00	4,170,865.00	
06/30/2003					13,106,064.00
10/01/2003	4,855,000	4.100%	4,170,865.00	9,035,865.00	
04/01/2004			4,071,132.50	4,071,132.50	
06/30/2004					13,106,997.50
10/01/2004	5,070,000	4.150%	4,071,132.50	9,141,132.50	
04/01/2005			3,965,930.00	3,965,930.00	
06/30/2005					13,107,062.50
10/01/2005	5,285,000	4.200%	3,965,930.00	9,250,930.00	
04/01/2006			3,854,945.00	3,854,945.00	
06/30/2006					13,105,875.00
10/01/2006	5,515,000	4.250%	3,854,945.00	9,369,945.00	
04/01/2007			3,737,751.25	3,737,751.25	
06/30/2007					13,107,696.25
10/01/2007	5,755,000	4.300%	3,737,751.25	9,492,751.25	
04/01/2008			3,614,018.75	3,614,018.75	
06/30/2008					13,105,770.00
10/01/2008	6,010,000	4.400%	3,614,018.75	9,624,018.75	
04/01/2009			3,481,798.75	3,481,798.75	
06/30/2009					13,105,817.50
10/01/2009	6,300,000	4.900%	3,481,798.75	9,781,798.75	
04/01/2010			3,327,448.75	3,327,448.75	
06/30/2010					13,109,247.50
10/01/2010	6,615,000	4.900%	3,327,448.75	9,942,448.75	
04/01/2011			3,165,381.25	3,165,381.25	
06/30/2011					13,107,830.00
10/01/2011	6,945,000	4.900%	3,165,381.25	10,110,381.25	
04/01/2012			2,995,228.75	2,995,228.75	
06/30/2012					13,105,610.00
10/01/2012	7,295,000	4.900%	2,995,228.75	10,290,228.75	
04/01/2013			2,816,501.25	2,816,501.25	
06/30/2013					13,106,730.00
10/01/2013	7,565,000	4.900%	2,816,501.25	10,481,501.25	
04/01/2014			2,628,708.75	2,628,708.75	
06/30/2014					13,110,210.00
10/01/2014	8,055,000	5.100%	2,628,708.75	10,683,708.75	
04/01/2015			2,423,306.25	2,423,306.25	

BOND DEBT SERVICE

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

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/30/2015					13,107,015.00
10/01/2015	8,480,000	5.100%	2,423,306.25	10,903,306.25	
04/01/2016			2,207,066.25	2,207,066.25	
06/30/2016					13,110,372.50
10/01/2016	8,920,000	5.100%	2,207,066.25	11,127,066.25	
04/01/2017			1,979,606.25	1,979,606.25	
06/30/2017					13,106,672.50
10/01/2017	9,390,000	5.100%	1,979,606.25	11,369,606.25	
04/01/2018			1,740,161.25	1,740,161.25	
06/30/2018					13,109,767.50
10/01/2018	9,880,000	5.100%	1,740,161.25	11,620,161.25	
04/01/2019			1,488,221.25	1,488,221.25	
06/30/2019					13,108,382.50
10/01/2019	10,400,000	5.150%	1,488,221.25	11,888,221.25	
04/01/2020			1,220,421.25	1,220,421.25	
06/30/2020					13,108,642.50
10/01/2020	10,950,000	5.150%	1,220,421.25	12,170,421.25	
04/01/2021			938,458.75	938,458.75	
06/30/2021					13,108,880.00
10/01/2021	11,530,000	5.150%	938,458.75	12,468,458.75	
04/01/2022			641,561.25	641,561.25	
06/30/2022					13,110,020.00
10/01/2022	12,135,000	5.150%	641,561.25	12,776,561.25	
04/01/2023			329,085.00	329,085.00	
06/30/2023					13,105,646.25
10/01/2023	12,780,000	5.150%	329,085.00	13,109,085.00	
06/30/2024					13,109,085.00
	179,000,000		144,248,852.00	123,248,852.00	323,248,852.00

NET DEBT SERVICE

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

Period Ending	Total Debt Service	Capitalized Interest Fund	Net Debt Service
06/30/1999	4,353,876.50	4,353,876.50	
06/30/2000	8,707,753.00	8,707,753.00	
06/30/2001	8,707,753.00	4,353,876.50	4,353,876.50
06/30/2002	13,109,075.50		13,109,075.50
06/30/2003	13,106,064.00		13,106,064.00
06/30/2004	13,106,997.50		13,106,997.50
06/30/2005	13,107,062.50		13,107,062.50
06/30/2006	13,105,875.00		13,105,875.00
06/30/2007	13,107,696.25		13,107,696.25
06/30/2008	13,106,770.00		13,106,770.00
06/30/2009	13,105,817.50		13,105,817.50
06/30/2010	13,109,247.50		13,109,247.50
06/30/2011	13,107,830.00		13,107,830.00
06/30/2012	13,105,610.00		13,105,610.00
06/30/2013	13,106,730.00		13,106,730.00
06/30/2014	13,110,210.00		13,110,210.00
06/30/2015	13,107,015.00		13,107,015.00
06/30/2016	13,110,372.50		13,110,372.50
06/30/2017	13,106,672.50		13,106,672.50
06/30/2018	13,109,767.50		13,109,767.50
06/30/2019	13,108,382.50		13,108,382.50
06/30/2020	13,108,642.50		13,108,642.50
06/30/2021	13,108,880.00		13,108,880.00
06/30/2022	13,110,020.00		13,110,020.00
06/30/2023	13,105,646.25		13,105,646.25
06/30/2024	13,109,085.00		13,109,085.00
	323,249,852.00	17,415,505.00	305,833,346.00

BOND SUMMARY STATISTICS

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

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

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	41,650,000.00	100.000	4.232%	6.719
Term Bonds	14,820,000.00	100.000	4.900%	13.098
Term 2	44,725,000.00	100.000	5.100%	18.102
Term 3	57,795,000.00	100.000	5.150%	23.103
	179,000,000.00			16.094

BOND DEBT SERVICE

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

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/01/1998					
04/01/1999			5,269,088.75	5,269,088.75	
06/30/1999					5,269,088.75
10/01/1999			5,269,088.75	5,269,088.75	
04/01/2000			5,269,088.75	5,269,088.75	
06/30/2000					10,538,177.50
10/01/2000			5,269,088.75	5,269,088.75	
04/01/2001			5,269,088.75	5,269,088.75	
06/30/2001					10,538,177.50
10/01/2001	3,930,000	4.950%	5,269,088.75	9,199,088.75	
04/01/2002			5,171,821.25	5,171,821.25	
06/30/2002					14,370,910.00
10/01/2002	4,130,000	5.050%	5,171,821.25	9,301,821.25	
04/01/2003			5,067,538.75	5,067,538.75	
06/30/2003					14,369,360.00
10/01/2003	4,345,000	5.100%	5,067,538.75	9,412,538.75	
04/01/2004			4,956,741.25	4,956,741.25	
06/30/2004					14,369,280.00
10/01/2004	4,575,000	5.150%	4,956,741.25	9,531,741.25	
04/01/2005			4,838,935.00	4,838,935.00	
06/30/2005					14,370,676.25
10/01/2005	4,820,000	5.200%	4,838,935.00	9,638,935.00	
04/01/2006			4,713,615.00	4,713,615.00	
06/30/2006					14,372,550.00
10/01/2006	5,075,000	5.250%	4,713,615.00	9,788,615.00	
04/01/2007			4,580,396.25	4,580,396.25	
06/30/2007					14,369,011.25
10/01/2007	5,350,000	5.300%	4,580,396.25	9,930,396.25	
04/01/2008			4,438,621.25	4,438,621.25	
06/30/2008					14,369,017.50
10/01/2008	5,645,000	5.400%	4,438,621.25	10,083,621.25	
04/01/2009			4,286,206.25	4,286,206.25	
06/30/2009					14,369,827.50
10/01/2009	5,975,000	5.900%	4,286,206.25	10,261,206.25	
04/01/2010			4,109,943.75	4,109,943.75	
06/30/2010					14,371,150.00
10/01/2010	6,335,000	5.900%	4,109,943.75	10,444,943.75	
04/01/2011			3,923,061.25	3,923,061.25	
06/30/2011					14,368,005.00
10/01/2011	6,720,000	5.900%	3,923,061.25	10,643,061.25	
04/01/2012			3,724,821.25	3,724,821.25	
06/30/2012					14,367,882.50
10/01/2012	7,130,000	5.900%	3,724,821.25	10,854,821.25	
04/01/2013			3,514,486.25	3,514,486.25	
06/30/2013					14,369,307.50
10/01/2013	7,565,000	5.900%	3,514,486.25	11,079,486.25	
04/01/2014			3,291,318.75	3,291,318.75	
06/30/2014					14,370,805.00
10/01/2014	8,030,000	6.100%	3,291,318.75	11,321,318.75	
04/01/2015			3,046,403.75	3,046,403.75	

BOND DEBT SERVICE

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

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

NET DEBT SERVICE

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

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

BOND SUMMARY STATISTICS

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

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

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	37,870,000.00	100.000	5.236%	6.771
Term Bonds	33,725,000.00	100.000	5.900%	13.118
Term 2	41,540,000.00	100.000	6.100%	13.122
Term 3	61,865,000.00	100.000	6.150%	23.123
	179,000,000.00			16.506

BOND DEBT SERVICE

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

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/01/1998					
04/01/1999			6,183,107.50	6,183,107.50	
06/30/1999					6,183,107.50
10/01/1999			6,183,107.50	6,183,107.50	
04/01/2000			6,183,107.50	6,183,107.50	
06/30/2000					12,366,215.00
10/01/2000			6,183,107.50	6,183,107.50	
04/01/2001			6,183,107.50	6,183,107.50	
06/30/2001					12,366,215.00
10/01/2001	3,425,000	5.950%	6,183,107.50	9,608,107.50	
04/01/2002			6,081,213.75	6,081,213.75	
06/30/2002					15,689,321.25
10/01/2002	3,635,000	6.050%	6,081,213.75	9,716,213.75	
04/01/2003			5,971,255.00	5,971,255.00	
06/30/2003					15,687,468.75
10/01/2003	3,865,000	6.100%	5,971,255.00	9,836,255.00	
04/01/2004			5,853,372.50	5,853,372.50	
06/30/2004					15,689,627.50
10/01/2004	4,110,000	6.150%	5,853,372.50	9,963,372.50	
04/01/2005			5,726,990.00	5,726,990.00	
06/30/2005					15,690,362.50
10/01/2005	4,370,000	6.200%	5,726,990.00	10,096,990.00	
04/01/2006			5,591,520.00	5,591,520.00	
06/30/2006					15,688,510.00
10/01/2006	4,550,000	6.250%	5,591,520.00	10,241,520.00	
04/01/2007			5,446,207.50	5,446,207.50	
06/30/2007					15,687,727.50
10/01/2007	4,955,000	6.300%	5,446,207.50	10,401,207.50	
04/01/2008			5,290,125.00	5,290,125.00	
06/30/2008					15,691,332.50
10/01/2008	5,280,000	6.400%	5,290,125.00	10,570,125.00	
04/01/2009			5,121,165.00	5,121,165.00	
06/30/2009					15,691,290.00
10/01/2009	5,640,000	6.900%	5,121,165.00	10,761,165.00	
04/01/2010			4,926,585.00	4,926,585.00	
06/30/2010					15,687,750.00
10/01/2010	6,045,000	6.900%	4,926,585.00	10,971,585.00	
04/01/2011			4,718,032.50	4,718,032.50	
06/30/2011					15,689,617.50
10/01/2011	6,475,000	6.900%	4,718,032.50	11,193,032.50	
04/01/2012			4,494,645.00	4,494,645.00	
06/30/2012					15,687,677.50
10/01/2012	6,940,000	6.900%	4,494,645.00	11,434,645.00	
04/01/2013			4,255,215.00	4,255,215.00	
06/30/2013					15,689,860.00
10/01/2013	7,435,000	6.900%	4,255,215.00	11,690,215.00	
04/01/2014			3,998,707.50	3,998,707.50	
06/30/2014					15,688,922.50
10/01/2014	7,975,000	7.100%	3,998,707.50	11,973,707.50	
04/01/2015			3,715,595.00	3,715,595.00	

10 of 13

BOND DEBT SERVICE

Anchorage International Airport
 Fiscal Note Scenario for Department of Revenue
 February 6, 1999 Insured Rates plus 200 basis point cushion
 \$179 MM Bond Issue Principal Amount Assumption

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

NET DEBT SERVICE

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

Period Ending	Total Debt Service	Capitalized Interest Fund	Net Debt Service
06/30/1999	6,183,107.50	6,183,107.50	
06/30/2000	12,366,215.00	12,366,215.00	
06/30/2001	12,366,215.00	6,183,107.50	6,183,107.50
06/30/2002	15,689,321.25		15,689,321.25
06/30/2003	15,687,458.75		15,687,458.75
06/30/2004	15,689,627.50		15,689,627.50
06/30/2005	15,690,362.50		15,690,362.50
06/30/2006	15,688,510.00		15,688,510.00
06/30/2007	15,687,727.50		15,687,727.50
06/30/2008	15,691,332.50		15,691,332.50
06/30/2009	15,691,290.00		15,691,290.00
06/30/2010	15,687,750.00		15,687,750.00
06/30/2011	15,689,617.50		15,689,617.50
06/30/2012	15,687,677.50		15,687,677.50
06/30/2013	15,689,860.00		15,689,860.00
06/30/2014	15,688,922.50		15,688,922.50
06/30/2015	15,689,302.50		15,689,302.50
06/30/2016	15,687,310.00		15,687,310.00
06/30/2017	15,692,007.50		15,692,007.50
06/30/2018	15,690,200.00		15,690,200.00
06/30/2019	15,688,692.50		15,688,692.50
06/30/2020	15,690,735.00		15,690,735.00
06/30/2021	15,687,035.00		15,687,035.00
06/30/2022	15,690,772.50		15,690,772.50
06/30/2023	15,687,300.00		15,687,300.00
06/30/2024	15,691,612.50		15,691,612.50
	391,769,972.50	24,732,430.00	367,037,542.50

BOND SUMMARY STATISTICS

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

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

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	34,290,000.00	100.000	6.238%	6.824
Term Bonds	32,525,000.00	100.000	6.900%	13.138
Term 2	46,195,000.00	100.000	7.100%	18.142
Term 3	65,980,000.00	100.000	7.150%	23.143
	179,000,000.00			16.908

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 432

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

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY98) cost: 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

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

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

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SPONSOR STATEMENT

HB 432

“An Act relating to International Airport Revenue Bonds” Representative John J. Cowdery

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

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

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

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

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

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

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

Interim:
716 West 4th Ave., Suite 320 Anchorage,
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Fax: 907-465-2069
Toll Free: 1-888-269-3879

Representative
John J. Cowdery

March 25, 1998

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

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

Dear Mr. Chairman:

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

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

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

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

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

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

I would highlight the following items that may assist you:

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

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

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

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

IMPORTANT ISSUES:

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

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

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

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

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

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

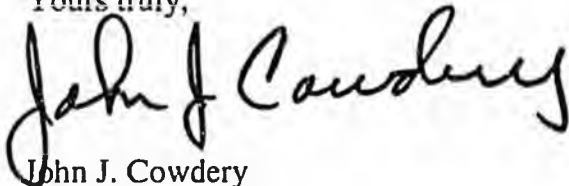
1. AIA's Terminal Project Manager, Mr. Kettner testified that they have an overall 20% contingency built into the project cost. How should this money be used if it is not needed for contingency costs?
12. The State Treasurer requested several amendments to reinforce the statute allowing the Bond Committee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

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

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

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

Yours truly,



John J. Cowdery
Chairman
International Trade and Tourism

Cc: Commissioner Joe Perkins

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
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Yours truly,



John J. Cowdery
Chairman
International Trade and Tourism

Cc: Commissioner Joe Perkins

SPECIAL REVIEW

HB 432

**ANCHORAGE INTERNATIONAL AIRPORT
REVENUE BOND AUTHORIZATION**

for

**ALAKSA HOUSE OF REPRESENTATIVES
SPECIAL COMMITTEE ON INTERNATIONAL TRADE AND
TOURISM**

Report prepared by:

March 19, 1998

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

EXECUTIVE SUMMARY

Within the time allowed a special review was conducted on behalf of the Alaska Legislature, Representative Cowdery. The following are some of the keys points.

1. **The Anchorage International Airport (AIA) Concourse C project has been thoroughly examined and alternatives considered.** There isn't any reasonable design that cannot be discussed at length. What may not have been presented or may need further exploration is a design that meets the estimated needs of the airport to year 2015. The current design to 2005 may not meet forecasted needs within 5 years if estimates by AIA are accurate.
2. **Information data, particularly the financial data, needs to be entirely accurate and complete.** Therefore, the process for assuring that happens may need some refinement. The IARF Controller and his staff need to review all financial data before it is released. That is not happening. The result is that certain information may be inaccurate. When the bond package is reviewed in the due diligence process, there should not be any unresolved questions in this area.
3. **Air cargo is the major revenue producer at the AIA. Without the completed Air Cargo Master Plan or a clear determination of the capital projects needs for air cargo, it is difficult to understand how the total debt capacity can be determined.** Additionally, how the terminal costs, the air cargo costs, and current list of \$175 million in CIP might impact one another does not seem clear at this time.
4. **Cost control for this project to insure that any significant escalations are minimized will require certain commitments from all parties. Some design uncertainty or at least alternative design possibilities might significantly change the cost picture.** This project does have some high-risk construction portions particularly in the main terminal area. The DOT/PF and AIA should insure that certain key staff members be assigned to report only on the costs and that function should report differently than the Design and Construction function to insure cross checks and unbiased reviews. This could be easily accomplished by the IARF Controller's office. If the Legislature desires to maintain an **independent oversight** role throughout this project, you may want to require that such a person be involved and report directly to the Legislature. That function could provide for immediate project status reports in terms of design changes, construction progress, use of funds, cost control, and specific inquiry feedback.
5. **Impact to rates and fees was difficult to report in a short version answer. The formulas for how other airports determine this comparative data are different and result in an apples to oranges comparison.** There may be a method for accomplishing this by identifying one or two common aircraft and finding out how much it costs for that particular aircraft to land at any given airport. That information was not provided but could be determined. How this or future projects might impact the current rates and fees only at AIA can be determined but only if the assumptions and formula is clearly defined and understood. **This needs further review.**

Airport Bond Questions:

Introduction:

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

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

Question:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IARF total CIP \$175.384 million

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

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

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

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

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

Historic Balance -Net Income (Loss)

	AIA	FIA	Total IARF
FY97	\$8,615,979	(\$7,823,270)	\$ 892,709
FY96	\$6,584,122	(\$7,333,665)	(\$ 469,543)
FY95	\$4,341,090	(\$6,689,017)	(\$2,347,927)
FY 94	\$1,261,104	(\$7,292,081)	(\$6,030,977)
FY93	\$3,416,468	(\$7,242,494)	(\$3,826,026)
FY92	\$8,004,223	(\$7,892,669)	\$ 111,554
FY91	\$16,604,397	(\$8,258,443)	\$8,345,954
FY90	\$21,562,965	(\$7,837,424)	\$13,725,541
FY89	\$26,282,113	(\$6,802,607)	\$19,479,506
FY88	\$24,943,829	(\$7,121,223)	\$17,822,606

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

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

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

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

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

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

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

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

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

YES.

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

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

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

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

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

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

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

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

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

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

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

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

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

15. How does the passenger facility charge system work?

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

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

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

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

Additional Information:

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

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

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

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

Design Comments:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. **Peak Hour Passenger Design:**

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

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

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

5. **Baggage Check-in/Claim Needs:**

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

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

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

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

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

Cost Comments:

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

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

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

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

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

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

2. Leif Selkregg Associates:

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Interest Rates:

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

We examined this question and have determined the following:

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

The long answer is:

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

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

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

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

RECOMMENDATIONS:

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

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

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