

MINUTES for the BOARD OF DIRECTORS MEETING
ALASKA MUNICIPAL BOND BANK AUTHORITY
August 7, 2009

I. CALL TO ORDER

Mr. Pfeffer called the meeting to order on Friday, August 7, 2009 at 9 a.m. Members participated at the Offices of Wohlforth, Johnson, Brecht, Cartledge & Brooking in Anchorage, and telephonically.

II. ROLL CALL

Present

Jerry Burnett
Mark Pfeffer
Luke Welles
Gregory Gurse

Absent

Greg Winegar

OTHERS IN ATTENDANCE

Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority
Cindy Cartledge, Bond Counsel, Wohlforth, Johnson, Brecht, Cartledge & Brooking
Chip Pierce, Financial Advisor, Western Financial Group
Kathy Graves, Bank of New York
Craig Duncan, City/Borough of Juneau
Craig Chapman, Kenai Peninsula Borough
Cynthia Weed, K & L Gates

III. PUBLIC MEETING NOTICE

A copy of the Online Public Notice concerning the date, location, and purpose of the meeting was reviewed for the record.

IV. APPROVAL OF AGENDA

The agenda was adopted as presented.

V. ELECTION OF OFFICERS

Mr. Burnett moved that Mark Pfeffer be elected as Chairman of the Bond Bank and Luke Welles be elected Vice Chairman, and that Deven Mitchell serve as Secretary-Treasurer and Pam Green serve as Deputy Secretary-Treasurer and that the nominations be closed. Mr. Pfeffer seconded the motion. Mr. Pfeffer commented he would be glad to serve but he still needs to be reappointed to the Bond Bank by Boards and Commissions in the Office of the Governor. A roll call vote was taken and the motion was approved.

VI. MINUTES OF May 28, 2009 Board of Directors Meetings

Mr. Luke Welles moved the approval of the May 28, 2009 minutes. Mr. Burnett seconded. Without objection the minutes were approved by unanimous consent.

VII. GENERAL BUSINESS

City & Borough of Juneau Loan Application

Mr. Pierce referred to his analysis in the Board packet related to the City and Borough of Juneau (CBJ) general obligation loan application for \$12,758,000 for two separate infrastructure projects. The Borough plans to apply the proceeds of the loan to the Dimond Park Aquatic Center and construction of a covered playground at Dzantik'I Heeni Middle School. The Diamond Park Aquatic Center bonds qualify for approximately 24% reimbursement and the Dzantik'I Heeni Middle School covered playground bonds qualify for 70% reimbursement under the State's School Debt Reimbursement Program. Mr. Pierce said both projects would be supported by a full faith and credit G.O. pledge. He explained the CBJ was a strong credit with an underlying A1 rating by Moody's. Their using the Bond Bank is expected to be beneficial to the Borough due to the credit rating improvement of the Bond Bank. The remaining debt service, after state reimbursement, will be paid from property tax levies. The General Fund derives its revenues primarily from property taxes (59.5% in fiscal year 2008), intergovernmental revenues (23% in 2008) and investment earnings (10% in 2008). The CBJ also maintains a rainy day reserve that is funded from sales tax collections. As of the end of fiscal year 2008 that fund held slightly less than \$10 million. Mr. Pierce estimated the Savings for the CBJ by using the Bond Bank at approximately \$338 thousand or \$221 thousand on a present value basis. We have

received the statement of no litigation from the CBJ. In summary, Mr. Pierce recommended approval of the loan.

There was a question as to whether the sales tax revenue was previously dedicated. Mr. Craig Duncan said no at this particular time not but in the future the CBJ is looking to the rainy day reserve to fund any possible deficits in the coming years. There was discussion of both Wohlforth, Johnson, Brecht, Cartledge, & Brooking and Western Financial Group representing both the Bond Bank and an underlying borrowing community and seeking verification from the AG's office that there isn't a conflict. It was agreed that it was more the perception of conflict rather than real conflict that exists in this instance. An opinion was expressed that full disclosure to both the Bond Bank and underlying communities should exist. Mr. Welles moved the approval of the Bond Bank loan application for the City and Borough of Juneau. Mr. Burnett seconded. Mr. Mitchell called the roll and the motion passed with four yes votes.

Kenai Peninsula Borough Loan Application

Mr. Pierce directed the Board to his loan analysis in their packet for the Kenai Peninsula Borough's (KPB) application for a general obligation loan in the amount of \$4,960,000 for solid waste infrastructure. KPB plans to expand their primary solid waste facility through the second phase of their facility. The Borough's General Fund derives its revenues primarily from property taxes (46.9% in fiscal year 2008), sales taxes (35% in 2008) and intergovernmental revenues (11.8% in 2008). The Borough will pledge its general obligation secured by property taxes to the Bond Bank for this loan. Borough voters approved the solid waste project in a general obligation bond election that passed at the polls by a margin of 56% to 44%. The KPB has requested a relatively short loan life of five years. Savings to the Borough as a result of borrowing through the Bond Bank are estimated at approximately \$102 thousand or \$96 thousand on a present value basis, which is diminished due to the short loan life. The statement of no litigation accompanied the application from the Borough. Mr. Pierce recommended approval of the application from the Kenai Peninsula Borough. Cindy Cartledge described the in house process at her law firm to disclose the potential conflict from dual representation every time they serve as bond counsel for an underlying Bond Bank community. Mr. Welles moved the approval of the Bond Bank loan application for the Kenai Peninsula Borough. Mr. Burnett seconded. Mr. Mitchell called the roll and the motion passed with four yes votes

2009 II Plan of Finance

Mr. Mitchell explained that the loans approved today would be made from proceeds of a September bond sale to meet the timing needs of the communities. The final structure of

the upcoming bond issue hasn't been determined at this time and that is why there isn't a resolution for Board consideration. With options allowed in the American Recovery and Reinvestment Act of 2009 it is possible that there will be several issues of either taxable or tax exempt bonds. Following discussion it was determined that there would be another Bond Bank meeting at 1:30 on September 9, 2009 at which time a resolution shall be presented for consideration.

Results of the July Rating Agency Trip

Mr. Mitchell reported on the trip and explained he has received feedback that is mixed at best. Standard & Poor's indicated that they believe the credit remains a straight up moral obligation credit despite the appropriation included in the FY 2010 state operating budget. Moody's analysts stated that the credit was close, but that they couldn't convince the entire credit committee of the strength of the appropriation. Fitch was the one bright light, as they have indicated that the new structure yields a AA- rating based on the subject to appropriation nature of the credit as hoped. Mr. Mitchell mentioned the possibility of improving their presentation by providing a better picture of the layers of state involvement in the credit and the support that is inherent through reimbursement programs and statutory powers of the Bond Bank to intercept state aid. Mr. Mitchell stated that he and Mr. Pierce are suggesting that the Standard & Poors rating be terminated as there doesn't seem to be any possibility of improvement. Mr. Mitchell said they may try to make the argument again in four months or so when the Bond Bank next sells bonds. Mr. Pfeffer said that a highlight of the inconsistency for him was that Standard & Poor's has had the Bond Bank rated the same since 1976 when they were formed with no track record.

The State has been upgraded at least three times since then, and the Bond Bank remains an A credit. Mr. Burnett added another change is that you cannot meet with more than one rating agency at a time. There can be no one from another agency in the same room so no cross fertilization understanding of what other people are thinking. Cindy Cartledge asked about the resolution which authorized the amendment to the 2005 bond resolution will that become effective so in the new POS we will distribute for Series III then we'll need to make sure that amendment is there. There was some talk of a public education campaign to help secure the higher rating for the Bond Bank because it has become more important in today's markets conditions. Mr. Mitchell said the rating agencies are reluctant to provide upgrades these days given the general climate of the national and world economy. The Board ratified the planned use of the rating agencies for future issues.

2009 II Post Sale Summary

Mr. Pierce pointed the Board to his analysis in the Board packet and gave a brief explanation of the bond sale.

Executive Director's report

Mr. Mitchell said he was remiss in not bringing up the underwriter earlier in the meeting. He said he failed to discuss that but explained they haven't had a good opportunity to finish the numbers comparisons. Mr. Mitchell said there hasn't been a good time to discuss this but we will have the committee select three firms from the list and assign one of the firms to work on these transactions and that will be approved at the September 9, 2009 meeting. He suggested the Bond Bank today authorize the selection committee to make that selection so the underwriters are able to participate in the development of the transaction to be presented to the Board on September 9. A request for qualifications was put out and eleven responses were received. Mr. Burnett moved the Bond Bank select Bank of America Merrill as one of the underwriters and that they be assigned to underwrite the next bond issue of the Bond Bank. Mr. Welles seconded. Mr. Mitchell called the roll and the motion passed by three yes votes. Greg Gurseay abstained from voting. Mr. Mitchell will contact Bank of America Merrill.

These were items that were included in the board packet but not covered in the August 7, 2009 agenda.

There have been multiple contacts with the Inter-island Ferry Authority (IFA) since the May Board meeting. On June 9, 2009 Cindy Cartledge completed her letter detailing the commitments of and potential recourse against the IFA as it related to their failure to maintain a debt service reserve. On June 12 Mr. Mitchell spoke with Roberta Langren, IFA Finance Director, and let her know the letter was coming along with a letter from him. On June 15, 2009 Mr. Mitchell transmitted these documents and Roberta informed Bruce Jones of the information. Mr. Jones declined Mr. Mitchell's traveling to Craig to reinforce to the IFA Board the importance of complying with their bond structure. At the June 19, 2009 meeting of the IFA board they agreed to replenish the required debt service reserve account by August 15, 2009 as shown in the attached letter from Mr. Jones dated June 22, 2009. In the coming weeks Mr. Mitchell said he intends to follow up with IFA staff to ensure that they correctly set up their reserve account so that it cannot be accessed for cash flow needs in the future .

In July both Mr. Mitchell and Chip Pierce provided debt service schedules and other information to Karl Short of the Kodiak Island Borough to support their process of considering a future bond insurance.

Mr. Mitchell signed the commitment letter with Elgee Rehfeld Mertz, LLC to conduct the

2010 audit as reflected in the letter shared with the board.

VIII. PUBLIC COMMENTS

Kathy Graves asked whether the September 9 meeting will be an in person or by phone meeting. Mr. Mitchell said that would be not the best one to attend in person to meet people because many would participate by phone.

IX. BOARD COMMENTS

Mr. Pfeffer welcomed Greg Gurse. Based on Board turnover it was suggested that a Board retreat would be useful potentially later this fall.

X. ADJOURNMENT

It was moved and asked unanimous consent the meeting be adjourned. There being no objection, the meeting was adjourned at 10:35 a.m.

Mark Pfeffer, Board Chairman