

**ALASKA MUNICIPAL BOND BANK
AUTHORITY
BOARD OF DIRECTOR'S MEETING**

**TO BE HELD AT
The Cannery Lodge, Conference Room
2101 Bowpicker Lane, Unit 13
Kenai, AK 99611**

**June 20, 2018
10:00 AM ADT**





333 Willoughby Avenue, 11th Floor
P.O. Box 110405
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AGENDA FOR BOARD OF DIRECTOR'S MEETING

Meeting Place:

The Cannery Lodge
Conference Room
2101 Bowpicker Lane, Unit 13
Kenai, AK 99611

June 20, 2018 at 10:00 a.m. ADT

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. Approval of Agenda**
- V. Minutes of the March 1, 2018 Meeting of the Board of Directors**
- VI. General Business**
 - A. No New Business**
- VII. Public Comments**
- VIII. Board Comments**
- IX. Adjournment**

STATUS: **Active**

NOTICE OF MEETING: Alaska Municipal Bond Bank Authority Board of Director's Meeting

Alaska Municipal Bond Bank Authority Board of Director's Meeting

Meeting Place: The Cannery Lodge, Conference Room, 2101 Bowpicker Lane, Unit 13, Kenai, AK 99611

Meeting Date and Time: June 20, 2018 at 10:00 a.m. ADT

The public is invited to attend. Individuals who may need special modifications to participate should call (907) 465-2893 prior to the meeting.

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Attachments, History, Details

Attachments

[AMBBA Board Meeting AGENDA Final 6-20-2018.pdf](#)

Revision History

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MINUTES of the BOARD OF DIRECTORS MEETING

ALASKA MUNICIPAL BOND BANK AUTHORITY

March 1, 2018

I. CALL TO ORDER

Luke Welles called the meeting to order at 10:05 AM, Alaska Daylight Time. Members participated at the offices of ASNA, 3800 Centerpoint Drive, Suite 202, Anchorage, AK 99503, and telephonically.

II. ROLL CALL

Luke Welles
Craig Chapman
Mike Navarre
Pam Leary
Greg Gurse

OTHERS IN ATTENDANCE:

- Deven Mitchell, Executive Director, Alaska Municipal Bond Bank
- Ryan Williams, Finance Director, Alaska Municipal Bond Bank
- Chip Pierce, Financial Advisor, Western Financial Group
- Greg Blonde, Bond Counsel for AMBBA, Orrick, Herrington & Sutcliffe, LLP
- Leslie Krusen, Orrick, Herrington & Sutcliffe, LLP
- Angie Sturm, Director of Finance / Treasurer, Northwest Arctic Borough
- Matt Mead, Borough Attorney, Northwest Arctic Borough
- Austin Swan, Sr., Assembly Member Kivalina / Noatak, Northwest Arctic Borough
- Media Relations for Northwest Arctic Borough

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. The public notice was officially published on February 14, 2018 on the official Alaska Online Public Notice website for the March 1, 2018 meeting date.

IV. APPROVAL OF AGENDA

The agenda was reviewed by the board. The agenda was amended to remove General Business Item VI – B, presentation from ANTHC & APU, with adjustments to the order (relabeling) of Items C through G. The agenda, as amended, was approved unanimously without objection.

V. MINUTES of the September 28, 2017 Board of Directors Meeting

The September 28, 2017 minutes of the AMBBA Board of Directors meeting were reviewed by the board. Ms. Leary moved approval of the September 28, 2017 minutes as written, and approval was seconded by Mr. Chapman. With no further objections, the minutes were approved.

VI. GENERAL BUISNESS

Northwest Arctic Borough (NWAB) – Credit Review and Discussion

Mr. Pierce presented an application credit review summary for NWAB, for a \$12,700,000 general obligation loan request from the Bond Bank for school capital improvements. Specifically, new school construction (K-12) on a 16-acre site located approximately 8 miles from the town of Kivalina. The community of Kivalina is faced with erosion from rising sea levels, and the proposed school site would distance the development to a more secure location. In 2000, the NWAB voters approved \$100 million in general obligation bond authorization, and this application represents part of that authority with approximately \$7.07 million in authority remaining if you include the loan associated with this application. Mr. Pierce made it clear that any approvals of the loan should be contingent upon construction of an access road that leads to the new school. The road construction project is managed by the Alaska Department of Transportation ('DOT') as a separate project from the Kivalina school project. The schedule for the school project is dependent on the completion of that road project. The

proposed loan term is 20 years with NWAB's full faith and credit pledged. Total Bond Bank estimated annual debt service for FY2019 (not including state debt service reimbursements, where applicable) is \$6.945 million, most recent State Shared Revenues of \$41.3 million, resulting in approximate debt service coverage of 5.95x. This school loan is not subject to State debt service reimbursement; however, NWAB has received an 80% grant for the project from the State. The total project cost is estimated at \$63.1 million, of which the State has provided a grant in the amount of \$50.5 million (related to the Kasylie Case in the State of Alaska). Projected borrower gross savings using the Bond Bank for this loan is \$1.36 million. Mr. Pierce mentioned the no litigation letter has been received from NWAB's attorney, Matt Mead. Estimated annual revenues to repay the loan range from \$14 to \$18 million – revenue generated through payments from Teck Alaska, Inc ('Teck'). NWAB's principal source of revenue is payment in lieu of taxes ('PILT') received from Red Dog Mine. Red Dog Mine is an open-pit lead and zinc mine owned by NANA Regional Corporation (operated by Teck). The mine is the largest zinc mine in the world, with lower relative production costs compared to peers, allowing Red Dog Mine to weather greater fluctuations in the price of zinc ore, their main output. The most recent agreement reached between Teck and NWAB was in May 2017, a 10-year PILT agreement, beginning effective January 1, 2016 and extending to December 31, 2026, with a 5-year renewal option. The new agreement has a total estimated value in the range of \$20 - \$26 million per year over 10-years, comprised of two major components. An annual payment to NWAB based on a percentage of Red Dog's fixed asset value, with an estimated average value of approximately \$14 - \$18 million per year. Additionally, creation of a new Village Improvement Fund ('VIF') with an initial investment of \$11 million starting in calendar year 2016, and funding in subsequent years of between \$4 and \$8 million, based on a percentage of Red Dog's profit. The VIF will be administered by NWAB, with input from 11 villages, and shall be applied towards community programs, services, infrastructure, and long-term sustainability. Mr. Pierce presented the unassigned general fund balance from FY2015-2017. FY2017 values, unaudited, amount to 223% of General Fund expenditures and transfers out, which is an extraordinary high level of unassigned reserves. NWAB has pledged its full faith and credit to the loan, although there are currently no property taxes imposed in the Borough. A majority of assessed value (\$766.5 million as of Jan. 1, 2017) is through the valuation of the Red Dog Mine. The cost of the road project to the new school site could potentially range from \$40 million to \$70 million according to DOT. Angie Sturm, Director of Finance for NWAB, stated that DOT has completed an Environmental Assessment, and received an earmark from the federal

government of approximately \$3 million, and a \$500,000 grant from the State. Mr. Welles asked whether water and sewer infrastructure has been included in the estimates for the school, since the location is removed from the current grid. Matt Mead responded that those services are included in the construction estimates provided. Mr. Gursey asked what the basis was for choosing the currently proposed site of the new school, 8 miles away from the current location. Ms. Sturm stated that there was an inspection of the 100-year flood-plane, and the distance from erosion and elevation of the new site was considered sufficient and secure for the new school development. Ms. Leary wanted clarification on NWAB's expectations for funding of the access road, and if it is completely reliant on DOT. Matt Mead stated that NWAB is fully reliant on DOT for complete funding of the access road. Based on the Borough's general obligation pledge, the very healthy General Fund Balance, the new PILT agreement with Teck, and the Borough's agreement to issue future GO bonds through AMBBA, Mr. Pierce recommended approval of the NWAB loan application, subject to identification of funding for the relief road to the proposed school site. Mr. Chapman moved to approve the \$12,700,000 loan to the Northwest Arctic Borough, contingent upon a complete funding package for the relief road to the proposed school site. Mr. Navarre seconded the motion. There was no additional discussion. Mr. Williams called the vote, and there were five 'yes' votes, the loan was approved unanimously by voting board members.

AMBBA Fiscal Year 2017 Annual Report

Mr. Mitchell stated that the fiscal year 2017 annual report was completed within the statutory timeframe, and was sent out earlier in the year, electronically, to all Board members. Staff no longer requests printed hard-copies of the report, but posts an electronic version online, and sends to parties specifically requesting information. Mr. Mitchell mentioned that the Bond Bank has been following the same general format for several years, and staff welcomes comments on the process for future annual reports, or content presented within the report.

AMBBA Budget Discussion

Mr. Mitchell mentioned that we work collaboratively on budgetary items within Treasury Division. Mr. Mitchell reiterated that AMBBA staff is housed in the Treasury Division, and staff members (Mr. Mitchell & Mr. Williams) hold positions there as well. The budget presentation within the packet is the same format presented to budget sub-committees within the legislature. Mr. Mitchell

mentioned that the budgeted expenditures for the Bond Bank has been in the \$1 million range for the last couple fiscal years, as well as in the proposed FY2019 budget. The Bond Bank has generally come-in under budged expenses due to several factors, including communities participating in loan refundings over the last couple years, where those communities pay a portion of issuance expense associated with their share of the loan refunding. Additionally, with recent Regional Health Organization issuances, those expenses were borne by organizations receiving loans through the Bond Bank. Mr. Mitchell went over other FY2017 accomplishments, and mentioned that activity over the last several years has been robust; however, FY2018 activity has declined with only one projected issuance by fiscal year close. Recent refunding activity, coupled with no further legal capability to perform advance refundings, gives expectations for general activity to decline in the future (compared to performance over the last few years). Future activity would stem from requests for authorized borrower new money capital projects, including any pickup in Regional Health Organization lending.

Schedule AMBBA Strategic Planning Session

Mr. Mitchell recommended that the Bond Bank Board, staff, and contractors convene this summer for a strategic planning session. It has been approximately 6 years since the last session, and Board sentiment has been to utilize a planning session to get together to review all Bond Bank related matters. Mr. Mitchell suggested a facilitator, which would be in a price range of \$3-5 thousand, and staff will follow-up with the Board with location recommendations and additional details for review. It would be preferable to have the planning session in June, if schedules permit.

Finance Director's Report:

Mr. Williams stated there was a copy of the fiscal year 2018 semi-annual financial statements (through December 31, 2017, unaudited) in the board packet. Mr. Williams mentioned contracts for Accounting and Compilation and Annual Audit are expiring, and the Bond Bank is in the process of releasing an RFQ to secure contracts for future fiscal years. Also, included in the report were cash balances and returns for the custodian account and reserves of the Bond Bank. Mr. Williams reiterated that 2005 resolution reserve obligation payments have recently been paid directly out of the 2005 reserve fund, with a \$3.8 million payment made on September 1, 2017.

Executive Director's Report

Mr. Mitchell reported on the following items that were not covered in the March 1, 2018 Agenda:

During 2017, I participated on a City and Borough of Juneau project committee, analyzing a proposed senior housing project in Juneau. The project is proposed by a local non-profit which has determined that without financial support from the Borough, or other external sources, the project is unfeasible. The Borough considered using the Bond Bank to support the project, but determined that there was too much risk.

On December 19, 2017, the Tanana Chiefs Conference provided the FY 2017 Certificate of Covenant Compliance. The letter is attached.

On January 9, 2018, the City of Saxman verified having satisfied the net revenue rate covenant for the fiscal years 2016 and 2017.

Additionally, a copy of the project update for the Dr. Paul John Calricaraq Project, as of February 2018, was included in the Board packet.

VII. PUBLIC COMMENTS

There were none.

VIII. BOARD COMMENTS

There were none.

ADJOURNMENT

Mr. Welles adjourned the meeting without objection at 11:53 a.m. ADT.

Luke Welles, Chairman