

MINUTES
STATE BOND COMMITTEE
October 26, 2009

A meeting of the State Bond Committee was held at 1:05 p.m. on October 26 at the Department of Revenue, Commissioner's Conference Room, Juneau, Alaska.

State Bond Committee Members present were:

Greg Winegar, Director of Division of Investments, Department of
Commerce, Community & Economic Development
Kevin Brooks, Deputy Commissioner, Department of Administration
Jerry Burnett, Deputy Commissioner, Department of Revenue

Present telephonically were:

Cynthia M. Weed, K & L Gates
Debbie Schnebel, Scott Balice Strategies
Phoebe Seldon, Scott Balice Strategies
Ken Vassar, Birch, Horton, Bittner & Cherot
Joe Dubler, Alaska Housing Finance Corporation
Charlene Morrison, Alaska Student Loan Corporation

Also present in Juneau was:

Deven Mitchell, Debt Manager, Department of Revenue

I. Call to Order

Mr. Winegar called the meeting to order at 1:03 p.m. AST.

II. Roll Call

Mr. Mitchell took roll call. Mr. Brooks, Mr. Burnett and Mr. Winegar were present.

III. Public Meeting Notice

A copy of the Advertising Order and Affidavit of Publication concerning the date, location, and purpose of the meeting were reviewed and made a part of the minutes of the meeting. Mr. Mitchell stated the meeting notice was advertised in the State's Online Public Notice.

IV. Approval of Agenda

The agenda was adopted with no modification.

V. Minutes of March 13, 2009 State Bond Committee Meeting

The minutes of the March 13, 2009 meeting were approved and adopted as submitted without objection.

VI. Public Comment

Mr. Winegar asked for public participation and comment. There was none.

VII. New Business

Resolution 2009-03

The first item of business was Resolution 2009-03, a resolution of the State Bond Committee of the State of Alaska allocating the Private Activity Bond Volume Limit of the State of Alaska and the qualified public educational facilities for Calendar Year 2009. Mr. Mitchell walked the Committee through this resolution. He explained the volume cap for calendar year 2009 is \$273,270,000. He said there has not been the usual number of requests for volume cap this year and there are no requests from municipalities of the state. Therefore, The State Bond Committee reallocates the allocation of the volume cap as follows (A) \$150,000,000 of the 2009 private activity bond volume is allocated to the Alaska Housing Finance Corporation (AHFC); (B) \$123,270,000 of the 2009 private activity bond volume is allocated to the Alaska Student Loan Corporation (ASLC). In accordance with 26 U.S.C. 146, the allocation of \$5,000,000 of qualified public educational facilities private activity bond limit for the State of Alaska for calendar year 2009 is made to AIDEA. The allocation made by this resolution is effective immediately upon the date of adoption of this resolution. Joe Dubler described a rate lock as part of the Federal bailout to state housing programs across the country. He explained they will allow us to lock a cost of funds sometime in December based on a ten year Treasury plus a spread. He said for Alaska that will be 75 basis points off a ten year Treasury which we'll be able to lock this cost of funds for bond issuance through calendar year 2010. He said the only catch is AHFC is only allocated an amount that is equal to the amount of volume cap that is made available to it. Mr. Dubler predicted this program to be a good interest rate hedge for AHFC to lock in this lower rate. Mr. Burnett moved that State Bond Committee Resolution 2009-03 be approved. Mr. Brooks seconded. Mr. Mitchell took the roll and the motion passed with three yes votes.

Resolution 2009- 04

The second item of business was Resolution 2009- 04, a resolution of the State Bond Committee of the State of Alaska providing for the issuance of State of Alaska Clean Water Fund Revenue Bond Anticipation Note, 2009 Series A and of Drinking Water Fund Revenue Bond Anticipation Note, 2009 Series B. Mr. Mitchell explained this is the annual transaction the State Bond Committee undertakes for the State Clean Water Revolving Act Fund. This action allows use of earnings that are held in the fund to provide for State match through the use of an overnight loan. Mr. Mitchell explained you can use borrowed money of the fund to provide for State match. And while you cannot use interest earnings that currently reside in the fund as match you can use those earnings to pay off debts of the fund so this overnight borrowing allows us to obtain additional Federal dollars without incurring a General Fund expenditure. The resolution relates to the issuance and sale of two series of notes to be designated as Alaska Clean Water Fund Revenue Bond Anticipation Note, 2009, Series A in the aggregate principal amount of up to \$1,000,000 and Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2009 Series B in the aggregate principal amount of up to \$1,660,000; fixing the place of payment and other covenants with respect to said notes; and authorizing the Debt Manager to solicit proposals from banks for the purchase of the notes and approve the final interest costs and maturity dates for the Notes and to execute a purchase contract under the terms and conditions set forth herein. Mr. Mitchell said he had contacted the vendor, Key Bank who provided the overnight loan last year and they are willing to provide the same terms and conditions this year. He said they would issue the notes in early December to provide the funds with additional matched dollars. Mr. Burnett moved State Bond Committee Resolution 2009- 04 be approved. Mr. Brooks seconded. Mr. Mitchell took the roll and the motion passed with three yes votes.

Resolution 2009- 05

The next item of business was the Resolution 2009- 05, a resolution of the State Bond Committee of the State of Alaska relating to not to exceed \$130,000,000 principal amount of Alaska Housing Finance Corporation collateralized bonds, 2009 First Series (Veterans Mortgage Program). Mr. Mitchell said the resolution will refinance an earlier issue and provide for loans for Veterans in the State of Alaska. Joe Dubler spoke on the program. He said the veterans loans perform very well compared to the other programs. Mr. Mitchell asked that he be kept apprised of the timing of the issue due to market conditions. Mr. Burnett moved State Bond Committee Resolution 2009- 05 be approved. Mr. Brooks seconded. Mr. Mitchell took the roll and the motion passed with three yes votes

VIII. Debt Manager's Report

Mr. Mitchell said a few things have occurred since the prior meeting. The most important thing was the April 2 sale of the State of Alaska GO bonds in the amount of \$165,000,000 sold competitively as mandated by Alaska Statute. He said we received nine bids for the bonds with the winning bid being submitted by JP Morgan at an interest rate of 4.04 (true interest rate for 20 year bonds). He said at this point it would be expected to issue the remaining authorization in calendar year 2010 so Mr. Mitchell will ask DOT personnel about these expenditures.

The next item in the report is we are putting out an RFP today for underwriter for the Alaska International Airport System. The system needs to issue some new money bonds for approximately \$50,000,000. We'll be looking to the SBC for help in evaluating the responses and in approving the underwriter selection.

Mr. Mitchell also mentioned some other things concerning the Federal bailout, or the American Reinvestment and Recovery Act which he feels is part of the bailout. The Build America Bond Program, the Recovery Zone Allocations, and other provisions allow creativity. He said he expects to see some activity in these programs in the months to come. He said if things aren't approved this legislative session, you can't take advantage of the Act.

IX. Committee Members Comments

There were none.

X. Scheduling of Next Meeting

The next meeting will be sometime next calendar year.

XI. Adjournment

There being no further business, without objection Mr. Brooks moved the meeting be adjourned. The meeting adjourned at 1:28 p.m.

Deven Mitchell
Debt Manager
State of Alaska

