

MINUTES
STATE BOND COMMITTEE
June 3, 2010

A meeting of the State Bond Committee was held at 11:00 a.m. on June 3, 2010 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, Scottballice Strategies
Ken Vassar, Birch, Horton, Bittner & Cherot
Keith Day, Controller, Alaska International Airports System

Also present in Juneau was:

Deven Mitchell, Debt Manager, Department of Revenue

I. Call to Order

Mr. Winegar called the meeting to order at 11:00 a.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

Mr. Mitchell requested that New Business item B (Resolution 2010-02 Qualified Energy Conservation Bond Allocation) be replaced with Resolution 2010-02 (2011 Alaska International Airport System (AIAS) defeasance). The change was due to law allowing the Committee to allocate Qualified Energy Conservation bonds not having been signed and the need to allow the AIAS to implement recently approved appropriations. The amended agenda was adopted.

V. Minutes of October 26, 2009 State Bond Committee Meeting

The minutes of the October 26, 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 2010-01

The first item of business was Resolution 2010-01, a resolution of the State Bond Committee of the State of Alaska allocating the Private Activity Bond Volume Limit of the State of Alaska for Calendar Year 2010. Mr. Mitchell walked the Committee through this resolution. He explained the volume cap for calendar year 2009 is \$273,780,000. He said the proposed \$3,360,000 allocation is to the Alaska Energy Authority so they can accomplish a refunding of currently outstanding bonds associated with the Bradley Lake project. The refunding saves \$2,462,962 on a present value basis or about \$302,450 per year and that those savings will benefit electric consumers in the Railbelt of Alaska. There have been no other requests for private activity cap this year. Mr. Brooks moved that State Bond Committee Resolution 2010-01 be approved. Mr. Burnett seconded the motion. Mr. Mitchell took the roll and the motion passed by three yes votes.

Resolution 2010-02

The second item of business was Resolution 2010-02, a resolution of the State Bond Committee of the State of Alaska providing for the defeasance of a portion of the State of Alaska's Alaska International Airport Systems fiscal year 2011 debt service. The purpose of the defeasance is to allow flexibility to the AIAS to utilize prior year unobligated revenue collections to reduce rate requirements in 2011. The funds will be transferred on June 29 to the Bank of New York for the and used to purchase State & Local Government Securities (SLGS) that will mature on the day debt service is due. Mr. Burnett moved

State Bond Committee Resolution 2010-02 be approved. Mr. Brooks seconded. Mr. Mitchell took the roll and the motion passed by three yes votes.

VIII. Debt Manager's Report

Mr. Mitchell went through the items on his written report.

Goose Creek Correctional Facility – the Department of Corrections has been working with the Matanuska Susitna Borough to develop water and wastewater facilities at the facility site. The Borough was charged with developing the facilities and envisioned using a structure identical to the main prison financing, but without state ownership at the term. The State was being asked to commit to make all payments on an operating agreement for a 30 year term, subject to appropriation, enter into an ongoing disclosure agreement, and provide information on the State for purposes of obtaining a rating. As the legislative authority for the facility was fully utilized by the main financing we have refused to comply with this proposal. Alternatively, although more expensive, we have suggested use of a private placement or the Bond Bank with a lesser pledge of the state. The Borough is proceeding with the private placement option.

Alaska International Airport System – the system is working toward a new money issue for airside improvements at the Anchorage airport for which there is federal grant money flowing over the next seven years. In addition airport management has been requesting a restructuring of the existing obligations of the System to achieve a better match between the amortization of the bonds and the depreciation of the assets. Bonds are expected to be issued later this summer.

General Obligation Bonds –

The 2009 Transportation Construction Fund still has over \$118 million down from \$165 million in April 2009. The remaining \$150 million in authority will not be exercised until the current balance is projected to be depleted in the following six months.

The 2003 general obligation bond funds still have fund balances in them. Approximately \$1 million in the two transportation funds and \$8 million in the education fund still needs to be spent. I've contacted the involved agencies and let them know that these funds should be prioritized for expenditure. These bonds are still under audit review by the IRS and final closure of the project funds would be beneficial to the State's position in that process.

HB 424 passed the legislature this session, and if approved by Governor Parnell will authorize \$397.2 million of general obligation bond funding for education related projects. In planning for that transaction we will assemble a financing team and have a plan of finance in advance of the election to allow

issuance in 2010 to take advantage of certain American Reinvestment and Recovery Act allowances.

American Reinvestment and Recovery Act – SB 269 passed the legislature this session, and if approved by Governor Parnell will authorize the Committee to allocate tax credit and tax exempt bonds that aren't otherwise allocated. This would currently include certain school and energy bond allocations.

Rating Agencies – Recalibration has taken effect at Moody's and Fitch resulting in upward movement in the State's rating. Technically they aren't calling this movement an upgrade, but the State is now AA+ and AA1 from Fitch and Moody's respectively.

State Revolving Loan Funds – The state has two revolving loan funds in the Clean Water and Drinking Water Funds. The Department of Environmental Conservation administers these funds and is currently prioritizing and in some cases only partially funding loan requests as under their management plan they have used all available funds. This despite the funds invested balance being \$130 million, \$10 million in annual cash flow, and the ability to issue \$15 million per year in bonds. It is clear from an initial review that a more aggressive management plan can be developed to allow additional loans to be made from the funds.

IX. Committee Members Comments

Mr. Winegar declared that this would likely be his last meeting on the Committee. He is planning to retire on July 1, 2010 after 33 years of work for the State of Alaska. Mr. Brooks, Mr. Burnett and Mr. Mitchell expressed their appreciation of Mr. Winegar service to and participation on the Committee.

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.

Susan Bell, Commissioner
Department of Commerce and Economic Development
Chairman

ATTEST:

Patrick Galvin, Commissioner
Department of Revenue
Secretary