

MINUTES
STATE BOND COMMITTEE
September 28, 2011

A meeting of the State Bond Committee was held at 10:40 a.m. on September 28, 2011 at the Department of Revenue, Commissioner's Conference Room, Juneau, Alaska.

State Bond Committee Members present in Juneau were:

Don Habeger, Director of Division of Corporations, Business and Professional
Licensing, Department of Commerce, Community & Economic Development
Angela Rodell, Deputy Commissioner, Department of Revenue
Michael Barnhill, Deputy Commissioner, Department of Administration

Also present in Juneau were:

Deven Mitchell, Debt Manager, Department of Revenue
Ryan Williams, Department of Revenue

Present telephonically were:

Kerry Salas, K & L Gates
Cynthia Weed, K & L Gates
Debbie Schnebel, Acacia Financial

I. Call to Order

Mr. Habeger called the meeting to order at 10:42 a.m. AST.

II. Roll Call

Mr. Mitchell took roll call. Ms. Rodell, Mr. Barnhill and Mr. Habeger 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. Barnhill moved and Mr. Habeger seconded approval of the agenda. The motion was adopted without objection.

V. Minutes of February 10, 2011

Mr. Barnhill moved and Mr. Habeger seconded approval of the minutes. The minutes were approved without objection.

VI. Public Comment

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

VII. New Business

Resolution 2011-02

Mr. Barnhill moved that Resolution 2011-02 be approved and Mr. Habeger seconded the motion. Mr. Mitchell explained that Resolution 2011-02 provides for the implementation of a \$24 million appropriation to the State Bond Committee for purposes of defeasance of future obligations associated with the Alaska Psychiatric Institute, Seafood and Food Safety Laboratory, and State Virology Laboratory certificate of participation issuances. The Committee's packets contain the resolution, the FY 2012 capital budget language, and an analysis of the defeasance in the current market. Mr. Mitchell explained that the House Finance Committee determined that a conservative use of excess current year revenue was to pay down future obligations of the State. This perspective resulted in \$150 million of general obligation authority being replaced with general fund cash and \$49 million being appropriated to early payment of lease obligations which includes this \$24 million. Ms. Weed explained the legal aspects of Resolution 2011-02 and Ms. Schnebel discussed the defeasance analysis. Following additional discussion State Bond Committee Resolution 2011-02 was approved without objection.

Resolution 2011-03

Mr. Barnhill moved that Resolution 2011-03 be approved and Ms. Rodell seconded the motion. Mr. Mitchell explained that Resolution 2011-03 provides for the annual overnight borrowing that provides for State of Alaska match funds to obtain additional Federal funds for the Drinking Water and Clean Water Funds. The Committee's packets contain the resolution and the MOU from 2010 that describes how funds flow in the transaction. This will be the 10th year that this transaction is undertaken to provide for State match dollars without having to rely on unrestricted revenue of the State. Ms. Weed explained the legal aspects of Resolution 2011-03. Following additional discussion State Bond Committee Resolution 2011-03 was approved without objection.

Resolution 2011-04

Mr. Barnhill moved that Resolution 2011-04 be approved and Ms. Rodell seconded the motion. Mr. Mitchell distributed an amended version of Resolution 2011-04 to the committee that provides for both the direction to proceed with a refinancing effort of the 2006 Sport Fish Revenue Bonds and after amendment for the section of an underwriting team to pursue the refinancing. Mr. Mitchell provided background on the

original transaction of 2006. He then provided details on the potential savings available through a refinancing of the bonds. He pointed out analysis in the packet from RBC Capital Markets that indicated current market present value savings would be approximately \$3.6 million or 10.46% of the refunded bonds. The Committee discussed and agreed with the recommendation that based on underwriter effort to date and the need to move as quickly as possible, the firm RBC Capital Market should be appointed senior managing underwriter along with co-managers Guggenheim Securities and KeyBanc Capital Markets. The Committee discussed the potential refinancing and the process to this point including coverage by the proposed underwriter syndicate. Following this discussion, the State Bond Committee Resolution 2011-04 was approved without objection.

Alaska International Airports System (AIAS) Letter of Credit Renewal

Mr. Mitchell informed the Committee that he is working with Ms. Weed, Ms. Schnebel, AIAS controller Keith Day, State Street Bank, and other parties to extend the current Letter of Credit (LOC) with State Street Bank for the 2009A variable rate bonds of the AIAS. A variety of alternatives for the renewal of the LOC have been examined over the past 6 months including index bonds and direct purchases. Based on the analysis it has been determined that the LOC renewal was the best option based on performance of the existing structure, complexity of alternative structures and quantifiable risk comparisons. Mr. Mitchell informed the Committee that no formal action is required to extend the LOC with State Street Bank, but that it was prudent to seek the Committee's direction before proceeding. Ms. Rodell made a motion to direct Mr. Mitchell to proceed with the extension of the letter of credit with State Street Bank. Mr. Barnhill seconded the motion and it was approved without objection.

Debt Manager's Report

2003A general obligation bonds –

Mr. Mitchell reported that the 2003A general obligation bonds are viable refinancing candidates with savings in the current market approaching 10% of refunded bonds on a present value basis. The IRS audit is still open on this series and plan to proceed with a refinancing as quickly as possible.

2010 general obligation bonds -

Proceeds are being spent fairly closely to original expectations at this time. If this trend continues there will be a need to issue additional bond in early summer 2011.

The original issue amount \$165 million 2009A general obligation bonds construction fund balance remains over \$90 million. Under the original cashflow schedules DOT provided these funds should be entirely spent at this point. Federal funds with use or lose deadlines have been prioritized for expenditure over these funds which has resulted in the delay. The remaining \$200 million of bonding authority for this project list has

been replaced by a FY 2012 appropriation. Fortunately the general fund money cannot be spent until the bond proceeds are exhausted, but will continue to try and motivate spending.

Moody's visit -

Mr. Mitchell reported that he has been attempting to coordinate a visit to Alaska with Ted Hampton from Moody's Investors Service. Complicating the attempt has been the need to try and coordinate Commissioner Butcher's schedule and an opportunity to allow Ted to tour an oilfield on the North Slope.

VIII. Committee Member Comments

There were none.

IX. Schedule Next Meeting

Mr. Mitchell indicated that the next meeting date is uncertain at this time.

X. Adjournment

The meeting was adjourned at 11:58 a.m.

Susan Bell, Commissioner
Department of Commerce and Economic Development
Chairman

ATTEST:

Bryan Butcher, Commissioner
Department of Revenue
Secretary