

**OFFICIAL MINUTES  
STATE BOND COMMITTEE  
September 16, 2013**

A meeting of the State Bond Committee was held at 2:00 p.m. on September 16, 2013 at the Department of Revenue, Commissioner's Conference Room, Juneau, Alaska.

State Bond Committee Members present in Juneau were:

Angela Rodell, Acting Commissioner, Department of Revenue  
Michael Barnhill, Deputy Commissioner, Department of Administration

State Bond Committee Members present telephonically were:

Daniel Patrick O'Tierney, Deputy Commissioner, Department of  
Commerce, Community & Economic Development

Also present in Juneau were:

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

Also present telephonically were:

Kerry Salas, K & L Gates  
Cynthia Weed, K & L Gates  
Pete Nissen, Acacia Financial  
Phoebe Seldon, Acacia Financial

**I. Call to Order**

Mr. O'Tierney called the meeting to order at 2:02 p.m. AST.

**II. Roll Call**

Mr. Mitchell took roll call. Ms. Rodell, Mr. Barnhill and Mr. O'Tierney were present.

**III. Public Meeting Notice**

A copy of the 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**

Ms. Rodell moved and Mr. Barnhill seconded approval of the Agenda. The motion was adopted without objection.

**V. Minutes of February 20, 2013**

Ms. Rodell pointed out two corrections to the committee packet's minutes. Mr. Barnhill moved and Ms. Rodell seconded approval of the revised minutes of February 20, 2013. The motion was approved without objection.

**VI. Public Comment**

Mr. O'Tierney asked for public participation and comment. There was none.

**VII. New Business**

***Resolution 2013-02***

Mr. Mitchell stated that the resolution authorizes bond anticipation note (BAN) series for the issuance of up to \$1,688,000 for the Clean Water Fund and up to \$1,795,000 for the Drinking Water Fund. The borrowed money (BANs proceeds) will be used as State of Alaska match to obtain federal appropriations into the Funds. The borrowed money (BANs) will be paid off the day following initial borrowing with investment earnings that are already in the Funds. The only purpose for this transaction is to obtain additional federal appropriations into the Funds without obligating additional general funds. This year's transaction represents the 13<sup>th</sup> year this mechanism has been used to provide for State match for the Federal funds. Key Agency Services has provided a bid to facilitate the BANs for a total fee of \$2,500 plus interest expense of up to \$406.22. The final amount of interest expense will be determined when the Department of Environmental Conservation identifies the deposit amounts that are desired for the Funds. I expect the transaction to be facilitated in the Month of October.

Mr. Barnhill moved and Ms. Rodell seconded approval of Resolution 2013-02. Mr. O'Tierney questioned the allowance for up to \$40,000 for costs of issuance in section 5. Based on Mr. Mitchell's explanation costs are anticipated to be significantly less than that amount. Following discussion Ms. Rodell moved and Mr. Barnhill seconded amending the allowance for cost of issuance in section 5 to \$10,000. The amendment was approved without objection. Mr. O'Tierney then asked if the third paragraph in Section 5 read correctly as Mr. Mitchell has indicated that the State will be using Key Agency Services for the overnight loan. Following additional discussion Mr. Barnhill moved that the first sentence of the third paragraph in section 5 of the resolution should be amended to read, "If the Designated Representative elects to prepare a solicitation" to the beginning of the sentence. Ms. Rodell seconded the motion and it was approved without objection. The Committee then approved Resolution 2013-02 as amended with three yes votes.

***Alaska International Airport System(AIAS)***

Mr. Mitchell explained that this agenda item was added to provide an update on the potential AIAS refinancing reported on at the last meeting. Mr. Mitchell pointed the Committee to the Moody's rating update in their packets with which they downgraded the AIAS credit rating from AA3 to A1. This shift wasn't unexpected as the AIAS had been on negative outlook with Moody's for approximately 18 months. The downgrade was the result of a diminished air cargo traffic level between Asia and Central US. The AIAS has retained its market share of this cargo flow, but the flow has been more volatile than previously expected. Mr. Mitchell then reviewed the Goldman Sachs 2013 Finance Plan Update contained in the Committee's packets. He provided some explanation on current market conditions and the evolution of the market over the last 6 months. One of the primary reasons that the AIAS refinancing was placed on hold was that the 2006 C bonds were randomly selected for audit by the IRS. The financing team determined that the audit would negatively impact the pricing and therefore that the transaction should be shelved until its resolution. At the same time the financing was shelved interest rates on the long end of the yield curve increased. That said, as you can see on page 6 of the update there is approximately \$50 million of AMT refunding potential that generates almost \$4 million of savings or almost 8% present value savings as a percentage of the refunded bonds. There are additional Non-AMT candidates identified as well. Ms. Rodell requested that Mr. Mitchell reach out to the IRS based on the lack of communication since the audit was initiated. Mr. Mitchell state that the IRS would be contacted.

***Debt Manager's Report***

Mr. Mitchell reported on the following items:

The 2013 Series C general obligation bond anticipation notes authorized at the February meeting were successfully sold on March 14, 2013 and closed on March 27. The blended all in net interest cost of the bonds is .09571%. This sale is funding the initial cash flow associated with the 2012 transportation authorization. Given updates to the cash flow the \$152.1 million generated from the sale will easily get us to the note's maturity on March 25, 2014. It is likely that the recommended approach for the refinancing of the 2013 C notes will be to issue another bond anticipation note. A post sale summary prepared by our financial advisor, Acacia is in your packet.

SB 88 authorizing the issuance of \$35 million of certificates of participation to fund a residential housing facility and pedestrian bridge was approved. The project will be managed by the Alaska Native Tribal Health Consortium (ANTHC) and the State Bond Committee will be issuing the certificates of participation. We are waiting for ANTHC to let us know that funding is required. A copy of SB 88 is included in your packet.

HB 23 authorizing the Alaska Industrial Development and Export Authority to issue up to \$150 million of State of Alaska moral obligation bonds, among other things, in support of a natural gas liquefaction plant on the North Slope was approved.

Sport Fishing Revenue bonds. Fitch, Standard and Poor's, and Moody's have requested information over the course of the last four months related to the outstanding Sport Fishing Revenue bonds. Fitch affirmed their rating of A+ on the bonds, while S&P and Moody's have taken no action. Information on Sport Fish license sales show significant decreases in licenses sold through June 2013 when compared to 2012, but an increase in license sales in July and August.

Governor Parnell along with other state representatives visited with rating analysts in May. The purpose of the visit was to provide an update on the State financials and perspective on the tax revision SB 21 provides.

Standard and Poor's has recently been compiling local government metrics and Moody's has been inquiring about the State's liquidity.

**VIII. Committee Member Comments**

There were none.

**IX. Schedule Next Meeting**

Mr. Mitchell indicated that the next meeting date will need to be in the next four months, but will be at the call of the Chair.

**X. Adjournment**

The meeting was adjourned at 3:02 p.m..

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Susan Bell, Commissioner  
Department of Commerce and Economic Development  
Chairman

ATTEST:

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Angela Rodell, Commissioner  
Department of Revenue  
Secretary