

**OFFICIAL MINUTES
STATE BOND COMMITTEE
February 20, 2013**

A meeting of the State Bond Committee was held at 2:00 p.m. on February 20, 2013 at the Department of Revenue, Commissioner's Conference Room, Juneau, Alaska.

State Bond Committee Members present in Juneau were:

Angela Rodell, Deputy 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
Noreen White, Acacia Financial
Pete Nissen, Acacia Financial
Scott Beale, Acacia Financial
Phoebe Seldon, Acacia Financial
Keith Day, Controller Alaska International Airport System
Paul Bloom, Goldman Sachs
Brian Olin, Goldman Sachs

I. Call to Order

Mr. O'Tierney called the meeting to order at 2:05 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 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. O'Tierney asked that the agenda be modified to move current agenda item B to agenda item A, and move current agenda item A to agenda item B. Mike Barnhill moved approval of the Agenda with the modification and Ms. Rodell seconded. The motion was adopted without objection.

V. Minutes of December 14, 2012

The minutes were approved without objection.

VI. Public Comment

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

VII. New Business

Resolution 2013-01

Mr. Mitchell described the documents contained in the committee members' packets including Resolution 2013-01 and a draft of the preliminary official statement. Mr. Mitchell noted that the resolution delegated authority to approve the terms and conditions of the initial sale of the 2012 transportation general obligation bond issuance authority for \$150 million. Ms. Weed emphasized the legal delegations and authority that the Resolution conveyed. Mr. Mitchell continued that this Bond Anticipation Note will be the initial issuance related to the \$453 million of 2012 transportation projects. The size of the issue is based on the reported expected cash flows for the coming 12 months. The Bond Anticipation Notes will be issued with a fixed rate of interest based on a maturity 12 months after issuance. The Resolution limits the rate of interest to 1%, and in the current market we expect the rate to be in the .25-.35 percent interest rate. Mr. Barnhill noted on page 16 in the fourth paragraph there was a reference to AS 37.15.012 that was questionable. After discussion that paragraph was struck from the resolution. Ms. Rodell moved and Mr. Leonard seconded the motion. The motion was carried with three yes votes.

Alaska International Airports System Update

Mr. Mitchell explained that the Alaska International Airports System (AIAS) has developed a plan of financial goals over the course of the last several years regarding certain AIAS revenue bonds. The AIAS is an enterprise located in the Department of Transportation and Public Facilities comprised of the Anchorage and Fairbanks International airports. Management of the AIAS is accomplished through the oversight of the DOT Deputy Commissioner for Aviation,

Steve Hatter, implemented on an AIAS wide basis by the AIAS Controller, Keith Day, with day to day operations management provided by Anchorage and Fairbanks airport directors, John Parrot and Jesse Vanderzanden respectively. Mr. Mitchell continued that the issuance of AIAS revenue bonds is legally approved by the State Bond Committee, but as has been learned by historical trial and error, the bonds that are issued must be carefully woven into the management plan for the System. Accordingly Mr. Mitchell plans to work closely with Keith Day and others at the AIAS to ensure their management goals are met in any financing undertaken on behalf of AIAS.

The AIAS management team has requested that the currently variable rate 2009A AIAS revenue bonds be effectively converted to fixed rate. The primary reason for this is that the AIAS has a plan to draw down their cash position and will thus lose the natural hedge that they've historically had against rising interest rates. Additional reasons that have been cited include perceived credit risk, and interest rate risk which ties into the primary reason of diminished cash position. The AIAS would like to accomplish this conversion prior to the end of the fiscal year.

Mr. Mitchell indicated that he has distributed an RFQ for underwriter to a list of firms generated in consultation with AIAS Controller Keith Day. The firms identified have reviewed the AIAS debt and worked to provide value over the last several years by meeting with both Revenue and the AIAS and include: RBC Capital, Citigroup, Morgan Stanley, JP Morgan, KeyBanc Capital, Bank of America Merrill Lynch, Goldman Sachs, Wells Fargo, and US Bank

Master Lease Line of Credit

Mr. Mitchell explained that the state has had a Master Lease line of Credit program in place since 2001. The program was created as it was determined that state agencies were leasing equipment and paying higher interest rates than the state would otherwise expect to pay if there had been a consolidating program. There was a competitive process in 2001 which resulted in the selection of Key Bank, and the state has undertaken 36 transactions since that time. The line of credit is limited to \$25 million at any time. The Department of Administration has begun an aggressive office consolidation program that may warrant refreshing the program. If Department of Administration estimates are accurate there may be up to \$50 million in leases of office components over the course of the next five years.

Debt Manager's Report

Mr. Mitchell reported on the following items:

The 2013 Series A & B general obligation bonds authorized at the December 14 meeting were successfully sold on January 15, 2013. The blended all in true interest cost of the bonds is 1.436854% through a combination of tax exempt bonds (2003 B) and taxable direct issue tax credit Qualified School Construction Bonds (2003 A). This sale funded the remainder of the 2010 bond authorization projects. As part of the ratings process for the bonds the State

received a rating upgrade from Fitch Ratings from AA+ to AAA. The State is now at the highest rating level with all three agencies.

FY 2012 ongoing disclosure was accomplished with posting of the State's CAFR, the fall 2012 Revenue Sources Book, and the 2012-2013 Alaska Public Debt Book with EMMA. The material event filing required for the Fitch rating upgrade to AAA was also posted.

There are several bills in the Alaska Legislature that have the potential to impact the debt capacity and policy of the State. Specifically, HB 4 related to the Alaska Gas line Development Corporation, HB 23/SB 13 related to the Knik Arm Bridge and Toll Authority, and HB 58/SB 23 related to an AIDEA facilitated North Slope LNG Project. All of the proposals obligate the state's balance sheet on a long term basis either on a fairly direct subject to appropriation basis or more contingent liability moral obligation basis. It is important that when Alaskans are considering these projects that they are aware of the impact of the Legislation on the State's finances and long term credit ratings.

VIII. Committee Member Comments

There were none.

IX. Schedule Next Meeting

Mr. Mitchell indicated that the next meeting date will be at the call of the Chair.

X. Adjournment

The meeting was adjourned at 3:00 p.m..

Susan Bell, Commissioner
Department of Commerce and Economic Development
Chairman

ATTEST:

Bryan Butcher, Commissioner
Department of Revenue
Secretary