

STATE OF ALASKA

STATE BOND COMMITTEE

TO BE HELD AT
Department of Revenue
Commissioner's Conference Room
333 Willoughby Avenue, 11th Floor
Juneau, Alaska 99801
September 21, 2015
10:30 AM ADT



STATE BOND COMMITTEE AGENDA FOR BOARD OF DIRECTOR'S MEETING

**Alaska Department of Revenue
Commissioner's Conference Room
333 Willoughby Avenue
State Office Building, 11th Floor
Juneau, Alaska 99811**

September 21, 2015 10:30 A.M.

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. Approval of Agenda**
- V. Minutes of February 25, 2015 State Bond Committee Meeting**
- VI. Public Participation and Comment**
- VII. New Business**
 - A. Resolution 2015-05 – Clean Water and Drinking Water Bond Anticipation Notes.**
 - B. Resolution 2015-06 – 2015 Private Activity Cap Allocation**
 - C. 2012 Transportation Act General Obligation Bond Issuance Program**
 - D. Update on AIAS Refinancing**
 - E. Discussion of Alaska Gas Line Project Reimbursement Resolution**
 - F. Debt Manager's Report**
- VIII. Committee Member Comments**
- IX. Schedule Next Meeting**
- X. Adjournment**

Notice State of Alaska State Bond Committee Meeting

Notice is hereby given that the State of Alaska State Bond Committee will hold a meeting at the Alaska Department of Revenue Commissioner's Office, 333 Willoughby Avenue, 11th Floor, Juneau, Alaska 99811, on September 21, 2015 at 10:30 a.m.

Resolution 2015-05 2015 Clean Water and Drinking Water Bond Anticipation Notes

Resolution 2015-06 AIAS Refinancing Resolution

2012 Transportation Act General Obligation Bond Program

Debt Manager's Report

The public is invited to attend and will be given the opportunity for public comment and participation. The State Bond Committee complies with Title II of the Americans with Disabilities Act of 1990 and the Rehabilitation Act of 1973.

Dated September 3, 2015

Deven Mitchell

Attachments, History, Details

Attachments

None

Revision History

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**OFFICIAL MINUTES
STATE BOND COMMITTEE
May 5, 2015**

A meeting of the State Bond Committee was held at 10:04 a.m. ASDT on May 5, 2015 at the Department of Revenue, Commissioner's Conference Room, Juneau, Alaska (333 Willoughby Avenue, State Office Building, 11th Floor, Juneau, Alaska 99811).

State Bond Committee Members present were:

John Boucher, Deputy Commissioner, Department of Administration
Jerry Burnett, Deputy Commissioner, Department of Revenue
Fred Parady, Deputy Commissioner, Department of Commerce, Community & Economic Development

Also present were:

Deven Mitchell, Debt Manager, Department of Revenue
Ryan Williams, Op. Research Analyst, Department of Revenue

Present telephonically were:

Michael Lamb, CFO, AIDEA
Gerard Deta, Senior Finance Officer, AHFC
Peter Haines, Senior Finance Officer, AHFC
Kerry Salas, K & L Gates
Cynthia Weed, K & L Gates
Pete Nissen, Acacia Financial Group
Ken Vassar, Law Office of Kenneth E. Vassar, LLC

I. Call to Order

Mr. Parady called the meeting to order at 10:04 a.m. ASDT.

II. Roll Call

Mr. Mitchell took roll call. Mr. Parady, Mr. Burnett & Mr. Boucher 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 - The notice was officially published on 4/15/2015.

IV. Approval of Agenda

The Agenda was reviewed by the board and no changes were necessary. The agenda was approved as submitted without objection.

V. Minutes of February 25, 2015 SBC Meeting

Mr. Burnett moved and Mr. Boucher seconded approval of the February 25, 2015 minutes. The motion was adopted without objection.

VI. Public Comment

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

VII. New Business

Resolution 2015-04

Mr. Mitchell stated that Resolution 2015-04 would allocate a portion of the Private Activity Bond Volume Cap (PABVC) for calendar year 2015. Total PABVC for calendar year 2015 is \$301,515,000, of which the Alaska Housing Finance Corporation (AHFC) has requested an allocation of \$8,500,000 for a multi-unit facility to enhance access to affordable rental housing for Alaska's low-income and elderly population, the Alaska Industrial Development and Export Authority (AIDEA) has requested an allocation of \$5,000,000 of volume cap to refund bonds related to the financing of the Snettisham Hydroelectric Project and pay for costs of issuance and reserves, and AIDEA has also requested an allocation of \$100,000,000 of volume cap to provide for anticipated future projects that are estimated to accumulate to \$200,000,000. Mr. Mitchell reiterated that volume cap allocations are available for use until February of the year following allocation and then may be designated and carried forward for an additional three year period. Mr. Mitchell stated there have been no requests by municipalities. Mr. Parady questioned the extent of marketing the cap to municipalities. Mr. Mitchell agreed to reach out to Kathy Wasserman. It was further discussed by Mr. Boucher and Mr. Parady that with current non-competitive nature of the cap allocation, if there might be an intensified need for enterprises moving forward. Ken Vassar yielded to the question, discussing how demand has generally been less than available cap due to alternative financing sources, while perceptions might also change over time due to speculation on tax code. With no further discussion, Mr. Burnett moved Resolution 2015-04 and Mr. Boucher seconded the motion. The State Bond Committee then approved Resolution 2015-04 with three aye (yes) votes.

Post Sale Summaries –

Mr. Mitchell stated that there were three summaries in the packet. First the General Obligation Bond Anticipation Notes 2015 Series A, then information related to the General Obligation 2015 Series B issued to refinance the 2009 A GO bonds, and finally information related to the Matanuska-Susitna Borough State of Alaska Lease Revenue Refunding Bonds, Series 2015.

The 2015 Series A BAN was sold via competitive sale on March 10 with the par amount of \$155,215,000 generating \$162,704,123.75 of proceeds. Bank of America Merrill Lynch was the successful bidder for the bonds. \$161,695,277.78 of proceeds were combined with \$10,000,000 of general funds to pay off the 2014 BAN, \$6,208.60 paid the underwriter's discount and the balance went into the 2012 Transportation Act fund.

The 2015 Series B bonds were sold via negotiated sale on March 24, 2015 by senior manager Citigroup and co-managers Bank of America Merrill Lynch, RBC Capital, and Goldman Sachs. The book of orders is included in the Committee packet and shows the sale generating just enough interest to commit the bonds at the levels that were offered. The sale resulted in savings of \$8.7 million of reduced interest expense which present values to \$7.5 million or 7.49% as a percentage of the refunded bonds.

The final sale was the Mat-Su's refinancing of the 2008 Goose Creek Correctional Facility lease revenue bonds. The bonds were sold via negotiated sale with RBC Capital acting as senior manager and Citigroup acting as co-manager. The bonds were offered at spreads that were wider than our last state subject to appropriation sale in September 2014, but the rates only generated around 10% of the deal size in orders. The market was sluggish with ample supply in a short week due to the upcoming Easter Holiday just after the end of the quarter and two weeks before tax payments come due. Based on the deal talk the sizing of the issue was diminished by approximately 1/3, and just the 2026-2032 bonds were refinanced with the 2019 through 2025 left outstanding. Following a second order period additional adjustments of up to 8 basis points were required to reach a deal due to continued under-subscription of bonds. The sale resulted in savings of \$10.7 million of reduced interest expense which present values to \$8.7 million or 8.55% as a percentage of the refunded bonds.

Debt Manager's Report

Mr. Mitchell went over the following items for the Committee:

Rating agency updates – following release of the Department of Revenue's Revenue Sources Book on April 3, all three ratings agencies were contacted to provide an update on the Legislative session, budget development and the updated revenue picture for the State. The discussions were in line with expectations and while S&P is expecting to release a commentary on the State's budgets, Alaska's section will be consistent with earlier reports.

Bond Counsel – After initial evaluation of the seven firms that responded to the State's request for proposals for Bond Counsel, K&L gates was selected as the successful proposer. However, Department of Law could not reach agreement with K&L on conflict of waiver language and they had to opt out after several months of negotiation. The Department of Law is in the process of implementing a contract with the second place finisher Orrick Herrington. The lead attorney will be Susan Berry.

Mr. Mitchell stated that he's working with Treasury Division and the Dept. of Administration along with the Municipality of Anchorage to take advantage of call options

on outstanding lease securitizations. Both the Anchorage Jail lease revenue bonds and the Virology Lab certificates of participation became currently callable this year. For the Anchorage Jail, the final principal payment of \$1.775 million can be called as soon as the FY 2016 operating budget becomes effective. By taking advantage of this call option we will avoid 7 months of interest expense at the 5% coupon rate. This equates to \$51,771 of savings. For the Virology lab both the February 2016 and February 2017 principal maturities of \$1.695 million and \$25,000 respectively can be called on July 1. This allows the State to avoid 4% interest for 7 or 19 months respectively which generates \$41,133 of savings.

VIII. Committee Member Comments

There were none.

IX. Schedule Next Meeting

Mr. Mitchell mentioned that another meeting at the call of the Chair would need to be in the August to September timeframe, and that he would follow-up with the Committee.

X. Adjournment

The meeting was adjourned at 10:53 AM ASDT.

Fred Parady, Deputy Commissioner,
Department of Commerce, Community and Economic
Development- Chair

ATTEST:

Randy Hoffbeck, Commissioner
Department of Revenue-
Secretary

STATE BOND COMMITTEE
OF THE STATE OF ALASKA

RESOLUTION NO. 2015-05

Providing for the Issuance of

State of Alaska
Clean Water Fund Revenue Bond Anticipation Note, 2015 Series A
and of
Drinking Water Fund Revenue Bond Anticipation Note, 2015 Series B

Approved on September 21, 2015

Prepared by:

ORRICK, HERRINGTON & SUTCLIFFE LLP

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* This Table of Contents is not a part of the following resolution.

STATE BOND COMMITTEE

RESOLUTION NO. 2015-05

A Resolution of the State Bond Committee of the State of Alaska relating to the issuance and sale of two series of notes to be designated as Alaska Clean Water Fund Revenue Bond Anticipation Note, 2015, Series A in the aggregate principal amount of up to \$1,682,700 and Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2015 Series B in the aggregate principal amount of up to \$1,776,500; 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.

WHEREAS, the Federal Water Quality Act of 1987 (the “Clean Water Act”) established a state revolving fund program in order to replace the United States Environmental Protection Agency (“EPA”) construction grants program with revolving loan programs operated by the individual states; and

WHEREAS, the Safe Drinking Water Act Amendments of 1996, amending the Safe Drinking Water Act (the “Drinking Water Act”) also established a state revolving fund program in order to permit states to establish revolving fund loan programs; and

WHEREAS, in order to capitalize state revolving funds, the EPA may make annual capitalization grants to the states, on the condition that each state provide a state match for such state’s revolving funds; and

WHEREAS, Chapter 141 of the Session Laws of Alaska of 1996, codified at AS 37.15.560-.605 and AS 46.03.032-.039 and as most recently amended by the Alaska Legislature in House Bill 304(FIN) (the “Act”) authorized the issuance and sale of Alaska Clean Water Fund revenue bonds of the State of Alaska (the “State”) in the sum of up to \$15,000,000 per Fiscal Year or up to \$150,000,000 total to provide financial assistance to municipalities and other qualified entities through the Alaska Clean Water Fund Loan Program; (the “Authorized Clean Water Bonds”) and

WHEREAS, the Act authorized the issuance and sale of Alaska Drinking Water Fund revenue bonds of the State in the sum of up to \$15,000,000 per Fiscal Year or up to \$150,000,000 total to provide financial assistance to municipalities and other qualified entities through the Alaska Drinking Water Fund Loan Program; (the “Authorized Drinking Water Bonds”) and

WHEREAS, AS 37.15.300-.390 authorizes the State Bond Committee (the “Committee”), if it considers it in the best interests of the State, to borrow money in anticipation of the sale of revenue bonds if revenue bonds have been authorized by law; and

WHEREAS, the Committee wishes to delegate authority to the Debt Manager of the State to solicit proposals from banks for the purchase of the notes authorized herein, approve the interest costs and maturity dates for the Notes within the parameters described in this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOND COMMITTEE OF THE STATE OF ALASKA, as follows:

Section 1. Defined Terms. In this resolution, the following terms shall have the following meanings.

Act means Chapter 141 of the Session Laws of Alaska of 1996, as amended by House Bill No. 304 (FIN), codified at AS 37.15.560-.605 and AS 46.03.032-.039.

Alaska Clean Water Fund means the fund of that name established pursuant to AS 46.03.032.

Alaska Drinking Water Fund means the fund of that name established pursuant to AS 46.03.036.

Bank means the bank selected and identified by the Designated Representative in accordance with the authority granted to him pursuant to Section 5 hereof.

Bond Fund – Clean Water means the Alaska Clean Water Fund Revenue Bond Redemption Fund, established pursuant to AS 37.15.565.

Bond Fund – Drinking Water means the Alaska Drinking Water Fund Revenue Bond Redemption Fund, established pursuant to AS 37.15.565.

Bonds mean Clean Water Bonds or the Drinking Water Bonds.

Clean Water Act means the Federal Clean Water Act, as amended by the Federal Water Quality Act of 1987, 33 U.S.C. 1251-1387.

Clean Water Bonds means the bonds payable from Clean Water Revenues which include interest on loan repayments and investment interest and issued under authority of AS 37.15.560-.605 pursuant to authorization of the Committee.

Clean Water Fund means the separate fund established by AS 46.03.032(a).

Clean Water Maturity Date means the date of maturity of the Clean Water Note, which date of maturity shall be specified in the Purchase Contract and shall be no later than December 31, 2015.

Clean Water Note means the State of Alaska Clean Water Fund Revenue Bond Anticipation Note, 2015 Series A in the aggregate principal amount of up to \$1,682,700.

Clean Water Project means any one of the following categories of projects:

- (a) planning, designing, building, constructing and rehabilitating a public wastewater collection, treatment or discharge system;
- (b) implementing a management program for controlling water pollution from nonpoint sources under 33 U.S.C. 1329, including planning, designing, building, constructing and rehabilitating a solid waste management system; and
- (c) developing and implementing an estuary conservation and management program under 33 U.S.C. 1330.

Clean Water Rate means the per annum interest rate payable on the Clean Water Note, which interest rate shall be specified in the Purchase Contract.

Clean Water Revenues means the money on hand in the Clean Water Fund, including money appropriated by the State Legislature to meet federal matching requirements, federal capitalization grants, loan repayments, interest received from loan repayments and interest received from investment of money in the Clean Water Fund and the proceeds and accrued interest received from the sale of Clean Water Bonds issued under AS 37.15.560-.605 and secured by the Clean Water Fund.

Committee means the state bond committee, created pursuant to AS 37.15.110, whose members include the commissioner of community and economic development, the commissioner of administration and the commissioner of revenue.

DEC means the State of Alaska Department of Environmental Conservation, or a successor.

DEC Representative means the Commissioner or such other official of DEC as shall be designated by the Commissioner in writing to the Designated Representative.

Designated Representative means the Debt Manager of DOR or such other person as may be designated from time to time by resolution of the Committee.

DOR means the State of Alaska Department of Revenue, or a successor.

Drinking Water Act means the Federal Safe Drinking Water Act, as amended by the Safe Drinking Water Act Amendments of 1996, 42 U.S.C. 300j *et. seq.*

Drinking Water Bonds means the bonds payable from Drinking Water Revenues which include interest on loan repayments and investment interest and issued under authority of AS 37.15.560-.605 pursuant to authorization of the Committee.

Drinking Water Fund means the separate fund established by AS 46.03.036.

Drinking Water Maturity Date means the date of maturity of the Drinking Water Note, which date of maturity shall be specified in the Purchase Contract and shall be no later than December 31, 2015.

Drinking Water Note means the State of Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2015 Series B in the aggregate principal amount of up to \$1,776,500.

Drinking Water Rate means the per annum interest rate payable on the Drinking Water Note, which interest rate shall be specified in the Purchase Contract.

Drinking Water Project means drinking water system projects, including projects to plan, design, build, construct, or rehabilitate a public drinking water collection, storage, treatment or distribution system.

Drinking Water Revenues means the money on hand in the Drinking Water Fund, including money appropriated by the State Legislature to meet federal matching requirements, federal capitalization grants, loan repayments, interest received from loan repayments and interest received from investment of money in the Drinking Water Fund and the proceeds and accrued interest received from the sale of Drinking Water Bonds issued under AS 37.15.560-.605 and secured by the Drinking Water Fund.

Fiscal Year means the fiscal year of the State, which currently is July through June of each year.

Note Account – Clean Water means the Alaska Clean Water Fund Revenue Bond Anticipation Note Account, created within the Bond Fund – Clean Water for the payment of principal and interest on the Clean Water Note.

Note Account – Drinking Water means the Alaska Drinking Water Fund Revenue Bond Anticipation Note Account, created within the Bond Fund – Drinking Water for the payment of principal and interest on the Drinking Water Note.

Note Register means the books or records maintained by the State containing the name and mailing address of the owner of each Note or nominee of such owner and the principal amount and number of Notes held by each owner or nominee.

Notes means either or both of the Clean Water Note and the Drinking Water Note.

Pledged Clean Water Revenue means Clean Water Revenues consisting of interest received from investment of money in the Clean Water Fund and the interest portion of loan repayments.

Pledged Drinking Water Revenue means Drinking Water Revenues consisting of interest received from investment of money in the Drinking Water Fund and the interest portion of loan repayments.

Purchase Contract means a purchase contract or agreement executed by the Designated Representative and the Bank in connection with the sale and purchase of the Notes as authorized to be executed pursuant to Section 5 hereof.

Regulations means the regulations promulgated by DEC with respect to the Alaska Clean Water and Drinking Water Revolving Loan Funds, under 18 AAC 76, as the same may be hereafter amended or modified and supplemented from time to time.

Series means all of the Bonds authenticated and delivered on original issuance and identified as being a part of a separate series.

State means the State of Alaska.

Section 2. Authorization of Series of Clean Water Bonds. The State shall issue Clean Water Bonds in Series from time to time in order to implement the Act. The proceeds of the Clean Water Bonds shall be used for the purposes described in AS 46.03.032(d). The Clean Water Bonds shall be authorized by resolution of the Committee which shall fix the principal amount, denomination, date, maturities, manner of sale, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of said Clean Water Bonds.

Section 3. Authorization of Series of Drinking Water Bonds. The State shall issue Drinking Water Bonds in Series from time to time in order to implement the Act. The proceeds of the Drinking Water Bonds shall be used for the purposes described in AS 46.03.036. The Drinking Water Bonds shall be authorized by resolution of the Committee which shall fix the principal amount, denomination, date, maturities, manner of sale, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of said Drinking Water Bonds.

Section 4. Authorization of Notes.

(a) ***Clean Water Note.*** In anticipation of the issuance of the Clean Water Bonds authorized by Section 2 hereof, the Committee hereby authorizes the issuance of a revenue bond anticipation note in order to finance certain Clean Water Projects (the “Clean Water Note”). The Clean Water Note shall be issued in the aggregate principal amount of up to \$1,682,700 and shall be designated as the Alaska Clean Water Fund Revenue Bond Anticipation Note, 2015 Series A. The Clean Water Note shall be dated as of the date of its issuance and delivery; shall be fully registered as to both principal and interest, shall be in the denomination of up to \$1,682,700, shall be numbered N-1, and shall bear interest on unpaid principal from its date at a rate equal to the Clean Water Rate and shall mature on the Clean Water Maturity Date.

(b) ***Drinking Water Note.*** In anticipation of the issuance of the Drinking Water Bonds authorized by Section 3 hereof, the Committee hereby authorizes the issuance of a revenue bond anticipation note in order to finance certain Drinking Water Projects (the “Drinking Water Note”). The Drinking Water Note shall be issued in the aggregate principal amount of up to \$1,776,500 and shall be designated as the Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2015 Series B. The Drinking Water Note shall be dated as of the date of its issuance and delivery; shall be fully registered as to both principal and interest, shall be in the denomination of up to

\$1,776,500, shall be numbered N-1, and shall bear interest on unpaid principal from its date at a rate equal to the Drinking Water Rate, payable at maturity and shall mature on the Drinking Water Maturity Date.

(c) *Place and Medium of Payment.* The principal of and interest on the Notes shall be payable in lawful money of the United States of America. Interest on the Notes shall be calculated on the basis of a 365-day year and actual days elapsed. Upon presentation and surrender of the Clean Water Note, principal and interest shall be transferred from the Note Account – Clean Water to the Bank on the date when due. Upon presentation and surrender of the Drinking Water Note, principal and interest shall be transferred from the Note Account – Drinking Water to the Bank on the date when due. Interest and principal of the Notes shall, upon request of the Bank, be payable by wire transfer to the account of the Bank on the date due (upon confirmation that the Notes shall have been presented to the Designated Representative for payment).

Section 5. Designated Representative. The Committee hereby designates the Debt Manager of the Department of Revenue to act on its behalf as the “Designated Representative” and to exercise the authority granted to the Designated Representative hereunder.

The Committee has determined that it may be inconvenient to meet before the proposed time on which money may be required from the sale of the Notes. Accordingly, the Designated Representative is hereby authorized to prepare a solicitation for proposals to be circulated to local, Alaska banks for the purchase of the Notes and to review and negotiate terms for the purchase of the Notes consistent with the terms of this section. The Committee has determined that it would be in the best interest of the Committee to delegate to the Designated Representative for a limited time the authority to approve the final interest costs and maturity dates for the Notes and other terms and conditions of the Notes. The Designated Representative is hereby authorized to approve the final interest costs (to be expressed as an interest rate for each Note) and maturity dates of Notes and the total of all other costs to be incurred in connection with the financing in the manner provided hereafter.

If the Designated Representative elects to prepare a solicitation, in preparing the solicitation for proposals and evaluating the responses, negotiating a Purchase Contract and determining the final interest rates, maturity dates and total costs of issuance for the Notes, the Designated Representative, in consultation with the Deputy Commissioner of the Department of Revenue and the State’s financial advisor, shall take into account those factors that, in his judgment, will result in the lowest true interest cost on the Notes to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Notes. The date of issuance and final maturity date shall occur no later than December 31, 2015, and the total costs, including interest costs shall not exceed \$10,000. Subject to the terms and conditions set forth in this Section 5, the Designated Representative is authorized to reject any proposal received (including all proposals and re-advertise) and to accept the proposal deemed most responsive and cost effective. The Designated Representative is hereby authorized to execute the final form of the Purchase Contract. Following the execution of the Purchase Contract, the Debt Manager shall provide a report to the Committee, describing the final terms of the Notes approved pursuant to the authority delegated in this section. The authority granted to the Debt Manager by this Section 5 shall expire 90 days after the date of

approval of this resolution. If the Purchase Contract for the Notes has not been executed within 90 days after the date of final approval of this resolution, the authorization for the issuance of the Notes shall be rescinded, and such Notes shall not be issued nor their sale approved unless such Notes shall have been re-authorized by resolution of the Committee. The resolution re-authorizing the issuance and sale of such Notes may be in the form of a new resolution repealing this resolution in whole or in part (only with respect to the Notes not issued) or may be in the form of an amendatory resolution approving a purchase contract or establishing terms and conditions for the authority delegated under this Section 5.

The Designated Representative and the State's financial advisor are hereby authorized to review and approve on behalf of the Committee a request for qualifications/proposal to be distributed to eligible banking institutions relative to the Notes with such additions and changes as may be deemed necessary or advisable to them. The proper State officials are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Notes to the Bank and for the proper application and use of the proceeds of sale thereof.

The Designated Representative is hereby designated as the registrar and authenticating agent for the Notes. The Designated Representative is hereby further authorized to contract with and arrange for the printing and delivery of the Notes.

Section 6. Sale of Notes. The Notes shall be sold to the Bank in accordance with its proposal for the purchase of the Notes and the Purchase Contract, as authorized to be delivered under Section 5 of this resolution. The Designated Representative is hereby authorized and directed to do all things necessary for the prompt delivery of the Notes to the Bank.

Section 7. Form of Notes.

(a) *Clean Water Note.* The Clean Water Note shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. 1 \$ _____

STATE OF ALASKA
CLEAN WATER REVENUE BOND ANTICIPATION NOTE,
2014 SERIES A

INTEREST RATE: _____% MATURITY DATE: _____, 2015

DATED DATE: _____, 2015

REGISTERED OWNER: _____

TAX ID NUMBER: _____

PRINCIPAL AMOUNT: _____

The State of Alaska (the "State") hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or its registered assigns, but solely from the Note Account – Clean Water (hereinafter defined) on the Maturity Date identified above, the Principal Amount indicated above together with interest thereon from the Dated Date payable on the Maturity Date. Such Principal Amount, together with accrued interest, shall be paid only upon presentation and surrender of this note at the office of the Debt Manager of the State of Alaska, as registrar and authenticating agent (the "Registrar"). Both principal of and interest on this note are payable in lawful money of the United States of America solely out of the Note Account – Clean Water (the "Note Account – Clean Water") created within the special fund of the State known as the "Alaska Clean Water Fund Revenue Bond Redemption Fund" established pursuant to AS 37.15.565" and in accordance with the terms of Resolution No. 2015-05 (the "Resolution") of the State Bond Committee (the "Committee"). The definitions contained in the Resolution shall apply to capitalized terms contained herein.

This note is issued pursuant to the Constitution and statutes of the State of Alaska and duly adopted resolutions of the Committee in anticipation of the issuance of clean water fund revenue bonds for the purpose of implementing the Alaska Clean Water Fund Loan Program for the State and its municipalities. This note is payable solely from the Note Account – Clean Water, into which shall be deposited interest earnings on Clean Water Revenues in the Clean Water Fund or interest on loan repayments deposited in the Clean Water Fund or the proceeds of Clean Water Bonds, refunding bond anticipation notes on or prior to the maturity of this note.

THIS NOTE SHALL NOT BE DEEMED TO CONSTITUTE A GENERAL OBLIGATION OF THE STATE OF ALASKA OR ANY OF ITS DEPARTMENTS, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF ALASKA OR OF ANY SUCH DEPARTMENT, BUT SHALL BE PAYABLE SOLELY FROM THE NOTE ACCOUNT – CLEAN WATER WITHIN THE BOND FUND – CLEAN WATER AND THE CLEAN WATER REVENUES. THE STATE OF ALASKA SHALL NOT BE OBLIGATED TO PAY THE SAME NOR INTEREST THEREON EXCEPT FROM SUCH PAYMENTS AND PROCEEDS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ALASKA OR OF ANY DEPARTMENT THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THIS NOTE.

The interest on this note is not exempt from federal income taxation. The interest on this note is includible in federal gross income.

This note shall not be validly issued until duly authenticated by the manual signature of the Registrar in the Certificate of Authentication below.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Alaska, and resolutions of the State to be done precedent to and in the issuance of this note have happened, been done and performed.

IN WITNESS WHEREOF, the State of Alaska has caused this note to be executed with the facsimile signature of the Governor of the State of Alaska and to be countersigned by the Lieutenant Governor, this ____ day of _____, 2015.

STATE OF ALASKA

By _____
Governor

Countersigned:

Lieutenant Governor

The Certificate of Authentication on the Clean Water Note shall be in substantially the following form:

Date of Authentication:

CERTIFICATE OF AUTHENTICATION

This note is the note described in the within-mentioned Resolution and is the State of Alaska Clean Water Fund Revenue Bond Anticipation Note, 2015 Series A of the State, dated _____, 2015.

STATE OF ALASKA

DEPARTMENT OF REVENUE

By _____
Debt Manager

(b) *Drinking Water Note.* The Drinking Water Note shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. 1 \$ _____

STATE OF ALASKA
DRINKING WATER REVENUE BOND ANTICIPATION NOTE,
2015 SERIES B

INTEREST RATE: _____% MATURITY DATE: _____, 2015

DATED DATE: _____, 2015

REGISTERED OWNER: _____

TAX ID NUMBER: _____

PRINCIPAL AMOUNT: _____

The State of Alaska (the "State") hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or its registered assigns, but solely from the Note Account – Drinking Water (hereinafter defined) on the Maturity Date identified above, the Principal Amount indicated above together with interest thereon from the Dated Date payable on the Maturity Date. Such Principal Amount, together with accrued interest, shall be paid only upon presentation and surrender of this note at the office of the Debt Manager of the State of Alaska, as registrar and authenticating agent (the "Registrar"). Both principal of and interest on

this note are payable in lawful money of the United States of America solely out of the Note Account – Drinking Water (the “Note Account – Drinking Water”) created within the special fund of the State known as the “Alaska Drinking Water Fund Revenue Bond Redemption Fund” established pursuant to AS 37.15.565” and in accordance with the terms of Resolution No. 2015-05 (the “Resolution”) of the State Bond Committee (the “Committee”). The definitions contained in the Resolution shall apply to capitalized terms contained herein.

This note is issued pursuant to the Constitution and statutes of the State of Alaska and duly adopted resolutions of the Committee in anticipation of the issuance of drinking water fund revenue bonds for the purpose of implementing the Alaska Drinking Water Fund Loan Program for the State and its municipalities. This note is payable solely from the Note Account – Drinking Water, into which shall be deposited Drinking Water Revenues constituting interest on loan repayments and investment interest or the proceeds of Drinking Water Bonds, refunding bond anticipation notes on or prior to the maturity of this note.

THIS NOTE SHALL NOT BE DEEMED TO CONSTITUTE A GENERAL OBLIGATION OF THE STATE OF ALASKA OR ANY OF ITS DEPARTMENTS, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF ALASKA OR OF ANY SUCH DEPARTMENT, BUT SHALL BE PAYABLE SOLELY FROM THE NOTE ACCOUNT – DRINKING WATER WITHIN THE BOND FUND – DRINKING WATER AND THE DRINKING WATER REVENUES. THE STATE OF ALASKA SHALL NOT BE OBLIGATED TO PAY THE SAME NOR INTEREST THEREON EXCEPT FROM SUCH PAYMENTS AND PROCEEDS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ALASKA OR OF ANY DEPARTMENT THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THIS NOTE.

The interest on this note is not exempt from federal income taxation. The interest on this note is includible in federal gross income.

This note shall not be validly issued until duly authenticated by the manual signature of the Registrar in the Certificate of Authentication below.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Alaska, and resolutions of the State to be done precedent to and in the issuance of this note have happened, been done and performed.

IN WITNESS WHEREOF, the State of Alaska has caused this note to be executed with the facsimile signature of the Governor of the State of Alaska and to be countersigned by the Lieutenant Governor, this ____ day of _____, 2015.

STATE OF ALASKA

By _____
Governor

Countersigned:

Lieutenant Governor

The Certificate of Authentication on the Drinking Water Note shall be in substantially the following form:

Date of Authentication:

CERTIFICATE OF AUTHENTICATION

This note is the note described in the within-mentioned Resolution and is the State of Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2015 Series B of the State, dated _____, 2015.

STATE OF ALASKA

DEPARTMENT OF REVENUE

By _____
Debt Manager

Section 8. Execution and Delivery of Notes. The Notes shall be executed with the facsimile signature of the Governor and countersigned by facsimile signature of the Lieutenant Governor. The Designated Representative is hereby authorized and directed to authenticate and thereafter to deliver the Notes to the Bank.

Section 9. Disbursement of Note Proceeds.

(a) Alaska Clean Water Fund. The Alaska Clean Water Fund has been established as a State fund by AS 46.03.032. The net proceeds of the Clean Water Note shall be deposited in the Clean Water Fund and shall be disbursed as directed by legislative appropriation to pay costs of Clean Water Projects and for such additional purposes as provided in AS 46.03.032, including but not limited to the provision of state matching funds. Costs of issuance for the Clean Water Note

shall be paid from gross proceeds of the Clean Water Note and shall be paid on the date of issuance of the Clean Water Note.

(b) Alaska Drinking Water Fund. The Alaska Drinking Water Fund has been established as a State fund by AS 46.03.036. The net proceeds of the Drinking Water Note shall be deposited in the Drinking Water Fund and shall be disbursed as directed by legislative appropriation to pay costs of Drinking Water Projects and for such additional purposes as provided in AS 46.03.036, including but not limited to the provision of state matching funds. Costs of issuance for the Drinking Water Note shall be paid from gross proceeds of the Drinking Water Note and shall be paid on the date of issuance of the Drinking Water Note.

Section 10. Repayment of Notes.

(a) Note Account – Clean Water. The Bond Fund – Clean Water has been established as a State fund within the State by AS 37.15.565. There is authorized to be created within the Bond Fund – Clean Water an account to be named the “Note Account – Clean Water.” The Note Account – Clean Water shall be a trust fund used for paying and securing the payment of principal of and interest on the Clean Water Note.

On or prior to the date the Clean Water Note becomes due and payable, and in the event that money is not otherwise on hand in the Note Account – Clean Water, the State shall cause to be deposited in the Revenue Account – Clean Water, sufficient Pledged Clean Water Revenue to pay and redeem the Clean Water Note.

On or before the date on which the Clean Water Note matures, the Designated Representative shall cause to be deposited Pledged Clean Water Revenue in the Note Account – Clean Water or the Committee shall cause Clean Water Bonds to be issued or issue a refunding bond anticipation note in order to provide amounts sufficient to pay and redeem the Clean Water Note. The Designated Representative is hereby authorized to transfer Pledged Clean Water Revenue from the Revenue Account – Clean Water to the Note Account – Clean Water amounts sufficient to pay and redeem the Clean Water Note when due.

The Clean Water Note shall be an obligation only of the Note Account – Clean Water created and maintained within the Bond Fund – Clean Water and shall not constitute a general obligation of the State. When principal of and interest of the Clean Water Note has been paid in full, any remaining amount in the Note Account – Clean Water shall become part of the entire Bond Fund – Clean Water and the Note Account – Clean Water shall be closed.

(b) Note Account – Drinking Water. The Bond Fund – Drinking Water has been established as a State fund within the State by AS 37.15.565. There is authorized to be created within the Bond Fund – Drinking Water an account to be named the “Note Account – Drinking Water.” The Note Account – Drinking Water shall be a trust fund used for paying and securing the payment of principal of and interest on the Drinking Water Note.

On or prior to the date the Drinking Water Note becomes due and payable, and in the event that money is not otherwise on hand in the Note Account – Drinking Water, the State shall cause to

be deposited in the Revenue Account – Drinking Water, sufficient Pledged Drinking Water Revenue to pay and redeem the Drinking Water Note.

On or before the date on which the Drinking Water Note matures, the Designated Representative shall cause to be deposited Pledged Drinking Water Revenue in the Note Account – Drinking Water or the Committee shall cause Drinking Water Bonds to be issued or issue a refunding bond anticipation note in order to provide amounts sufficient to pay and redeem the Drinking Water Note. The Designated Representative is hereby authorized to transfer Pledged Drinking Water Revenue from the Revenue Account – Drinking Water to the Note Account – Drinking Water amounts sufficient to pay and redeem the Drinking Water Note when due.

The Drinking Water Note shall be an obligation only of the Note Account – Drinking Water created and maintained within the Bond Fund – Drinking Water and shall not constitute a general obligation of the State.

When principal of and interest of the Drinking Water Note has been paid in full, any remaining amount in the Note Account – Drinking Water shall become part of the entire Bond Fund – Drinking Water and the Note Account – Drinking Water shall be closed.

Section 11. Further Documents and Certificates. The Chair, Secretary and Designated Representative, as may be appropriate, are authorized and directed to execute any and all documents and do any and all things determined necessary to effect the accomplishment of the issuance, placement and delivery of the Notes and to deliver the necessary documents to the proper parties as requested to carry out the intended purposes of this resolution.

Section 12. Limitations on Liability. Nothing contained in this resolution nor in the Notes, nor any other instrument, shall be construed with respect to the State as incurring a charge upon the general credit of the State or against the taxing power of the State, nor shall the breach of any agreement contained in this resolution, the Notes or any other instrument or document executed in connection therewith impose any charge upon the general credit of the State or the taxing power of the State.

ADOPTED AND APPROVED by the State Bond Committee of the State of Alaska, the 21st day of September, 2015.

STATE OF ALASKA
STATE BOND COMMITTEE

Chris Hladick
Commissioner, Department of Commerce
Community and Economic Development
Chair and Member
Alaska State Bond Committee

Sheldon Fisher
Commissioner, Department of Administration
Member
Alaska State Bond Committee

Randall Hoffbeck
Commissioner, Department of Revenue
Secretary and Member
Alaska State Bond Committee

Approved as to form:

Alaska Department of Law
State of Alaska

CERTIFICATE

I, the undersigned, Secretary of the State Bond Committee of the State of Alaska (herein called the “Committee”) DO HEREBY CERTIFY:

1. That the attached Resolution numbered 2015-05 (herein called the “Resolution”) is a true and correct copy of a resolution of the Committee as adopted at a meeting held on September 21, 2015, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Committee voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of September, 2015.

Secretary

FINAL MEMORANDUM OF UNDERSTANDING

Between: Department of Environmental Conservation **DATE:** October 10, 2013
Department of Revenue

FROM: Deven Mitchell **TELEPHONE:** 465-3750
Debt Manager
Treasury Division

Subject: Clean Water Fund and Drinking Water Fund Bonding

OVERVIEW -

The Clean Water and Drinking Water Funds are revolving loan funds administered by the Department of Environmental Conservation (DEC) with federal oversight provided by the Environmental Protection Agency (EPA). Both Funds are authorized to issue debt through the State Bond Committee. Both Funds hold interest earnings from loans that have been made out of the Funds and interest earnings within the Funds. Federal regulation allows interest earnings within the Funds to be used for the retirement of debts of the Funds.

In an effort to reduce general fund match exposure in obtaining federal match funding DEC (at the suggestion of the EPA) proposed borrowing the state match requirement secured by interest earnings of the Funds and repaying the borrowing immediately. The state has used this exercise to eliminate the need for general fund money to secure federal dollars in each of the last ten years.

TRANSACTION

CLOSING

On October 21, 2014 \$3,283,282.30 in Revenue Bond Anticipation Notes will be issued. \$1,596,574.13 will be issued as the Alaska Clean Water Revenue Bond Anticipation Note, 2014, Series A. \$1,686,708.17 will be issued as the Alaska Drinking water Fund Revenue Bond Anticipation Note, 2014, Series B. The bonds will be purchased by KeyBank, National Association, A KeyCorp Company. Proceeds of the sale will be distributed by KeyBank, National Association, A KeyCorp Company as follows:

1. On October 21, 2014, \$ 1,594,200 will be wired to the State of Alaska for deposit to the Alaska Clean Water Fund held in AY01. There will be a direct posting to the collocation code to ensure interest is credited to the Fund. Wire Instructions are:

State Street Bank & Trust Company

1 Lincoln Street, 17th Floor
Boston, Massachusetts 02111

ABA #011000028
State of Alaska – AY01
General Investment Fund
Account #00657189

2. On October 21, 2014 \$1,684,200 will be wired to the State of Alaska for deposit to the Alaska Drinking Water Fund held in AY01. There will be a direct posting to the collocation code to ensure interest is credited to the Fund. Wire instructions are:

State Street Bank & Trust Company
1 Lincoln Street, 17th Floor
Boston, Massachusetts 02111

ABA #011000028
State of Alaska – AY01
General Investment Fund
Account #00657189

3. On October 21, 2014 Key Bank National Association, A KeyCorp Company will retain \$2,882.30 for payment of the transaction fee of \$2,500 (\$1,215.68 allocable to the 2014A and \$1,284.32 allocable to the 2014B), and one day's interest on the Bond Anticipation Notes of \$382.30 (\$185.90 allocable to the 2014A and \$196.40 allocable to the 2014B).
4. On October 21, 2014 Key Bank National Association, A KeyCorp Company will wire \$2,000 to K&L Gates for payment of services related to the issuance of the BANs. (\$972.55 is allocated to the 2014A and \$1,027.45 to the 2014B)
Wire instructions are:

Send to: US Bank – Private Financial Services
1420 5th Avenue, Suite 2100
Seattle, WA 98101

ABA # 125000105

Credit to: KL Gates LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98104

Account # 153557906580

Reference Required:

Client Matter Number: 2015426-00095
Attorney's Name: Cynthia M. Weed

REDEMPTION

On October 22, 2014 \$1,596,574.13 will be transferred from the interest earnings in the Clean Water Fund to the Bond Redemption Fund. The funds will then immediately be wired to Key Bank National Association, A KeyCorp Company (see wire instructions below) for redemption of the Alaska Clean Water Revenue Bond Anticipation Note, 2014, Series A.

<u>WIRE INSTRUCTIONS SERIES A</u>
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BANK:	KeyBank National Association
ABA ROUTING #:	041001039
ATTN:	Key Agency Services
ACCOUNT #	1140228209035
Ref:	State of Alaska

<u>WIRE INSTRUCTION SERIES B</u>

On October 22, 2014 \$1,686,708.17 will be transferred from interest earnings in the Drinking Water Fund to the Bond Redemption Fund. The funds will then immediately be wired to Key Bank National Association, A KeyCorp Company (see wire instructions below) for redemption of the Alaska Drinking Water Revenue Bond Anticipation Note, 2014, Series B.

BANK:	KeyBank National Association
ABA ROUTING #:	041001039
ATTN:	Key Agency Services
ACCOUNT #	1140228209035
Ref:	State of Alaska

STATE BOND COMMITTEE

RESOLUTION NO. 2015-06

A Resolution of the State Bond Committee of the State of Alaska Allocating a Portion of the Private Activity Bond Volume Limit of the State of Alaska For Calendar Year 2015

WHEREAS, Alaska Statute 37.15.800 directs the State Bond Committee (the "Committee") to allocate the private activity bond volume limit for Alaska (the "volume cap") as authorized under 26 U.S.C. 146(e); and

WHEREAS, the volume cap for calendar year 2015 is \$301,515,000; and

WHEREAS, the Alaska Housing Finance Corporation (AHFC) has received an allocation of \$8,500,000 of volume cap for a multi-unit facility to enhance access to affordable rental housing for Alaska's low-income and elderly population; and

WHEREAS, the Alaska Industrial Development and Export Authority (AIDEA) has received an allocation of \$5,000,000 of volume cap to refund bonds related to the financing of the Snettisham Hydroelectric Project and pay for costs of issuance and reserves; and

WHEREAS, the Alaska Industrial Development and Export Authority (AIDEA) has received an additional allocation of \$100,000,000 of volume cap to provide for anticipated future projects that are estimated to accumulate to \$200 million; and

WHEREAS, the Alaska Housing Finance Corporation (AHFC) has requested an additional allocation of \$4,000,000 of volume cap for a 20 unit low income housing for the target population of Mental Health Trust beneficiaries; and

WHEREAS, over the last three years there have been very limited requests for volume cap with annual year end allocations to AHFC of the majority of each year's cap for potential use in future years; and

WHEREAS, private activity bond volume cap allocations are available for use until February of the year following allocation and then may be designated and carried forward for an additional period of three years; and

WHEREAS, the additional allocation will lower the cost of the financing of AHFC;

WHEREAS, there have been no municipal and there are no additional requests for volume cap at this time for 2015 volume cap.

State Bond Committee
Resolution 2015-06

Page 2 of 2

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOND COMMITTEE:

Section 1. The Committee hereby reaffirms the May 5, 2015 allocation of \$8,500,000 of the 2015 private activity bond volume limit for Alaska to AHFC.

Section 2. The Committee hereby reaffirms the May 5, 2015 allocation of \$105,000,000 of the 2015 private activity bond volume limit for Alaska to AIDEA.

Section 3. The Committee approves an additional allocation of \$4,000,000 of the 2015 private activity bond volume limit for Alaska to AHFC.

Section 4. This Resolution is effective immediately.

DATED AND ADOPTED this 21st day of September, 2015.

Chris Hladick, Commissioner
of the Department of Commerce, Community and
Economic Development, Chair

Randy Hoffbeck, Commissioner of the
Department of Revenue, Secretary

Sheldon Fisher, Commissioner of the
Department of Administration, Member

APPROVED AS TO FORM:

Attorney General of the
State of Alaska

Memorandum

Date: September 17, 2015
To: Alaska State Bond Committee
From: Peter Haines, Senior Finance Officer
Re: 2015 Private Activity Volume Cap Allocation for Multifamily

The Alaska Housing Finance Corporation has been approached with respect to the financing of a multi-unit facility that will provide 20 new units of permanent supportive housing for the target population of Mental Health Trust beneficiaries. The project in question is Susitna View, located in Anchorage, Alaska.

As the Committee is aware, Section 42 of the Internal Revenue Code of 1986, as amended, allows the allocation of federal Low Income Housing Tax Credits ("LIHTC") to projects that are at least 50% financed by the proceeds of tax-exempt bonds subject to volume cap. The Susitna View project contemplates the use of such tax credits for a significant portion of its capital structure. In furtherance of this, AHFC respectfully requests the allocation of \$4,000,000 of 2015 multifamily private activity volume cap.

The direct benefit to the State is additional affordable housing inventory for chronically homeless Alaskans using capital funds derived from the sale of tax credits rather than from State general funds. Furthermore, bonds issued pursuant to the above volume cap request will be revenue bonds that do not require the general obligation pledge of the State.

The Committee's consideration is sincerely appreciated.

State of Alaska

GO Bond Project Tracking as of Quarter end: 06/30/15

Agency	Project	Legal Appropriation Level 50 AR				Funding Source Level 75 AR				COA 2013 Actual	COA 2014 Actual	COA 2015				COA 2015 Proj	COA 2016 Proj	COA 2017 Proj	COA 2018 Proj	Const Remaining	Total Exp on original	Total		
		SLA 2012, CH				Construction				Ttl year	Ttl year	Act	Act	Act	Proj	Proj	Proj	Proj	Proj	Life of Job	Bond Issue	Project		
		17, Sec 4	AR #	TY		Budget	Budget	AR #	TY														Fund #	
Commerce, Community, and Economic Development																								
	Anchorage - Port of Anchorage Expansion					\$ 4,351,131	9310	2017	13331	\$ -	\$ 153,127	\$ 3,946,556	\$ (3,276,808)	\$ 1,069,129	\$ 2,459,128	\$ 4,198,004	\$ 9,960,759	\$ 8,062,129	\$ -	\$ -	\$ (18,022,888)	\$ 4,351,131		
	Bethel - Harbor Dredging					\$ 4,000,000	9312	2017	13331	\$ -	\$ 5,599	\$ -	\$ 3,946,556	\$ 46,315	\$ 1,531	\$ 3,994,401	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 4,000,000		
	Bristol Bay Borough - Port of Bristol Bay Expansion and Pile Dock Replacement					\$ 7,000,000	9314	2017	13331	\$ -	\$ 5,174,165	\$ -	\$ 1,573,899	\$ 251,936	\$ -	\$ 1,825,835	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ 7,000,000		
	Emmonak - Port Improvements					\$ 2,516,700	9316	2017	13331	\$ -	\$ -	\$ -	\$ -	\$ 24,621	\$ 161,379	\$ 186,000	\$ 2,814,000	\$ -	\$ -	\$ -	\$ -	\$ (483,300)	\$ 2,516,700	
	Haines Borough - Boat Harbor Upgrades					\$ -	9318	2017	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000,000	\$ 6,000,000	\$ -	\$ -	\$ (15,000,000)	\$ -		
	Hooper Bay - Boat Harbor					\$ 1,000,000	9320	2017	13331	\$ -	\$ 233,200	\$ -	\$ 766,800	\$ -	\$ -	\$ 766,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000		
	Kodiak - Pier III Replacement					\$ 13,444,453	9322	2017	13331	\$ -	\$ -	\$ -	\$ -	\$ 2,239,021	\$ 4,000,000	\$ 6,239,021	\$ 1,555,546	\$ -	\$ -	\$ -	\$ 5,649,886	\$ 13,444,453		
	Kotzebue - Cape Blossom Road and Deep Water Port					\$ 3,000,000	9324	2017	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 4,500,000	\$ -	\$ 2,500,000	\$ -	\$ (6,000,000)	\$ 3,000,000		
	Matanuska-Susitna Borough - Bogard Road Extension East					\$ 7,000,000	9326	2017	13331	\$ -	\$ 273,959	\$ 497,279	\$ 2,671,828	\$ 1,105,981	\$ 500,000	\$ 4,775,088	\$ 6,500,000	\$ -	\$ -	\$ -	\$ (4,549,047)	\$ 7,000,000		
	Matanuska-Susitna Borough - Port Mackenzie rail Extension					\$ 25,319,246	9328	2017	13331	\$ -	\$ 6,935,167	\$ 3,265,814	\$ 2,751,881	\$ 7,366,383	\$ 7,000,000	\$ 20,384,079	\$ 4,680,754	\$ -	\$ -	\$ -	\$ (6,680,754)	\$ 25,319,246		
	Nenana - Totchaket Resource Development Corridor Access					\$ 6,500,000	9330	2017	13331	\$ 192,668	\$ 3,058,776	\$ 39,028	\$ 3,062,582	\$ 3,389	\$ 96,945	\$ 3,201,945	\$ -	\$ -	\$ -	\$ -	\$ 46,611	\$ 6,500,000		
	Nome - Port Design and Construction					\$ 5,122,775	9332	2017	13331	\$ 231,219	\$ 3,824,178	\$ 433,280	\$ 370,577	\$ 13,521	\$ 500,000	\$ 1,317,378	\$ -	\$ 177,226	\$ -	\$ -	\$ (427,226)	\$ 5,122,775		
	Sand Point - Sand Point Road Rehabilitation					\$ 2,500,000	9334	2017	13331	\$ -	\$ -	\$ -	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500,000		
	Seward - Marine Industrial Center Expansion					\$ 2,452,075	9336	2017	13331	\$ -	\$ 826,193	\$ -	\$ 81,963	\$ 1,307,114	\$ 376,943	\$ 1,766,020	\$ 7,547,925	\$ -	\$ -	\$ -	\$ (7,688,063)	\$ 2,452,075		
	Sitka - Sawmill Cove Industrial Park Dock					\$ 563,795	9338	2017	13331	\$ 65	\$ 34,976	\$ -	\$ 74,445	\$ 254,310	\$ 200,000	\$ 528,755	\$ 6,940,445	\$ -	\$ -	\$ -	\$ (6,940,445)	\$ 563,795		
	St. George - Harbor Reconstruction					\$ 1,190,000	9340	2017	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 690,000	\$ 690,000	\$ 1,810,000	\$ -	\$ -	\$ -	\$ (1,310,000)	\$ 1,190,000		
	Togiak - Waterfront Transit Facility					\$ 3,300,000	9342	2017	13331	\$ 800,000	\$ 2,329,282	\$ -	\$ 160,344	\$ (6,498)	\$ -	\$ 153,846	\$ -	\$ -	\$ -	\$ -	\$ 16,872	\$ 3,300,000		
	Newtok Traditional Council - Mertarvik Evacuation Road Construction					\$ -	32193	2016	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,100,000	\$ -	\$ -	\$ (4,100,000)	\$ -		
						\$ 195,400,000				\$ 89,260,175		\$ 1,223,952	\$ 22,848,622	\$ 8,181,958	\$ 14,684,066	\$ 13,675,223	\$ 17,985,925	\$ 54,527,172	\$ 55,309,429	\$ 20,839,355	\$ -	\$ (65,488,355)	\$ 89,260,175	
Transportation and Public Facilities																								
	Anchorage - Glenn Highway, Hiland Road to Artillery Road Reconstruction					\$ 41,987,790	59238	2019	13331	\$ -	\$ -	\$ -	\$ 3,895,460	\$ 3,339,184	\$ 19,541,239	\$ 26,775,884	\$ 19,924,117	\$ -	\$ -	\$ -	\$ (4,712,211)	\$ 41,987,790		
	Anchorage - Glenn Highway/Muldoon Road Interchange Reconstruction					\$ 3,287,051	59244	2019	13331	\$ -	\$ 202,413	\$ 309,086	\$ 321,386	\$ 499,229	\$ 672,474	\$ 1,802,175	\$ 9,795,836	\$ 699,576	\$ -	\$ -	\$ (9,212,949)	\$ 3,287,051		
	Anchorage - New Seward Highway/36th Avenue Reconstruction					\$ -	59247	2019	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000,000	\$ 11,000,000	\$ -	\$ (26,000,000)	\$ -		
	Anchorage - New Seward Highway - MP 75-90 Bridge Repairs					\$ -	59246	2019	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
	Anchorage - O'Malley Road Reconstruction					\$ 865,000	59254	2019	13331	\$ -	\$ 414,507	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ 9,385,493	\$ 4,800,000	\$ -	\$ -	\$ (14,135,000)	\$ 865,000		
	Elliott Highway, MP 108-120 Reconstruction					\$ 6,500,000	59255	2019	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 1,500,000	\$ 2,000,000	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ 6,500,000		
	Fairbanks - Old Steese Highway to McGrath Road Reconstruction and Extension					\$ 850,000	59258	2019	13331	\$ -	\$ 264,957	\$ 4,880	\$ 204,899	\$ 116,826	\$ 250,000	\$ 576,606	\$ 2,168,206	\$ 3,280,000	\$ 13,100,000	\$ -	\$ (18,539,768)	\$ 850,000		
	Fairbanks - Wendell Street Bridge Replacement					\$ 668,695	59262	2019	13331	\$ 334,270	\$ 533,383	\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000	\$ 750,000	\$ 8,200,000	\$ -	\$ -	\$ (9,193,957)	\$ 668,695		
	Juneau - Glacier Highway, MP 4-6 Improvements					\$ -	59267	2019	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ 5,200,000	\$ -	\$ -	\$ (5,500,000)	\$ -		
	Juneau - Mendenhall Loop Improvements					\$ 900,000	59268	2019	13331	\$ -	\$ 18,357	\$ 14,102	\$ 19,685	\$ 25,394	\$ 100,000	\$ 159,181	\$ 400,000	\$ 5,422,462	\$ -	\$ -	\$ (5,100,000)	\$ 900,000		
	Kenai - Kenai Spur Road Rehabilitation					\$ 895,000	59269	2019	13331	\$ -	\$ -	\$ 18,968	\$ 37,708	\$ 569,746	\$ 300,000	\$ 926,422	\$ 3,195,000	\$ 15,873,816	\$ 100,000	\$ -	\$ (19,200,238)	\$ 895,000		
	Ketchikan - Shelter Cove Road Construction and Improvements					\$ -	59270	2019	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,200,000	\$ 10,800,000	\$ -	\$ (19,000,000)	\$ -		
	Mat-Su - Fairview Loop Reconstruction					\$ -	59271	2019	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -	\$ -	\$ (10,000,000)	\$ -		
	Mat-Su - Knik Goose Bay Road Reconstruction					\$ -	59273	2019	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450,000	\$ 450,000	\$ 9,525,000	\$ 4,850,000	\$ 175,000	\$ -	\$ (15,000,000)	\$ -		
	North Pole - Plack Road Improvements					\$ 1,430,500	59281	2019	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,325,000	\$ 1,325,000	\$ 3,050,000	\$ 3,000,000	\$ -	\$ -	\$ (5,944,500)	\$ 1,430,500		
	Platinum Airport Runway Extension					\$ 3,092,348	59283	2019	13331	\$ -	\$ 2,169,961	\$ 823,437	\$ 34,082	\$ 14,159	\$ 75,000	\$ 946,678	\$ -	\$ -	\$ -	\$ -	\$ (24,291)	\$ 3,092,348		
	Richardson Highway - Ruby Creek Bridge Replacement					\$ -	59284	2019	13331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ 75,000	\$ 7,000,000	\$ -	\$ -	\$ -	\$ (7,075,000)	\$ -		
	Sitka - Katlian Bay Road Construction					\$ 2,370,101	59291	2019	13331	\$ 116,655	\$ 171,298	\$ 433,839	\$ 404,310	\$ 494,755	\$ 500,000	\$ 1,832,904	\$ 2,000,000	\$ 9,995,798	\$ -	\$ -	\$ (11,746,554)	\$ 2,370,101		
						\$ 254,500,000				\$ 62,846,485		\$ 450,925	\$ 3,774,876	\$ 1,604,312	\$ 4,917,530	\$ 5,059,293	\$ 30,233,713	\$ 41,814,849	\$ 74,493,652	\$ 86,021,652	\$ 35,175,000	\$ (178,884,469)	\$ 62,846,485	
Total for State of Alaska:						\$ 449,900,000				\$ 152,106,660		\$ 901,850	\$ 7,549,752	\$ 9,786,270	\$ 19,601,597	\$ 18,734,516	\$ 48,219,638	\$ 56,853,814	\$ 129,063,187	\$ 172,043,304	\$ 70,350,000	\$ (353,056,727)	\$ 152,106,660	

Control totals by Tab:																						
Total for State:		\$ 449,900,000	\$ 449,900,000	\$ 152,106,660		\$ 1,674,877	\$ 26,623,498	\$ 9,786,270	\$ 19,601,597	\$ 18,734,516	\$ 48,219,638	\$ 96,342,021	\$ 129,803,081	\$ 106,861,007	\$ 35,175,000	\$ (244,372,824)	\$ 152,106,660					\$ 449,900,000
Fully Appropriated					Short Funded	*Short Funded*																
Check balances:		ok	ok			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,275,000)	\$ 312,184,995	\$ 297,793,340				ok

Use of Funds by Bond type by Qtr:																						
2013 Series C Bonds BAN now 2014 Series		\$ 152,106,660		13331	\$ 1,674,877	\$ 26,623,498	\$ 9,786,270	\$ 19,601,597	\$ 18,734,516	\$ 48,219,638	\$ 96,342,021	\$ 129,803,081	\$ 106,861,007	\$ 35,175,000	\$ (244,372,824)	\$ 152,106,660						
		\$ 152,106,660			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						
		\$ 152,106,660			\$ 1,674,877	\$ 26,623,498	\$ 9,786,270	\$ 19,601,597	\$ 18,734,516	\$ 48,219,638	\$ 96,342,021	\$ 129,803,081	\$ 106,861,007	\$ 35,175,000	\$ (244,372,824)	\$ 152,106,660						
Utilization of Fund balance by Bond type:																						
Over funded		\$ 152,106,660		13331	\$ 150,431,783	\$ 123,808,285	\$ 138,306,271	\$ 122,731,575	\$ 118,231,668	\$ 75,588,647	\$ 27,466,265	\$ (102,336,817)	\$ (209,197,824)	\$ (244,372,824)	\$ 142,036,007							
Fully funded				TBD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -							
Net Balance Bond Funds:		\$ 152,106,660			\$ 150,431,783	\$ 123,808,285	\$ 138,306,271	\$ 122,731,575	\$ 118,231,668	\$ 75,588,647	\$ 27,466,265	\$ (102,336,817)	\$ (209,197,824)	\$ (244,372,824)	\$ 142,036,007							

Prior qtr projection: 03

General Obligation Bond Funds
Net Asset Value
As of the Month Ending
June 30, 2015

Cash and Cash Equivalents

Short-term Fixed Income Pool

AY2Q 2008 Transportation Project Government Bonds	6,932,313.66	
AY3R 2010-A GO Bonds	23,985.82	
AY3U 2010-B GO Bonds	-	
AY3V 2010-C GO Bonds	180,623.72	7/1
AY3W 2013-A GO Bonds	1,228,228.91	
AY3Y 2012 Transportation Bond Act BANs	76,186,577.13	68,500,000
AY3Z 2013-B GO Bonds	50,936,051.30	
Total Short-term Fixed Income Pool	<u>135,487,780.54</u>	forecast at

Receivables and Payables

Income Receivable	31,416.26	
Income Payable To/From	-	
Total Receivables/Payables	<u>31,416.26</u>	

Total Assets	<u>\$ 135,519,196.80</u>
---------------------	---------------------------------

4/1 \$94.1 million

US RATE FORECASTS

JANNEY FIXED INCOME STRATEGY

SEPTEMBER 10, 2015



Moment of truth: with the FOMC September meeting one week away, we are projecting a “split the baby in two” micro hike.

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US RATE FORECASTS

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INTEREST RATES: SEPTEMBER FORECAST UPDATES

- **Short rates:** This is it, the moment of truth. The FOMC begins their Sept meeting next Wednesday and will announce the results Thursday at 2PM EDT, including the economic projections, dot plot, and Yellen presser at 2.30PM. Recent economic data--positive on jobs, negative on inflation--could go either way, which is why we believe the FOMC will come to a “split the baby” consensus. In this context, that means a micro hike of 10 or 15 basis points, while keeping the fed funds target range relatively wide. Such a solution also allows policymakers to see whether the newly-introduced RRP/IOER corridor holds.
- **Intermediate Duration:** The belly of the yield curve is having a good-not-great 2015 and has been largely ignored in recent weeks as long end yields have swung around with sensitivity to equity market performance. What happens with 3 - 7 year yields is largely contingent on the guidance the FOMC provides, not on the timing of the first hike. It's our bet that the FOMC statement will highlight the meeting-by-meeting nature of future hike decisions, which should be modestly positive for the belly, though a lot of that variable nature is priced in at this point.
- **Long End:** While it's hard to be bullish on the long end of the curve with a peak fed funds rate of less than 2% fully priced in, historical experience suggests that the initial phases of a Fed tightening cycle are positive for the ten year and out portion of the curve. Ironically, if the Fed signals a faster pace of rate hikes, we'll likely see long end rates come down, owing to markets pricing in greater probability of a policy error and recession in 2017 - 2018. There are still good odds that we never hit 2% fed funds in this cycle, though market pricing is unlikely to recognize this likelihood for the time being.

US Interest Rate Forecast Matrix

Central Bank Rates	Current	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	2Q 2017
Fed Funds Lower	0.00%	0.125%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%
Fed Funds Upper	0.25%	0.375%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%

Treasury Curve	Current	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	2Q 2017
3m Bill	0.03%	0.04%	0.11%	0.52%	0.61%	0.86%	1.04%	1.28%
2yr Note	0.74%	0.73%	0.88%	1.04%	1.17%	1.30%	1.44%	1.64%
5yr Note	1.54%	1.44%	1.53%	1.64%	1.76%	1.85%	1.94%	2.07%
10yr Note	2.21%	2.16%	2.13%	2.19%	2.22%	2.26%	2.31%	2.39%
30yr Bond	2.97%	2.89%	2.85%	2.88%	2.85%	2.83%	2.82%	2.85%

2s/10s	147 bps	143 bps	125 bps	115 bps	105 bps	96 bps	87 bps	75 bps
5s/30s	144 bps	146 bps	132 bps	123 bps	109 bps	98 bps	88 bps	78 bps
10s/30s	77 bps	74 bps	72 bps	69 bps	63 bps	57 bps	51 bps	46 bps

LIBOR/Swaps Curve	Current	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	2Q 2017
3m LIBOR	0.33%	0.35%	0.49%	0.82%	0.99%	1.24%	1.49%	1.74%
2yr Swap	0.87%	0.86%	1.01%	1.17%	1.30%	1.43%	1.57%	1.77%
5yr Swap	1.59%	1.49%	1.58%	1.70%	1.81%	1.90%	1.99%	2.13%
10yr Swap	2.22%	2.17%	2.15%	2.21%	2.24%	2.28%	2.33%	2.41%
30yr Swap	2.69%	2.62%	2.57%	2.60%	2.57%	2.55%	2.55%	2.57%

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US RATE FORECASTS

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Stable: Janney FIS believes there are factors which point towards stable issuer or sector credit quality which are unlikely to result in either potential credit ratings upgrades or downgrades.

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Negative: Janney FIS believes there are factors which point towards weakening in issuer credit quality that will likely result in credit ratings downgrades.

Definition of Ratings

Overweight: Janney FIS expects the target asset class or sector to outperform the comparable benchmark (below) in its asset class in terms of total return

Marketweight: Janney FIS expects the target asset class or sector to perform in line with the comparable benchmark (below) in its asset class in terms of total return

Underweight: Janney FIS expects the target asset class or sector to underperform the comparable benchmark (below) in its asset class in terms of total return

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Asset Classes: Janney FIS ratings for domestic fixed income asset classes including Treasuries, Agencies, Mortgages, Investment Grade Credit, High Yield Credit, and Municipals employ the "Barclay's U.S. Aggregate Bond Market Index" as a benchmark.

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Agencies: Janney FIS ratings employ the "Barclay's U.S. Agency Index" as a benchmark.

Mortgages: Janney FIS ratings employ the "Barclay's U.S. MBS Index" as a benchmark.

Investment Grade Credit: Janney FIS ratings employ the "Barclay's U.S. Credit Index" as a benchmark.

High Yield Credit: Janney FIS ratings employ "Barclay's U.S. Corporate High Yield Index" as a benchmark.

Municipals: Janney FIS ratings employ the "Barclay's Municipal Bond Index" as a benchmark.

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**Bill Conerly** Contributor*I connect the dots between the economy and business decisions.*

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STRATEGIES 3/05/2015 @ 11:47AM | 134,658 views

Interest Rate Forecast 2015 - 2016

Update: I added a post about [The Fed's Game Plan: Tightening At One-Third Throttle](#).

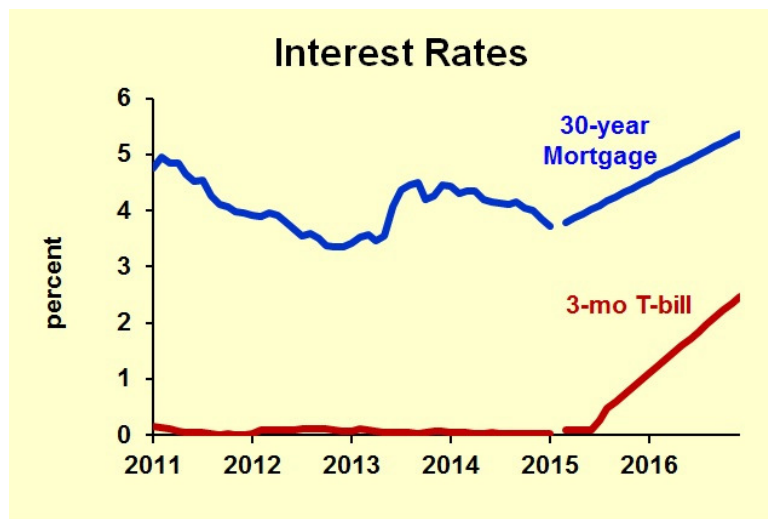
Update: I added a comment on [the Fed's March 18 monetary policy statement](#), indicating a stronger case for an August tightening than this article indicates.

Interest rates are headed up, but at a fairly mild pace. The Federal Reserve will start pushing short-term rates up this summer, probably in June. Long-term rates will rise also, thanks to global demand for credit rising faster than global

savings.

The Fed's upcoming tightening decision puzzles many people, because current inflation is very low. The Fed's goal is for their favorite inflation gauge, the [personal consumption price index excluding food and energy](#), to rise by two percent annually. It's currently at 1.5 percent.

The key to the Fed's thinking, though, is time lags. In crude terms, the time lag between Fed action and the real side of the economy (spending, employment and production) is about one year, and the further lag to price changes is another year. Thus, the Fed today is thinking about the prospects for inflation in 2017. The current rate of economic growth could well result in accelerating inflation two years from now, so the Fed will act soon.



There is no single economic indicator that drives the Fed's thinking, but they are certainly aware of good results for gross domestic product, employment, industrial production, as well as the stimulus coming from lower oil prices.

The Fed probably will not feel the need to press down too hard on the brake pedal. When they are desperate, they move short-term interest rates by three percentage points in a year. More likely this cycle is an increase of 1.5 percentage points over a 12-month period, followed by a similar increase the following 12 months.

Statements by Federal Reserve officials emphasize that their plans are data dependent. That is, if the economy falters, then the rate hikes will be postponed. If the economy strengthens, the rate hikes could be sooner and more pronounced.

Long-term interest rates, such as mortgages and Treasury bonds, are driven more by worldwide financial forces, with smaller effects from Federal Reserve policy. The [world economic outlook](#) is for growth at about the recent pace. We had previously been expecting an acceleration, but disappointments in Europe and China have toned down that optimism. Still, the projections imply that global demand for credit will exceed global supply of savings, pushing interest rates up. The

increase, though, will be fairly small. If the global economy accelerates, then look for a faster increase in long-term interest rates. Conversely, a global recession would push rates down.

In my [speeches to business audiences about the economic outlook](#), I find that real estate agents tend to panic at the idea that mortgages might go to six percent interest. My first mortgage was at 13 percent, so I don't worry too much about half that rate. The key is understanding that the higher rates will be driven by stronger demand for credit, coming from a strengthening economy. In that environment, home sales can grow even though mortgage rates rise, at least for a year or two.

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Market Commentary

Long-Term Municipal Market Report

- The municipal market was tested last week amid elevated supply of \$9.7 billion and volatility in the UST market; the tax-exempt curve steepened as 2-year MMD declined 3 bps while 30-year MMD increased 10 bps^{1,2}
- Primary issuance is expected to be light this week at \$3.7 billion, with the \$1.0 billion J.P. Morgan-led Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds transaction serving as the largest deal of the week^{1*}
- Municipal bond funds indicated outflows of \$333 million, although YTD net investment is still \$7 billion³

Short-Term Market Report

- SIFMA remained unchanged at its all time low of 0.02% and 1-year MMD declined 2 bps to 0.23% last week on the back of light short-term supply²

Taxable Market Report

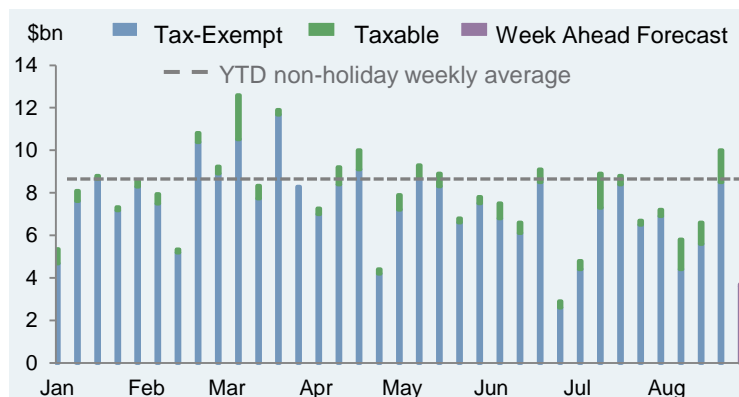
- UST yields exhibited volatility last week amid declining Chinese equity markets, speeches from multiple FOMC members, and mixed U.S. economic data (see page 2)⁴
- Last week, 5-, 10-, and 30-year UST yields increased 9, 13, and 16 bps, respectively, and were volatile intraday
 - The 10-year UST yield moved 31 bps between its intraweek high and low¹
 - The Dow Jones Industrial Average declined nearly 600 points last Monday, but increased during the latter half of the week to finish almost 200 points higher than the previous Friday¹
- Market participants this week will focus on several economic events, including Manufacturing PMI data on Tuesday and the August labor report on Friday

¹Bloomberg

*Preliminary, subject to change

²Thomson Reuters Municipal Market Data³Lipper FMI, iMoneyNet, for period ending 8/26/2015⁴J.P. Morgan Research, *US Fixed Income Weekly- Cross Sector Overview*, 8/28/2015, jpmm.com

This week's supply is expected to be below the YTD non-holiday weekly average of \$8.4 billion



Source: Bloomberg, J.P. Morgan Research, *US Fixed Income Weekly – Municipals*, 8/28/2015, jpmm.com

Current Rates

Short Term Market	8/28/2015	8/21/2015	Average ¹
SIFMA Index (BMA)	0.02%	0.02%	1.15%
1-Month LIBOR	0.20%	0.20%	1.59%
SIFMA / 1M-LIBOR Ratio	10.07%	10.03%	71.36%
Long Term Market	8/28/2015	8/21/2015	Average ¹
AAA MMD (30Y)	3.10%	3.00%	3.98%
AAA MMD (20Y)	2.88%	2.80%	3.71%
AA MMD (30Y)	3.34%	3.23%	4.16%
A MMD (30Y)	3.72%	3.61%	4.59%
BBB MMD (30Y)	4.10%	3.99%	5.15%
Bond Buyer 20 Bond Index (GO)	3.79%	3.73%	4.32%
Bond Buyer Revenue Bond Index	4.20%	4.08%	4.94%
BB 30-Day Visible Supply	\$6.85 bn	\$12.15 bn	--
All Muni Fund Flows ²	-\$142 mm	-\$77 mm	--

Source: J.P. Morgan, Bloomberg, Thomson Reuters Municipal Market Data, The Bond Buyer

¹Calculated from 10-year historical data, where available²Reflects the 4-week average for all tax-exempt mutual funds reporting on a weekly or monthly basis, excluding tax-exempt money market funds; Lipper FMI, iMoneyNet

AAA Tax-exempt Interest Rate Forecast

	8/28/15	3Q15	4Q15	1Q16
2-Year	0.59%	0.69%	0.85%	1.00%
5-Year	1.33%	1.48%	1.65%	1.75%
10-Year	2.16%	2.30%	2.40%	2.45%
30-Year	3.10%	3.20%	3.30%	3.35%

Source: J.P. Morgan Research, *US Fixed Income Weekly- Municipals*, 8/28/2015, jpmm.com

Current Yield Curve Rates and Ratios

Current Yield Curve	1 Y	5 Y	10 Y	30 Y
MMD	0.23%	1.33%	2.16%	3.10%
UST	0.41%	1.52%	2.18%	2.91%
MMD / UST Ratio	55.6%	87.4%	98.9%	106.7%

Source: J.P. Morgan, Thomson Reuters Municipal Market Data

U.S. Treasury Interest Rate Forecast

Security	8/28/15	3Q15	4Q15	1Q16	2Q16
Effective Fed Funds	0.14%	0.40%	0.40%	0.65%	0.90%
3-Month LIBOR	0.33%	0.55%	0.55%	0.80%	1.05%
2-Year T Note	0.73%	0.80%	1.00%	1.20%	1.35%
5-Year T Note	1.52%	1.65%	1.85%	2.00%	2.10%
10-Year T Note	2.18%	2.25%	2.45%	2.55%	2.65%
30-Year T Bond	2.91%	2.95%	3.10%	3.20%	3.25%

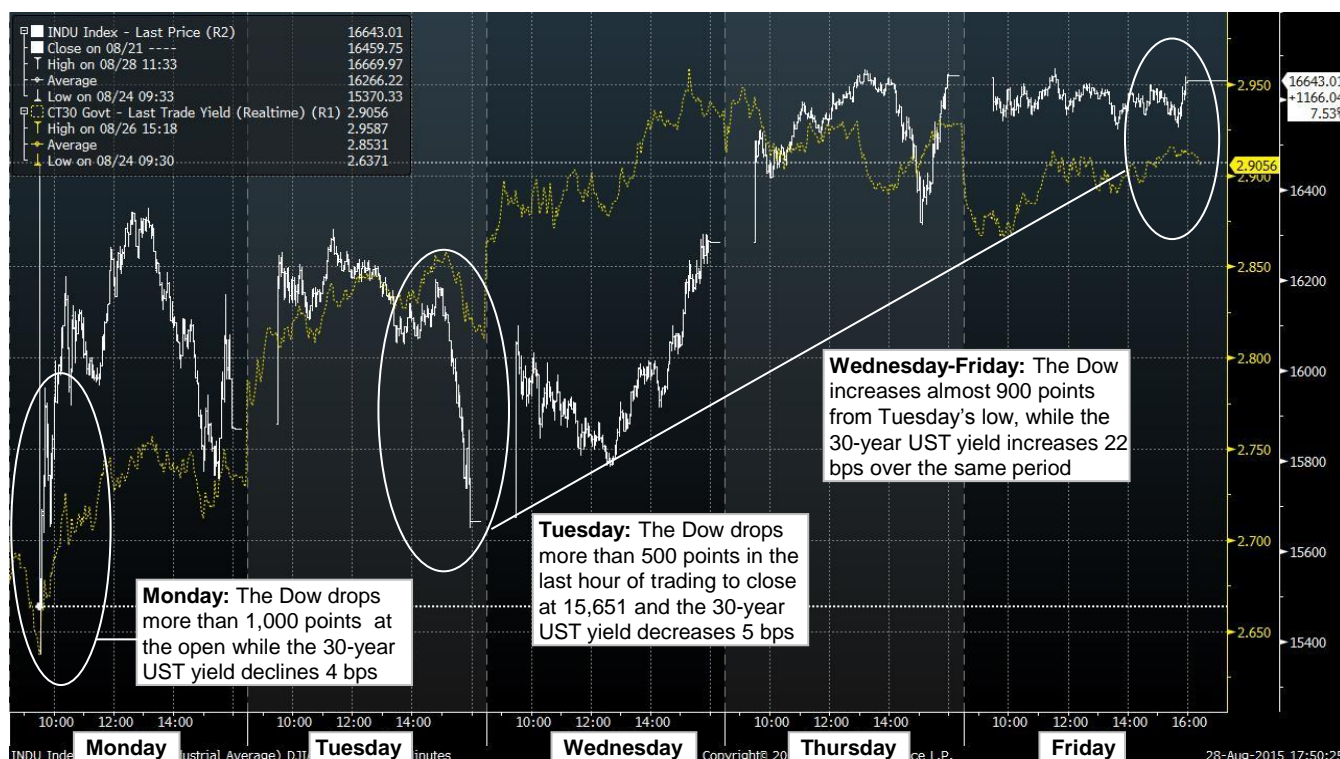
Source: J.P. Morgan Research, *U.S. Interest Rate Forecast*, 8/28/2015

For additional market information and commentary, please go to J.P. Morgan Markets at jpmm.com
We welcome your feedback on this market update at <https://www.surveymonkey.com/s/JPMPublicFinance>

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Market sentiment buoyed last week between risk-on and risk-off



Source: Bloomberg; white line represents DJIA, yellow line represents the yield on the 30-year UST bond

- Volatility emerged this week on the back of heightened concerns regarding:
 - Slow growth of the Chinese economy and the use of government intervention in its market operations
 - Shifting expectations regarding the timing of the Fed's initial interest rate hike, given recent economic data and speeches from various FOMC members
 - Continued volatility in energy prices

Source: Bloomberg

Volatility continues in global markets as the Shanghai Composite declined more than 10% last week

	8/28/2015	8/21/2015	8/21-8/28	8/21-8/28	8/21-8/28
	Current	Change From Last Week	Intraweek Max	Intraweek Min	Peak to Trough
5-Year UST	1.52%	+9 bps	1.53%	1.29%	24 bps
10-Year UST	2.18%	+13 bps	2.21%	1.90%	31 bps
30-Year UST	2.91%	+16 bps	2.96%	2.62%	34 bps
S&P 500	1,989 pts	+18 pts	1,993 pts	1,867 pts	126 pts
Dow Jones	16,643 pts	+183 pts	16,670 pts	15,370 pts	1,300 pts
VIX Index	26.05	-1.98	53.29	24.49	28.80 pts
Crude Oil WTI	45.22 USD	+4.22 USD	45.90 USD	37.75 USD	8.15 USD
Shanghai Composite Index	3,232 pts	-275 pts	3,388 pts	2,851 pts	537 pts

Source: Bloomberg

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Update on Alaska International Airport System Series 2015 Bonds

Goldman, Sachs & Co.

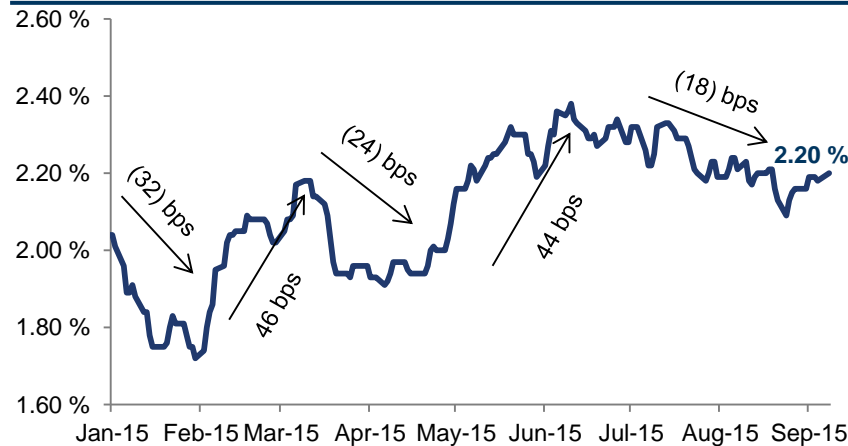
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September 21st, 2015

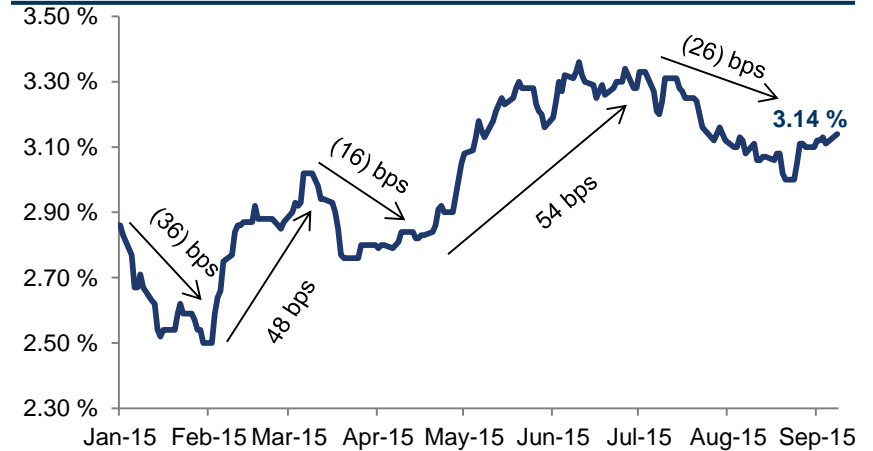
Volatility Has Increased in 2015YTD, While Rates Remain Below 15 Year Average

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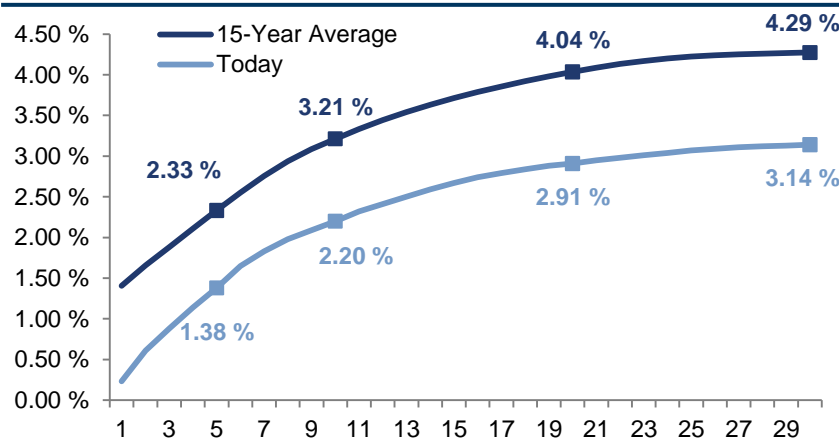
10-year MMD YTD



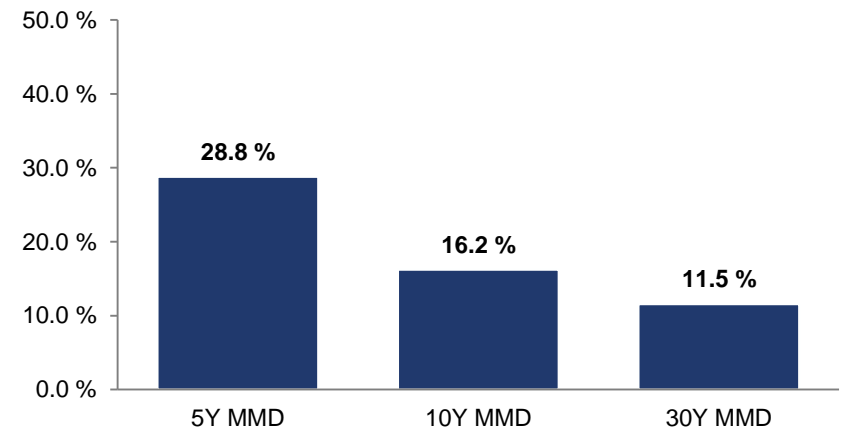
30-year MMD YTD



15-year Average MMD vs. Today



Percent Of Time Rates Have Been Lower Since 2000



Rates as of September 8, 2015

1. Source: SDC as of September 8, 2015. Tax-exempt, fixed-rate issuance

Airport Sector and Airport Bond Market in the Last Twelve Months

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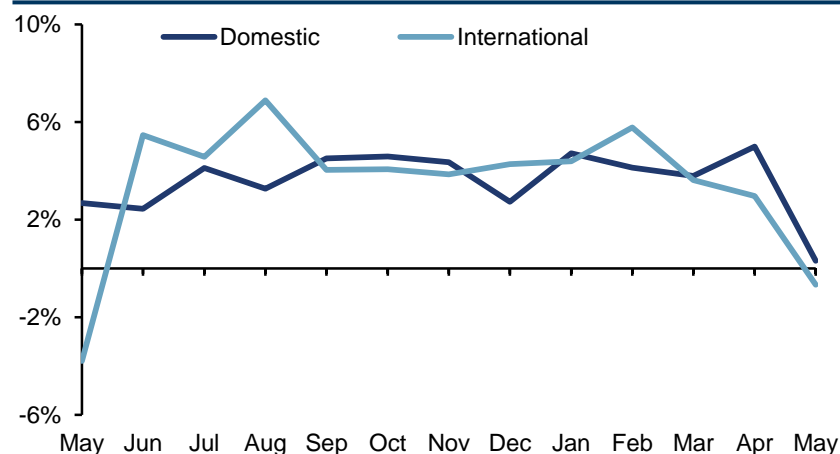
Key Sector Themes

- Stable enplanement growth of 1.61% nationwide over last twelve months
- Airline financial results
 - Q2 2015 showed \$5.1bn of net income for majors
 - Delta increasing service to Seattle-Tacoma, Alaska Airlines' home airport
 - Low fuel cost
 - Cost and capacity management
- Demand causing many airports to reinvest in facilities
- Outlook for federal funding / PFCs remains uncertain

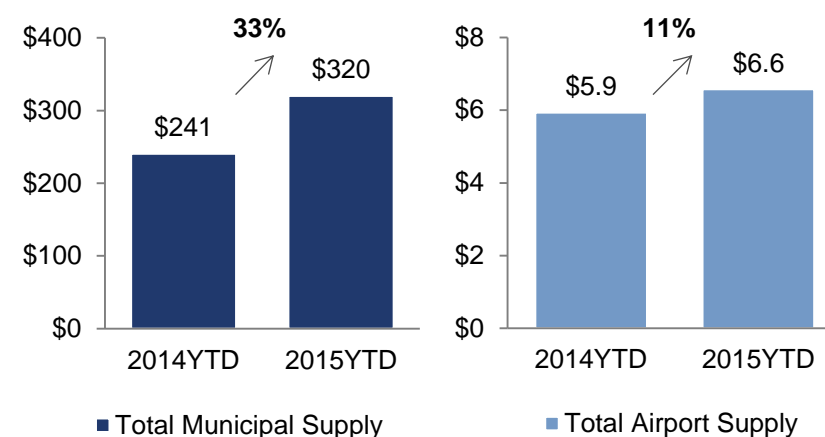
Selected Recent Transactions

Issuer	Date	Par (\$mm)	Status	Ratings
Philadelphia	8/25/15	\$ 98	AMT	A2/A/A
Dallas Love Field	7/22/15	110	AMT	A1/A/A
MWAA	6/30/15	279 36 31	AMT Non-AMT Taxable	A1/AA-/AA-
Miami-Dade	6/9/15	499 39	AMT Non-AMT	NR/A/A
Raleigh-Durham	6/5/15	34 49	Non-AMT AMT	Aa3/NR/AA-
Las Vegas	6/3/15	165	AMT	A2/A/NR

Monthly Enplanements at Selected Major Airports



Municipal and Airport Issuance (\$bn)



Source: Thomson Reuters SDC and eMaxx as of September 8, 2015. Official Statements and Pricing Wires.

Summary of Financing Structure and Core Refunding Candidates

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Overview of Financing

■ Refunding Opportunity:

- AIAS has \$102.3 million of current or advance refunding candidates
- Matched maturity refunding would generate \$14.8 million of PV savings, or 14.4% of refunded par
- Delayed until now due to VCAP process

■ Baseline Financing Structure:

- Restructure refunding candidates, extending some refunding principal to 2029-2036
- Continue planned cash defeasances thru 2017 of \$56.8mm 2006A and 2006D bonds
- This creates more level annual debt service payments and greater financial flexibility
- Could also fix-out some 2009A VRDBs to reduce variable rate to target 10% of total debt

■ Expected Financing Timeline:

- Seek SBC Approval in October
- Price Bonds in November
- Close Transaction in December

Refunding Savings Based on Matched Maturity

2015 AMT Refunding Candidates (\$000s)

Series	Coupon	Maturity	Par	PV Svgs. (\$)	PV Svgs. (%)
1999A	5.00%	10/01/24	\$11,290	\$1,728	15.30%
1999C	6.22%	10/01/24	1,915	474	24.73%
Total			\$13,205	\$2,201	16.67%

2015 Non-AMT Refunding Candidates (\$000s)

Series	Cpn	Maturity	Par	PV Svgs. (\$)	PV Svgs. (%)	Neg. Arb.	Ref. Efficiency
2003B	5.00%	10/1/2025	4,255	786	18.46%	0	100%
2003B	5.00%	10/1/2026	4,470	776	17.35%	0	100%
2003B	5.00%	10/1/2027	4,695	774	16.48%	0	100%
2003B	5.00%	10/1/2028	4,930	777	15.77%	0	100%
2006B	4.88%	10/1/2022	7,445	908	12.20%	128	88%
2006B	5.00%	10/1/2023	11,930	1,562	13.09%	222	88%
2006B	5.00%	10/1/2024	12,525	1,749	13.96%	247	88%
2006B	5.00%	10/1/2025	13,150	1,914	14.55%	273	87%
2006B	5.00%	10/1/2026	13,810	1,849	13.39%	303	86%
2006B	5.00%	10/1/2027	11,900	1,484	12.47%	272	85%
Total			\$89,110	12,578	14.12%	\$1,446	90%

Note: Rates as of September 9th, 2015, candidates with positive PV savings shown. Savings shown on a matched maturity basis. To the extent bonds are extended for structuring and DSRF reasons, savings may decline.

Baseline Plan of Finance: Tax-Exempt Refunding Amortizing Through 2036 Plus Defeasances

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Summary

- 2015 refunding of all tax-exempt refundable fixed rate candidates not targeted for defeasance
- Refunding principal amortized through 2036
- No cash deposit to DSRF anticipated to be needed
 - ~\$43mm of cash and sureties will remain in DSRF after refunding

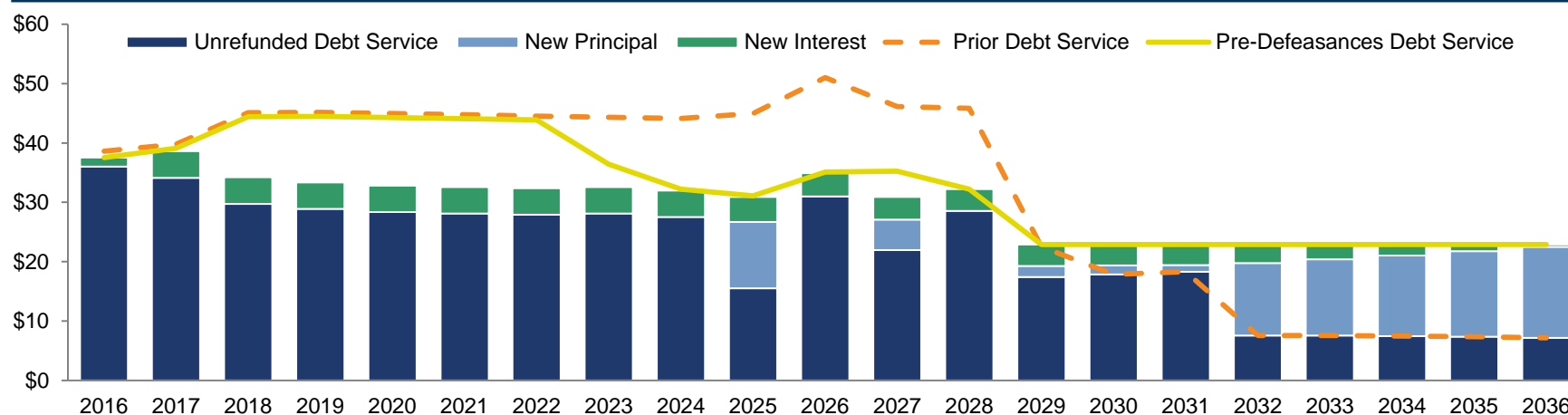
2015 Defeasance 2016 Defeasance 2017 Defeasance

■ 2006A: \$20.0mm	■ 2006A: \$20.0mm	■ 2006A: \$12.6mm
		■ 2006D: \$4.2mm

Key Results

MADS (After 2017, \$mm)	\$34.9 (2026)
All-in TIC	3.46%
PV Savings (\$mm)¹	\$10.9
PV Savings (% Refunded Par)¹	6.9%
Par Defeased (\$mm)	\$56.8
Par Refunded (\$mm)	\$102.3
DSRF Req. After 2015 Refunding (\$mm)	\$42.7
DSRF Req. After Last Defeasance (\$mm)	\$34.9

Resulting Debt Service (\$mm)



Rates as of September 9th, 2015.

1. Excludes savings associated with defeasances.

Potential Addition to Baseline Financing: Delayed Delivery Financing

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- In addition to core refunding candidates, there are another \$90 million of 2006D (Non-AMT) bonds not eligible for tax-exempt advance refunding that are not targeted for defeasance
- A tax-exempt delayed delivery refunding could restructure all these bonds in this financing, but at an additional cost
 - Pricing premium on a delayed delivery refunding approx. 6-8bps per months (for 8 month period, ~64bps)
- AIAS would price bonds for both regular and delayed delivery in November
 - Regular delivery bonds would settle in December
 - Delayed delivery would settle on July 5, 2016, locking in today's rates and eliminating interest rate and credit spread risk while utilizing tax-exempt bonds
- Assuming 8 basis point per month of premium for 8 months, ***AIAS could refund the 2006D Bonds not being defeased to produce \$7.6 million (8.6%) of present value savings***
- ***If rates rise by 69 basis points or more between now and next July when a current refunding is possible, AIAS would be better off economically by locking in rates today***

Delayed Delivery: Benefits

- Completely refund all candidates in this year's financing
- Further lower near-term debt service plateau
- Lock-in savings at today's rates

Delayed Delivery: Drawbacks

- Additional premium at pricing (~6-8bp per month)
- Disclosure needed both at "paper" closing and again at delayed delivery "cash" closing
- More limited set of investors willing / able to participate

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Alaska
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**Alaska International Airport System
Revenue Refunding Bonds, Series 2015
Financing Schedule (As of September 15, 2015)**

September							October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5					1	2	3	1	2	3	4	5	6	7
6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14
13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21
20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28
27	28	29	30				25	26	27	28	29	30	31	29	30					

Date	Event	Responsibilities
Friday, September 11	■ Deal Kick-Off Call	WG
	■ Distribute first draft of State Bond Committee Resolution and TEFRA materials	BC
Monday, September 21	■ Distribute second drafts of Resolution and TEFRA materials	BC
	■ Distribute first draft of POS	UC
Wednesday, September 23	■ Document Review Call	WG
Week of September 28	■ Distribute third drafts of Resolution and TEFRA materials	BC
October 1 (at latest)	■ VCAP settlement finalized	AIAS
Week of October 5	■ Distribute second draft of POS	UC
	■ Distribute first draft of Rating Presentation	UW
	■ Review third drafts of Resolution and TEFRA materials and second draft of POS	WG
	■ Review first draft of Rating Presentation	AIAS, FA, UW
Week of October 12	■ Distribute second draft of Rating Presentation	UW
	■ Review second draft of Rating Presentation	AIAS, FA, UW
	■ Last date to finalize and publish TEFRA notice (14 days before hearing)	AIAS, BC
Week of October 19	■ Distribute third draft of POS	UC, BC
	■ Distribute third draft of Rating Presentation	UW
	■ Review third draft of POS	WG
	■ Review third draft of Rating Presentation and Finalize	AIAS, FA, UW
	■ Send documents to rating agencies	FA, UW
Week of October 26	■ Calls / Meetings with Rating Agencies	AIAS, FA, UW
	■ Distribute first draft of Investor Presentation	UW
	■ Approval of the State Bond Committee Resolution	n/a
	■ Conduct TEFRA hearing	AIAS
	■ Review Investor Presentation	AIAS, FA, UW
	■ Distribute second draft of Investor Presentation	UW
Week of November 2	■ Due diligence call	All
	■ Receive ratings	n/a
	■ Finalize and Post POS	AIAS, UC
	■ Finalize, record, and post Investor Presentation	AIAS, FA, UW
	■ Investor outreach/marketing	UW
	■ Investor conference calls	AIAS, FA, UW
Week of November 9	■ Price bonds and sign BPA	All
	■ Conduct bid for defeasance securities (if necessary)	WG
	■ Distribute draft of final OS	UC
Week of November 16	■ Post OS	AIAS, UC
Week of November 30	■ Pre-Closing	WG
	■ Closing	WG

Party	Role	Abbreviation
Alaska International Airport Systems	Issuer	AIAS
Acacia Financial Group	Financial Advisor	FA
K&L Gates	Bond Counsel	BC
Goldman, Sachs & Co.	Underwriter	UW
Wohlforth, Brecht, Cartledge & Brooking, APC	Underwriter's Counsel	UC
AIAS, BC, FA, UC, and UW	Working Group	WG
AIAS, FA, BC, UW, UC and Co-Managers		All



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**Alaska International Airport System
Revenue Refunding Bonds, Series 2015
Distribution List as of September 16, 2015**

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