

STATE OF ALASKA
STATE BOND COMMITTEE

TO BE HELD AT:
TELEPHONIC MEETING
For Participation: 1-800-315-6338
Code: 907100#
Juneau, Alaska 99811
January 15, 2021
10:00 AM AKDT



STATE BOND COMMITTEE AGENDA FOR MEETING

Meeting Place:
TELEPHONIC MEETING
For participation: 1-800-315-6338
Code: 907100#

January 15, 2021, at 10:00 A.M. AKDT

- I. Call to Order
- II. Roll Call
- III. Public Meeting Notice
- IV. Approval of Agenda
- V. Minutes of the October 20, 2020, State Bond Committee Meeting
- VI. Public Participation and Comment
- VII. New Business
 - A. Resolution 2021-01 – SBC Resolution allocating the Private Activity Bond Volume Limit for Calendar Year 2020
- VIII. Debt Manager's Report
- IX. Committee Member Comments
- X. Schedule Next Meeting
- XI. Adjournment

STATUS: Active

NOTICE OF PUBLIC MEETING - State of Alaska Bond Committee (SBC)

NOTICE OF PUBLIC MEETING: STATE OF ALASKA - STATE BOND COMMITTEE ('SBC')

Notice is hereby given that the State of Alaska - SBC will hold a meeting on January 15, 2021 at 10:00 a.m. AKDT. This will be a telephonic meeting, with participation at 1-800-315-6338, with code 907100#.

The public is invited to attend and will be given the opportunity for public comment and participation. The SBC complies with Title II of the Americans with Disabilities Act of 1990 and the Rehabilitation Act of 1973. Individuals who may need special modifications to participate should call (907) 465-2893 prior to the meeting.

AGENDA FOR SBC MEETING:

- I. Call to Order
- II. Roll Call
- III. Public Meeting Notice
- IV. Approval of Agenda
- V. Minutes of the October 20, 2020, SBC Meeting
- VI. Public Participation and Comment
- VII. New Business:
 - A. Resolution 2021-01 - SBC Resolution allocating the Private Activity Bond Volume Limit for calendar year 2020.
- VIII. Debt Manager's Report
- IX. Committee Member Comments
- X. Schedule Next Meeting
- XI. Adjournment

Dated January 4, 2021
(907) 465-2893

[Attachments, History, Details](#)

Attachments

[SBC Agenda 1-15-2021.pdf](#)

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**MINUTES of the
STATE BOND COMMITTEE
October 20, 2020**

A meeting of the State Bond Committee (SBC) was held at 9:01 a.m. AKDT on October 20, 2020. The meeting was held telephonically at 1-800-315-6338, with code 907100#.

SBC Members present were:

Mike Barnhill, Deputy Commissioner, Department of Revenue
Dave Donley, Deputy Commissioner, Department of Administration
John Springsteen, Deputy Commissioner, Department of Commerce, Community, and Economic Development

Also present were:

Deven Mitchell, Debt Manager, Department of Revenue
Ryan Williams, Operations Research Analyst, Department of Revenue
Doug Goe, Orrick, Herrington & Sutcliffe, LLP
Les Krusen, Orrick, Herrington & Sutcliffe, LLP
Pete Nissen, Acacia Financial Group, Inc.

I. Call to Order

Mr. Springsteen called the meeting to order at 9:01 a.m. AKDT on October 20, 2020.

II. Roll Call

Mr. Mitchell took roll call. Mr. Donley, Mr. Barnhill, and Mr. Springsteen were present. There was a quorum.

III. Public Meeting Notice

A copy of the Affidavit of Publication concerning the date, location, and purpose of the meeting was reviewed and made a part of the minutes of the meeting. Mr. Williams stated the meeting was properly noticed, advertised on the State's Online Public Notice site. The notice was officially published on October 8, 2020, for the October 20, 2020 meeting date.

IV. Approval of Agenda

The Agenda was reviewed by the committee. Mr. Mitchell noted that there were no modification recommendations to the version before the committee. Mr. Donley asked about two documents sent to the Committee's attention this morning, and Mr. Mitchell noted that these would be discussed as part of the Debt Manager's report. Mr. Barnhill moved to approve the agenda as written, and Mr. Donley seconded. The agenda was approved and adopted by the committee as written with no modifications and no objections.

V. Minutes of the June 25, 2020, SBC Meeting

The Minutes of the June 25, 2020 SBC Meeting were reviewed by the committee. The Minutes needed no modifications. Mr. Barnhill moved to adopt the June 25, 2020 minutes as written, and approval was seconded by Mr. Donley. The June 25, 2020, SBC meeting minutes were approved and adopted by the committee as written with no modifications and no objections.

VI. Public Comment

Mr. Springsteen asked for public participation and comment. There was none. The Public Comment period was closed.

VII. New Business

Resolution No. 2020-03 – SBC Resolution Authorizing the Clean Water and Drinking Water Overnight Borrowing Transaction

Mr. Mitchell noted that Mr. Williams would review a summary of the Clean Water and Drinking Water Resolution 2020-03, as he has been coordinating events leading up to the anticipated transaction, contemplated to take place on November 4th and November 5th. Mr. Williams stated that Resolution 2020-03 relates to the issuance and sale of two series of notes to be designated as the Alaska Clean Water Fund Revenue Bond Anticipation Note, 2020 Series A, in the aggregate principal amount of up to \$1,926,400, and the Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2020 Series B, in the aggregate principal amount of up to \$2,225,200. Mr. Williams mentioned that in addition to Resolution 2020-03, the Committee packet contains a draft memorandum of understanding outlining the 2020 transaction, as well as a general summary of the annual approach. Mr. Williams mentioned that upon approval of Resolution 2020-03, DOR staff shall work with a group comprised of DEC, DOA, Cash Management, and KeyBank to complete the transaction, and the transaction is expected to be completed before the end of calendar year 2020. Mr. Williams noted that the amount of each note is similar to the 2019 amounts, and the Clean Water and Drinking Water funds are revolving loan funds administered by DEC. Mr. Williams stated that both funds are authorized to issue debt through the State Bond Committee. Additionally, Federal regulations allow the interest earnings within the funds to be used for the retirement of debts of the funds. Also, in an effort to reduce general fund exposure in obtaining match of certain Federal grants, the proposed borrowing is secured by interest earnings in those revolving loan funds, and the borrowing is repaid immediately the next day as an overnight borrowing. Mr. Williams also stated that the note transaction has been purchased by KeyBank annually over the prior 13 years, and they have agreed to conduct this years' transaction. Mr. Donley asked why the transaction is structured as an overnight borrowing. Mr. Williams noted that the structure of the transaction contemplates a borrowing and subsequent payback the following day of total debt service, and all costs of issuance, which Federal regulations allow, and at the same time reducing annual general fund match. Mr. Mitchell noted that there are Federal regulations regarding use of funds once deposited into the Clean Water

and Drinking Water funds. The overnight borrowing transaction is allowed by these Federal regulations and fulfills requirements to obtain certain Federal grants. Additionally, interest earnings of the funds, as well as interest income from the funds can be used to retire the note transaction and it places less reliance on appropriations from the general fund. Mr. Donley asked whether this was the correct approach to the transaction or if it's creating undue expenses to undertake the borrowing instead of strictly using general fund dollars. Mr. Mitchell stated that in concept it would be a policy call, but the costs to undertake this transaction annually are minimal, which includes legal fees for the State's bond counsel, bank underwriting fees, and interest expense; however, if you have a program that is allowed to use interest earnings and interest income from restricted funds to repay debt service in order to leverage federal matching grants, all taking place within the program itself, without the reliance on general fund appropriations, then the concept has been viewed as generally beneficial by DEC and the legislature regarding the ongoing management of the DEC Clean Water and Drinking Water program. Mr. Donley made a public disclosure that, at points in the past, he owned fifty to one hundred shares of KeyBank stock, and may currently still own one hundred or less shares of KeyBank stock. Mr. Mitchell noted that in the past, we have reviewed price proposals in relation to undergoing a note borrowing for the transaction in benefit of the DEC program, and costs associated with a historical KeyBank proposal were only a fraction of what other underwriters proposed to charge, due to these other proposals charging a much higher price for basic underwriting of the security structure. Mr. Mitchell noted that KeyBank conducts other business with the State, and may have done the transaction over these several years to affirm that they have an ongoing interest and relationship and deeper involvement with the State of Alaska, especially in connection to this annual transaction. Mr. Springsteen recommended that State Bond Committee staff provide a summary related to cost effectiveness of the note transaction. There were no additional questions or comments. Mr. Springsteen placed Resolution 2020-03 on the floor, and Mr. Barnhill moved to adopt Resolution 2020-03, and Mr. Donley seconded the motion. Mr. Mitchell called the vote and there were three 'yes' votes and Resolution 2020-03 authorizing the issuance of Alaska Clean Water and Drinking Water Notes, 2020 Series A, and 2020 Series B, was approved unanimously by committee members.

VIII. Debt Manager's Report

Mr. Mitchell noted that he sent additional documentation to the committee this morning through email attachment, the State's GO Series 2020A post sale summary, and a refinancing analysis update for the AIAS. Mr. Mitchell mentioned that since the last meeting, we have continued to review potential refinancing candidates for AIAS. AIAS may be able to, upon a successful refinancing transaction, diminish certain short-term bond debt service payments, which would be viewed favorably by airlines. Mr. Springsteen asked for timing regarding the contemplated transaction. Mr. Mitchell stated that we are waiting for airport staff to complete ongoing annual requirements and continue to review the financial analysis related to a transaction, and anticipate a transaction and the scheduling of another State Bond Committee meeting in early 2021.

On June 8, 2020, Mr. Mitchell directed US Bank to optionally redeem the remaining outstanding Sport Fish Revenue bonds on July 10, 2020. Following this final optional redemption, the Revisor of Statutes in the Lieutenant Governor's Office was provided information to allow for the statutes that create the surcharge on sport fishing licenses to sunset. Both letters were attached to the committee packet. Mr. Mitchell noted that current surcharges on sport fishing licenses would sunset in 2021.

On July 29, 2020, the final general obligation bond authorization from the 2012 Transportation Act was priced on a competitive basis, and on August 5, 2020 it was closed. The post-sale summary from the State's financial advisor Acacia was sent to the committee this morning. Some of the highlights are a 20-year level debt service structure, achieving a true interest cost of 1.969%, par amount of \$84,560,000 generating a project fund deposit of \$110,348,242. The final proceeds from all earlier bond issues for the 2012 Act were expended in August. Mr. Nissen with Acacia, the Financial Advisor to the State of Alaska, noted that there were ten competitive bids from major banks, with Jefferies, LLC as the winning bidder, with a TIC of approximately 1.969%. The second place bid was 2.01%, and the last place bid (highest) was 2.28%, showing a fairly-tight grouping for competitive bids on the transaction. General Obligation debt issued by the State of Alaska remains a scarce resource for investors. Mr. Nissen noted strength through comparison to (a low) twenty to twenty-five basis point spread to municipal market data, and additionally compared that tight spread to the prior 2016 general obligation bond transaction.

Mr. Mitchell noted that Mr. Williams and himself have been providing information in relation to the budget to OMB, identifying FY 2022 debt service needs of the state.

Mr. Mitchell presented a copy of the recent Alaska Supreme Court decision. On September 4, 2020, the Alaska Supreme Court determined that the Alaska Tax Credit Certificate Bond Corporation ('ATCCBC') structure did not comply with the Alaska Constitution. The 63-page decision, attached to the packet, discusses a number of issues related to State of Alaska debt structuring alternatives that our legal teams are still working to fully understand. On September 28, 2020, the Department of Law filed a Petition for Rehearing with the Supreme Court to try and obtain some clarity on the Court's intent in their decision. The Alaska Municipal Bond Bank Authority was discussed in the Petition for Rehearing, but the response of the Court will be important to other public corporations. Both the decision and the petition are attached. Mr. Springsteen asked for additional highlights or points on impacts of the Supreme Court Decision. Mr. Mitchell mentioned that the ATCCBC was built on a structure similar to the Pension Obligation Bond Corporation, and similar in varying degrees to other subject to

appropriation credit structures. By striking down the structure of the ATCCBC, and at the same time confirming certain lease-revenue type structures, there may be, in my point of view, a retraction from what we thought we might be able to do on a subject to appropriation basis. We look to a response from the court in relation to the Petition for Rehearing on certain implications of the decision regarding what's possible in terms of certain security structures. Mr. Barnhill noted that the Forrer case is fairly seminal in nature, and the Department of Revenue as well as the Department of Law are continuing to analyze the decision to come to a full understanding of the intent of the decision from the Supreme Court, including any collateral impacts, and the review may go on for some time.

IX. Committee Member Comments

Mr. Donley, Mr. Barnhill, and Mr. Springsteen had no additional comments.

X. Schedule Next Meeting

The next meeting shall occur at the call of the Chair. Mr. Mitchell mentioned that we will need to schedule a meeting, through the Chair, prior to mid-February, in order to allocate calendar year 2020 private activity bond volume cap. There have been no requests for the private activity cap at this point, but staff will continue to review. Historically, the cap allocation has gone to Alaska Housing Finance Corporation, due to them having the highest probability of using the cap.

XI. Adjournment

Adjournment of the meeting was moved by Mr. Barnhill, and seconded by Mr. Donley. The meeting was adjourned at 9:31 a.m. AKDT.

Kelly Tshibaka, Commissioner, Department
Of Administration

ATTEST:

Lucinda Mahoney, Commissioner, Department of Revenue

STATE BOND COMMITTEE

RESOLUTION NO. 2021-01

**A Resolution of the State Bond Committee
of the State of Alaska Allocating the
Private Activity Bond Volume Limit of the State of Alaska for
Calendar Year 2020**

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

WHEREAS, the volume cap for calendar year 2020 is \$321,775,000; and

WHEREAS, over the last nine years, there have been limited requests for volume cap, with annual calendar year allocations to the Alaska Housing Finance Corporation (AHFC) of all or a majority of each calendar year's cap for potential use in future years; and

WHEREAS, AHFC intends to issue bonds in calendar year 2021; and

WHEREAS, AHFC routinely issues bonds to finance residential and multi-family housing projects; and

WHEREAS, private activity bond calendar year volume cap is available for use through the end of the calendar year in which it arises and then may be carried forward for an additional period of three years if carryforward forms are filed with the Internal Revenue Service no later than February 15 of the following year; and

WHEREAS, there have been no requests by municipalities and no other requests for volume cap allocation for calendar year 2020.

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

Section 1. The Committee hereby allocates \$321,775,000 of the 2020 private activity bond volume limit for the State of Alaska to AHFC.

Section 2. This Resolution is effective immediately.

State Bond Committee
Resolution 2021-01

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DATED AND ADOPTED this 15th day of January, 2021.

Julie Anderson, Commissioner
of the Department of Commerce, Community
and Economic Development, Chair

Lucinda Mahoney, Commissioner of the
Department of Revenue, Secretary

Kelly Tshibaka, Commissioner of the
Department of Administration, Member

APPROVED AS TO FORM:

Attorney General of the
State of Alaska