



The Alaska Municipal Bond Bank An Idea That Works

July 12, 2019



Program History

- Created in '75 to assist Alaskan municipalities access low cost funds for capital projects
- Moral Obligation of State of Alaska (statutes require funding and reporting sufficiency of a debt service reserve for any bonds issued)
- Originally funded by State Appropriations from 1976-1986
- Operation is Self Supporting from investment earnings - Repaid State's original Investment
- In FY 1998 the program's independent staffing of an Executive Director and Executive Secretary was eliminated (\$126.1 million in bonds outstanding)
- DOR staff assumed operation with ½ position from 1998-2010 and two ½ positions from 2010 through today (\$976 million in bonds outstanding)
- Operating budget approved by Legislature annually and special legislation has been considered every 3-4 years. All special legislation has been approved.
- Continually Generating and Implementing Innovations to Better Meet the Mission



Mission Statement

“To Provide low cost Finance Options for Financially Sustainable Capital Projects”

Accomplished By

- Sell Highly Rated Bond Bank Bonds (AA- Fitch, AA- S&P based on State’s rating)
- Use Proceeds of Bond Bank bonds to Fund Lower Rated Community Bonds at the Bond Bank Borrowing Rate
- Bond Bank reduces Cost Through Economies of Scale and Pays Most Costs of Issuing Bonds

Result

- Over the last 10 years the Bond Bank has saved Alaskan borrowers over \$200 million, and over the last 44 years has secured almost \$2 billion dollars for the construction of Alaskan projects



Bond Bank Projects



Unalaska

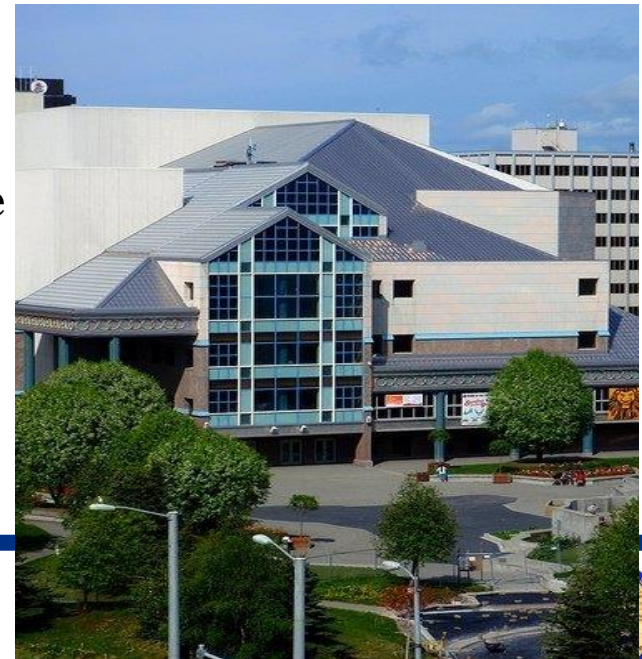


Sitka



Seward

Anchorage



- The Bond Bank Board is comprised of:
 - Luke Welles, Chairman, Sr. Director of Business Development at Alaska Native Tribal Health Consortium
 - Craig Chapman, Vice Chairman, former Finance Director of Kenai Peninsula Borough
 - John Springsteen, Deputy Commissioner of Commerce Community and Economic Development and Designee of the Commissioner of DCCED.
 - Lamar Cotton, long-time southwest Alaska municipal official
 - Pam Leary, Director Treasury Division of the Department of Revenue and designee of the Commissioner of DOR.
- The Bond Bank's budget, including appropriation of any excess earnings to the Bond Bank and the appropriation replenishing the reserve fund in the event of a payment default, are funded in the fiscal year 2020 budget.



Bond Bank Finance Team Composition

- Municipal/University/Regional Health Organization/AML-JIA employees
- Local Bond Counsel
- Bond Bank Staff
- Bond Bank Financial Advisor
- Bond Bank Bond Counsel
- Bond Bank's Trustee/Paying Agent



Bond Financing Process

- Identify project
- Decide to finance project
- Establish financing team
- Financing schedule determined
- Documents drafted
- Bond insurance considered
- Rating agencies contacted
- Marketing & Pricing
- Closing

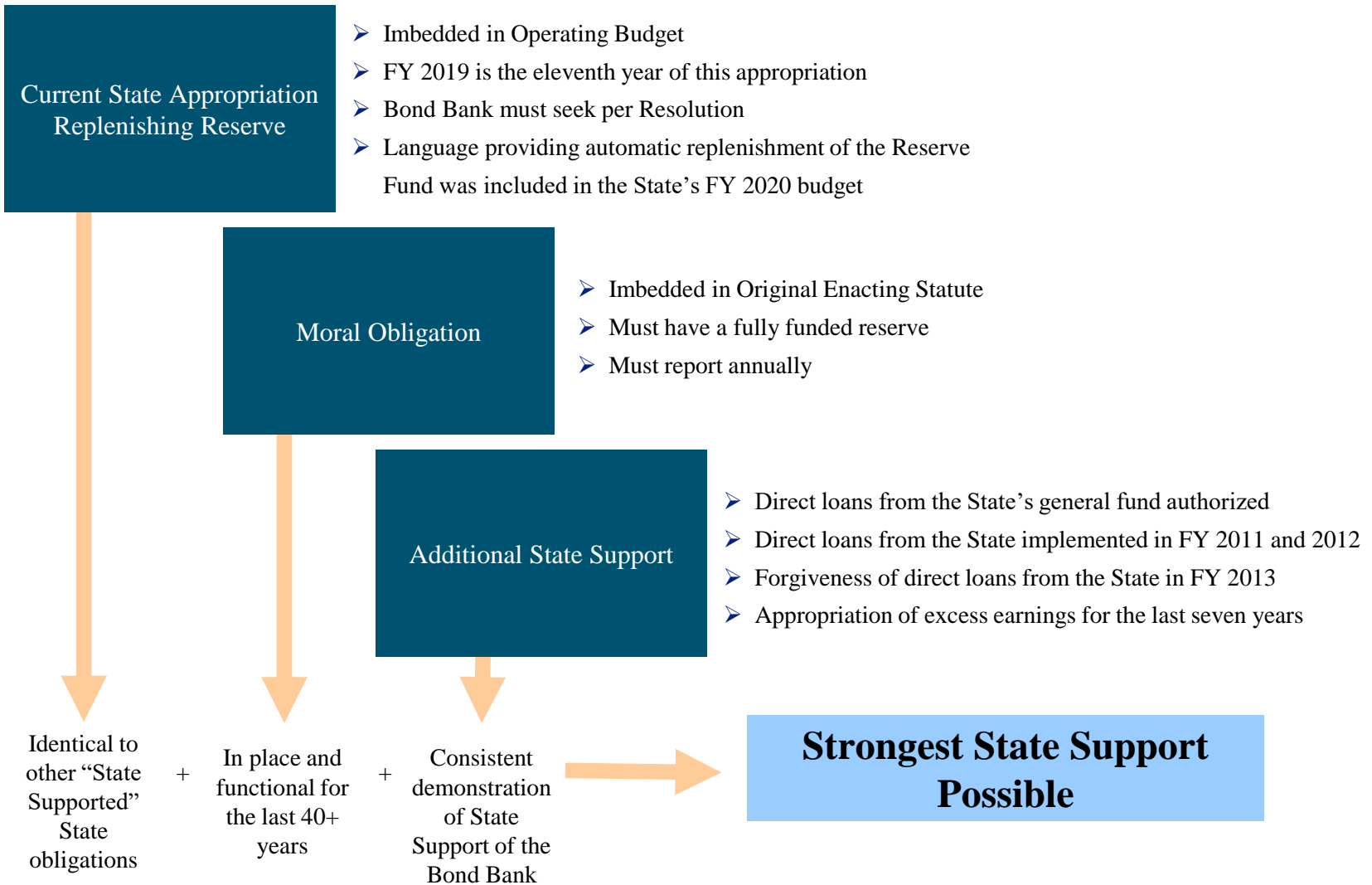


Credit Review Process

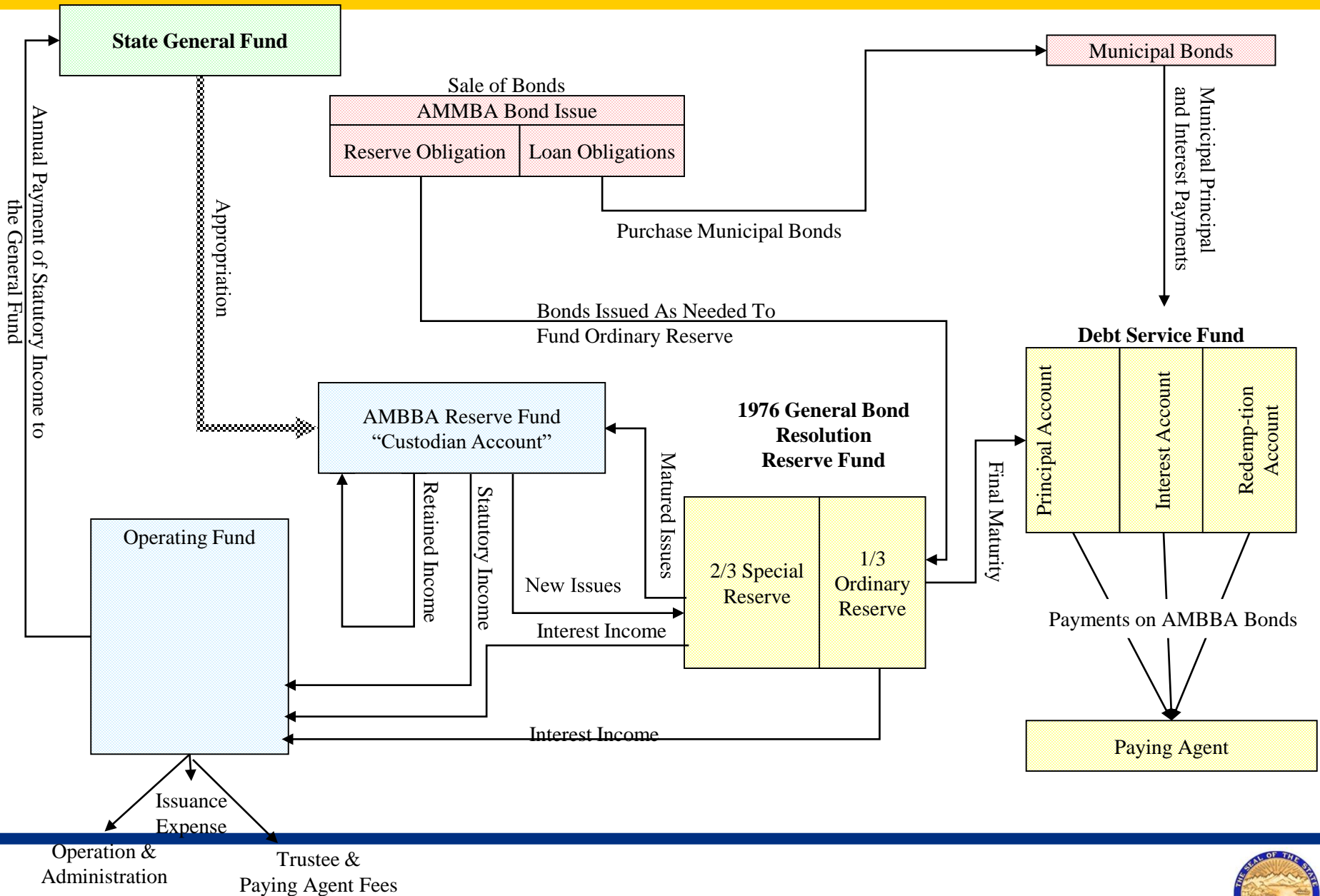
- Applicants must be a political subdivision that currently includes municipalities, joint insurance associations, port authorities, and the university. With enactment of HB 46, regional health organizations and joint action agencies were added to this list.
- Financial advisor prepares an analysis of each potential borrower based on application, proposed financing structure and borrower financial statements.
- Loan review process may result in Bond Bank Board approval, approval with modifications, or no action pending further information from the applicant.
- All bonds are secured by pledged revenues, state aid intercept, multiple reserve fund layers, available assets of the Bond Bank, and the State's moral obligation.



2005 G.O. Resolution Program Security



Flow of Funds Diagram



Benefits of Using the Bond Bank

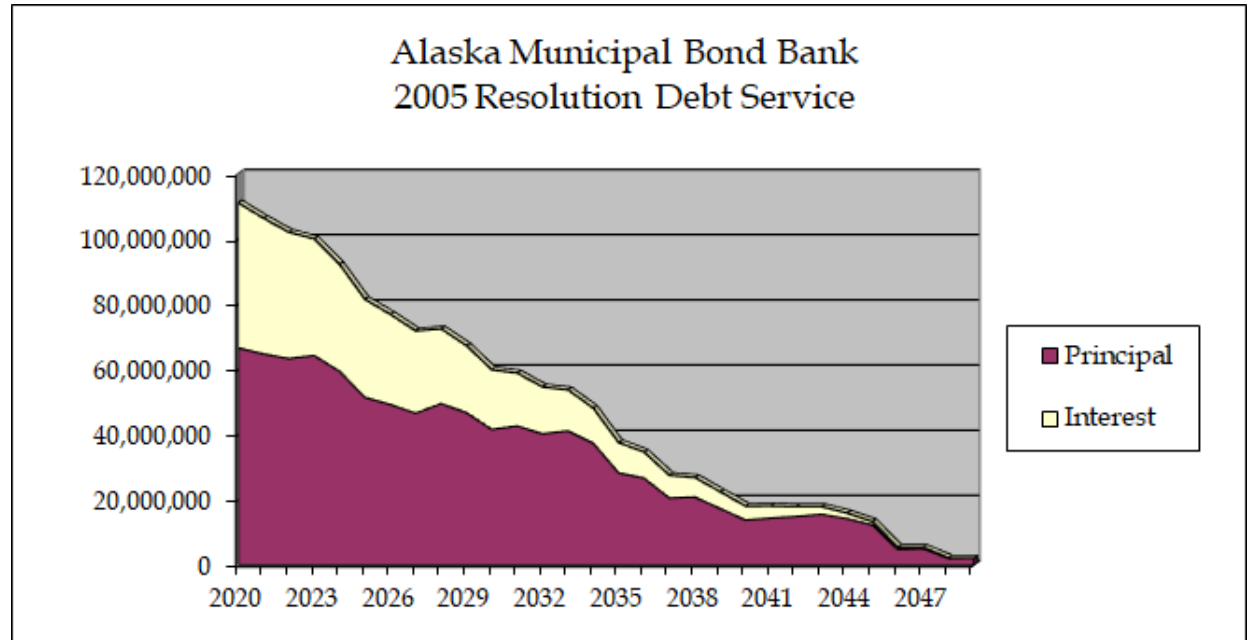
- Lower cost of capital – economies of scale
- Assistance to municipal employees
- Financial and legal expertise
- Ongoing services (trustee, paying agent, & arbitrage analysis)
- Monitor market for refinancing savings



Alaska Municipal Bond Bank

2005 Resolution Summary (includes 2019 One & Two Bonds)

Borrower	Outstanding Par	Percent of Outstanding
City and Borough of Sitka	141,270,000	14.40%
Kenai Peninsula Borough	123,030,000	12.54%
City and Borough of Juneau	103,695,000	10.57%
City of Ketchikan	89,475,000	9.12%
University of Alaska	84,525,000	8.62%
Kodiak Island Borough	78,275,000	7.98%
Fairbanks North Star Borough	61,425,000	6.26%
City of Unalaska	57,285,000	5.84%
Northwest Arctic Borough	31,525,000	3.21%
City of Seward	31,035,000	3.16%
Ketchikan Gateway Borough	26,165,000	2.67%
Aleutians East Borough	20,450,000	2.09%
Municipality of Skagway	18,490,000	1.89%
Lake & Peninsula Borough	15,145,000	1.54%
City of Cordova	14,245,000	1.45%
City of Kodiak	11,845,000	1.21%
City of Dillingham	11,265,000	1.15%
Haines Borough	9,040,000	0.92%
Petersburg Borough	8,235,000	0.84%
City of Homer	7,400,000	0.75%
SE Alaska Power Agency	4,410,000	0.45%
City of Nome	3,285,000	0.33%
Municipality of Anchorage	3,240,000	0.33%
City of King Cove	2,580,000	0.26%
City of Sand Point	2,230,000	0.23%
City of Whittier	1,940,000	0.20%
City of Bethel	1,835,000	0.19%
City of Valdez	1,765,000	0.18%
City of Soldotna	1,670,000	0.17%
City of Craig	1,570,000	0.16%
City of Klawock	1,270,000	0.13%
City of Kenai	1,260,000	0.13%
City of Hoonah	880,000	0.09%
City of North Pole	615,000	0.06%
City of Palmer	555,000	0.06%
City of Adak	530,000	0.05%
City and Borough of Wrangell	510,000	0.05%
City of Saxman	145,000	0.01%
Reserve Obligations	2,315,000	0.68%
Total Outstanding Par	\$976,425,000	100.00%



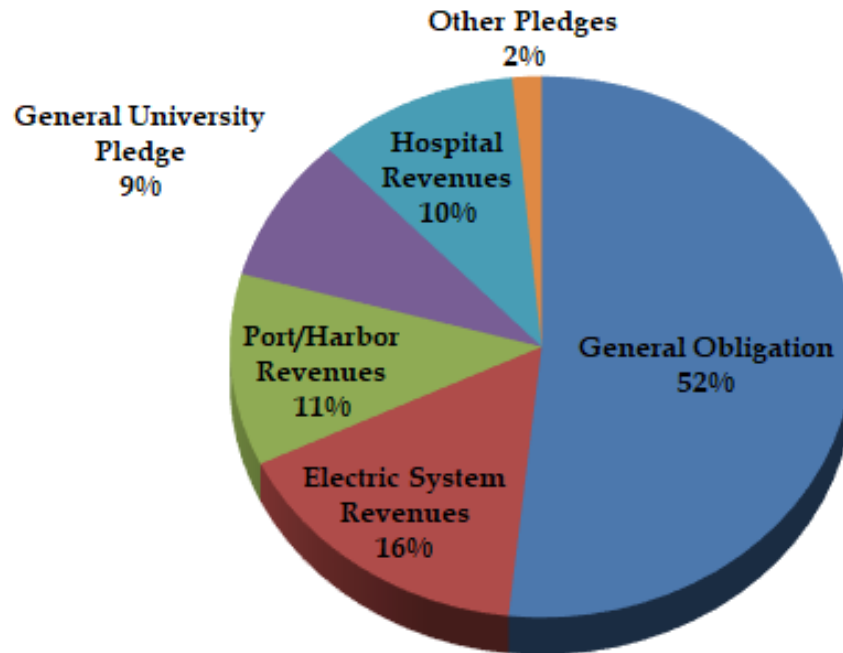
- 57.5% of principal matures in 10 years
- 78.2% of principal matures in 15 years



Alaska Municipal Bond Bank

2005 Resolution Summary (includes 2019 One & Two Bonds)

Alaska Municipal Bond Bank Outstanding Loans by Pledged Revenues



- (1) Includes miscellaneous enterprise revenue pledges, sales tax revenues and lease revenues.
- (2) Includes all bonds that include state reimbursement on some portion of outstanding bonds.



Questions/Comments

