



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM No. -2020

Meeting Date: January 28, 2020

From: MAYOR

Subject: AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, PROVIDING FOR, AUTHORIZING AND APPROVING THE ISSUANCE OF PORT REVENUE BONDS AND/OR NOTES FOR THE MUNICIPALITY IN ONE OR MORE SERIES IN THE AGGREGATE PRINCIPAL AMOUNT OUTSTANDING AT ANY TIME OF NOT TO EXCEED ONE HUNDRED MILLION DOLLARS (\$100,000,000) FOR THE PURPOSE OF PROVIDING FUNDS TO REFINANCE CERTAIN OUTSTANDING DEBT AND TO PROVIDE FOR ADDITIONAL FUNDS FOR FUTURE CAPITAL IMPROVEMENTS AND RELATED FINANCING EXPENSES OF THE PORT OF ALASKA.

Port of Alaska Petroleum and Cement Terminal (PCT)

The construction of the PCT is Phase 1 of the five phase Port of Alaska Modernization Program (PAMP). The PCT will replace the existing and deteriorating Petroleum, Oil, and Lubricants / Cement Terminal 1 (POL1). The PCT project will provide a critical fuel and cement handling facility for the Port of Alaska (the "Port") that the entire state relies upon.

The Port has already invested over \$138 million in Port funds and State grant funds for overall program design, engineering studies, program management, and to construct enabling works. A contract has recently been awarded to construct the base structure for the PCT beginning in April 2020 with the completion of the PCT targeted by the end of 2021. In an effort to keep this timeline in place and avoid further annual delays and the risk of price escalation, the Administration recommends proceeding with the following Plan of Finance.

THE PLAN OF FINANCE

Background

The Port of Alaska (the "Port") has outstanding \$40 million of debt under the Port's Short Term Borrowing Program (the "2013 STBP") that should now be refinanced. A STBP has been in place for the Port since 2008 and has produced a debt service savings to ratepayers during those twelve years in excess of \$14 million versus having sold long term revenue bonds in 2008. The 2013 STPB authorized by AO 2013-76 was established in 2013, replacing the 2008 STBP, and will expire in 2023. The Administration has been actively pursuing a great number of financing alternatives for the PAMP. These alternatives are many and include a loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA), a grant under the Better Utilizing Infrastructure Leverage Development (BUILD) program, a low interest rate loan from Alaska Industrial Development & Export Authority (AIDEA),

contributions from the State of Alaska, funding through a Public Private Partnership (3P) format, participation by Alaska Housing Finance Corporation (AHFC) as well as funding from certain private international corporations that invest in local infrastructure.

Current Financing Requirements

In addition to the \$40 million required to refinance the 2013 STPB with long term revenue bonds, the Port also needs approximately \$60 million in funds to finance the completion of the PCT. It is anticipated at this time that the additional \$60 million will also be long term revenue bonds.

The attached ordinance authorizes the issuance of notes and/or bonds and delegates certain responsibilities to the Chief Fiscal Officer. The Municipality will use \$40 million to retire the 2013 STBP debt in entirety and the balance of the 2013 STBP will remain at zero until all of the additional \$60 million authorized by this ordinance has been expended. Once the entire \$100 million has been expended the Public Finance Division intends to begin utilizing the 2013 STBP again, as needed for subsequent Phases of the PAMP. Keeping the 2013 STBP outstanding provides the Municipality with prudent and flexible financing alternatives for the Port. This concept is also very cost effective and a Best Practice for the Port's financing requirements and supported by the Municipality's financial advisor.

In the event that a viable financing alternative becomes available that is more cost effective than long term revenue bonds, the administration will certainly consider the alternative versus long term revenue bonds.

Future Financing Requirements

It is expected that the current Plan of Finance will complete the PCT, Phase 1 of the PAMP. The following four Phases of the PAMP will require financing as well. Once financing requirements for future Phases of the PAMP become necessary to continue a reasonable timeline for the PAMP, an enhanced Plan of Finance will be presented to the Municipal Assembly.

Recommendation

Passage of this ordinance, combined with the 2013 STBP, establishes a current total limit of debt outstanding for the Port at \$140 million. The establishment of a \$140 million limit does not preclude the Municipal Assembly from increasing this limit in the future. The proposed debt will not be a general obligation of the Municipality. A forecasted amount of debt service for a new STBP and/or long term revenue bonds is on the attached Summary of Economic Effects.

TEFRA Hearing

Federal tax law requires the Municipality to hold a public hearing to protect the tax exempt status of the Port's debt. Pursuant to Section 147(f) of the United States Internal Revenue Code of 1986, as amended, the Municipality is required to hold a public hearing on the issuance of obligations that will be private activity bonds, pursuant to published notice on the Municipality's website or in a newspaper of

1 general circulation in the Municipality. The public hearing will be noticed by the
2 Chief Fiscal Officer's department and held prior to the adoption of the bond
3 ordinance. This TEFRA hearing will be held prior to the ordinance's public hearing
4 recommended below, because of additional and different federal tax requirements
5 for the content of the notice of public hearing.

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7 The Administration recommends scheduling a public hearing for this bond ordinance
8 on February 11, 2020.

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10 **THE ADMINISTRATION RECOMMENDS APPROVAL OF THE ORDINANCE.**

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12 Prepared by: Ross Risvold, Public Finance & Investments Manager
13 Approved: Alexander Slivka, CFO
14 Concur: Lance Wilber, Director, Office of Management & Budget
15 Concur: Rebecca A. Windt Pearson, Municipal Attorney
16 Concur: William D. Falsey, Municipal Manager
17 Respectfully submitted: Ethan A. Berkowitz, Mayor