

CLERK'S OFFICE

APPROVED

Date: 11-17-98

Submitted by: Chairman of the Assembly  
at the Request of the Mayor

Prepared by: Department of Law

For reading: November 3, 1998

ANCHORAGE, ALASKA

AO NO. 98-177

AN ORDINANCE APPROVING AN AGREEMENT TO ISSUE MUNICIPAL REVENUE BONDS AND ENTER INTO A GROUND LEASE OF MUNICIPAL LANDS WITH THE STATE OF ALASKA FOR THE PURPOSE OF FACILITATING THE FINANCING, CONSTRUCTION AND OPERATION OF A NEW MUNICIPAL JAIL FACILITY.

WHEREAS, by 1998 Session Laws of Alaska Chapter 15 the Alaska Legislature provided contract and financing authority for the State of Alaska Departments of Corrections and Administration to participate in the financing, construction and operation of a new municipal jail facility in the Municipality; and

WHEREAS, within the authority of the above referenced Session Law, the Municipality and the State of Alaska have negotiated a proposal by which such new jail facility may be financed, constructed and operated; and

WHEREAS, the negotiated proposal for the financing, construction and operation of the new municipal jail facility consists of several related contracts whereby the Municipality will issue its revenue bonds to assist in the financing of said facility, grant a ground lease of the real property on which the jail facility will be constructed, enter into a construction contract for the construction and equipping of the jail facility, and enter into a prisoner care agreement with the State of Alaska for the operation of the jail facility; and

WHEREAS, the terms of the negotiated proposal are contained in an umbrella agreement entitled "Agreement to Issue Bonds and Agreement to Lease" (also herein "Agreement") which commits the State of Alaska and the Municipality to implement the negotiated proposal; now therefore, for the purpose of approving the Agreement and to provide authority for the disposal of Municipal lands by ground lease pursuant to Charter Section 10.02 (8); now therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

**Section 1.** The contract between the State of Alaska and the Municipality of Anchorage entitled "Agreement to Issue Bonds and Agreement to Lease" is hereby approved and the Mayor is hereby authorized to execute and implement said Agreement. The Mayor or his designee is hereby authorized to make and execute such non-material amendments and modifications to said Agreement as may be reasonable and necessary to effect and implement the terms, intent, purposes and goals of said Agreement.


**Section 2.** In accordance with Charter Section 10.02(8), the disposal of Municipal land described as:

Tract C, Block 28F, Original Townsite of Anchorage, East Addition

by ground lease upon such terms and conditions as may be reasonable and necessary to implement the Agreement described in Section 1. of this ordinance is hereby approved

**Section 3.** This ordinance shall become effective immediately upon its passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 17<sup>th</sup> day of November, 1998.

  
Chair of the Assembly

ATTEST:

  
Municipal Clerk

**MUNICIPALITY OF ANCHORAGE**

**ASSEMBLY MEMORANDUM**

No. AM 1024-98

Meeting Date: November 3, 1998

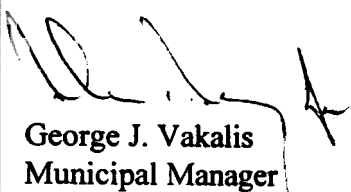
**From: Mayor**

**Subject: AO 98- 177 ; Approving the Agreement to Issue Municipal Revenue Bonds and Enter into A Ground Lease of Municipal Lands for a New Municipal Jail Facility.**


This ordinance approves the umbrella Agreement with the State of Alaska under which the plan negotiated with the State for the financing, construction and operation of the new Municipal jail facility will be implemented. This Agreement and all related contracts have been outlined in the Administration's Assembly Information Memorandum submitted in anticipation of the Assembly Work Session on November 17, 1998.

This ordinance also grants the approval required by Charter Section 10.02(8) for the ground lease on which the new jail will be built.


Concur:

  
George J. Vakalis  
Municipal Manager

Concur:

  
Elaine A. Christian  
Executive Manager

Respectfully submitted:

  
Rick Mystrom  
Mayor

Prepared by:

  
Mary K. Hughes  
Municipal Attorney

**MUNICIPALITY OF ANCHORAGE**  
**Summary of Economic Effects - General Government**

AO Number: 98-177      Title: Agreement to Issue Municipal Revenue Bonds Enter Ground Lease  
For New Municipal Jail Facility

Sponsor: Municipal Attorney  
Preparing Agency: Office of Management & Budget  
Others Impacted:

**CHANGES IN EXPENDITURES AND REVENUES:** (Thousands of Dollars)

	FY98	FY99	FY00	FY01	FY02
-					
Operating Expenditures					
1000 Personal Services					
2000 Supplies					
3000 Other Services					
4000 Debt Service					
5000 Capital Outlay					

**TOTAL DIRECT COSTS:**

ADD: 6000 Charge from Others

LESS: 7000 Charge to Others

**FUNCTION COST:**

**REVENUES:**

**CAPITAL:**

**POSITIONS:** FT/PT and Temp.

**PUBLIC SECTOR ECONOMIC EFFECTS:**

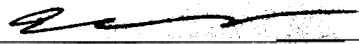
This ordinance itself has no economic impact.

**PRIVATE SECTOR ECONOMIC EFFECTS:**

This ordinance itself has no economic impact.

Validated by OMB: 

Date: 10-29-98

Approved by:   
(Director, Preparing Agency)

Date: 10-29-98

Concurred by: N/A  
(Director, Impacted Agency)

Date: \_\_\_\_\_

Approved by: N/A  
(Executive/Municipal Manager)

**MUNICIPALITY OF ANCHORAGE**

**ASSEMBLY MEMORANDUM**

**No. / <sup>AM</sup> 1074 -98**

**Meeting Date: NOVEMBER 17, 1998**

**From: Mayor**

**Subject: AO 98-177; Approving the Agreement to Issue Municipal Revenue Bonds and Enter into A Ground Lease of Municipal Lands for a New Replacement Jail Facility.**

This ordinance approves the umbrella Agreement with the State of Alaska that commits the State and the Municipality to enter into various agreements for the construction and eventual operation of a Replacement Jail and an Inebriate Drop-Center. Utilizing a lease arrangement, the Municipality will issue revenue bonds for construction of the Replacement Jail and construct the facility under a construction agreement with the State. The facility will then be leased to the State of Alaska, Department of Corrections for operation and the revenue derived from the State's lease payments will be used to retire payments on the Municipality's revenue bonds. The Municipality will in turn also pay the State for the care of the Municipality's prisoners. The Municipality's revenue bonds will not exceed the \$56 million the State has authorized for the capital costs of the facility. Prior to issuance of the Municipality's revenue bonds, the Municipality will advance interim financing for the project design, engineering and management.

AO 98-177 also authorizes the lease of Municipal lands for this project and fulfills the requirements of Charter §10.02(8).

**THE ADMINISTRATION SUPPORTS THIS AGREEMENT AND URGES ASSEMBLY APPROVAL.**

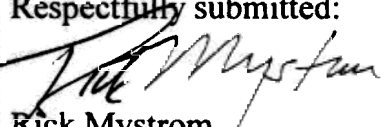
**Concur:**

  
**George J. Vakalis**  
**Municipal Manager**

**Concur:**

  
**Elaine Christian**  
**Executive Manager**

**Respectfully submitted:**

  
**Rick Mystrom**  
**Mayor**

**Prepared by:**

  
**Mary K. Hughes**  
**Municipal Attorney**

**AGREEMENT TO ISSUE BONDS  
AND AGREEMENT TO LEASE**

**RECITALS**

A. The Municipality and DOA currently are parties to a lease agreement ("Sixth Avenue Lease") with respect to a facility known as the Sixth Avenue Jail, which is in need of replacement.

B. DOC has been authorized by the Second Session of the 20th Alaska Legislature (ch. 15, SLA 1998) (the "1998 Act") to lease correctional facility space ("Facility") from the Municipality upon satisfaction of certain conditions set forth in Section 5(b) of the 1998 Act.

C. DOA is authorized by AS 36.30.080, and 36.30.085 to enter into leases and participate in lease financings, and DOA as the leasing agent of the State pursuant to AS 36.30.080 shall act on behalf of DOC in implementing the 1998 Act.

D. The Municipality is the owner of certain real property, as described on Exhibit A (the "Land").

E. The Municipality and the State of Alaska, acting through its Department of Corrections ("DOC") have agreed upon the terms of a Construction Agreement, dated as of \_\_\_\_\_, with respect to the construction and equipping of the Facility (referred to therein as the "Project") and a Prisoner Care Agreement dated as of \_\_\_\_\_; and

F. In order to facilitate the undertaking of the Facility, the Municipality has agreed to lease the Land and the Facility (and other future improvements constructed thereon) (the "Property") to the Registrar.

G. The Municipality is willing to so ground lease the Property to the Registrar on the express condition that the Registrar sublease the Property to DOA pursuant to the Agreement of Lease.

H. The Municipality is authorized by its Home Rule Charter to issue its revenue bonds.

I. Capitalized terms used in this Part A and not otherwise defined shall have the meanings given such terms in Appendix 1 attached to this Agreement.

**NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:**

**A. Mutual Agreement.**

In consideration of the Municipality's agreement to issue the Bonds, to enter into the Construction Agreement and the Prisoner Care Agreement and to perform its obligations

thereunder, DOA hereby agrees that it will enter into the Agreement of Lease with the Registrar. In consideration of DOA's agreement to enter into the Agreement of Lease and DOC's agreement to enter into the Prisoner Care Agreement and the Construction Agreement, the Municipality hereby agrees to enter into the Ground Lease and to issue the Bonds, upon the further terms and conditions set forth in this Part A.

**B. Terms of the Bonds.**

1. The Bonds shall be issued and sold by negotiated sale to an underwriter or group of underwriters selected by the Municipality pursuant to an RFP process. The Municipality shall consult with the State Bond Committee in the selection and naming of the underwriter or group of underwriters, it being the understanding that the final decision shall be made by the Municipality.

2. The Municipality and the Underwriter shall offer the Bonds in a public offering, with the intention of the parties that the Bonds shall be rated as nearly as possible based on the outstanding bond ratings of the State. The Bonds may be sold with or without a policy of municipal bond insurance, depending on the availability of such insurance on favorable terms. The Municipality shall consult with the State Bond Committee at the time of marketing of the Bonds with respect to the terms of optional and mandatory redemption of the Bonds prior to scheduled maturity.

3. The Bond issue shall be sized so as to provide sufficient net proceeds to construct the Facility in accordance with the terms of the Construction Agreement; however, the aggregate amount so provided shall not exceed the sum of \$146,000 per bed and a total capital cost of \$56,000,000. In addition, proceeds of the Bonds shall be used (a) to fund reserves, if deemed necessary by the Underwriter, Insurer and/or Rating Agencies or the Municipality; (b) to pay capitalized interest, (c) to pay bond insurance premium; and (d) to pay customary costs of issuance.

4. The timing of the entry into the Bond market and the issuance of the Bonds shall be at the discretion of the Municipality, however, the Municipality shall consult with the State Bond Committee as to the timing of any Bond offering so as to maintain an orderly market for any other offering of bonds or certificates of participation of the State. It is currently contemplated that the Bonds will be issued during the third quarter of 1999.

5. U.S. Bank Trust National Association shall act as registrar, paying agent and authenticating agent for the Bonds and further as the Standby Trustee for the Registered Owners, subject to negotiation of a satisfactory agreement for such services with U.S. Bank.

6. The Bonds shall be authorized by an ordinance of the Municipality (the "Bond Ordinance"), and the proceeds of the Bonds shall be held by the Municipality in a special fund (the "Project Fund") pending disbursement thereof to pay the costs of the Facility, as provided in the Construction Agreement. The interest earnings on the Bond proceeds shall be added to the Project Fund and used (to the extent not required to pay arbitrage rebate) to pay capitalized interest or additional costs of the Facility.

7. The Bonds shall not be issued nor shall this Memorandum of Understanding become effective until approved by a resolution of the State Bond Committee.

**C. Terms of Agreement of Lease.**

The Agreement of Lease will provide for a maximum of 400 beds.

2. The Agreement of Lease shall have a term from its Commencement Date of no more than 20 years.

3. Annual Lease Payments may not exceed \$16,700 per bed and a total of \$6,400,000, with a total of all Lease Payments over a 20-year term of not more than \$128,000,000.

4. The Land which is the subject of the Agreement of Lease shall be located within one mile of the courthouse in Anchorage or within one mile of the Cook Inlet Pretrial Facility.

5. The Agreement of Lease, which is anticipated to be executed substantially in the form attached hereto as Appendix 2, shall include an Exhibit B which shall set forth the dates and dollar amounts of the Lease Payments which shall be equal to the principal of and interest on the Bonds as the same are scheduled to mature.

6. The Agreement of Lease shall be subject to such further modifications and changes as shall be required or requested by the Underwriter, the Insurer and/or the Rating Agencies in connection with the issuance and sale of the Bonds and to such other modification as shall be mutually agreeable to the Registrar, DOA, DOC and the Municipality.

7. The Ground Lease, substantially in the form attached hereto as Appendix 3, and the Agreement of Lease shall be executed and delivered on the Closing Date.

8. A memorandum of Ground Lease and a memorandum of the Agreement of Lease, each in recordable form, shall be executed on or prior to the Closing Date.

**D. Inebriate Drop Off Center**

1. The Facility shall include an Inebriate Drop Off Center for the intake and processing of inebriated persons, for the benefit of the Municipality ("IDOC").

2. The Municipality shall be responsible for the payment of the costs of all design and the construction of the IDOC, and shall pay all costs of operation and maintenance of the IDOC.

3. The final decision as to the design and location of the IDOC shall be made through a collaborative process between the DOC and the Municipality.



**E. Municipality Advance of Funds.**

1. Pending the issuance of the Bonds, the Municipality shall advance its own money to pay Project costs incurred prior to the issuance of the Bonds, costs of design and engineering of the Facility and construction management, up to a maximum of \$3,500,000. The amount of any such advance, without interest, shall be repaid from the proceeds of the Bonds.

2. In the event that Bonds are not issued or if the State otherwise terminates plans for the Facility, the State shall use best efforts to reimburse the Municipality for amounts previously advanced by the Municipality.

Appendix 1 - Definitions

Appendix 2 - Form of Agreement to Lease

Appendix 3 - Form of Ground Lease