

Submitted by: ATU Committee
Prepared by: Department of Law
For reading: August 25, 1998

ANCHORAGE, ALASKA
AR NO.98- 282

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY APPROVING AND AUTHORIZING A LOAN IN AN AMOUNT NOT TO EXCEED \$5 MILLION FROM GENERAL MUNICIPAL FUNDS (CASH) TO THE ANCHORAGE TELEPHONE UTILITY SUBJECT TO DISBURSEMENT APPROVAL BY THE EXECUTIVE MANAGER.

WHEREAS, the Municipal Assembly has received a request from Anchorage Telephone Utility (ATU) for a loan in the amount of \$5 million to be used for marketing and customer-driven capital costs; and

WHEREAS, the Assembly ATU Committee is of the opinion that ATU has experienced an unexpected cash shortage as a result of accelerated market competition and is recommending the loan to ATU with oversight of the spending of the funds by the Executive Manager, in consultation with the Chief Fiscal Officer and the investment banking firm of Donaldson, Lufkin & Jenrette (DLJ); and

WHEREAS, the loan would earn interest and be repaid to the Municipality of Anchorage on the closing of the sale of ATU expected to be in February, 1999;

NOW, THEREFORE, the Anchorage Municipal Assembly resolves:

Section 1: That \$5 million be loaned from the general cash pool to ATU;

Section 2: That the Executive Manager, in consultation with the Chief Fiscal Officer and DLJ, is authorized to disburse the funds for marketing and customer-driven capital costs, as shown on Attachment A;

Section 3: That any funds loaned to ATU shall earn interest at the rate of other Municipal investments of these funds and shall be repaid to the Municipality of Anchorage on the closing of the sale of ATU, expected to be in February, 1999, or by January 1, 2000, whichever is sooner. Interest and principal shall be repaid in one installment at the end of the loan;

Section 4: That this resolution is effective upon passage.

DATED this day of September, 1998.

Assembly Chair

ATTEST:

Municipal Clerk

ATTACHMENT "A"

RESOLUTION NO. AR 98-282

4th Quarter Additional Cash Requirements for ATU Telecommunications

ATU's success has been greater than anticipated in the competitive market and its growth has been stronger than anticipated. This is due to the strong economic growth of telecommunications and the positive impact of the company's sales and marketing programs. This success creates a need for cash over the short term to meet these needs. This cash does not impact the municipal dividend nor reduce the net income; it is merely a short-term requirement as a result of the company's success.

Use of Capital	Amount	What does it do?
Residential telephone services drop wires, from the pole or pedestal to the home, and house mounted terminations for new and additional lines	845,000	Allows installation of 1,500 lines and in-ground burial of 500 lines currently lying on the surface
Electronics to avoid winter addition of expensive cables from poles to telephone building by "electronically adding" capacity to existing cables	750,000	Allows connection of 1,400 lines from neighborhoods to telephone buildings, cannot place cables in winter
High speed business network growth to meet data needs of internet providers and business data users	1,240,000	Addition of 400 1.5 megabit "T1" lines and added and upgraded fiber optics to 2 dozen buildings
Provide initial wires within new subdivisions	400,000	New subdivision growth exceeded forecast by 25 subdivisions to date
Customer premise located access terminals to allow additional customer uses of the high speed network	265,000	Customer retention (stay with ATU network) and increased revenues
Total Capital Additions	3,500,000	
Marketing 4 th Quarter Expenditures	1,500,000	Advertising, telemarketing to retain and grow customers
Total	5,000,000	

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