

CLERK'S OFFICE

APPROVED  
Date: 1-22-08

Requested by: Chair of the Assembly  
at the Request of the Mayor  
Prepared by: Public Finance & Investments Division  
For Reading: January 8, 2008

MUNICIPALITY OF ANCHORAGE, ALASKA  
ORDINANCE NO. 2008-5

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, AUTHORIZING A REVOLVING FIFTY MILLION DOLLAR (\$50,000,000) MASTER TAX-EXEMPT LEASE/PURCHASE AGREEMENT FOR THE FINANCING OF VARIOUS CAPITAL EXPENDITURES BY THE MUNICIPALITY.

**WHEREAS**, the Municipality of Anchorage, Alaska (the "Municipality"), is in need of financing from time to time to purchase capital items; and

**WHEREAS**, the Municipality solicited proposals, in the form of RFP 27-P039, from financial institutions and determined the best terms were provided by KeyBank, N.A. and Key Government Finance, Inc. ("KeyBank"), in its proposal dated October 4, 2007 (the "Proposal"); and

**WHEREAS**, the terms of the Proposal will be set forth in a revolving Master Tax-Exempt Lease/Purchase Agreement (the "Agreement") between the Municipality and KeyBank; now, therefore,

**THE ANCHORAGE ASSEMBLY ORDAINS:**

**Section 1.** Purpose. The purpose of this ordinance is to approve and establish a revolving Master Tax-Exempt Lease/Purchase Agreement.

**Section 2.** Award. This ordinance approves the award of the revolving Master Tax-Exempt Lease/Purchase Agreement to KeyBank in response to RFP 27-P039.

Terms of Financing. The Municipality shall finance the purchase of various capital items for the Municipality (the "Property") under the terms of the Agreement. The essential terms of the Agreement shall include:

- An initial two-year term with options to extend for three additional one-year periods;
- The aggregate dollar amount of the outstanding principal balance(s) under the Agreement shall not exceed FIFTY MILLION DOLLARS (\$50,000,000);

- Loans made under the Agreement shall remain outstanding until the maturity date of each respective loan;
- The tax-exempt interest rate for each loan shall be fixed for the life of the respective loan;
- Tax-exempt interest rates for each loan shall be the result of a formula, the basis of which is the mid-market par swap rate as published on the web site of the Federal Reserve Bank, reduced by a factor to equate it with tax-exempt market rates;
- Terms to maturity may be 3, 5, 7, or 10 years at the option of the Municipality and shall be consistent with the useful life of the assets financed; and
- Draws under the Agreement shall be subject to approval by the Anchorage Assembly, regardless of amount.

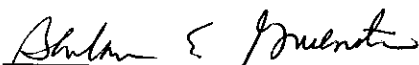
**Section 3. Effective Date.** This ordinance shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Assembly of the Municipality of Anchorage this 22<sup>nd</sup> day of January, 2008.

By 

Chair of the Assembly

ATTEST:



Municipal Clerk

## MUNICIPALITY OF ANCHORAGE

### Summary of Economic Effects – Master Tax-Exempt Lease/Purchase Agreement

AO Number: 2008-5

Title: AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, AUTHORIZING A REVOLVING FIFTY MILLION DOLLAR (\$50,000,000) MASTER TAX-EXEMPT LEASE/PURCHASE AGREEMENT FOR THE FINANCING OF VARIOUS CAPITAL EXPENDITURES BY THE MUNICIPALITY.

Sponsor: MAYOR  
Preparing Agency: Public Finance and Investments Division  
Others Impacted:

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

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|                        | FY08 | FY09 | FY10 | FY11 | FY12 |
|------------------------|------|------|------|------|------|
| Operating Expenditures |      |      |      |      |      |
| 1000 Personal Services |      |      |      |      |      |
| 2000 Supplies          |      |      |      |      |      |
| 3000 Other Services *  |      |      |      |      |      |
| 4000 Debt Service *    | 0    | 0    | 0    | 0    | 0    |
| 5000 Capital Outlay    |      |      |      |      |      |
| TOTAL DIRECT COSTS:    | 0    | 0    | 0    | 0    | 0    |

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ADD: 6000 Charge from Others  
LESS: 7000 Charge to Others

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FUNCTION COST:

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REVENUES:

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CAPITAL:

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POSITIONS:

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**PUBLIC SECTOR ECONOMIC EFFECTS:**

There will be no economic effect until funds are drawn under the Master Lease/Purchase Agreement.

**PRIVATE SECTOR ECONOMIC EFFECTS:**

There will be no economic effect until funds are drawn under the Master Lease/Purchase Agreement.

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# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

AM No. 21-2008

Meeting Date: January 8, 2008

1 **FROM: MAYOR**

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3 **SUBJECT: AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE,**  
4 **ALASKA, AUTHORIZING A REVOLVING FIFTY MILLION DOLLAR**  
5 **(\$50,000,000) MASTER TAX-EXEMPT LEASE/PURCHASE**  
6 **AGREEMENT FOR THE FINANCING OF VARIOUS CAPITAL**  
7 **EXPENDITURES BY THE MUNICIPALITY.**  
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9

10 **BACKGROUND:** The Municipality of Anchorage is in need of financing from time to time for  
11 various capital assets generally not financed through the issuance of long-term debt. A Master  
12 Tax-Exempt Lease/Purchase Agreement (the "Agreement") is an alternative form of financing  
13 successfully used by other local governments in the State of Alaska and by the State of Alaska as  
14 well. The Municipality benefits from having at its disposal an alternative, low cost financing  
15 mechanism it may rely upon in the normal course of business, as well as in certain circumstances  
16 where time is of the essence.  
17

18 **PURPOSE:** The purpose of the Master Tax-Exempt Lease/Purchase Agreement is to implement  
19 a cost effective financing alternative for the Municipality for the purchase of capital items,  
20 resulting in a more efficient use of Municipal funds. Tax-exempt rates under the Agreement are  
21 expected to be less than the cost of funds for a tax-exempt bond issue. This ordinance approves  
22 the award and authorizes a Master Agreement to be executed with KeyBank, under which draws  
23 may be made in the future. Any subsequent draw or loan shall be subject to Assembly approval,  
24 regardless of the dollar amount.  
25

26 **PROCESS:** Staff solicited proposals, in the form of RFP 27 P-039, from financial institutions  
27 and determined KeyBank responded with the most favorable terms for a Master Tax-Exempt  
28 Lease/Purchase Agreement. The Municipality shall continue to follow through with all  
29 procurement requirements under Title 7 for the purchase of capital assets financed with the  
30 Agreement. As a result of this award, all proposed draws under the Agreement are brought to the  
31 Assembly for approval, regardless of the amount of the proposed draw, by Assembly  
32 Memorandum.  
33

34 **TERMS OF THE AGREEMENT:** The terms of the Agreement include:  
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- 36 1. No escrow fees in the case where an escrow account is necessary;  
37 2. Selected loans under the Agreement can be prepaid at any time;  
38 3. No prepayment penalty for early payoff of any loan;  
39 4. The tax-exempt interest rate for each loan shall be fixed for the life of the respective loan;

5. Tax-Exempt interest rates for each loan shall be the result of a formula, the basis of which is the mid-market par swap rate as published on the web site of the Federal Reserve Bank, reduced by a factor to equate it with tax-exempt market rates;
6. Terms to maturity may be 3, 5, 7, or 10 years at the option of the Municipality and shall be consistent with the useful life of the assets financed; and
7. The initial term of the Agreement is two years, with the option to extend for three additional one-year periods, subject to satisfactory performance and mutual consent of the parties.

**THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, AUTHORIZING A REVOLVING FIFTY MILLION DOLLAR (\$50,000,000) MASTER TAX-EXEMPT LEASE/PURCHASE AGREEMENT FOR THE FINANCING OF VARIOUS CAPITAL EXPENDITURES BY THE MUNICIPALITY.**

Prepared by: Ross Risvold, Public Finance & Investments Manager  
Concurrence: Sharon Weddleton, Chief Fiscal Officer  
Concurrence: James N. Reeves, Municipal Attorney  
Concurrence: Denis C. LeBlanc, Municipal Manager  
Respectfully submitted: Mark Begich, Mayor

**Content Information****Content ID :** 005870**Type:** Ordinance - AO

Authorizing a Revolving \$50,000,000 Master Tax-Exempt

**Title:** Lease/Purchase Agreement for the Financing of Various Capital Expenditures, Finance**Author:** pruittns**Initiating Dept:** Finance**Keywords:** \$50,000,000, \$50 Million, Tax-exempt, Lease Agreement, Purchase Agreement, KeyBank**Date Prepared:** 12/27/07 10:39 AM**Director Name:** Sharon Weddleton**Assembly Meeting Date:** 1/8/08**Public Hearing Date:** 1/22/08

11.0.0.0  
2007 DEC 28 AM 9:54  
CLEAN OFFICE

**Workflow History**

| <u>Workflow Name</u>     | <u>Action Date</u>   | <u>Action</u> | <u>User</u> | <u>Security Group</u> | <u>Content ID</u> |
|--------------------------|----------------------|---------------|-------------|-----------------------|-------------------|
| AllOrdinanceWorkflow     | 12/27/07<br>10:44 AM | Checkin       | pruittns    | Public                | 005870            |
| Finance_SubWorkflow      | 12/27/07<br>11:11 AM | Approve       | weddletonsb | Public                | 005870            |
| OMB_SubWorkflow          | 12/27/07<br>4:18 PM  | Approve       | holmesba    | Public                | 005870            |
| Legal_SubWorkflow        | 12/27/07<br>5:24 PM  | Approve       | fehlenrl    | Public                | 005870            |
| MuniManager_SubWorkflow  | 12/27/07<br>5:32 PM  | Approve       | abbottmk    | Public                | 005870            |
| MuniMgrCoord_SubWorkflow | 12/27/07<br>5:33 PM  | Approve       | abbottmk    | Public                | 005870            |