

**State of Alaska
FY2006 Governor's Operating Budget**

**Department of Revenue
AMBBA Operations
RDU/Component Budget Summary**

RDU/Component: AMBBA Operations

(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)

Contribution to Department's Mission

The mission of the Alaska Municipal Bond Bank is to provide capital projects financing for municipalities.

Core Services

- Issue bonds to make loans to municipalities for capital projects at lower rates than the municipalities would incur elsewhere.
- Help municipalities gain experience in financial markets and establish a positive credit history.
- Monitor opportunities to issue bonds to refinance existing debt.

End Results	Strategies to Achieve Results
<p>A: Municipalities will lower their cost of financing.</p> <p><u>Target #1:</u> 100% of new financings will result in savings. <u>Measure #1:</u> Percent of new financings that result in savings to the issuer divided by the total number of new financings.</p> <p><u>Target #2:</u> 100% of advance refinancing will result in at least 3% savings to the issuer. <u>Measure #2:</u> Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings.</p> <p><u>Target #3:</u> 100% of current refinancing will result in at least 2% savings to the issuer. <u>Measure #3:</u> Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.</p>	<p>A1: Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.</p> <p><u>Target #1:</u> The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings. <u>Measure #1:</u> (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues</p>

FY2006 Resources Allocated to Achieve Results	
<p>FY2006 Component Budget: \$713,500</p>	<p>Personnel:</p>
	<p>Full time 1</p>
	<p>Part time 0</p>
	<p>Total 1</p>

Performance Measure Detail

A: Result - Municipalities will lower their cost of financing.

Target #1: 100% of new financings will result in savings.

Measure #1: Percent of new financings that result in savings to the issuer divided by the total number of new financings.

New Financings That Resulted in Savings

Year	YTD
2002	100%
2003	100%
2004	100%
2005	100%

Target #2: 100% of advance refinancing will result in at least 3% savings to the issuer.

Measure #2: Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings.

Analysis of results and challenges: There have been no advance refinancings in FY2002, FY2003 or FY2004. Advance refinancings are on a demand basis and dependent on market conditions therefore we have not projected activity in FY2005 or FY2006.

Target #3: 100% of current refinancing will result in at least 2% savings to the issuer.

Measure #3: Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.

Current refinancings that resulted in savings

Fiscal Year	YTD
FY2003	100%
FY2004	100%

Analysis of results and challenges: There was one current refinancing in FY2003 and two in FY2004 which resulted in a savings to the municipalities in excess of the requisite 2%. The refundings are on a demand basis and contingent on market conditions therefore we have not projected activity for FY2005 or FY2006.

A1: Strategy - Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.

Target #1: The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings.

Measure #1: (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues

Analysis of results and challenges: There is no central database where all debt issued statewide exists. The success of our collection of this data will depend largely on the willingness of the municipalities to respond to our requests for information. For FY2004 the bond bank issued \$113 million in 13 loans to 11 communities. This represented 79% of the total dollars issued and 92% of the total communities (for communities with less than an A2 rating).

Key Component Challenges

FY2004 saw a continuation of heightened borrowing/lending activity of the AMBBA. From FY2003 to FY2004 outstanding debt increased by 29% to an outstanding balance of \$344.8 million on June 30, 2004. This leaves \$155.2 million that the AMBBA can issue under its statutory limitation of \$500 million. This limitation, previously set at \$300 million, was increased to the current \$500 million during the 2003 legislative session. The AMBBA will continue to seek to maintain the diversity of the municipalities in the pool, including attempts to attract stronger municipalities with stronger credit ratings. Having a portfolio of borrowers that is diversified as regards credit strengths will help ensure the Bond Bank maintains its favorable credit rating.

Significant Changes in Results to be Delivered in FY2006

With the increase in the statutory limitation on debt issuance of AMBBA during the first session of the 23rd Legislature, the AMBBA will redouble effort to add municipalities to the pool. This is of particular concern due to rating agency concern over credit concentration with the largest participant in the pool.

Major Component Accomplishments in 2004

During FY2004 the AMBBA completed seven bond issues for a total of \$113 million. Of this amount, \$109.5 million funded projects in the communities of Kotzebue, Sitka, Nome, Valdez, Seward, the Aleutians East Borough, Petersburg, Fairbanks, Homer, Craig, and Kodiak. These communities are estimated to have saved over \$4.8 million in reduced issuance costs and lower interest expense.

Statutory and Regulatory Authority

AS 44.85.020

Contact Information

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**AMBBA Operations
Component Financial Summary**

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	66.4	71.4	72.2
72000 Travel	9.4	10.1	10.1
73000 Services	544.6	592.4	627.4
74000 Commodities	0.2	3.8	3.8
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	620.6	677.7	713.5
Funding Sources:			
1104 Alaska Municipal Bond Bank Receipts	620.6	677.7	713.5
Funding Totals	620.6	677.7	713.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Municipal Bond Bank Receipts	51417	620.6	677.7	713.5
Restricted Total		620.6	677.7	713.5
Total Estimated Revenues		620.6	677.7	713.5

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	0.0	677.7	677.7
Adjustments which will continue current level of service:				
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	0.6	0.6
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	0.0	0.2	0.2
Proposed budget increases:				
-To charge Bond Bank for accounting and other overhead charges	0.0	0.0	35.0	35.0
FY2006 Governor	0.0	0.0	713.5	713.5

**AMBBA Operations
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2005</u> <u>Management</u> <u>Plan</u>	<u>FY2006</u> <u>Governor</u>		
Full-time	1	1	Annual Salaries	52,914
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	22,423
			<i>Less 0.00% Vacancy Factor</i>	(0)
			Lump Sum Premium Pay	0
Totals	1	1	Total Personal Services	75,337

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
State Investment Officer II	0	0	1	0	1
Totals	0	0	1	0	1