

State of Alaska
FY2005 Governor's Operating Budget

Department of Revenue
Alaska Municipal Bond Bank Authority
RDU/Component Budget Summary

Contents

RDU/Component: Alaska Municipal Bond Bank Authority	3
<i>End Results</i>	3
<i>Strategies to Achieve Results</i>	3
Component Financial Summary	6
Summary of Component Budget Changes	7
Personal Services Information	8

RDU/Component: Alaska Municipal Bond Bank Authority

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

FY2005 Resources Allocated to Achieve Results

<p>FY2005 Component Budget: \$527,400</p>	Personnel:				
	<table style="width: 100%; border: none;"> <tr> <td style="width: 80%;">Full time</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Part time</td> <td style="text-align: right;">0</td> </tr> </table>	Full time	1	Part time	0
	Full time	1			
	Part time	0			
<table style="width: 100%; border: none;"> <tr> <td style="width: 80%;">Total</td> <td style="text-align: right;">1</td> </tr> </table>	Total	1			
Total	1				

Performance Measure Detail

(1) Result: Municipalities will lower their cost of financing.

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

Measure: 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 Total
2002		0	0	0	100%
2003	0	0	0	0	100%
2004	0	0	0	0	100%
2005	0	0	0	0	100%

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

Measure: 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 or FY2003. Advance refinancings are on a demand basis and dependent on market conditions therefore we have not projected activity in FY2004 or FY2005.

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

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

Analysis of results and challenges: There was one current refinancing in FY2003 which resulted in a savings to the municipality 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 FY2004 or FY2005.

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

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

Measure: The dollars of bonds issued by the Bond Bank (for less than A2 creditors) divided by the total number of dollars issued statewide by less than A2 creditors.

Analysis of results and challenges: We will begin to collect data in FY2004. There is no central database where all debt issued statewide exists. The success of our collection of this data will depend in large part on the willingness of the municipalities to respond to our requests for information.

Key Component Challenges

FY2003 saw a continuation of heightened borrowing/lending activity of the AMBBA. From FY2001 through FY2003 outstanding debt has increased by 35% to an outstanding balance of \$266.5 million on June 30, 2003. This leaves \$233.5 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 FY2005

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 2003

During FY2003 the AMBBA completed seven bond issues for a total of \$51,050,000. The communities benefiting from these issuances were the Northwest Arctic Borough, the City of Wrangell, the Ketchikan Gateway Borough, the Kodiak Island Borough, the Lake and Peninsula Borough, the City of Valdez, the Kenai Peninsula Borough, the City of

Ketchikan and the City and Borough of Juneau. These communities are estimated to have saved over \$3.6 million in reduced issuance costs and lower interest expense.

Statutory and Regulatory Authority

AS 44.85.020

Contact Information
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**Alaska Municipal Bond Bank Authority
Component Financial Summary**

All dollars shown in thousands

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	66.4	67.9	71.1
72000 Travel	10.1	10.1	10.1
73000 Contractual	584.4	442.4	442.4
74000 Supplies	3.8	3.8	3.8
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	664.7	524.2	527.4
Funding Sources:			
1104 Alaska Municipal Bond Bank Receipts	664.7	524.2	527.4
Funding Totals	664.7	524.2	527.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	614.7	0.0	0.0
Unrestricted Total		614.7	0.0	0.0
Restricted Revenues				
Municipal Bond Bank Receipts	51417	664.7	524.2	527.4
Restricted Total		664.7	524.2	527.4
Total Estimated Revenues		1,279.4	524.2	527.4

**Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	0.0	0.0	524.2	524.2
Adjustments which will continue current level of service:				
-Changes to Retirement and Other Personal Services Rates	0.0	0.0	3.2	3.2
FY2005 Governor	0.0	0.0	527.4	527.4

**Alaska Municipal Bond Bank Authority
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2004</u> Authorized	<u>FY2005</u> Governor		
Full-time	1	1	Annual Salaries	52,914
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	18,643
			<i>Less 0.64% Vacancy Factor</i>	<i>(457)</i>
			Lump Sum Premium Pay	0
Totals	1	1	Total Personal Services	71,100

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