Alaska Municipal Bond Bank
And the Process of Issuing Bonds

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Presented by:

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Any Financing is Process Based
From Purchasing a Vehicle to a Home

- Decide to purchase
- Decide to finance the purchase
- Contact lenders
- Lender performs financial analysis
- Obtain your credit report
- Examine what you’re purchasing
- Insurance requirements
- Closing
Bond Financing is also a Process

- Identify project
- Decide to finance project
- Establish financing team
- Financing schedule determined
- Documents drafted
- Bond insurance considered
- Rating agencies contacted
- Marketing & Pricing
- Closing
Making the Decision to Bond
Capital Expenditures
Policy Issue

Pay-As-You-Go

• Construction or acquisition as revenues become available
• Current users bear cost
• Construction/acquisition capacity limited to available revenues
• Lower total cost*
• Political and economic climate considerations
Capital Expenditures
Policy Issue

Pay-As-You-Use

• Construction or acquisition as needed
• Reduced current payments
• Current and future users bear cost
• Enhanced construction/acquisition capacity
• Time value of money
Alaska Municipal Bond Bank Authority
Uses of Bond Proceeds - Inception to Date
Does not include refundings

- Schools 40.9%
- Utilities 13.0%
- Water and Sewer 7.9%
- Roads 4.5%
- Reserves 2.9%
- Public Safety 3.2%
- Ports and Harbors 5.3%
- Parking 4.3%
- Municipal 0.3%
- Hospitals 7.0%
- Coastal Energy 7.7%
- Community 2.5%
- Airports 0.6%
- Municipal 0.3%
Bond Structure
## General Obligation vs. Revenue Bonds

<table>
<thead>
<tr>
<th>General Obligation</th>
<th>Revenue</th>
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<tr>
<td>• Backed by general credit and taxing powers of the issuer</td>
<td>• Backed by specific revenue stream</td>
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<td>• More diverse credit structure</td>
<td>• Matches sources of payment for bonds to the project financed</td>
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<td>• Requires voter approval</td>
<td>• Users pay cost of project and financing</td>
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<td>• Least cost, most flexibility</td>
<td>• Variety of revenues could be pledged to pay debt service</td>
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<td>• Covenants could limit bonding capacity</td>
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Who is Involved
Financing Team Members (Assuming Bond Bank Involvement)

- Municipal employees
- Municipality’s Bond Counsel
- Bond Bank Staff
- Bond Bank Financial Advisor
- Bond Bank Bond Counsel
- Bond Bank’s Trustee/Paying Agent
Market and Rating Criteria
(Assessing Ability and Willingness to Pay)

- **Economic Base**
  - Demographics
  - Employment
  - Volatility/diversity of revenues

- **Debt Management**
  - Wisdom of proposed issue
  - Debt Capacity
  - Existing debt
  - Additional debt

- **Financial Management**
  - Reporting & budgeting
    - Cash flow
    - Finance controls

- **Administration**
  - Long-range planning ability
    - Accuracy of budgets
    - Continuity of management
About the Bond Bank
History of Bond Bank

• Public Corporation established in 1975
• Bond issues are moral obligations of Alaska
• Self supporting Public Corporation
• Just Under $27 million returned to Alaska
• Nearing a billion dollars in bonds issued
• $439.5 million in bonds outstanding
AMBBA Organizational Chart

Governor

Legislature

Board of Directors

Executive Director

- Treasury Division
- Accounting and Administrative Support
- Bond Counsel
- Financial Advisor
- Trustee Paying Agent
- Custodial Bank
- Investment Manager
2005 Bond Bank Activity

• $123 million borrowed in FY 2005
• $16.3 million in savings to 14 communities
• General obligation bonds – $88.8 million
• Estimated savings - $2.8 million
• Two series of revenue bonds - $34.2 million
• Estimated savings - $13.5 million
Benefits of Using the Bond Bank

- Lower cost of capital
- Assistance to municipal employees
- Financial advice
- Legal advice
- Ongoing services (trustee, paying agent, & arbitrage analysis)
- Monitor market for refinancing savings