

**NOTICE OF MEETING
REGULAR MEETING AGENDA**

- 1. CALL TO ORDER**
- 2. APPROVAL OF AGENDA**
- 3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA**
- 4. RECONSIDERATION**
- 5. APPROVAL OF SYNOPSIS**
 - A. August 25, 2011 meeting synopsis Page 1
- 6. VISITORS/PRESENTATIONS**
- 7. STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS**
- 8. PUBLIC HEARING**
- 9. PENDING BUSINESS**
 - A. Review of Port and Harbor Finances Page 5
- 10. NEW BUSINESS**
 - A. Review of Revenue Bonding Process and Discussion with Deven Mitchell, Director of the Alaska Bond Bank via teleconference if available. Page 7
- 11. INFORMATIONAL MATERIALS**
- 12. COMMENTS OF THE AUDIENCE**
- 13. COMMENTS OF THE STAFF**
- 14. COMMENTS OF THE COUNCILMEMBER**
- 15. COMMENTS OF THE CHAIR**
- 16. COMMENTS OF THE COMMITTEE MEMBERS**
- 17. ADJOURNMENT/NEXT REGULAR MEETING IS SCHEDULED FOR SEPTEMBER 8, 2011 at 5:30 p.m. in the Homer City Hall West Conference Room located at 450 Sterling Highway, Homer, Alaska.**

Session 11-02, a Regular Meeting of the Port and Harbor Improvement Committee was called to order by Chair Howard at 5:23 on August 25, 2011 at the City Hall West Conference Room located at 450 Sterling Highway, Homer, Alaska.

PRESENT: Hartley, Hawkins, Howard, Howard, Lewis, Wythe

STAFF: City Manager Wrede
Deputy City Clerk Jacobsen

AGENDA APPROVAL

The agenda was approved by consensus of the Committee.

PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

There were no public comments.

RECONSIDERATION

There were no items for reconsideration.

APPROVAL OF SYNOPSIS

A. Approval of the August 18, 2011 Meeting Synopsis

The synopsis was approved by consensus of the Commission.

VISITOR/PRESENTATIONS

No visitors were scheduled.

STAFF & COUNCIL REPORTS

There were no staff or council reports.

PUBLIC HEARING

No public hearings were scheduled.

PENDING BUSINESS

No pending business items were scheduled.

NEW BUSINESS

A. Review of Port and Harbor Finances

Finance Director Mauras showed a power point presentation to review the Port and Harbor Enterprise fund. Paper copies were provided for the record. As of 12/31/10 the Depreciation Reserves has a fund balance of \$1,652,816.31 and vehicle reserves have \$68,796.40. These reserves are set up and used for the repair and replacement of equipment and infrastructure.

As of the same date, total assets for the Port are \$41,762, 236, excluding land which equals \$26,508,195. Total reserves are \$1,721,612.71, or 6.5% of the Ports depreciable fixed assets set aside for repair or replacement. 40% of depreciable capital assets is to be maintained in depreciation reserves, and the Port and Harbor has fallen short of this goal. She summarized that the auditors were happy to see the Port is debt free. Six months of expenses should be maintained in case of emergencies. Net assets (retained earnings) represent accumulated earnings that are not reserved. Net assets available for expenses are \$41,472,133.70 less fixed assets of \$41,762,236 leaves a deficit of \$290,102, available for debt repayment and preparedness.

Mrs. Mauras commented that debt polices could be considered. A common provision is a policy that places limits on the amount of debt that can occur. The limits assume two dimensions:

- A limit on the percentage of operating revenue spent for debt service, and
- A limit on the amount of outstanding direct debt as a percentage of the full value of assessed properties.

She summarized a discussion with Deven Mitchell of the Alaska Bond Bank. He advised that the Port and Harbor would have to demonstrate the ability to pay back the bond and generate enough revenue to sufficiently add to net assets. A risk assessment would need to be done to see if is reasonable for the Port to take on the debt. A plan of revenue generation needs to be in place, and insurance and general upkeep of the port would be required. A year of bond payments would need to be placed in reserves. Mr. Mitchell indicated that the bond would have to be approved by the voters. He also said the City of Seward was in a similar situation and they imposed a small head tax that was dedicated to payback of the bonds.

Mr. Hawkins explained that the Seward head tax is for passengers on tour boats. It is a fee that Homer has in their tariff but it hasn't been collected in the past. It is set up for vessels larger than 12 passengers. He isn't sure what the financial benefit would be if they charged the fee and expects the concept would meet resistance as it targets a specific user group. It was suggested that they may have some incentive knowing the funds will produce a better facility and attract more users to their business. Mr. Hawkins added that Seward is concerned because their ridership is lower and as a result are concerned about bond repayment. He does not know how much Seward bonded.

Mrs. Mauras reviewed the cash flow statement. Mr. Hawkins commented about the reserves, noting it is separate from the cash flow information. The contribution to reserves was increased from \$320,000 last year to \$500,000 this year. The Port is at \$1.4 million in reserve account but should have \$10 million with annual contributions maintaining that number.

Chair Howard expressed concern that the Port can't afford a bond right now and that increasing fees to a level to pay back a bond wouldn't be tolerated by users.

The group discussed present fee, revenue, and amenities provided for commercial fishing and how they compare to other area harbors. The general consensus was that they would like to continue to meet and discuss ways to move forward on the bonding concept.

Mrs. Wythe expressed that she is more inclined to focus the on cash flow statement. In order to pay the bond, having cash flow that is increasing is more important. The depreciation amount is a soft number in the statement and not cash in the bank. How it would impact the building of the reserve would be different and the 40% is an ideal goal of an amount that would allow an ability to replace a substantial amount of the infrastructure. She wants to

think about it and digest the information provided at the meeting tonight. She would like to know more information about why Mr. Mitchell indicated this would have to go to the voters.

Mrs. Mauras said if the committee could provide some scenarios she could create a model to show how much harbor fees would need to be increased to meet bond payments and increase the reserves balance.

Scenario 1 is the list on the resolution, the cost to bond, and what the payment would be. According to the numbers in the CIP it totals about \$10 million. The costs in the CIP may need to be updated.

Scenario 2 is the Harbor building, and a project that would produce revenue. The Harbormaster could assist Mrs. Mauras could work on numbers for that scenario.

The Committee asked to see a projection of potential revenue from fee increases and implementation of a head tax. They agreed to look at this new information at the September 8 meeting. They asked City Manager Wrede to try to schedule Mr. Mitchell for their September 1 meeting.

INFORMATIONAL ITEMS

COMMENTS OF THE AUDIENCE

Cathy Ulmer, city resident, expressed her appreciation to the Committee for taking this forward step.

COMMENTS OF STAFF

There were no staff comments.

COMMENTS OF THE CHAIR

Chair Howard thanked Regina and asked the Committee to take tonight's information home and review it for the next meeting.

COMMENTS OF THE COMMITTEE MEMBERS

There were no Committee member comments.

ADJOURN

There being no further business to come before the Committee the meeting adjourned at 6:25. The next meeting is scheduled for September 1, 2011 at 5:30 at the City Hall West Conference Room.

Melissa Jacobsen, CMC, Deputy City Clerk

Approved: _____

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Please bring the financial information provided at the 8/25 meeting.



1966 Aerial View of Dredging



1976 Used Oil Facility

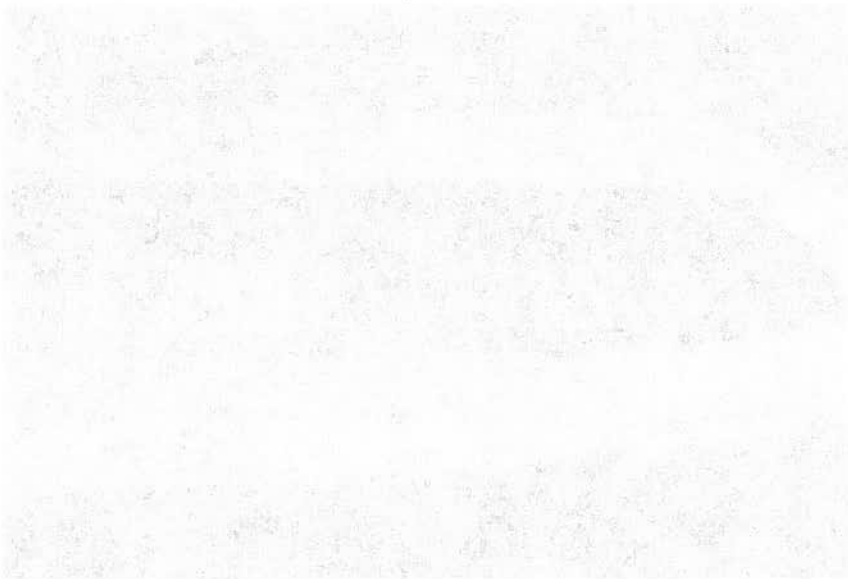
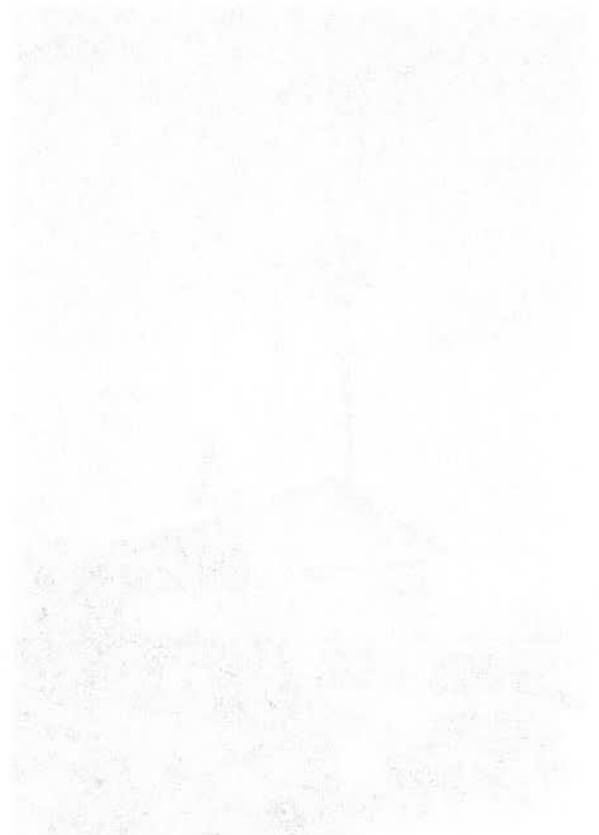
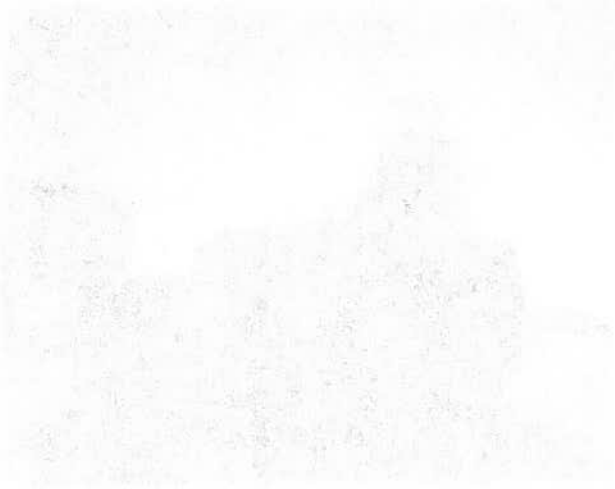
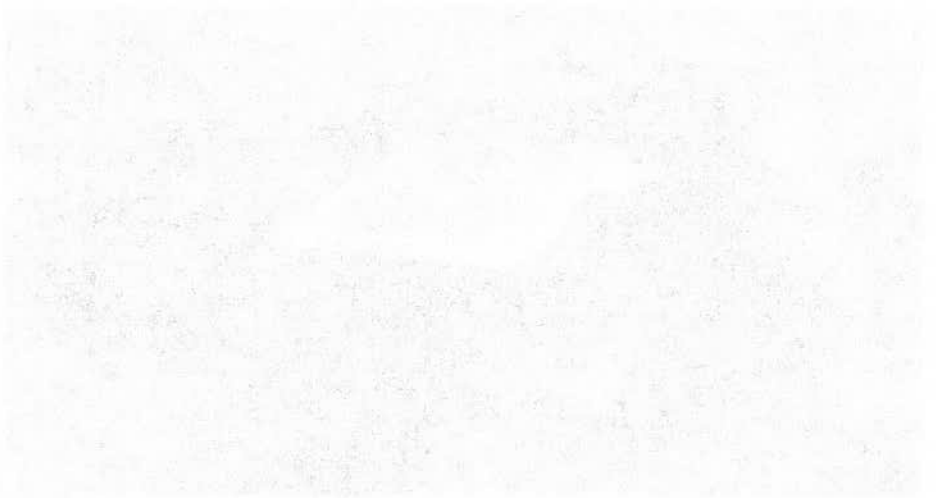


1980 Harbormaster's Office



1986 Aerial View after Construction

Please copy the
essential
information
provided to the
NYC meeting





Alaska Municipal Bond Bank
Project Planning and Issuing Bonds

September 2011

Presented by:

Deven Mitchell

Executive Director

Alaska Municipal Bond Bank

(907) 465-3409

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The Bond Bank

- Created in '75 to assist Alaskan municipalities access low cost funds for capital projects
- Operation is Self Supporting and has Repaid State's Investment
- Efficiency and Flexibility has Increased
- Continually Generating and Implementing Innovations to Better Meet the Mission



Mission Statement

**“To Provide Municipalities Finance Options for
Capital Projects They Can Afford”**

Accomplished By

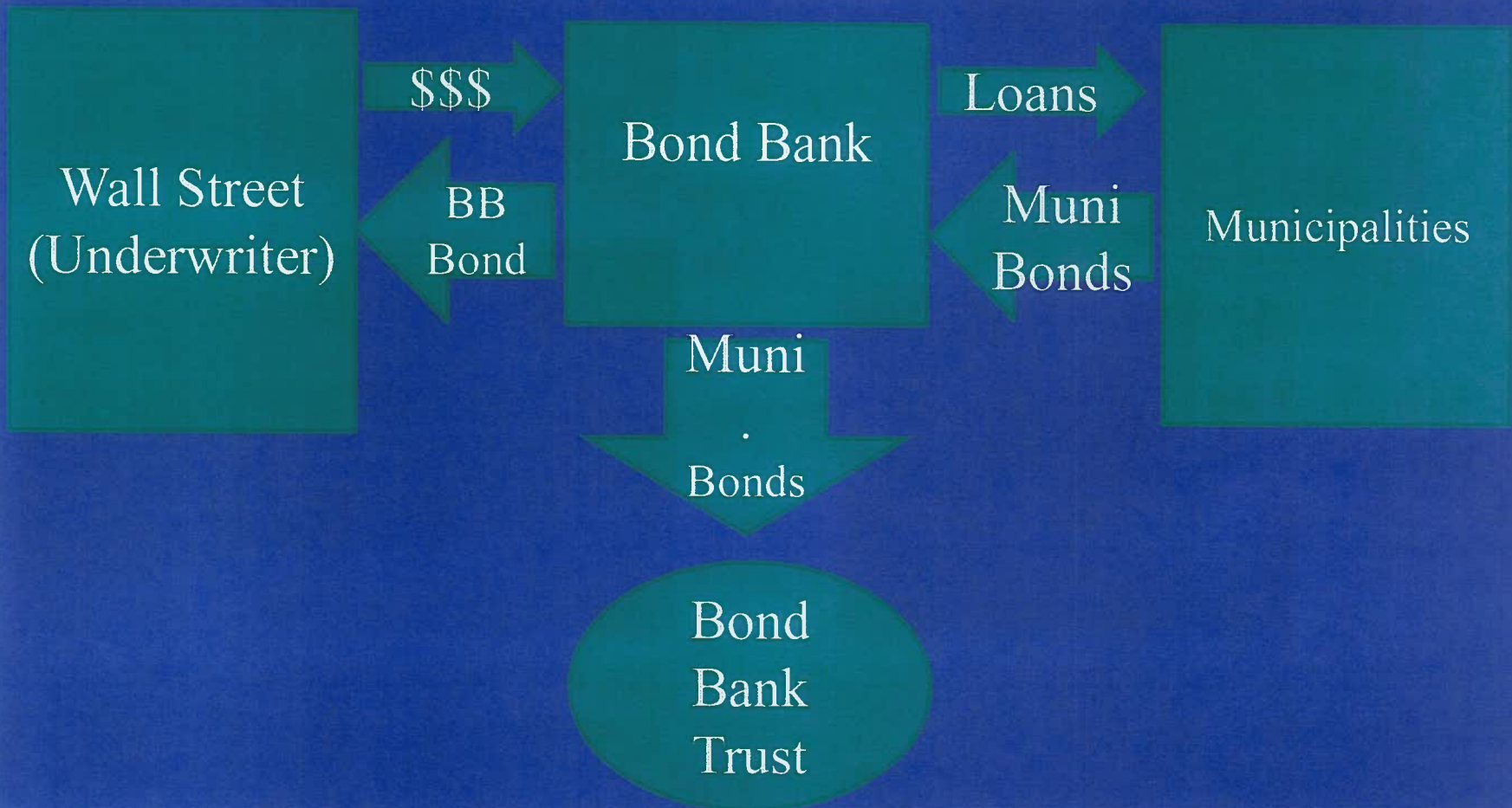
- Sell Highly Rated Bond Bank Bonds to Buy Lower Rated Community Bonds
- Pass on the Lower Cost of Capital and Pay Most Costs of Issuing Bonds

Result

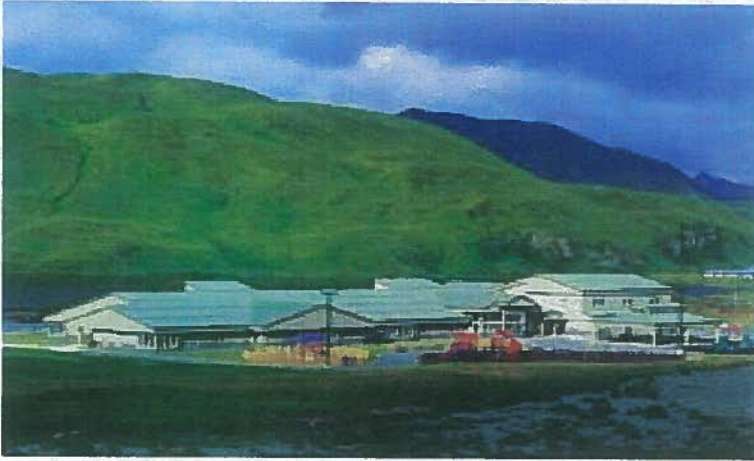
- Over a Billion in Bonds Issued Resulting in \$85,000,000 in Community Savings Since 2000



POOLED TRANSACTION



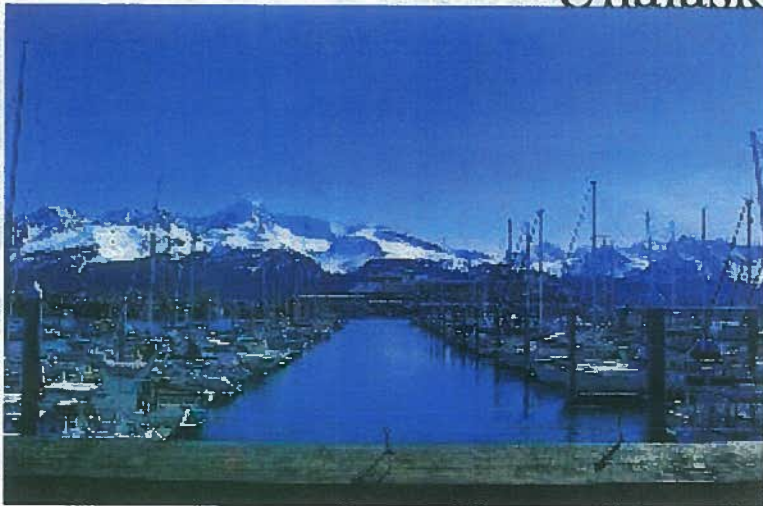
BOND BANK'S ASSISTANCE AT WORK



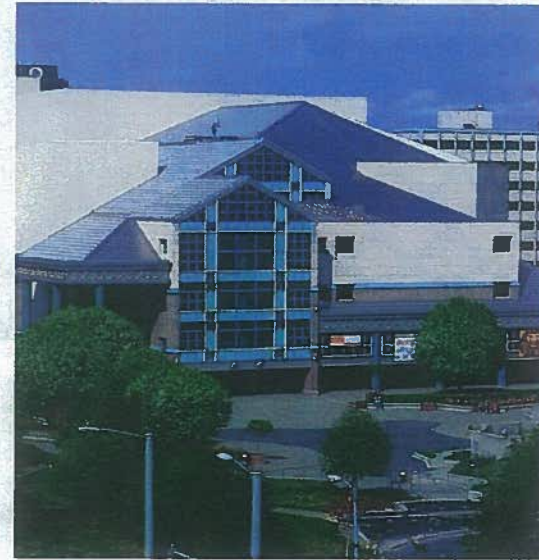
Unalaska, AK



Sitka,
AK



Seward, AK



Anchorage⁶, AK

Making the Decision to Bond



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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

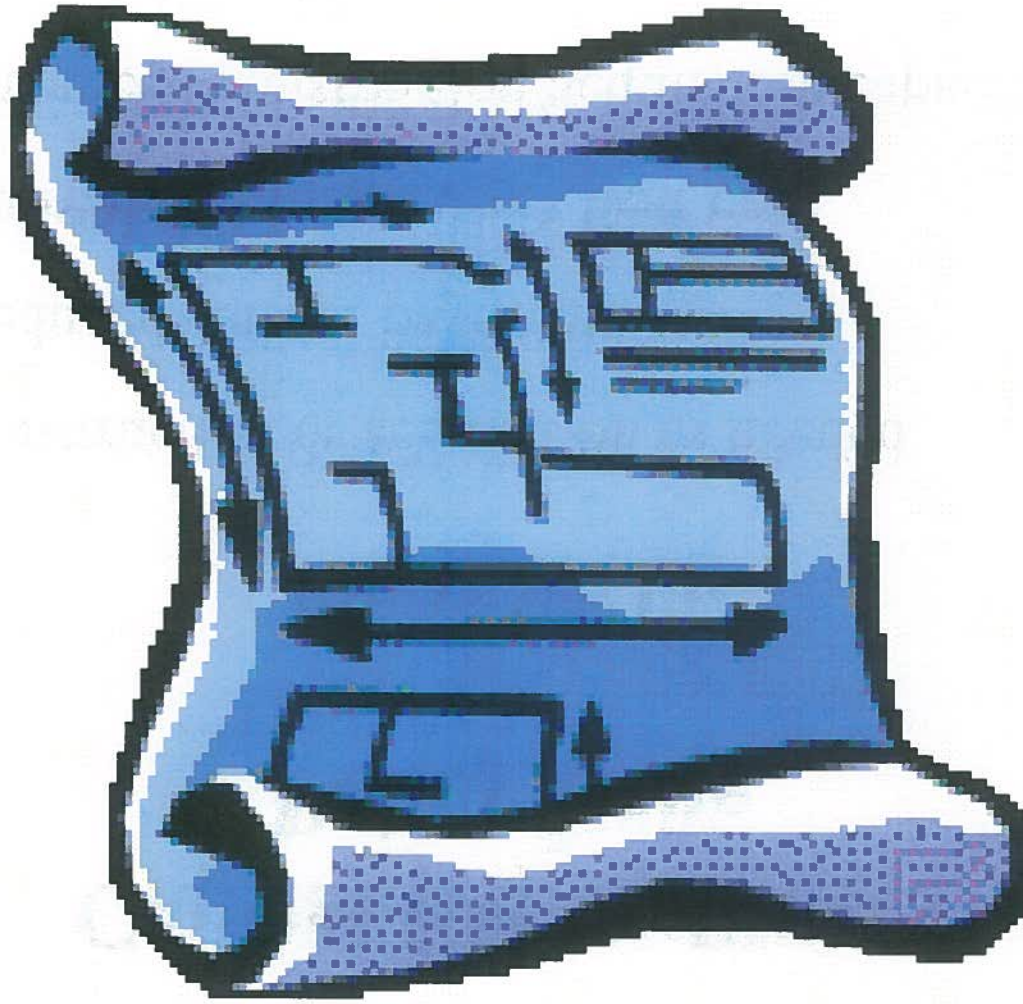


Capital Expenditures Policy Issue

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

Bond Structure



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



General Obligation vs. Revenue Bonds

General Obligation

- Backed by general credit and taxing powers of the issuer
- More diverse credit structure
- Requires voter approval
- Least cost, most flexibility

Revenue

- Backed by specific revenue stream – commonly utilities
- Matches sources of payment for bonds to the project financed
- Users pay cost of project and financing
- Variety of revenues could be pledged to pay debt service
- Covenants could limit bonding capacity



About the Bond Bank



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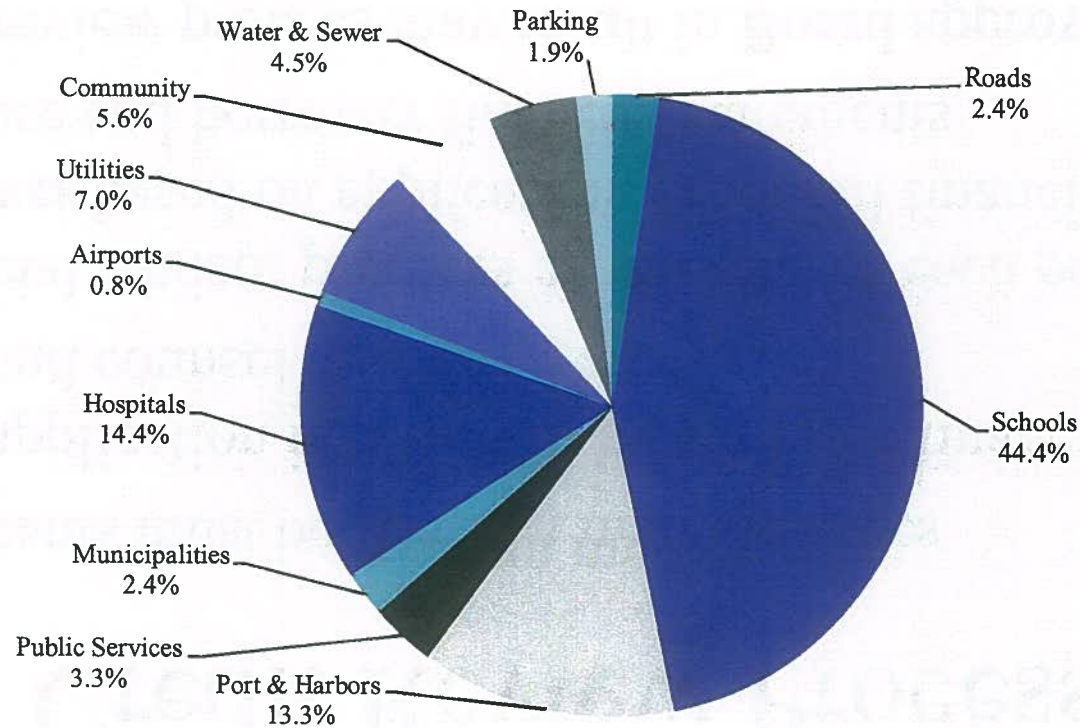


Credit Review Process

- Applicants must be Alaskan municipalities
- Each application is reviewed by staff, the financial advisor and bond counsel
- Financial advisor prepares an analysis of each potential borrower based on application, proposed financing structure and borrower financial statements
- Loan review process may result in Board approval, approval with modifications, or no action pending further information from the applicant
- All bonds secured by pledged revenues, state intercept, multiple reserve fund layers, and the State's moral obligation

Use of Bond Bank Proceeds

(Excluding Reserves)



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



Who is Involved



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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



END NOTE

Questions regarding the Bond Bank and its programs should be directed to:



Deven Mitchell

907.465.3409

deven.mitchell@alaska.gov