



## SOUTHEAST ALASKA POWER AGENCY AMBB Refunding of 2009 Series Bonds

DATE: February 27, 2019  
TO: SEAPA Board of Directors  
FROM: Trey Acteson, CEO

### SUGGESTED MOTION

I move to authorize SEAPA staff to begin the process to participate in the Alaska Municipal Bond Bank financing to refinance the remainder of the Series 2009 Bonds, to ratify the loan application provided to the Alaska Municipal Bond Bank, and to take any necessary actions to work with the Alaska Municipal Bond Bank to secure the benefits of refinancing.

The Series 2019 fixed rate refunding bonds will be for the sole purpose of refunding the remaining balance of the SEAPA Series 2009 bonds. The issuance of 2019 Series bonds will refund \$4,760,000 in bonds that are callable between June 1, 2020 and June 1, 2024. The Series 2019 bonds will be payable over the same five-year schedule as the 2009 Series Bonds that are being refunded. (SEAPA's Series 2015 debt service payments are interest-only through 2024; principal and interest payments begin in 2025.)

The proposed refunding will go through the Alaska Municipal Bond Bank (AMBB), as opposed to the open market, resulting in additional savings for the Agency. State legislation passed effective May 26, 2015, specifically authorized Joint Action Agencies to participate in financing available from AMBB.

The first table below compares the current 2009 Debt Service with figures for estimated 2019 Debt Service. The second table displays the estimated Net Present Value savings when refinancing on the open market compared to refinancing with AMBB. Additional savings are anticipated from much lower Costs of Issuance when going through AMBB.

	2009 SERIES			2019 AMBB		
	Principal	Coupon	Interest	Principal	Coupon	Interest
FY20	\$870,000	4.500%	\$232,856	\$850,000	3.000%	\$194,188
FY21	905,000	4.500%	193,706	875,000	4.000%	168,150
FY22	945,000	5.125%	152,981	910,000	4.000%	133,150
FY23	995,000	5.125%	104,550	945,000	5.000%	96,750
FY24	1,045,000	5.125%	53,556	990,000	5.000%	49,500
	<u>\$4,760,000</u>		<u>\$737,650</u>	<u>\$4,570,000</u>		<u>\$641,738</u>
	<b>\$5,497,650</b>			<b>\$5,211,738</b>		
	Annual Debt Service			Annual Debt Service		

OPEN MARKET SAVINGS SUMMARY		AMBB SAVINGS SUMMARY	
PV of savings from cash flow	\$307,860	PV of savings from cash flow	\$339,457
Plus: Refunding funds on hand	<u>2,676</u>	Plus: Refunding funds on hand	<u>3,876</u>
Net PV Savings	\$310,536	Net PV Savings	\$343,333

David Thompson, with Stradling Attorneys at Law in Seattle has been retained as bond counsel. He works in public finance and is licensed in Alaska. He has worked with both Ketchikan and Wrangell and other municipalities that have participated in AMBB transactions.

A copy of the AMBB bond issuance schedule is also attached. Closing is anticipated to take place by May 1 in Seattle.

A memo outlining the anticipated savings for the Agency with this refinancing effort follows.

**From:** Mitchell, Deven J (DOR)  
**Sent:** Thursday, January 17, 2019 9:46 AM  
**To:** Trey Acteson  
**Subject:** Benefit of Bond Bank

Trey,

So we've done some analysis and we believe that using the Bond Bank will save SEAPA around \$60,000 versus an independent issue.

The benefit is generated by a reduction in interest rate due to higher credit rating of the Bond Bank combined with reduced costs of issuance.

The Bond Bank's interest rate is projected to diminish your true interest cost by around a quarter percent (Bond Bank's rating is AA-), or reduce interest rate from around 2.48% to around 2.24% in today's market for this refinancing. This lower interest rate results in debt service reductions of \$383,140.39 from current levels with a present value of \$343,333.29. We compared this to a stand-alone issuance which would generate savings of \$349,136.92 with a present value of \$310,535.95. The reduction in interest expense is projected to be \$34,003.47 or on a present value basis \$32,797.34.

Additional savings would be realized by SEAPA through reduced costs of issuance. In a Bond Bank issuance the only costs SEAPA pays are any internal administrative or travel costs and bond counsel fees. Additional costs on a stand-alone transaction would include financial advisor, credit rating fee, and paying agent fee which are projected to cost around \$30,000.

Additionally, SEAPA would be relieved of the burden of updating a disclosure document (official statement) and administrative oversight of the bond issue process would be minimized by involvement of the Bond Bank.

You can compare the two scenarios in the attached files.

Let me know if you have any questions or want to go over the bond sizings.

Deven

Deven Mitchell  
Debt Manager, Department of Revenue  
Executive Director, Alaska Municipal Bond Bank

**Alaska Municipal Bond Bank**  
**General Obligation (2005 Resolution) 2019 Series One, Two and Three**  
**Financing Schedule**

JANUARY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

FEBRUARY						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

MARCH						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

APRIL						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Key to Participants:  
 AMBB = Alaska Municipal Bond Bank  
 FA = Financial Advisor (PFM Financial Advisors LLC)  
 BC = Bond Counsel (Orrick)  
 UND = TBD  
 WG = Working Group (All of the Above)

Tue-Jan-8-19	Prepare draft financing schedule	FA
Mon-Jan-21-19	MLK Jr. Holiday	AMBB, FA
Wed-Feb-13-19	Working Group Call to discuss timing, structure and legal requirements	AMBB, FA
Tue-Feb-26-19	Distribute 1st draft of POS, Bond Resolution	BC
Tue-Mar-5-19	Comments on 1st draft of POS, Bond Resolution	WG
Tue-Mar-5-19	Soldotna Special Election	
Fri-Mar-8-19	Distribute 2nd draft of POS to WG, Bond Resolution	BC
Fri-Mar-8-19	Distribute POS, Bond Resolution, Loan Summary to rating agencies	FA
Fri-Mar-8-19	Draft POS and credit summaries to AMBB for Board Packet	WG
Wed-Mar-13-19	Comments on 2nd draft of POS, Bond Resolution	WG
Thu-Mar-14-19	AMBB Board Meeting to approve Resolution, Loans	WG
Tue-Mar-19-19	Distribute 3rd draft of POS to WG	BC
Wed-Mar-20-19	Rating agency presentations	AMBB, FA
Mon-Mar-25-19	Comments due on 3rd draft of POS	WG
Mon-Apr-1-19	Receive ratings	AMBB, FA
Tue-Apr-2-19	Post POS to internet	BC
Tue-Apr-16-19	Bond Sales	AMBB, FA
Fri-Apr-19-19	Distribute draft Final OS	BC
Tue-Apr-23-19	Comments due on Final OS, deliver Final OS for posting	WG
Wed-Apr-24-19	Closing documents distributed to WG	BC
Mon-Apr-29-19	PRE-CLOSING IN SEATTLE	WG
Tue-Apr-30-19	CLOSING IN SEATTLE	WG



## Application for Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue or general obligation bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

I. General Information			
A. Name of Governmental Unit (Applicant):			
<b>THE SOUTHEAST ALASKA POWER AGENCY</b>			
B. Type of government (home rule, first class, authority, etc.):			
<b>JOINT ACTION AGENCY</b>			
C. Contact Person for the government:			
Name:		Title:	
<b>TREY ACTESON</b>		<b>CEO</b>	
Address:		City:	State: Zip:
<b>90 FIRST AVE, SUITE 318</b>		<b>KETCHIKAN</b>	<b>AK 99901</b>
Phone:	Fax:	E-mail:	
<b>907.228.2281</b>	<b>907.225.2287</b>	<b>tacteson@seapahydro.org</b>	
D. Applicant's Bond Counsel:			
Name:		Title:	
<b>DAVID THOMPSON, STRADLING ATTORNEYS AT LAW</b>			
Address:		City:	State: Zip:
<b>999 THIRD AVE, STE 3610</b>		<b>SEATTLE</b>	<b>WA 98104</b>
Phone:	Fax:	E-mail:	
<b>206.829.3000</b>	<b>206.299.4224</b>	<b>dthompson@sycr.com</b>	
E. Applicant's Financial Advisor or Underwriter (if applicable):			
Name:		Title:	
<b>TBD</b>			
Address:		City:	State: Zip:
Phone:	Fax:	E-mail:	

**II. Issue Information**

**A. Total amount of bond purchase request:**

\$5,590,000

**B. Total term of requested loan:** 6 years

**C. Preferred principal and interest payment months:** 720 /principal /interest            interest only

**D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposition.  Attached**

If a bond election has been held, provide the votes for and against the issue(s):

Yes:	No:	Percent of registered voters casting ballots:
		%

**NOT APPLICABLE**

Does the municipality intend to pledge any specific assets or taxes in addition to property tax? Provide details of the additional security.  Attached

**E. Will you need interim financing?** NO

1. If applicable, provide interim financing information:

Amount:	Maturity:	Rate:	Lender:

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing.  Attached

**F. Describe project to be financed, including the information requesting in 1-6. If this information is available in a project feasibility study, you may reference and attach it.**

- 1. Are engineering and specifications completed?  Yes  No **NOT APPLICABLE**
- 2. If not, when are they projected for completion? \_\_\_\_\_
- 3. Have construction bids been awarded?  Yes  No
- 4. Are there additional state or local approvals required?  Yes  No
- 5. Describe timing/scheduling plan: \_\_\_\_\_

6. What is the projected completion date? \_\_\_\_\_

**G. Sources of uses of funds**

Sources of Funds		Uses of Funds	
Bonds (this application)	\$5,590,000	Construction	\$
Federal Funds*	\$	Engineering	\$
State Funds*	\$	Contingency	\$
Applicant's Funds	\$	Cost of Issuance	\$
Other (specify)	\$	Other	\$5,590,000
<b>Total:</b>	<b>\$</b>	<b>Total:</b>	<b>\$5,590,000</b>

\*If federal or state funds are involved, provide a complete description of the status and uses of these funds.

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:

**Costs of issuance and early refunding of 2009 Series Bonds**

### III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds.  Attached

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by general Fund revenues?  Yes  No  
 If yes, provide amount of financed, purpose and principal amount outstanding. \$

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects?  Yes  No  
 If yes, please attach details.  Attached

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds?  Yes  No  
 If yes, please attach an explanation.  Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds?  Yes  No  
 If yes, please attach an explanation.  Attached

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued.  Attached. N/A

G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy.  Attached (4R Plan)

H. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.)  Attached (*contained in Official Statement*)

Are any of the community's major employers expected to make changes in work force or operations?  
 Yes  No If yes, provide an explanation.  
 Attached *Shipyards stated it would reduce work force by 40-50 employees effective December 2018*

J. Please provide population figures for your community for the last five years. Indicate the source of your figures.

Year	Population	Source
_____	_____	<i>Documented in 2015 Official Statement (attached)</i>
_____	_____	_____
_____	_____	_____
_____	_____	_____

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years.  Attached N/A

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been performed).  Attached (Audits FYE June 30, 2018 & 2017)

N. Provide your current year's budget.  Attached (FY2019 Budget)

Provide your capital improvement plan.  Attached (4R Plan and FY2019 Budget: RR Summary)

P. Provide any other financial or economic information that will assist evaluation of your application.  Attached (4R Plan)

#### IV. Legal Information

- A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened in any
1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or
  2. against your government or involving any of the property or assets of or under the control of your government, which , whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.
- B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.
- C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation



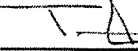
The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Trey Acteson

Name (print)

CEO

Title



Signature

2/14/2019

Date of Application

Please return all applications to:

Deven Mitchell

Alaska Municipal Bond Bank Authority

Department of Revenue

PO Box 110405

Juneau, AK 99811-0405

(907)465-2388 phone

(907)465-2389 fax

deven\_mitchell@revenue.state.ak.us