

**Alaska International Airports System - Debt Defeasance**

**FY2010 Request: \$15,000,000**

**Reference No: 45488**

**AP/AL:** Allocation  
**Category:** Debt Service

**Project Type:** Construction

**Location:** Statewide  
**House District:** Statewide (HD 1-40)

**Contact:** Christine Klein  
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**Estimated Project Dates:** 04/19/2010 - 06/30/2014

**Appropriation:** Airport Improvement Program

**Brief Summary and Statement of Need:**

The Department is requesting a supplemental capital appropriation to use collected and surplus revenue funds for debt service in FY10. These are funds which have been collected by the AIAS but where no appropriation authority has previously been requested. This will be used to defease a portion of the FY11 debt service and reduce the amount of revenue necessary to be collected through rates and fees in FY11. A fund source change from International Airport Revenue Funds to AIAS Construction Funds is being requested for the FY10 debt service appropriation in the amount of \$10 million.

<b>Funding:</b>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>Total</u>
Int Airprt	\$15,000,000						\$15,000,000
<b>Total:</b>	\$15,000,000	\$0	\$0	\$0	\$0	\$0	\$15,000,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Additional Information / Prior Funding History:**

None.

**Project Description/Justification:**

The Alaska International Airport System (AIAS) has issued bonds over the last eleven years to finance capital projects at the Anchorage and Fairbanks airports. During the last operating agreement negotiations with the airlines, it was determined that the rate model used by AIAS did not provide for the efficient use of previously collected revenues excess of the required debt service coverage. The international airports have recently seen a bottoming-out and nascent indication of recovery related to temporary traffic declines associated with the global economic upheaval, however activity levels have not yet returned to recent average levels, which results in reduced revenues to the airport system. To avoid raising rates and fees to cover operating costs with the associated risk of carrier bypass, the system has used funds on hand to pay portions of debt service payments and preserve its competitive and financial conditions. The Department is requesting your concurrence in requesting a supplemental capital appropriation to use collected and surplus revenue funds for debt service in FY10. These are funds which have been collected by the AIAS but where no appropriation authority has previously been requested. This will be used to defease a portion of the FY11 debt service and reduce the amount of revenue necessary to be collected through rates and fees in FY11.

Bond counsel has also advised the AIAS that current fiscal year debt service may be paid from bond proceeds, but is otherwise limited in the use of funds from any other sources to pay current fiscal year debt service. A fund source change from International Airport Revenue Funds to AIAS Construction Funds is being requested for the FY10 debt service appropriation in the amount of \$10 million. This will allow the AIAS to provide a portion of its debt service payments from funds on hand, net of the additional 25% debt service coverage. These appropriation changes will allow us to meet the technical requirements of our bond resolution rate covenant while also minimizing the amount of revenue needed from rates and fees. Both are required to meet all fiscal obligations and maintain fiscal integrity.