

ALASKA DEPARTMENT OF REVENUE

News Release

Frank H. Murkowski, Governor
William A. Corbus, Commissioner

www.revenue.state.ak.us

P.O. Box 110400
Juneau, Alaska 99811-0400
Telephone: 907.465.2300
Fax: 907.465.2389

Date: February 8, 2006
No: 06-02

FOR IMMEDIATE RELEASE

Media Contact:

Deven Mitchell, Debt Manager, Alaska State Bond Committee, 907.465.3750

Rating agencies upgrade international airport credit

JUNEAU – All three credit rating agencies are upgrading their ratings for the state's Alaska International Airport System bonds.

Moody's Investor's Service improved the rating from A1 to Aa3 while Fitch Ratings improved the state rating from A+ to AA-. Standard & Poor's improved the Alaska rating from A to A+.

"We're certainly pleased when national authorities appreciate that Alaska's policies are on a solid upward track," said Governor Frank H. Murkowski.

The higher ratings for the state's international airports in Anchorage and Fairbanks will reduce the cost of bonding for terminal projects," said Department of Transportation and Public Facilities Commissioner Mike Barton.

"Bond proceeds will pay for seismic and code upgrades of the A and B concourses at Ted Stevens Anchorage International Airport," Barton added. "Fairbanks International Airport will get a completely new terminal and these savings will also benefit the airlines that are paying for the airport improvements."

The Moody's credit review stated, "In Moody's opinion, the system's strong structural ties to the state government – a level of involvement that is fairly unique in the airport sector – provides significant bondholder security given the essential nature of air transportation to the state's economy."

Department of Revenue Commissioner Bill Corbus said the upgrade represented a positive team effort. "Our Revenue experts teamed with their colleagues from the departments of Transportation and Public Facilities and Law to successfully advocate for the upgrades with national credit rating analysts."

In addition, analysts were invited to Alaska over the summer of 2005 to see first hand the cargo activity and busy passenger traffic that occurs at the system. These meetings were followed by meetings earlier this year to provide system financial details and re-emphasize system strengths.

"The state presented a compelling demonstration that the strength and diversity of activity throughout the state's international airport system supported and encourage the upgrades," said Deputy Transportation Commissioner John Torgerson.

Corbus said the ratings were obtained in advance of a planned bond sale of up to \$288 million signed into law in 2005 by Governor Murkowski, and up to an additional \$100 million in refunding bonds to refinance outstanding obligations.

"If these credit upgrades result in just one-tenth of one-percent lower cost of capital, the state will save approximately \$388,000 in the first year and millions over the bonds' 25 year life," said Corbus.

(MORE)

“By effectively demonstrating the strength of the Alaska International Airport System, Alaska’s traveling public will benefit from reduced costs.”

The Alaska financial advisor agreed. J. Chester Johnson, of Government Finance Associates, said, "It is a truly extraordinary event in public finance for all three rating agencies to upgrade a borrower at the same time.”

Johnson added, “It reflects the strong and successful efforts by the state and the system to get Wall Street to recognize the uniqueness of Alaska and its air transportation system.”

Deven Mitchell, debt manager for the Alaska State Bond Committee, said the bonds are scheduled to sell on February 21 and 22, with UBS acting as senior underwriter. Citigroup will act as co-senior underwriter with Merrill Lynch and Morgan Stanley as co-managers.

Government Finance Associates of New York City is the financial advisor and has been the financial advisor for all system debt continuously since 1983 for all system debt outstanding, Mitchell said.

“There are four series of bonds expected for sale,” Mitchell added. “These include fixed-rate tax-exempt bonds, fixed-rate tax-exempt bonds subject to the alternative minimum tax, variable-rate tax-exempt bonds subject to the alternative minimum tax, and fixed-rate refunding bonds.”

The bonds will mature in years 2007 through 2031. Bonds will be available on a priority basis to Alaska residents through local brokerages.

Anchorage Airport Director Mort Plumb said the bond proceeds will support bringing the A and B concourses at the Anchorage International Airport terminal up to code for seismic and other life safety features.

The project will also provide modifications for more efficient passenger flow, passenger security and concessions,” said Administration official Mort Plumb.

Fairbanks International Airport is remodeling its terminal, part of which dates as far back as the 1950s, said to FAI Manager Jesse Vanderzanden. “The upgrades will improve domestic and international passenger handling and security as well as bring the facility up to current life safety codes.”

“The state’s international airports in Anchorage and Fairbanks are within flight range of nine and a half hours for 90 percent of the world’s industrial centers,” said Barton.

“These airports host more than five million passengers annually,” the transportation commissioner added. “We generate thousands of jobs for Alaskans and allow the airport system to be self-supporting. The system is supported solely on user fees and federal grants, and does not receive state general funds.”

* * * * *