

Bonds made available to locals first

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• **PUBLIC PROJECTS:** The remainder were bought up by institutional investors.

By RICHARD RICHTMYER

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Anchorage this week sold \$138.6 million in general obligation bonds to fund a range of school, transportation and government projects.

About \$30 million worth were bought by Alaska brokerages who serve individual investors during a sale only for them Monday, said Richard Whitehead, Anchorage's municipal debt officer.

The idea was to make the bonds available to Anchorage residents before opening up the sale to larger investors.

"We wanted Anchorage investors to get first crack," Whitehead said.

Institutional investors such as pension funds, insurance companies and college endowment funds - bought the rest Tuesday.

Each of the bonds has a face value of \$5,000, and they mature

in phases, starting next year end continuing each year until 2024.

Bonds maturing next year have a yield of 1.8 percent. The yield on the bonds maturing in 2024 is 4.43 percent, Whitehead said.

Interest earned on the bonds, which are paid back using city property tax revenue, is exempt from federal income tax.

The city is using about \$86 million of the proceeds to pay for school construction and renovation projects that city voters approved in six different ballot measures dating back to 1999. The rest is earmarked for road, public safety, transit system and parks projects that voters approved in 11 ballot questions starting in 2001,

Although the bonds sold this week had a face value of \$138.6 million, the city actually raised \$146.3 million from the sale. That's because demand for some of the bonds was so strong that investors were willing to pay a premium for them, Whitehead said.

With the exception of those maturing in the next two years, the bonds sold this week are covered by municipal bond insurance, Whitehead said. That guarantees that investors will get their money back and gives the bonds automatic triple-A credit ratings, the highest given by credit agencies.

Meanwhile, the city's underlying credit rating — an assessment of its ability to repay all of its debt, absent the bond insurance — remains strong and stable, according to a report from Moody's Investors Service issued ahead of this week's bond sale.

The New York-based credit rating agency assigned a high investment-grade rating of "Aa3" on Anchorage's \$1.1 billion worth of bonds currently in the market, including those sold this week.

"The rating reflects the strength of the growing local economy, which we believe has diversified to a level where it no longer depends excessively on oil production and is not as vulnerable to the fluctuations of the oil industry" the Moody's report said.

Moody's said the strong rating also reflects stabilizing financial operations with adequate Levels of reserves and sound debt-management practices.

Standard & Poor's, another major municipal credit rating agency, rates Anchorage's general obligation bonds 'AA-minus,' which is essentially equivalent to the Moody's Aa3.

• Daily News reporter Richard Richtmyer can be reached at richtmyer@adn.com or 257-4344.