

February 23, 2000

Members of the Legislative Budget  
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF REVENUE  
ALASKA HOUSING FINANCE CORPORATION  
FINANCIAL ANALYSIS

February 23, 2000

Control Number

04-4608-00

This report is a financial analysis of the unrestricted assets of the Alaska Housing Finance Corporation.

The audit was conducted in accordance with generally accepted government auditing standards. The fieldwork procedures utilized in the course of developing the findings and discussion presented in this analysis are discussed in the Objectives, Scope, and Methodology section.

We would like to acknowledge the cooperation and professionalism of the corporation's staff during our review.

Pat Davidson, CPA  
Legislative Auditor

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## OBJECTIVES, SCOPE, AND METHODOLOGY

### Objectives

In accordance with a Legislative Budget and Audit Committee special request and Title 24 of the Alaska Statutes, we performed a financial analysis of the Alaska Housing Finance Corporation (AHFC). The purpose of the analysis was the following:

- To determine AHFC's investment policies and the types of investments held.
- To determine the restrictions on AHFC's funds and when such restrictions can be removed.
- To determine whether AHFC can meet or exceed its legislative commitment for \$103 million per year.
- To determine AHFC's over collateralization policy and the amount of assets committed for this purpose.
- To determine the amount of cash transfers and bond funds provided by AHFC to the State for the period February 1995 through November 1999.
- To review Official Statements for new debt issues since February 1995.
- To analyze changes in bond ratings for the period February 1995 through November 30, 1999.

### Scope and Methodology

#### Analysis of available assets

We reviewed funds/programs presented in AHFC's June 30, 1999 balance sheet to determine the type of restrictions that are placed on the assets of each fund/program. The financial analysis of cash and investments focused on two main areas, the general account revolving fund<sup>1</sup> and the individual bond funds.

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<sup>1</sup>The general account revolving fund is AHFC's unrestricted operating fund.

### Analysis of the general account

AHFC prepared cash flow projections on the general account for FY 00 through FY 06. This analysis forecasts the sources and uses of AHFC's unrestricted current assets and liabilities.

We reviewed the estimates on the cash flow analysis to determine if they were consistent with prior financial and statistical trend information. Major assumptions used in the cash flow analysis were the estimated rates of prepayments on current mortgage loans and the expected demand for new mortgage loans.

The cash flow projections were used to assess the impact of the planned transfers to the State. The assessment included both analyzing the impact of the potential amounts to be withdrawn and the timing of any such withdrawals.

### Analysis of bond indentures

We reviewed all official statements of bonds issued since 1995 and three preliminary official statements for bonds to be issued in December 1999. Our review consisted of analysis of the various redemption provisions, security provisions, defeasance options, events of default, interest rates, over collateralization requirements, legislative activity, and ratings. In addition, we examined the master trust indentures for housing development bonds (December 1, 1991) and mortgage revenue bonds (August 15, 1996) and the supplemental indentures for the new issues of these bond types for any special restrictions on the corporation's assets.

### AHFC asset transfers to the State

In conjunction with AHFC's mission and annual budget requests, we reviewed all AHFC transfers of cash and corporate receipts to the State as appropriated by legislation in 1995 through 1999. We analyzed AHFC's net income for each year to determine if the threshold transfer requirement was met. We reviewed the authorizing legislation for the AHFC issuance of \$224 million in state capital project bonds and the appropriations made based on the anticipated bond proceeds.

### Bond ratings and collateralization policy

We reviewed all outstanding bonds issued after February 1995 through an on-line financial reporting service, Bloomberg, to determine any rating changes and to document its current ratings as of November 30, 1999. We obtained and analyzed bond rating information from Standard & Poor's, Moody's, and Fitch investment services. In addition, we examined the collateralization policy stipulated in the official statements of each outstanding bond. We also reviewed current and pending legislation to determine the effect it may have on AHFC's bond ratings.

## ORGANIZATION AND FUNCTION

The Alaska Housing Finance Corporation (AHFC or corporation) was created in 1971 by an act (Alaska Statute 18.56) of the Alaska State Legislature. Effective July 1, 1992, the legislature merged the Alaska State Housing Authority (ASHA) and certain housing and energy programs administered by the former Department of Community and Regional Affairs with AHFC.

The mission of the corporation is to provide Alaskans “access to safe, quality, affordable housing.”<sup>2</sup> In order to achieve this mission, AHFC has established the following goals.

- Provide programs and services that are responsive to the diverse housing needs statewide.
- Increase home ownership.
- Increase special needs housing.
- Expand partnerships to strengthen program and service delivery.
- Strengthen commitments to AHFC housing programs, functions, and benefits.
- Promote operational excellence.
- Manage assets to generate sufficient profit to meet AHFC’s financial commitments.

AHFC accomplishes these goals in part by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. The corporation has special lending and grant programs that are specifically designed to meet the housing needs of low and moderate-income borrowers. Also, AHFC maintains 1,705 units of public housing in 14 communities across the State and administers the federally funded Section 8 program that provides rent subsidies for approximately 2,720 families housed in private sector housing.

The corporation is authorized to issue its own bonds, bond anticipation notes, and other obligations in such principal amounts that are necessary to provide sufficient funds to carry out its legislated purpose. Certain bonds issued to finance housing for qualified veterans are unconditionally guaranteed by the State of Alaska. All other obligations do not constitute a debt of the State; rather they are debts of the corporation.

The organizational structure of AHFC encompasses four divisions, they include the:

1. Mortgage Division which administers the loan programs under the original AHFC structure, including the Alaska Housing Assistance Revolving Loan Fund and its related rural housing programs;
2. Public Housing Division which manages the federal public housing programs formerly administered by ASHA;

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<sup>2</sup>Alaska Housing Finance Corporation, *Strategic Plan 1999 - 2003*, July 1998, p. 3 - 4.

3. Research and Rural Development Division which oversees the supplemental development grant program,<sup>3</sup> and the energy and weatherization programs; and
4. Planning and Program Development Division which in addition to other responsibilities, administers the corporation's housing grant programs.

AFHC has started several new programs to assist persons of low to moderate-income with home buying. The taxable loan program to first-time homebuyers was introduced in November 1999. Since 1995, AFHC has implemented the interest rate reduction for low-income borrowers and energy efficient interest rate reduction programs, which are interest rate buy down programs. The public housing division has implemented three programs: 5<sup>th</sup> homeownership, Section 3 on-the-job training, and welfare-to-work housing vouchers. There were three new programs, beneficiary and special needs housing fund, technical assistance provider program, and project rich, initiated by the planning and program development division. For descriptions of these programs, see Appendix A.

The AHFC Board of Directors consists of seven members: the commissioners of the Departments of Revenue, Health and Social Services, and Community and Economic Development; three public members with expertise in finance or real estate, residential energy efficient home building or weatherization, or senior or low-income housing; and one member who is a rural resident or who has experience with a regional housing authority.

The board of directors receives guidance in its oversight of AHFC's programs through the *Comprehensive Housing Affordability Strategy for the State of Alaska*, dated February 1992 and is updated annually. The National Affordable Housing Act of 1990 mandates that states develop a comprehensive housing affordability strategy<sup>4</sup> (CHAS) to address a broad range of housing issues. A CHAS plan is required of all states that desire to participate in federal housing and community development programs and receive program funds from the federal HOME program.

The State of Alaska's CHAS was initially developed by a coalition of representatives from state agencies, the Municipality of Anchorage,<sup>5</sup> and non-profit organizations. AHFC became the lead agency in the project. Federally required annual updates and performance reports of CHAS are coordinated and prepared by AHFC. Each new program considered by AHFC's Board of Directors is evaluated to determine if it is consistent with the State's CHAS.

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<sup>3</sup>This program provides federally funded grants with a 20% corporate match to regional housing authorities to construct affordable housing in rural Alaska. Refer to Appendix A for more information regarding the program and Appendix E for amounts included in AHFC's capital budgets for fiscal years 1996 through 2000.

<sup>4</sup>The plan is now known as the consolidated housing and community development plan.

<sup>5</sup>The CHAS regulations require that states divide their jurisdictions into metropolitan and non-metropolitan, non-entitlement areas. The Municipality of Anchorage is the State's only metropolitan area and, accordingly, its only entitlement city. The Municipality of Anchorage has prepared a CHAS that has been incorporated by reference into the state plan.

## BACKGROUND INFORMATION

In 1991 the Alaska Housing Finance Corporation (AHFC or corporation) became the first housing agency to receive a credit rating based solely on its general obligation pledge. Criteria used when rating the general obligation of the corporation includes its legislative mandate, management, financial operations, and the overall economy of the State. For Alaska, the two main economic factors are the State's dependence on the oil industry and whether bond issues and mortgages extend beyond the Prudhoe Bay oil curve.

While each individual rating agency uses its own symbols to signify the credit risk associated with a security, all agencies classify bond ratings into investment grade and speculative grade. For example, Standard & Poor's and Moody's top four investment grade ratings are AAA, AA, A, and BBB and Aaa, Aa, A, and Baa, respectively. Any other long-term ratings are considered speculative. Plus and minus signs are used with a rating symbol to indicate its relative position within the rating category.

Maintaining investment grade status is important to AHFC because many financial institutions are only allowed to buy investment grade securities. If AHFC's rating were to drop below investment grade, not only would the interest rate increase for a particular issue, but also the marketability of the bonds would be severely impacted.

### A bond credit rating is an evaluative process

Bond ratings provide a guide to investors in determining the credit risk associated with a particular security issue. The ratings represent a credit rating agency's assessment of the bond issuer's ability to meet the obligations of a specific debt issue or class of debt in a timely manner. In general, the higher a credit rating a bond issue receives, the lower the borrowing costs in terms of interest rate. By statute, AHFC interest charged on mortgage loans is tied to borrowing costs.

Credit ratings can be assigned both to individual bond issues and to the general obligation of the corporation. General criteria used when rating an individual housing bond issue includes identifying the portfolio, determining an expected actual loss, and availability of mortgage insurance. In addition to looking at the particulars on the issue, the rating company looks at the financial strength of the corporation. The management team is scrutinized to see how well they are managing operations, and if the team has the ability to correct problems should they occur.

Other factors looked at when rating bonds include historical and prospective financial conditions, quality of management, operating performance, and developments in the economic and political environment. Rating agencies also look for a high asset-to-liability ratio, which indicates that the bonds are sufficiently collateralized, insurance on mortgage loans, and assurances that the investments have sufficient revenues to pay the bond principal and interest.

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## REPORT CONCLUSIONS

We analyzed Alaska Housing Finance Corporation's (AHFC or corporation) financial statements and cash flow projections on the unrestricted general account, including critical assumptions. Based on this analysis, we determined there are no excess available assets beyond the annual \$103 million commitment to the State through FY 06.<sup>6</sup> Further, it appears there may be insufficient unrestricted cash to make available the \$103 million in the final year of the eight-year series transfer agreement. We also determined that additional cash and investments totaling \$8 million could be moved into the unrestricted general account from the Home Ownership Fund. Once in the unrestricted general account, these funds would be available for withdrawal. We reviewed AHFC's collateralization policy and found that changes had occurred since 1995.

### Analysis of assets

In order to determine the amount of unrestricted assets held by AHFC, we determined the restrictions related to each program under each fund reported in the June 30, 1999 audited financial statements. Then, we had AHFC prepare cash flow projections on the unrestricted funds. Based on our analysis and a review of the critical assumptions, we determined the following.

### Exhibit 1

#### Of the \$1.8 billion in investments, \$756.8 million are unrestricted

Based on a review of program requirements, we were able to determine the type of restrictions on each of the funds (see Exhibit 1 and Appendix B). Except for the general account revolving fund, state statutes, federal regulations, bond covenants, or a combination thereof restrict the assets in the funds. Restrictions usually ensure that funds are utilized for the intended programs. However, Legislators may elect to change statutory restrictions, bond covenant restrictions will end when bonds are redeemed, and federal restrictions only apply when AHFC chooses to participate

Analysis of Restrictions on AHFC Investments <i>(In Thousands)</i>	
<u>Restricted by Statute</u>	
Home Ownership Fund	\$ 5,321
Housing Assistance Loan Fund	12,486
Senior Housing Revolving Fund	<u>15,184</u>
<u>Total Restricted by Statute</u>	32,991
<u>Restricted by Bond Covenants</u>	
Tax Exempt First-Time Homebuyer Bonds	51,478
General Mortgage Revenue Bond	443,057
General Housing Purpose Bonds	55,361
Governmental Purpose Bonds	238,795
State Capital Project Bonds	<u>61,539</u>
<u>Total Restricted by Bond Covenants</u>	850,230
<u>Restricted by Statute and Bond Covenants</u>	
Veterans Mortgage Program Bonds	123,089
Housing Development Fund	<u>32,585</u>
<u>Total Restricted by Statute and Bond Covenants</u>	155,674
<u>Restricted by Bond Covenants and/or Federal Program</u>	
Energy Programs	3,429
Low Rent; Home Ownership; Section 8 New	<u>19,592</u>
<u>Total Restricted by Bond Covenant and Federal Program</u>	23,021
<u>Unrestricted</u>	
General Account Revolving Fund	<u>756,824</u>
<u>Total AHFC Investments</u>	<u>\$1,818,740</u>

<sup>6</sup>Chapter 129, SLA 1998, states that AHFC "projects that \$103 million will be available each fiscal year beginning with 1999 through 2006" but gives a total seven-year amount of \$721 million instead of an eight-year amount for FY 99 through FY 06. For purposes of this analysis, we assumed the \$103 million per fiscal year will be for the eight-year period totaling \$824 million.

in federal programs.

## Exhibit 2

General Account Revolving Fund  
Cash Flow Projections for FY 2000-2006  
(In Thousands)

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Beginning Balance - Liquid Assets</b>	\$792,113	\$838,263	\$663,890	\$516,312	\$374,976	\$229,472	\$91,555
<b>Sources of Cash and Investments:</b>							
Revenues from Loans	19,619	18,089	17,168	18,328	19,637	20,881	20,873
Revenues from Investments	42,188	41,219	32,560	25,011	17,547	10,012	3,609
Principal Payments Received on Loans	3,579	2,448	2,349	2,512	2,701	3,203	3,260
Bond Proceeds (includes state capital project bonds)	671,822	412,123	388,651	406,137	444,299	445,222	445,216
Bond Cash and Investments Released	-	-	192	2,873	3,037	4,990	5,449
<b>Total Sources of Cash and Investments</b>	<b>737,208</b>	<b>473,879</b>	<b>440,920</b>	<b>454,861</b>	<b>487,221</b>	<b>484,308</b>	<b>478,407</b>
<b>Uses of Cash and Investments:</b>							
Purchase of Loans from Banks	391,000	391,000	391,000	447,000	447,000	447,000	447,000
Operating Budget Expenditures	13,300	13,300	13,300	13,300	13,300	13,300	13,300
Chapter 129, SLA 1998 Commitment	103,000	103,000	103,000	103,000	103,000	103,000	103,000
Disbursements of Bond Proceeds to the State	118,989	63,724	16,921	-	-	-	-
Legislative Appropriations	50,868	50,868	-	-	-	-	-
Over Collateralization Transfers	-	9,734	47,651	16,271	52,799	42,299	42,299
Interest Expense on Short-term Borrowing	13,901	16,626	16,626	16,626	16,626	16,626	16,626
<b>Total Uses of Cash and Investments</b>	<b>691,058</b>	<b>648,252</b>	<b>588,498</b>	<b>596,197</b>	<b>632,725</b>	<b>622,225</b>	<b>622,225</b>
<b>Ending Balance - Liquid Assets</b>	<b>838,263</b>	<b>663,890</b>	<b>516,312</b>	<b>374,976</b>	<b>229,472</b>	<b>91,555</b>	<b>(52,263)</b>
Add: Principal Balance of Mortgage Loans	285,637	262,066	262,066	300,418	317,430	316,005	342,247
Less: Loan Loss Provision	9,712	8,910	8,910	10,214	10,793	10,744	11,636
<b>Available Assets for Debt Coverage</b>	<b>1,114,188</b>	<b>917,046</b>	<b>769,468</b>	<b>665,180</b>	<b>536,109</b>	<b>396,816</b>	<b>278,348</b>
Less: Short-term and State Capital Project General Obligation Debt	462,824	436,889	406,259	374,109	340,304	304,789	283,939
<b>Assets over Debt Coverage</b>	<b>\$651,364</b>	<b>\$480,157</b>	<b>\$363,209</b>	<b>\$291,071</b>	<b>\$195,805</b>	<b>\$92,027</b>	<b>(\$5,591)</b>
<b>Percentage of Available Assets over Debt</b>	<b>240.7%</b>	<b>209.9%</b>	<b>189.4%</b>	<b>177.8%</b>	<b>157.5%</b>	<b>130.2%</b>	<b>98.0%</b>

As shown in Exhibit 1, over \$1 billion of AHFC's investments are for funds/programs that have restrictions. The general account revolving fund has \$756.8 million in investments that are unrestricted. See Appendix C for a detailed schedule of investments as of June 30, 1999. As discussed below, although unrestricted, the general account monies are not available as excess assets due to AHFC's current and future operational activities, and legislative commitments.

#### AHFC may have difficulties making its legislative commitment

As previously stated, beginning in 1999 AHFC is to make available each fiscal year \$103 million. These funds are to be used for debt repayment of the \$196.6 million in bonds issued for other state agency grants or projects, direct transfers to the state general fund, and for expenditures on corporate capital projects. The commitment is for an eight-year period, fiscal years 1999 through 2006.

The only unrestricted fund is the general account revolving fund (general account) as shown in Appendix B. Therefore, our analysis focused on this fund to determine if the \$103 million commitment can be met by AHFC and whether any additional funds could be committed for transfer to the State. Exhibit 2 is a summary of the analysis of the general account, showing the sources of revenues and cash receipts and their uses beginning July 1, 1999 through June 30, 2006.

The analysis starts with a beginning liquid asset balance<sup>7</sup> adds all the sources of funds and subtracts all the uses of funds to determine an estimated ending balance of liquid assets for the year. The balance of liquid assets plus net mortgages (mortgage loans less expected loan losses) is then compared to the liabilities being carried in the general account. Net liquid assets less the fund's liabilities are expressed in Exhibit 2 as both a dollar value and as a percentage. When the dollar value is less than zero or the percentage value is less than 100% this indicates that the general account is unable to meet its outstanding obligations. (See FY 2006 in Exhibit 2.)

A review of the schedule shows that starting in FY 2001 uses of cash and investments will exceed the sources of cash and investments. This trend continues and the disparity between the sources and uses of cash and investments increases in the future years.

In addition to being able to meet the funds obligations, there must be sufficient working capital funds to allow AHFC to purchase and hold loans.<sup>8</sup> Certain bond costs are fixed, making bond issuances of less than \$100 million less cost effective as the larger issuances. Therefore, working capital is needed to allow for the purchase and holding of loans to make the issuances of bonds as economically efficient as possible.

AHFC must maintain sufficient assets in its general account to cover the debt of the general account, commercial paper, securities sold under agreements to repurchase, and the state

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<sup>7</sup> Liquid assets consist of cash, investments, and other assets that can be readily converted to cash.

<sup>8</sup> The principal balance of mortgage loans on Exhibit 2 reflects the amount of loans being held at the end of each fiscal year to be sold to a bond issuance in the following year.

capital project bonds. The state capital project bonds are secured solely by the corporation's general obligation pledge. AHFC's general obligation bond rating is primarily based on the financial strength of the general account. As of June 30, 1999, in addition to the state capital project bonds, AHFC had \$308.5 million in other general obligation bonds<sup>9</sup> outstanding. These bonds are primarily secured by the full faith and credit of the corporation and secondarily secured by pledged loans or notes. In the general account as the percentage of available assets over debt decreases, the potential for a downgrading of the general obligation bond rating becomes more likely.

Based on the results of our financial analysis, we conclude that AHFC does not have available unrestricted assets to transfer to the State beyond the annual \$103 million commitment. In addition, it appears AHFC may have difficulty meeting its legislative financial commitment in the later years of the eight-year period.

The cash flow analysis of AHFC's unrestricted general account is based on assumptions of volatile factors, such as interest rates on short-term borrowings and bonds, bond costs, mortgage and investment interest rates, loan volume, etc. Even small percentage changes in some of these factors could have a significant impact on the projections made seven years into the future. As a result, the information presented for the earlier years should be viewed with more confidence and conversely the information presented in the later years should be viewed as speculative. Therefore, as discussed below, we recommend AHFC prepare cash flow projections on an annual basis.

Additionally, the \$103 million per year commitment was based on the combined net income of the corporation. This contributes to the difficulty in the corporation meeting the annual transfer, because only cash from the unrestricted general account is transferable. Any income generated in the bond funds contributes to the combined net income, but is not available to fund transfers to the State due to restrictions under the bond covenants. The net income in the unrestricted general account has been approximately 40% to 50% of the total net income of the corporation.

Therefore, we recommend that AHFC management update the cash flow analysis of its unrestricted general account annually. (Refer to the Auditors Comments section for further discussion.) Along with the information required under section 2(d)<sup>10</sup> of the legislation, this will provide AHFC and the legislature with the necessary information to determine the ability of AHFC to meet the financial commitment each year.

#### Elimination of Home Ownership Fund makes \$8 million available

The Home Ownership Fund provides subsidies for a portion of monthly mortgage payments for 22 low and moderate-income borrowers. As of June 30, 1999, the fund equity was approximately \$8 million. No new applications are being taken for it. Currently, the annual

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<sup>9</sup>These bonds include: \$88.5 million in housing development fund bonds, \$187 million in general housing purpose bonds, \$33 million of the \$357 million outstanding in governmental purpose bonds. Refer to Appendix B.

<sup>10</sup>Chapter 129, SLA 1998, 2(d) states that AHFC shall notify the legislature of the amount of unrestricted revenue of the corporation that may be appropriated for other purposes.

net income of \$1.2 million on assets held in this fund substantially exceeds the subsidies of approximately \$65,000 paid from it. As the subsidy amount continues to decline, it can be paid out of unrestricted corporate receipts. Legislation will be needed to repeal the statute (AS 18.56.430) that established the fund.

AHFC funds provided to the State

In 1991 AHFC implemented a plan to pay dividends to the State. As the result of a prior Division of Legislative Audit report, \$200 million was transferred to the State’s general fund in 1994. Dividends were paid until 1995 when AHFC and the Department of Revenue executed a series transfer agreement that called for a transfer of \$270 million over five years. At that time the 1991 dividend plan was repealed.

In 1998, the series transfer agreement (Chapter 129, SLA 1998) was revised. The plan was for yearly transfers of up to \$103 million from FY 99 through FY 06. Since 1995 AHFC has made the following transfers or expenditures for the State.

**Exhibit 3**  
AHFC Transfers to the State  
(In Thousands)

	FY 96	FY 97	FY 98	FY 99	FY 00 <sup>11</sup>	Total
Direct Cash Transfer to State General Fund	\$70,000	\$50,000	\$50,000	\$ 24,020	\$ _	\$194,020
Direct Cash Transfer to State Debt Retirement Fund	—	—	—	—	14,556	14,556
State Capital Project Funding	7,000	1,865	38,300	37,795	30,167	115,127
State Insurance Mortgage Fund Balance	—	—	20,000	—	—	20,000
Debt Service on Bonds for State Capital Projects	—	—	—	7,856	18,000	25,856
State Agency Program Expenditures	—	—	—	17,444	17,444	34,888
Bond Proceeds Disbursements	—	—	—	34,905	23,846	58,751
Annual Transfer	\$77,000	\$51,865	\$108,300	\$122,020	\$104,013	\$463,198

Over collateralization policy has changed

AHFC provides additional collateralization for its bond issues. This additional collateralization allows the rating agencies to increase the investment rating of the bond issue. The higher the investment rating of the bond issue the lower the cost is to AHFC and, ultimately, the lower the mortgage interest rate for the borrower.

AHFC’s policy is to follow the guidelines for an AAA bond rating that require excess collateralization from 9% to 65% depending on the quality of the pledged mortgage loans. Under this policy, AHFC bond issues have required a deposit, on average, between 11% and 13% of the aggregate mortgage loan balance for additional collateralization. These lower

<sup>11</sup>For FY 00, these amounts are those appropriated and may not have been disbursed as of December 1, 1999. Bond proceeds transferred are as of that date also.

guideline percentages are utilized as the pledged mortgage loans are generally of good quality with either guarantees from the Veterans Administration or the Federal Housing Administration, and other types of mortgage insurance. Another factor affecting the percentage of over collateralization is the quality of assets deposited. For example, mortgage revenue bonds<sup>12</sup> require a 7.5% deposit of additional collateral if the assets are cash or investment securities, 11% if the assets are mortgage-backed securities, or 13% if the assets are mortgage loans.

Since our 1995 analysis, the following changes in over collateralization requirements (OCR) have occurred. Beginning with the 1997 supplemental indenture agreement, the multi-family loan program has a 13% OCR. However, the master bond indenture for these bonds allows the OCR fund balances of prior issues to cover part of a current issuance's requirement. Therefore, AHFC projects that the OCR deposit will be only 1% for these bond issuances between FY 00 and FY 06. In addition, taxable bonds now require 13% excess collateralization. Previously, these bonds did not require any excess collateralization because pledged loans were converted to mortgage-backed securities before being placed into a bond issue. The cost of converting the mortgage loans was included in the interest rate charged to the borrower. The conversion costs increased and AHFC determined it was less costly to the program and the borrower to provide excess collateralization instead of converting the mortgage loans to securities. In addition, the over collateralization rates for the tax-exempt first-time homebuyer program and veterans program bonds each increased by 2%.

AHFC could issue bonds at a lower rating (that is, AA or A) requiring less excess collateralization. However, this would increase the cost of the bonds that would in turn raise the interest rates charged to the borrowers on the underlying mortgage loans. According to AHFC management, the reduction in the bond interest rates as a result of over collateralization is between 25 and 30 basis points, depending on the type of issuance. This means that if a mortgage program interest rate related to a bond issuance without the over collateralization is 7.5%, then with over collateralization funds AHFC can reduce the mortgage interest rate to 7.25%. Exhibit 4 shows the amount of cash and mortgage loans AHFC committed to bond issuances for over collateralization during the period FY 95 through FY 99.

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<sup>12</sup>These bonds are issued for the tax-exempt first-time homebuyers program.

**Exhibit 4**  
Over Collateralization Reserve Deposits  
During the period FY1995-1999

Bond Title	Issuance Date	Issue Amount	OCR Deposit Total	Moody's Rating	Standard & Poor's Rating
<b>Mortgage Revenue Bonds:</b>					
1996 Series A, 4.4% to 6.5% due 1999-2027	8/21/96	\$159,871,000	\$21,503,000	Aaa	AAA
1997 Series A, 4.15% to 6% due 1999-2037	12/4/97	\$160,000,000	\$21,339,000	Aaa	AAA
1998 Series A, 3.95% to 5.4% due 1999-2035	6/17/98	\$70,000,000	\$11,392,000	Aaa	AAA
<b>Veterans Mortgage Program Bonds – Collateralized State Guaranteed Bonds:</b>					
1994 First Series, 5.3% to 6.8% due 1999-2036	9/20/94	\$130,000,000	\$18,957,000	Aaa	AAA
1995 First Series, 4.6% to 6.55% due 1999-2037	8/8/95	\$30,000,000	\$5,704,000	Aaa	AAA
1997 First Series, 5.5% due 1999-2039	11/19/97	\$100,000,000	\$19,351,000	Aaa	AAA
1998 First and Second Series, 4% to 5.5%, due 1999-2040	6/16/98	\$60,000,000	\$15,215,000	Aaa	AAA
<b>Housing Development Bonds:</b>					
1997 Series A, 4.15% to 5.7% due 1999-2029	10/23/97	\$6,510,000		Aa	A+
1997 Series B, 4.25% to 5.8% due 1999-2020	10/23/97	\$17,000,000		Aa	A+
1997 Series C, 6.8% to 7.55% due 1999-2029 (taxable)	10/23/97	\$23,895,000		Aa	A+
	Total	\$47,405,000	\$13,394,000		
<b>General Mortgage Revenue Bonds:</b>					
1997 Series A, 4.15% to 6.1% due 1999-2037	3/13/97	\$434,911,000	\$60,263,000	Aaa	AAA
<b>Government Purpose Bonds:</b>					
1995 Series A, 4.5% to 5.875% due 1999-2030	10/26/95	\$335,000,000	\$10,510,000	Aaa	AAA
1997 Series A, floating rate, 3.55% at 6/30/99, due 2027	12/3/97	\$33,000,000	-	Aa2/VMIG1 <sup>13</sup>	A+/A-1 <sup>14</sup>
<b>State Capital Project Bonds:</b>					
1999 Series A, 3.4% to 5% due 1999-2005, non-callable	12/1/98	\$92,365,000	-	Aa2	AA

<sup>13</sup>VMIG1 is a short-term rating from Moody's assigned to the demand features of variable rate demand obligations. The VMIG1 designation denotes the best quality for short-term investments due to the strong protection provided by established cash flows, superior liquidity, or demonstrated broad-based access to the market for refinancing.

<sup>14</sup>S&P assigns a "dual" rating to all debt issues that have a put option or demand feature as part of their structure. The first rating relates to the repayment of principal and interest and is characterized by the long-term rating symbols. The second rating addresses the put option or demand feature, which is identified by commercial paper rating symbols. The A-1+ is the highest rated category indicating that the degree of safety regarding timely payment is strong. Issues with a plus sign have extremely strong safety features.

### Over collateralization release

As previously stated, funds held under a bond issue can not be released until the bonds are redeemed. AHFC mortgage bonds are generally redeemed prior to the stated maturity dates. This is primarily due to prepayment of the underlying mortgage loans. We requested AHFC to project the anticipated payoff dates and the amount of collateral to be released on that date. Exhibit 5 shows the amount of cash and mortgages to be released from bond issuances from FY 00 through FY 09.

<b><u>Exhibit 5</u></b>		
Projected Release of Bond Collateralization		
Fiscal Year	Cash and Investments	Mortgage Loans
2000	\$ 0	\$ 0
2001	0	0
2002	191,614	0
2003	2,872,457	0
2004	3,037,045	17,012,301
2005	4,989,565	0
2006	5,448,660	27,717,549
2007	7,532,980	56,472,452
2008	3,985,793	60,979,313
2009	368,993	7,005,923
Totals	<u>\$28,427,107</u>	<u>\$169,187,538</u>

### AHFC has specific investment policies

Investments held in bond funds are governed by investment policies of the bond covenants. Funds restricted by federal laws and regulations must be invested in accordance with the federal program guidelines. All other funds, statutorily restricted or unrestricted, are invested according to the investment policies adopted by the AHFC Board of Directors. Appendix C provides an analysis of the type of investment utilized by each fund and which entity governs the investment policy.

### Areas impacted by transfers of AHFC assets

With certain exceptions, AHFC's accounting system and, therefore, the availability of otherwise unrestricted assets is not program specific. Various AHFC loan programs and loan features are frequently combined into a single bond fund. Generally, mortgage loans are grouped more by the taxable or tax-exempt nature of the program, rather than by individual program. This makes determining the impact of a withdrawal of corporate assets on a specific program very difficult.

Currently, the State is utilizing AHFC corporate receipts through allocation of AHFC's capital project appropriation. Rather than receiving direct cash transfers into the State's general fund and expending it from there, the legislature is funding non-housing projects directly through AHFC by legislative appropriation. See Appendix F for a schedule of these projects.

Initially in FY 98, AHFC received 22%, or \$24.2 million, of its total capital appropriation for its housing projects, while the remaining 78%, or \$88.3 million, went to fund other state agencies' projects and programs. In FY 99 and FY 00, AHFC's percentage of the \$103 million capital appropriation for each year was 14% and 22% respectively. This illustrates that AHFC capital projects compete with other state projects for funding. See Appendix E for a schedule of AHFC's capital projects authorized by the legislature for FY 96 through FY 00.

## ANALYSIS OF BOND RATINGS

This section of the report discusses the current bond ratings for the Alaska Housing Finance Corporation's (AHFC) outstanding issues, rating changes that have occurred since February 1995, and the corporation's general obligation ratings. It also addresses the reaction of credit rating agencies to the state fund transfer agreement and to the state capital project bonds and the potential effect of pending legislation on the bond ratings. For a listing of bonds issued since our 1995 audit report, see Appendix H.

### Current bond ratings for AHFC's outstanding issues

Exhibit 6 below presents the bond ratings by Moody's Investors Services, Inc., Standard and Poor's (S&P) Rating Group, and Fitch Investors Service, Inc. as of November 30, 1999.

#### Exhibit 6

<b>Type of Bond Issue</b>	<b>Moody's Rating</b>	<b>Standard &amp; Poor's Rating</b>	<b>Fitch Rating</b>
Collateralized Home Mortgage Bonds (First-Time Home Buyer Program)	Aaa	AAA	Not Rated
Mortgage Revenue Bonds (First-Time Home Buyer Program)	Aaa	AAA	AAA
State Guaranteed Collateralized Bonds (Veterans Program)	Aaa	AAA	AAA <sup>15</sup>
Housing Development Bonds (1991 & 1992 Series A Bonds)	Aaa	AA-	Not Rated
Housing Development Bonds (1993 – 1997 Series Bonds)	Aa2 <sup>16</sup>	AA-	AA- <sup>17</sup>
General Mortgage Revenue Bonds	Aaa/VMIG1 <sup>18</sup>	AAA/A-1+ <sup>19</sup>	AAA
General Mortgage Revenue Bonds (1997 Series A Bonds)	Aaa	AAA	AAA
General Housing Purpose Bonds	Aa2	AA-	AA
Government Purpose Bonds (1995 Series A)	Aaa	AAA	AAA
Government Purpose Bonds (1997 Series A, Floating Rate)	Aa2/VMIG1	AA-/A-1+	F1+ <sup>20</sup> /AA
State Capital Project Bonds	Aa2/VMIG1	AA-/A-1+	AA/F1+
State Building Lease Bonds	Aa2	AA-	AA

<sup>15</sup>Fitch rated 3 of the 8 state-guaranteed collateralized bonds at AAA. It did not rate the remaining 5 bonds.

<sup>16</sup>Modifiers 1, 2, and 3 are applied to rating classifications for emphasis. A "1" indicates that the issue ranks in the higher end of its rating category; a "2" indicates a mid-range ranking; and a "3" denotes a low-end ranking.

<sup>17</sup>Fitch rated the 1997 Series Bonds at AA-. Fitch did not rate the 1993 - 1996 Series Bonds.

<sup>18</sup>VMIG1 is a short-term rating from Moody's assigned to the demand features of variable rate demand obligations. The VMIG1 designation denotes the best quality for short-term investments due to the strong protection provided by established cash flows, superior liquidity, or demonstrated broad-based access to the market for refinancing.

<sup>19</sup>S&P assigns a "dual" rating to all debt issues that have a put option or demand feature as part of their structure. The first rating relates to the repayment of principal and interest and is characterized by the long-term rating symbols. The second rating addresses the put option or demand feature, which is identified by commercial paper rating symbols. The A-1+ is the highest rated category indicating that the degree of safety regarding timely payment is strong. Issues with a plus sign have extremely strong safety features.

<sup>20</sup>F1+ is a short-term rating from Fitch. F1 is the highest credit quality. It indicates the strongest capacity for timely payment of financial commitments. The added "+" denotes an exceptionally strong credit future.

## Bonds rating changes since February 1995

We noted the following specific bond rating changes since 1995.

- Housing Developmental Bonds, 1991 - 1997 Series. S&P's rating moved from A+ to AA-. This was due to S&P's view of the stronger relationship between AHFC and the legislature resulting from the state fund transfer agreement.
- General Mortgage Revenue Bonds, 1991 Series A & C. All three rating agencies upgraded their ratings during March 1997. Moody's went from Aa to Aaa; S&P from A+ to AAA; Fitch from AA to AAA. The reason for the upgrade in these bond ratings was based on the funding of a special reserve account to support debt service requirements, the quality of the pledged collateral, the projected revenue stream, and the corporation's strong management record.
- Government Purpose Bonds, 1997 Series A. S&P raised its rating from A+ to AA- because of its belief in the good relationship between the corporation and the legislature.
- General Housing Purpose Bonds, 1994 Series A. Both Moody and S&P upgraded their ratings (Aa to Aa2 for Moody and A+ to AA- for S&P). These were again based on the perceived strong alliance between the corporation and the legislature.

## General obligation rating changes

Ratings for AHFC general obligation debt were assigned as follows:

Rating Agency	1994	1999
Moody's Investors Services, Inc.	Aa	Aa
Standard and Poor's Rating Group	A+	AA-
Fitch Investors Service, Inc.	AA	AA

In November 1998, S&P upgraded its rating from A+ to AA- while the other two agencies maintained their same ratings. S&P's upgrade was based on the "*corporation's strengthening relationship with the state legislature.*" S&P felt that the 1998 legislation passed by the legislature, authorizing the issuance of up to \$224.4 million in AHFC bonds to finance state projects and grants, showed that strengthening relationship.<sup>21</sup> See Appendix G for a list of state capital projects funded by AHFC general obligation bonds. Section 1 of the legislation contained legislative intent that helped provide that reassurance. It read:

*The legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation, to protect its excellent debt rating by the nation's financial community and to preserve it as a valuable asset of the state. To accomplish this goal, the sum of withdrawals for the repayment of bonds under sec. 2(c) of this Act, for transfer to the general fund, and for expenditures on corporate funded capital projects should not exceed the*

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<sup>21</sup>See Chapter 129, SLA 1998.

*corporation's net income for the preceding fiscal year. The Alaska Housing Finance Corporation projects that \$103,000,000 will be available in each fiscal year beginning with 1999 through 2006, for a total amount during the seven-year period of \$721,000,000.*

The timeline below illustrates AHFC's history with Standard and Poor's ratings.<sup>22</sup>

- 1991 AHFC was the first housing finance association to receive an unsecured general obligation (GO) rating (A+). It came after an unsuccessful attempt by the governor to transfer \$80 million from the corporation. AHFC implemented a plan to pay dividends to the State.
- 1992 S&P affirmed AHFC's ratings after its merger with other state departments (Alaska State Housing Authority and the housing and energy programs from the former Department of Community and Regional Affairs).
- 1994 On May 2, S&P revised AHFC's rating outlook from stable to negative due to an increase in risk caused by a \$200 million transfer to the state general fund.
- 1995 AHFC's rating on GO debt is placed on a negative "CreditWatch" in February by S&P based on uncertainty over the possibility of additional appropriations of capital. The "CreditWatch" was removed after legislation was proposed by the governor and AHFC to transfer \$270 million from corporate reserves to the General Fund over the next 5 years. The AHFC Board of Directors repealed the 1991 dividend plan and authorized a transfer agreement between the corporation and the Department of Revenue for \$270 million over five years.
- 1996 Transfers were made according to the terms of the agreement. No additional legislative appropriations were made beyond the agreed upon terms.
- 1997
- 1998 The transfer plan is revised up to \$721 million and is extended until 2006. S&P upgrades its general obligation rating to AA- on November 30 with the sale of \$93 million in general obligation bonds. S&P states: *"The ratings upgrade largely reflects the corporation's strengthening relationship with the state legislature."*
- 1999 On April 26, S&P stated that SB 113 could harm AHFC's general obligation ratings by eliminating AHFC's independence from the legislature. In November, S&P reaffirmed its stable outlook and stated its expectation that any *"future asset-transfer plans [based on the 1998 plan] will not adversely affect AHFC's issuer credit rating"* as long as they remain on an *"affordable and predictable"* level.

#### Reaction of the credit rating agencies to asset transfers to the State

As was stated in our prior audit in 1995, we do not know the degree to which bond ratings will be affected by continued withdrawal and use of the corporation's assets for non-housing related projects by the legislature. It is, however, still safe to assume the more assets that are withdrawn from AHFC, the greater the likelihood of a decrease in the bond ratings.

The above timeline shows that in 1995, S&P placed AHFC on "CreditWatch" and assigned a negative outlook. S&P was concerned that the unscheduled transfer of assets by the

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<sup>22</sup>The timeline is adapted from Table 1 in a commentary by Merrill Lynch in the June 15, 1999, *The Municipal Strategist*.

legislature would consume AHFC's capital base and restrict its ability to fulfill its mission of providing affordable housing to all Alaskans. The negative outlook was lifted when legislation was passed that arranged for an orderly transfer of excess funds from AHFC to the State. Finally, in November 1998, S&P raised its GO rating based on AHFC's relationship with the legislature and its proven ability to make the transfers according to a plan.

The credit rating agencies appear satisfied that as long as the corporation and the legislature work together on any plans to transfer assets and that AHFC has sufficient means to carry out its purposes and programs, the relationship between the two remains healthy. Recent legislation assists in providing that optimism by requiring that no more than the net income for the proceeding fiscal year may be spent on corporate-funded capital projects and transfers to the General Fund. A second key element in the provision of that reassurance is that control over the corporation's assets remains with the AHFC Board of Directors, instead of the legislature.

#### Pending legislation's potential effect on bond ratings

There have been various bills introduced during the 21<sup>st</sup> Legislature that have some potential effect on AHFC. Most of the bills are budgetary in nature and are considered through the budget process. One bill, SB 113, would raise the level of oversight by the legislature on AHFC's operations.

Specifically, SB 113, is:

*An Act making activities of the Alaska Housing Finance Corporation subject to the Executive Budget Act, relating to appropriations to the Alaska Housing Finance Corporation; relating to bonds and bond anticipation notes issued by the Alaska Housing Finance Corporation; and providing for an effective date.*

While some of the operational aspects of AHFC have been part of the Executive Budget Act, SB 113's original provisions would bring the more technical financing activities under the Act as well. It was introduced in the first session of the 21<sup>st</sup> Legislature on March 19, 1999, sponsored by the Senate Finance Committee. AHFC has taken a strong position against the original version of the bill as have the AHFC Board of Directors and six housing-related trade organizations. In addition, comments from AHFC's financial analyst, Merrill Lynch, and S&P indicate that passage of the original bill would have a negative impact on AHFC's bond and credit ratings.

AHFC's GO bond rating was upgraded in 1998 by S&P because of the "corporation's strengthening relationship with the state legislature." In an April 1999 S&P publication the rating agency observed that SB 113 would be viewed as a "reversal of course by the Legislature towards AHFC's operations."<sup>23</sup>

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<sup>23</sup>Standard and Poor's *CreditWire*, April 22, 1999, *Pending Legislation Could Hurt Alaska Housing Finance Corporations' Ratings*.

At the April 14, 1999 Senate Finance committee meeting, an amendment to the bill was adopted that would exempt the practice of refunding bonds and payment of principal or interest on bonds from the Executive Budget Act. The bill with this approved amendment became the working draft of the committee. No further action was taken on it before the end of the first legislative session.

As discussed in the Background Information section of this report, bond credit ratings is an evaluative process. One area of the evaluation is of the quality of the corporation's management team. The rating agencies view the additional oversight by the legislature as a weakening of the authority of corporation's management to act on financial matters.

Any actual impact, of SB 113 or any other legislation, on AHFC's credit ratings is not conclusive. As mentioned earlier, the *CreditWire* article by Standard and Poor's does indicate a level of concern with the original legislation, however no actual measure of impact was identified. We cannot assess the actual impact of SB 113 or any individual legislation. However, it is reasonable to assume that the cumulative effect of legislation reducing the asset base of the corporation and narrowing the level of financial control exercised by the board of directors does increase the likelihood of a negative impact on the bond credit rating.

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## AUDITORS COMMENTS

As discussed in the Report Conclusions section of this report, AHFC needs to monitor its unrestricted general account to ensure there is sufficient cash flow to meet the working capital needs and the financial commitment established under Chapter 129, SLA 1998. We recommend that AHFC management update the cash flow analysis of its unrestricted general account at the end of each fiscal year beginning with FY 2000. The updates should be based on the audited financial statements of the fiscal year just ended. AHFC should provide copies of the cash flow analysis to the Office of the Governor, Division of Legislative Audit, and Division of Legislative Finance for review.

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## **APPENDICES**

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**APPENDIX A**

Schedule of AHFC Programs

The following is a matrix of the programs administered by the Alaska Housing Finance Corporation (AHFC). The programs have been grouped by the division in which the program is administered. Under funding source, corporate receipts mean unrestricted funds from the general account revolving fund. The definitions of the abbreviations are listed on the last page of Appendix A.

**Mortgage Division**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Taxable	AS 18.56.088 Administrative procedure; AS 18.56.098 SMPP	This program has no income limits for borrowers; 30 or 15-year fixed rate; 5% down payment for single-family, 10% down payment for duplex units, 20% down payment for tri-plex and four-plex units; may use FHA/VA/RD guarantee to reduce down payment; qualifying assumptions are allowed; and moderate and low income borrowers may receive IRRLIB assistance.	Taxable Bond Debt
Tax-Exempt First-Time Homebuyer	AS 18.56.088 Administrative procedure; AS 18.56.098 SMPP	This program's federal regulations set the income limits, maximum acquisition cost, and require no ownership of dwelling for 3 years prior; 30-year fixed rate (may go down to 15 years for conventional loans); 5% down payment for single-family, 20% down payment for duplex units; may use FHA/VA/RD guarantee to reduce down payment; qualifying assumptions are allowed, and moderate and low income borrowers may receive IRRLIB assistance.	Tax-Exempt Bond Debt
Taxable First-Time Home Buyer	AS 18.56.088 Administrative procedure; AS 18.56.098 SMPP	This program offers a lower interest rate to eligible buyers who have not had an ownership interest in a primary residence in the last three years. The interest rate is fixed and will generally be 1/2% above the Tax-Exempt First-Time Home buyer program, but not less. The term may be either 15-years or 30-years. Owner occupied single family residences, condos, PUDs, Type 1 mobile homes; and duplex dwellings (that have been in existence for at least five years) with one unit occupied as the principal residence of the borrower, are eligible properties. Conventional loans require a minimum 5% down payment on a single-family residence and 10% on a duplex. If the loan is federally insured or guaranteed, the down payment may be lower. Maximum borrower income limits are established at 115% of median income, up to a family of three members. Unlike the Tax-Exempt First-Time Home Buyer Program, the Taxable Program does not have acquisition cost limits.	Taxable Bond Debt;  buydown is funded from arbitrage

**APPENDIX A**

Schedule of AHFC Programs

**Mortgage Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Veterans Mortgage	AS 18.56.088 Administrative procedure; AS 18.56.098 SMPP	This program has federal restrictions that require the borrower to be a "qualified veteran;" 30 or 15-year fixed rate; 5% down payment for single-family, 20% down payment for duplex, tri-plex and four-plex units; may use FHA/VA/RD guarantee to reduce down payment; qualifying assumptions are allowed, and moderate and low income borrowers may receive IRRLIB assistance as with the Taxable and the Tax-Exempt Loan Programs.	Tax-Exempt Bond Debt
Mobile Home	AS 18.56.088 Administrative procedure; AS 18.56.090 General Powers; AS 18.56.098 SMPP; AS 18.56.099 Powers of corporation to deal in mortgage loans	This program provides loans for Type I and Type II Mobile Homes; Type I 30 years; Type II are new units and the terms are - 10 years for single wide, 14 years for double wide; while used units' terms are - 7 years for single wide, 10 years for double wide, however, the loan can not exceed 70% of the remaining economic life; interest rates are the same as for the Taxable Program; 15% down payment; may use VA guarantee to reduce down payment.  (Type I Mobile Home Loans may be made under any of the three programs above.)	Type II are Taxable Bond Debt only  Type I are Taxable or Tax-Exempt Bond Debt
Second Mortgage	AS 18.56.088 Administrative procedure; AS 18.56.96 Limitation on power to make or purchase mortgage loans	This program provides for Health and Safety Repairs - for property that is already financed by AHFC including Type I & II mobile homes. For improvements necessary for health and safety issues, e.g., replacement or repair of septic and/or water systems, foundation or structural repair, terms may vary with loan amounts to a maximum amount of \$20,000; total amount of loans purchased under this program was limited to \$5 million. Home Improvement loans are for permanent improvements to mortgaged properties including Type I mobile homes; terms will vary with loan amount, which is limited by a loan-value ratio. Purchase - for purchase of a single-family or duplex units, including Type I mobile homes, subject to an existing mortgage; loan terms and amounts are same as those for home improvement loans; loans may be eligible for assistance.	Taxable or Tax-Exempt AHFC General Obligation Debt

**APPENDIX A**

Schedule of AHFC Programs

**Mortgage Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Non-Conforming	AS 18.56.088 Administrative procedure; AS 18.56.106 Non-conforming housing loan program	This program provides loans for the purchase or construction of non-conforming single-family and duplex units (construction loans can only be made, when construction of conforming house is not possible); interest rate is equal to the taxable rate + ¼ of 1%; borrower eligibility and loan terms are the same as for SMPP.	Taxable or Tax-Exempt AHFC General Obligation Debt
Refinance	AS 18.56.088 Administrative procedure; AS 18.56.098 SMPP	This program will refinance any loan made or purchased under an AHFC program; loan payments must be current; mortgage loans are secured by a first or second deed of trust; if applicable, HOF subsidy may continue; refinance loan, except HOF and mobile home Type II, amounts may include costs of improvements.	Taxable for Refinance and Non-AHFC Loans
Non-AHFC Loans	Same	Refinance loans not owned by AHFC; other requirements similar to the above refinance program.	
Streamlined	Same AS 18.56.108 SRP	Refinance loans owned by AHFC, except those made under the rental refinance program, REO Financing program, or the rural non-owner occupied loan program; includes mobile home Type II loans; does not include costs of improvements.	Streamline can be Taxable or Tax-Exempt
REO Financing	AS 18.56.088 Administrative procedure; AS 18.56.090 General powers	This program makes loans that provide financing for the sale of properties owned by AHFC; may be a second home loan or non-owner occupied home loan; loan-to-value ratio up to 95% on single-family or duplex units, up to 90% on tri-plex and four-plex units, and non-owner occupied and second home loans; term is maximum remaining life of unit less 5 years or 20 years whichever is less; and qualifying assumptions are allowable.	Inactive Program
Association Loans	AS 18.56.088 Administrative procedure; AS 18.56.090 General powers	This program makes loans to homeowners' associations for the purposes of repairs, rehabilitation, and correcting deferred maintenance of the common areas. This is a direct lending program, whereby AHFC takes, processes and underwrites the application. Additionally, AHFC oversees the closing of the loan. The maximum loan term is 15 years.	Taxable or Tax-Exempt AHFC General Obligation Debt

**APPENDIX A**

Schedule of AHFC Programs

**Mortgage Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Multi-Family Whole Loan Purchase	AS 18.56.088 Administrative procedure; AS 18.56.090 General powers; AS 18.56.099 Powers of corporation to deal in mortgage loans	This is a program where AHFC purchases loans made under AHFC guidelines by approved lenders. Loans may be for the acquisition, minor rehabilitation, and refinancing of multi-family properties. For-profits and non-profits are eligible borrowers. Eligible properties have five units and above. Set-asides and rent restrictions for lower income borrowers are not required. Maximum term is 30 years. Maximum loan-to-value is 80% with a minimum debt service ratio of 1.25%. Program primarily used by for-profits.	Taxable Bond Debt
Special Needs and Congregate Housing Loans	AS 18.56.088 Administrative procedure; AS 18.56.090 General powers; AS 18.56.099 Powers of corporation to deal in mortgage loans	This is an AHFC direct lending program for the acquisition, minor rehabilitation and refinancing of special needs or congregate housing. For-profits and non-profits are eligible borrowers. Eligible properties range from single-family (group housing) to multi-family. Set-asides and rent restrictions for lower income borrowers are generally required. Maximum term is 30 years. Interest rate subsidies may be available. Underwriting criteria is based on what is considered an acceptable risk to AHFC. Program primarily used by non-profits and/or for long term financing on newly constructed special needs or congregate housing.	Taxable or Tax-Exempt Bond Debt;  some projects are also funded with arbitrage
Assistance Provider Interest Rate	AS 18.56.088 Administrative procedure; AS 18.56.090 General powers; AS 18.56.099 Powers of corporation to deal in mortgage loans	This is an AHFC direct lending program under the Special Needs and Congregate Housing Loans Program. The program provides an incentive, by subsidizing interest rates, to increase the availability of housing that is occupied by a live-in care provider, who provides assistance in activities of daily living for individuals with either a physical or mental disability. If the number of individuals exceeds five, there is no subsidy. At least two individuals and the care provider must reside in the housing. The primary purpose of the housing is to provide care for the occupants, and should be modest in size for the number of occupants; and provide the necessary accessibility, equipment, and therapy features. The assistance must be provided in a residential setting in a structure that does not exceed a four-plex in nature.	Loan Feature;  buydown is funded from arbitrage

**APPENDIX A**

Schedule of AHFC Programs

**Mortgage Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Loans to Sponsors	AS 18.56.088 Administrative procedure; AS 18.56.090(b)(1) General powers	This program makes loans to sponsors who in turn use the proceeds to make loans to borrowers under their program(s), within AHFC guidelines, for the purpose of (1) providing housing loans and loans to improve housing for low or moderate income persons or in remote, underdeveloped, or blighted areas and (2) paying the sponsor's program administration costs; borrower eligibility is the same as under the Multi-Family program, except for-profit corporations; interest rate 0%; terms to 35 years; the loan types can be revolving and/or variable payment; the collateral requirements would be, for example; assignment of loans made by the sponsors to borrowers.	Projects funded with arbitrage
Senior Housing	AS 18.56.088 Administrative procedure; AS 18.56.090 General powers; AS 18.56.099 Powers of corporation to deal in mortgage loans; AS 18.56.700-.799 Senior Housing Office; AS 18.56.800-.810 Senior Citizens Housing Development Fund	This is an AHFC direct lending program for the acquisition, minor rehabilitation and refinancing of senior housing. Eligible properties range from single-family to multi-family. Set-asides and rent restrictions for lower income borrowers are not required. Maximum term is 30 years. Interest rate subsidies may be available. Underwriting criteria is based on what is considered an acceptable risk to AHFC. Program primarily used by non-profits and/or for long term financing on newly constructed senior housing.	Senior Housing Revolving Fund
Affordable Housing Enhanced Loan	AS 18.56.088 Administrative procedure; AS 18.56.090 General powers	This program option is for first deeds of trust where secondary financing is provided by a governmental agency, non-profit or regional housing authority. The AHFC first is limited to 75% with the remainder up to 97% provided by the secondary lender. May be combined with other AHFC programs. FHA/VA/RD insurance/guarantee may further reduce down payment.	Taxable or Tax-Exempt Bond Debt
Interest Rate Reduction for Low Income Borrowers	AS 18.56.088 Administrative procedure; AS 18.56.090 General powers	This program option provides an interest rate buydown of 1-2% for borrowers depending on income and household size. In most cases, borrowers must not have owned a residence the previous 3 years. May be combined with other AHFC programs.	Loan Feature; buydown is funded from arbitrage

**APPENDIX A**

Schedule of AHFC Programs

**Mortgage Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Energy Efficient Interest Rate Reduction	AS 18.56.088 Administrative procedure; AS 18.56.090 General powers	This program option provides an interest rate buydown for new and existing dwellings that exceed current state energy standards or dwellings for which energy efficiency is improved. The buydown may range from .25% to 1.5% depending on access to natural gas and whether the dwelling is new or existing construction. Buydown is limited to the first \$225,000 of the loan amount. May be combined with other AHFC programs.	Loan Feature; buydown is funded from arbitrage
Rural Owner Occupied	AS 18.56.088 Administrative procedure; AS 18.56.400 Powers of corporation related to housing assistance; AS 18.56.420 HALF; AS 18.56.440 Limitations on use of HALF; AS 18.56.580 Loans for nonowner occupied housing	This program provides financing for qualified borrowers for the construction, purchase, or rehabilitation of rural owner-occupied single-family and duplex units. There are no income limits; maximum 30 years or economic life of the unit; 5% down payment; and the interest rate is 1% lower than most current bond sale or urban AHFC rate, if there are no recent bond sales to determine rate. May be FHA/VA/RD.	HALF
Nonowner Occupied	AS 18.56.088 Administrative procedure; AS 18.56.400 Powers of corporation related to housing assistance; AS 18.56.420 HALF; AS 18.56.440 Limitations on use of HALF; AS 18.56.580 Loans for nonowner occupied housing	This program provides financing for qualified borrowers for the construction, rehabilitation, or purchase of 1 to 8 rural nonowner occupied rental housing units in a single community or specified area outside a community. They may finance up to 16 units, if extraordinary need(s) can be demonstrated. There are no income limits; maximum 30 years or economic life; 20% down payment; and the interest rate is .5% higher than the Rural Owner Occupied.	HALF
State Veteran's Interest Rate Preference (Urban & Rural)	AS 18.56.098 (g)(1) Special mortgage loan purchase program	This program provides a 1% lower interest rate on the first \$50,000 of a mortgage loan to qualified borrowers. May be applied to any owner-occupied program offered through the division.	Loan Feature

**APPENDIX A**

Schedule of AHFC Programs

**Mortgage Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Home Ownership Assistance Fund Loans	AS 18.56.088 Administrative procedure; AS 18.56.400 Powers of corporation related to housing assistance; AS 18.56.430 HOAF	This program subsidizes a portion of a monthly mortgage payment for lower and moderate income borrowers. Can subsidize down to a 6% interest rate. Rural owner occupied single-family units only. First deeds of trust only. The loan is an adjustable rate mortgage with an annual interest rate adjustment based on a review of the borrowers ratio of income to assets, with the interest rate not to exceed the original rate of the loan, nor to go below 6% rate.	Home Ownership Revolving Fund
Building Materials	AS 18.56.088 Administrative procedure; AS 18.56.400 Powers of corporation related to housing assistance; AS 18.56.420 HALF; AS 18.56.440 (2)(A) Limitations on use of HALF; AS 18.56.580 Loans for nonowner occupied housing	This program allows for loans to a maximum of \$45,000 or 80% of the appraised value of a house, if the house is pledged, or 90% of the value of other property pledged. The loan term may be for up to 15 years maximum at an interest rate that is 1% less than the most recent AHFC taxable bond issue. Security can be either a first or second deed of trust.	Taxable or Tax-Exempt AHFC General Obligation Debt
Second Mortgage Program	AS 18.56.420 HALF; AS 18.56.440 Limitations on use of HALF	This program can accept a second deed of trust for the purchase of single-family or duplex unit. The second deed of trust must be for the renovation, rehabilitation, and improvement of existing owner-occupied or rural nonowner-occupied residences. Loans are made from HOAF to borrowers as a first deed of trust only. The maximum loan \$45,000; with a term to a maximum of 15 years; with an interest rate equal to that established under AS 18.56.440. The interest rate for subsidized loans will vary.	Taxable or Tax-Exempt AHFC General Obligation Debt
Turnkey III Purchase Program	AS 18.56.088 Administrative procedure; AS 18.56.400 Powers of corporation related to housing assistance	This program provides loans for purchasing and/or rehabilitating homes built under the HUD Home Ownership Opportunity Program for low-income families and is limited to no more than 30 homes in a given fiscal year. Criteria for this program are the same as for the rural owner-occupied programs. AHFC can not finance the same property more than once in 5 years.	Inactive Program

**APPENDIX A**

Schedule of AHFC Programs

**Mortgage Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Small Building Material Loan Program	AS 18.56.088 Administrative procedure; AS 18.56.400 Powers of corporation related to housing assistance; AS 18.56.420 HALF; AS 18.56.440 Limitations on use of HALF; AS 18.56.580 Loans for nonowner occupied housing	<p>This program is for materials only, and not for labor, for the primary residence. However, the program can be used for water and sewer hookup and repair. The maximum loan amount is \$20,000; with a maximum term of 15 years; there are no income limits; and the interest rate equals rural owner-occupied rate.</p> <p>This program started in August 1993 and focuses on small loans in villages. Deeds of trust (may or may not be the first deed) or substitution of collateral is required, e.g., fishing vessels, etc. AHFC plans to limit outstanding loan balance to \$5 million because of the relative loan risk.</p>	Taxable or Tax-Exempt AHFC General Obligation Debt
RD Guaranteed and Insured Rural Housing Loan Program HUD 184	AS 18.56.088 Administrative procedure; AS 18.56.400 Housing Assistance through AS 18.56.600 Low Cost and Low Income Multiple Housing; AS 18.56.440 Limitations on use of housing assistance loan fund	<p>This program assists eligible low and moderate income borrowers in obtaining adequate but modest, decent, safe, and sanitary rural dwellings. The program's income limit is 115% of the HUD median income level; with a 3% down payment; and FHA and VA guaranteed. The program allows for participation in HUD 184 Loan Guarantees for the Indian Housing Program. The program started January 1, 1993 with regulatory changes approved by the board on January 20, 1995.</p>	Loan Feature
Multi-Family	AS 18.56.088 Administrative procedure; AS 56.090 General Powers; AS 18.56.099 Powers of corporation to deal in mortgage loans	<p>This is an AHFC direct lending program for the acquisition, minor rehabilitation, and refinancing of multi-family properties. For profits and non-profits are eligible borrowers. Eligible properties have five living units and above. Set-asides and rent restrictions for lower income borrowers are generally required. Maximum term is 30 years. Interest rate subsidies may be available. Underwriting criteria is based on what is considered an acceptable risk of AHFC. Program primarily used by non-profits and for long term financing on new construction apartments.</p>	Taxable or Tax-Exempt AHFC General Obligation Debt;  buydown is funded from arbitrage
Public Service Rental Housing Program	AS 18.56.088 Administrative procedure; AS 18.56.400 Powers of corporation related to housing assistance; AS 18.56.580 Loans for nonowner occupied housing	<p>The program provides for the purchase of, or to make a direct loan for, the acquisition, renovation, or construction of nonowner occupied property with the occupancy restricted to public service individuals. The program is the same as the nonowner occupied program, except for the interest rate (which is the same as the owner-occupied program) and the loan amount is limited to 100% of costs, that are not to exceed 90% of the appraised value. Only available in "very" small communities.</p>	Taxable or Tax-Exempt AHFC General Obligation Debt

**APPENDIX A**

Schedule of AHFC Programs

**Research and Rural Development Division**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Supplemental Housing Development	AS 18.55.998 Supplemental housing development grants; AS 18.56.088 Administrative procedure	This program is used for funding site development, water lines, sewer projects, electrical distribution systems, access roads and energy efficiency enhancements for HUD programs statewide. This program is funded with corporate receipts and funds basic site preparation and infrastructure that HUD funding does not address.	Corporate Receipts
Low Income Weatherization; LIHEAP; Enhanced Weatherization	AS 18.56.088 Administrative procedure; AS 18.56.850 Home energy conservation and weatherization program	This program provides grants to local non-profits to make the most cost-effective energy improvements to homes for low-income families. This includes health and safety measures relative to home comfort and energy consumption.	U.S.DOE; U.S.DHHS pass through funds; Corporate Receipts
State Energy Program (SEP)  State Energy Conservation Program (SECP)	PL 94-385, PL 94-163, PL 95-619, PL 94-580, PL 101-440, and PL 102-486; 10CFR420; DOE Financial Assistance Rules – 10CFR600.	Program activities include, but not limited to, public education to promote energy conservation; increase transportation energy efficiency; finance energy efficiency and renewable energy capital investments, projects and programs; programs for development of building retrofit standards and regulations; feasibility studies for renewable energy/energy efficiency resource technologies.	U.S.DOE
Energy Standards (BEES)	AS 18.56.088 Administrative procedure; AS 18.56.096(c) Limitation on power to make or purchase mortgage loans; AS 46.11.040 Applicability of thermal and lighting energy standards to residential buildings; AS 46.11.900 Definitions	This AHFC program allows AHFC to implement minimum energy efficiency standards for homes that are built after January 1, 1992 and financed with state funds.	Federal & Corporate Receipts
Energy Resource & Information Center	SEP as well as general powers of AHFC	This program provides a library for information on energy efficiency and conservation and renewable or alternative energy sources.	Federal & Corporate Receipts
Builder Education (Alaska Craftsman Home Program)	AS 18.56.850 Home energy conservation and weatherization program	This program provided corporate receipts for grants to train builders and the public in northern building science. Course attendance could be used as certification for builders' licensing.	Capital Budget; Corporate Receipts
Rater Education (Home Energy Rating Program)	AS 18.56.850 Home energy conservation and watherization program	This program provides a uniform method of auditing, assessing, and rating the energy efficiency of a residential home. Documented energy efficiency is credited to the mortgage loan.	No activity No funding

**APPENDIX A**

Schedule of AHFC Programs

**Planning and Program Development Division**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Low -Income Housing Tax Credit	AS 18.55.100 (a) Powers of corporation; AS 18.55.110 Cooperation with and of federal government; AS 18.55.240 Power of corporation to obtain federal aid and cooperate; AS 18.55.420 Regulations; allocation of units and projects; AS 18.56.088 Administrative procedure	This program provides tax credits for acquisition, new development, and renovation of rental housing, which are set aside for low income families as defined in 26 U.S.C. Section 42(c) (2) and (g). AHFC allocates the State's annual housing credit ceiling amount based on a qualified allocation plan, which is developed by AHFC, under the requirements specified in the federal regulations.	The credits come from the U.S. Treasury to the developers
Federal and Other Competitive Grant Match	AS 18.56.088 Administrative procedure; 15 AAC 154	Federal and corporate match grant funds. AHFC will apply for federal grants that target low-income and special needs housing, such as senior citizens, the disabled or the homeless. AHFC will also apply for energy related grants as they apply to housing. When required, AHFC will provide needed matching funds. Some of the funds received will be passed through to local non-profit sub-grantee organizations who deliver housing and/or services.	Capital Budget;  Federal & Corporate Receipts
Competitive Grants for Public Housing	AS 18.56.088 Administrative procedure; 15 AAC 154	AHFC applies for federal grants that will benefit the development of public housing and or public housing residents. Examples are: preventing crime and substance abuse in public housing, assisting public housing families attain economic self-sufficiency. When required, AHFC will provide needed matching funds. Some of the funds received will be passed through to local non-profit sub-grantee organizations who deliver housing and/or services.	Capital Budget;  Federal & Corporate Receipts
HOME Program	AS 18.56.088 Administrative procedure	A federal formula grant program, which provides for the expansion and renovation of affordable housing for low and moderate income families and individuals. AHFC issues grants on a competitive basis to deliver a variety of programs to Alaskans which may include, rental housing and home ownership development, owner rehabilitation and down payment assistance.	HUD;  Corporate Receipts
Senior Citizens Housing Development Grants	AS 18.56.088 Administrative procedure; AS 18.56.810 Senior citizens housing development	Under this program, AHFC can grant money from the Senior Citizens Housing Development Fund to eligible applicants for developing senior housing, only when adequate funding is not available from other sources.	Corporate Receipts

**APPENDIX A**

Schedule of AHFC Programs

**Planning and Program Development Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Housing Opportunities for Persons with HIV/AIDS (HOPWA)	AS 18.56.088 Administrative procedure	This program provides funding for operating and service related costs for non-profit agencies that work with individuals suffering from HIV or AIDS. AHFC applied for these funds on behalf of two nonprofit organizations who will operate the program in Juneau and Fairbanks.	HUD; Corporate Receipts
Homeless Assistance Program	AS 18.56.088 Administrative procedure; 15 AAC 154	This program provides funding to local communities/agencies to help develop programs to prevent homelessness by providing assistance to families in imminent danger of becoming homeless, or those who are currently homeless.	Capital Budget; MHTA & Corporate Receipts
SAFAH Supplemental Assistance for Facilities to Assist the Homeless	AS 18.56.088 Administrative procedure	A federal competitive grant program that supports homeless families for approximately one year after placement in permanent housing. As the grant recipient, AHFC had administrative oversight, but passed the funds through to two non-profit organizations, Catholic Social Services, and Life Quest. These agencies provided such eligible services such as case management, childcare, employment, and/or transportation assistance. In 1995, HUD phased out the SAFAH program and replaced it with the Supportive Housing Program (SHP) and declared non-profit organizations eligible to apply on their own instead of requiring a government application. Since that time, AHFC has refrained from directly applying for SHP funds, but has supported the efforts of non-profit applicants through its Competitive Grant Match Program.	HUD
Beneficiary and Special Needs Housing Fund	AS 18.56.088 Administrative procedure; 15 AAC 154	AHFC funds are used for non-profit service providers and housing developers to increase housing opportunities for people with special needs, with particular focus on mental health trust beneficiaries.	Capital Budget; Corporate Receipts
Technical Assistance Provider Program	AS 18.56.088 Administrative procedure	AHFC is a contractor for HUD to provide technical assistance activities under four federal programs; HOME, CDBG, Supportive Housing and CHDO Development.	HUD
Shelter Plus Care Program	AS 18.56.088 Administrative procedure	This program provides rental assistance for low-income persons or families that are homeless. A matching service component is required in order to receive the funds. The program is administered by AHFC but operated by two non-profit corporations in the Anchorage area.	HUD
Project Rich Rural Internet Connect for Homeless	AS 18.56.088 Administrative procedure	This program provides grant funds to AHFC to set up an Internet network among homeless service providers throughout Alaska. Funds pay for computer equipment and Internet connectivity.	U.S. Department of Commerce; Corporate Receipts

**APPENDIX A**

Schedule of AHFC Programs

**Public Housing Division**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
SF-210 Low-Rent Public Housing Program	AS 18.55.310 Powers and duties of corporation; 24CFR960; 24CFR5	This program provides funding for 28 housing projects that are owned and operated by the Public Housing Division. The financing was provided through the issuance of bonds, loans from the Federal Financing Bank, and HUD. HUD provides four kinds of financial assistance for this program: funding for development costs, annual contributions for operating subsidy, annual contributions for debt service, and capital improvement funds.	HUD; Corporate Receipts
SF-329 Turnkey III Public Housing Program	AS 18.55.310 Powers and duties of corporation; 24CFR950 Subpart G	This program provides funding for the development of rural single-family dwellings provided through loans from HUD. HUD provides the annual debt service contributions. In Bethel and Nome 48 home buyers are currently under this lease-option program. The home buyer pays the monthly payment to AHFC, which is split between the EHPA and the NRMR. Ownership transfers to home buyer when the EHPA + NRMR = purchase price, or when the home buyer gets other financing.	HUD  No new activity for several years
S-5 Mutual Help Indian Housing Program	AS 18.55.998 Supplemental housing development grants; 24CFR950 Subpart E	This program provides 200 units in 10 communities in rural Alaska. Funding for the development of the 200 units was provided through loans from HUD, which HUD provides the annual debt service contributions. Residents provide sweat equity and a signed promissory note for a portion of the cost. The underlying loans from HUD were forgiven in the 60's. However, AHFC still has interest in administrative fee with regard to the 90 units that still have outstanding promissory notes.	HUD  No new activity for several years
Service Coordination in Senior/Disabled Housing	AS 18.55.310 Powers and duties of corporation; AS 18.55.340 Care, operation, maintenance, and rental of housing; 24CFR700.130	Service Coordination in Senior/Disabled Housing occurs in Anchorage, Fairbanks, and Juneau, areas with the highest concentration of senior/disabled AHFC housing. AHFC employs social workers through three private vendors; one full time position in Anchorage and part time positions in Fairbanks and Juneau. AHFC provides office space, telephone service, and a computer at the properties to maximize their contact hours with tenants. The premise of the program is to assist the elderly to age in place or to assist the disable to remain independent. Services may include some case management assistance, but typically the service coordinators are involved with building-wide issues and solutions.	HUD Service Coordination Grant; HUD EDSS grant; Corporate Receipts for Section 8 new properties

**APPENDIX A**

Schedule of AHFC Programs

**Public Housing Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Section 8 Existing Housing Certificate Program	AS 18.56.010 Findings and purpose; 24CFR5; 24CFR982	This program provides funds for eligible low-income families, so they can directly contact landlords for rental housing that has fair market value rent for their family size as determined by HUD. Eligible tenants must pay the greater of 30% of their Adjusted Gross Income (AGI) or 10% of their gross income. The rest of the rent is paid by AHFC directly to the landlord from HUD funds.	HUD
Section 8 Existing Housing Voucher Program	AS 18.56.010 Findings and purpose; 24CFR5; 24CFR982	This program provides funds for eligible low-income families, so they can directly contact landlords for rental housing. The family may rent any size unit for an amount established by the landlord. Eligible tenants may determine the portion of families income to apply to rent, within limits. AHFC pays the rent subsidy from HUD funds directly to the landlords for fair market value of the rent less the greater of 30% of the eligible tenant's AGI or 10% of the eligible tenant's gross income.	HUD
Section 8 New Construction Program	AS 18.56.010 Findings and purpose; 24CFR5; 24CFR880	This program has 5 apartment housing projects (285 units) in 4 communities. The projects were constructed by ASHA. They were financed with funds received from loans from the State, and they are secured by deeds of trust on the land, buildings, and equipment. All of the loans from the State have been paid in full. There are rental subsidy payments received from HUD under the HAP program. The tenants' portion of rent equals the greater of 30% of their AGI or 10% of their gross income. The units' rents are set jointly by HUD and AHFC.	HUD
Section 8 Additional Assistance Program (Wrangell)	18.56.010 Findings and purpose; 24CFR5; 24CFR880	This program is a low-rent housing project located in Wrangell, which receives rental assistance from HUD. The project was financed by a loan from a commercial financial institution and collateralized by a deed of trust for the land, building, and equipment, as well as being insured by FHA through the HUD Multi-Family Rental Housing for Moderate-Income Families Program. The rental subsidy payments are received by AHFC in accordance with the HAP program. The tenants' portion of rent is equal to the greater of 30% of their AGI or 10% of their gross income.	HUD

**APPENDIX A**

Schedule of AHFC Programs

**Public Housing Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Multi-Family Rental Housing	AS 18.56.100 Housing development fund	AHFC issued tax-exempt multi-family housing revenue bonds that provided monies to make FHA insured mortgages for the development of multi-family rental housing units in Juneau.	Tax-Exempt Bond Debt
State Lease Building Program	AS 18.55.100 Powers of corporation	This program was used in 1966-1969 and 1971-1974 by ASHA to issue bonds to finance construction and acquisition of public buildings for lease to the State. Additional bonds in the amount of \$40 million were sold in December 1999 to finance the purchase of the Atwood Building in Anchorage.	Tax-Exempt Bond Debt
Family Self-Sufficiency Program (FSS)	AS 18.55.100 Powers of corporation; 24CFR984	This is a HUD grant program that ASHA applied for prior to their merger with AHFC. The program was implemented in FY 93, and provides housing assistance, education, and training opportunities to eligible persons to assist them in obtaining full-time employment.	HUD
Drug Elimination Program	AS 18.55.100 Powers of corporation; 24CFR761	This program provides additional funds for police patrols at public housing sites, referral services, and employment training for public housing residents and children's activities. The funds were applied for by PPDD and administered by PHD.	HUD
Family Investment Center (FIC)	AS 18.55.100 Powers of corporation; 24CFR964.300 Subpart D	This program provides capital improvement money and supportive services to support FSS initiatives.	HUD; Corporate Receipts
Youth Sports	AS 18.55.100 Powers of corporation; 24CFR964.205(1)&(4)	This program is similar to the Drug Elimination Grant Program, and used for sports, education, and leadership training for young people living in public housing.	HUD
Gateway Literacy	AS 18.55.100 Powers of corporation;	This program is for literacy, where English is used as a 2 <sup>nd</sup> language and for training and computer literacy for families in assisted housing. Used in concert with FSS.	U.S. Department of Education
5 <sup>th</sup> Homeownership Program	AS 18.55.100 Powers of corporation;	This program involves the renovation and sale of 19 single-family homes in Anchorage to low-income families. It encourages home ownership by providing low-cost homes for larger families. Current residents have first option to buy. The home-buying process is aided by the Municipality of Anchorage "Anchor" program.	Corporate Receipts; sale proceeds

**APPENDIX A**

Schedule of AHFC Programs

**Public Housing Division (continued)**

<b>PROGRAM NAME</b>	<b>STATUTORY AUTHORITY</b>	<b>DESCRIPTION</b>	<b>FUNDING SOURCE JUNE 30, 1999</b>
Section 3 On-the-Job Training	AS 18.55.100 Powers of corporation; 24CFR135	Section 3 of CFR part 135 mandates that Public Housing agencies provide employment opportunities for public housing residents and section 8 assisted clients. Certain entry level positions in the Corporation are designated for this purpose. Section 3 also directs housing authorities to use resident-owned businesses to the extent feasible.	HUD
Welfare-to-Work Housing Vouchers	AS 18.56.010 Findings and purpose; 24CFR982	In 1999, HUD awarded AHFC \$4 million for housing vouchers for families moving from welfare to work. Approximately 600 vouchers will be distributed in six locations: Anchorage, Fairbanks, Juneau, Soldotna/Kenai, Homer and Mat-Su. We anticipate this will be an annual appropriation.	HUD
HUD Comprehensive Grant Program	AS 18.55.100 Powers of corporation; 24CFR968 Subpart C	This is a Federal grant program from HUD that provides public housing authorities with funds each year to renovate and modernize public housing units. Funds are also provided for administrative expenses, tenant-education projects, drug elimination and safety projects, and management improvements.	HUD
Public Housing Energy Performance Contracting Program	AS 18.55.310 Powers and duties of corporation	This program provides corporate (AHFC) funds to upgrade public housing residences through energy performance-based contracts. To provide an incentive to make energy-efficiency improvements, HUD will allow AHFC to retain the savings (difference between past utilities vs current utilities cost after improvements) for a period of 12 years. The savings will be used in future years to fund more energy efficient improvements.	Not funded at this time  Capital Budget;  Corporate Receipts

## APPENDIX A

### Schedule of AHFC Programs

<b><u>Abbreviation</u></b>	<b><u>Definition</u></b>
AAC	Alaska Administrative Code
AHELP	Affordable Housing Enhanced Loan
AS	Alaska Statute
ASHA	Alaska State Housing Authority (merged with AHFC in 1992)
BEES	Building Energy and Efficiency Standards
CDBG	Community Development Block Grant
CFR	Code of Federal Regulations
CHDO	Community Housing Development Organization
DHSS	Alaska State Department of Health and Social Services
DMHDD	Division of Mental Health and Developmental Disabilities (a division of DHSS)
DPA	Division of Public Assistance (a division of DHSS)
EDSS	Economic Development and Supportive Services
EEIRR	Energy Efficient Interest Rate Reduction
EHPA	Earned Home Payments Account
ERIC	Energy Resource & Information Center
FHA	Federal Housing Authority
FIC	Family Investment Center
FmHA	Farmers Home Administration's Guaranteed Rural Housing Loan Program
FSS	Family Self-Sufficiency Program (a HUD program)
HALF	Housing Assistance Loan Fund
HAP	Housing Assistance Payments
HOAF	Home Ownership Assistance Fund
HOAP	Home Owners Assistance Program
HOF	Home Ownership Assistance Program
HOME	Home Opportunity Investment Program
HOPWA	Housing Opportunities for Persons with AIDS
HUD	United States Department of Housing and Urban Development
IRRLIB	Interest Rate Reduction for Low Income Borrowers
LIHEAP	Low-Income Home Energy Assistance Program
MHTA	Mental Health Trust Authority
NRMR	Non-Routine Maintenance Reserve Account
PHD	Public Housing Division
PL	Public Law
PPDD	Planning & Program Development Department

## APPENDIX A

### Schedule of AHFC Programs

<b><u>Abbreviation</u></b>	<b><u>Definition</u></b>
PUD	Planned Unit Development
PVE	Petroleum Violation Escrow Program
RD	Rural Development
REO	Real Estate Owned (by AHFC)
SAFAH	Supplemental Assistance for Facilities to Assist the Homeless
SEP	State Energy Program
SECP	State Energy Conservation Program
SHP	Supportive Housing Program
SMPP	Special Mortgage Loan Purchase Program
SRP	Simplified Refinancing Mortgage Program
U.S.C.	United States Code
U.S.DHHS	United States Department of Health and Human Services
U.S.DOE	United States Department of Energy
VA	Veterans Administration
VMP	Veterans Mortgage Program

**APPENDIX B**  
Alaska Housing Finance Corporation  
Combining Balance Sheet – All Funds<sup>a</sup>  
June 30, 1999 (In Thousands)

<i>Fund/Program Type:<sup>b</sup></i>	General	Home	Housing	Tax Exempt	Veterans	Senior	Housing
	Account Revolving Fund	Ownership Fund <sup>c</sup>	Assistance Loan Fund	First Time Homebuyer Bonds	Mortgage Program Bonds	Housing Revolving Fund	Development Fund
<i>Restriction Type:</i>	Unrestricted	Statutorily Restricted	Statutorily Restricted	Restricted by Bond Covenants	Statutorily Restricted & Restricted by Bond Covenants	Statutorily Restricted	Statutorily Restricted & Restricted by Bond Covenants
<b><u>Assets</u></b>							
Cash	\$ 4,844	45	356	624	569	1	116
Investments	756,824	5,321	12,486	51,478	123,089	15,184	32,585
Mortgage Loans and Mortgage Backed Securities, net	305,662	2,267	305,800	443,868	382,326	-	60,205
Mobile Home Loans, net	6,334	-	-	-	-	-	-
Notes Receivable	3,486	-	-	-	-	-	-
Accrued Interest Receivable	7,063	629	1,693	2,609	2,598	409	706
Investment in Direct Financing Lease	39,519	-	-	-	-	-	-
Unamortized Bond Issuance Costs	7	-	-	5,257	3,919	-	1,113
Due from Other Funds	70,642	-	-	-	-	11	-
Real Estate Owned and Mobile Homes Owned	57	-	84	81	-	-	-
Property and Equipment, net	2,222	-	-	-	-	-	-
Land	1,459	-	-	-	-	-	-
Grant Advances	11,508	-	-	-	-	-	-
Other Assets <sup>f</sup>	538	-	1,072	36	11	-	-
<b><i>Total Assets</i></b>	<b>\$ 1,210,165</b>	<b>8,262</b>	<b>321,491</b>	<b>503,953</b>	<b>512,512</b>	<b>15,605</b>	<b>94,725</b>
<b><u>Liabilities and Fund Equity</u></b>							
<b>Liabilities:</b>							
Bonds and Notes, net	\$ -	-	-	396,936	388,774	-	88,513
Commercial Paper	105,762	-	-	-	-	-	-
Securities Sold under Agreements to Repurchase	178,177	-	-	-	-	-	-
Accrued Interest Payable	849	-	-	1,736	1,976	-	619
Due to Other Funds	-	212	2,018	11,508	10,881	-	2,427
Accrued Expenses and Other Liabilities <sup>g</sup>	38,404	15	489	686	618	-	109
<b><i>Total Liabilities</i></b>	<b>323,192</b>	<b>227</b>	<b>2,507</b>	<b>410,866</b>	<b>402,249</b>	<b>-</b>	<b>91,668</b>
<b>Fund Equity:</b>							
Contributed Capital	(57,029)	3,983	207,674	72,009	86,879	10,000	14,189
Interfund Transfers: Loan Subsidies, Debt Collateralization, and Other	(58,052)	-	(421)	17,165	10,164	-	58
<b><i>Total Contributed Capital</i></b>	<b>(115,081)</b>	<b>3,983</b>	<b>207,253</b>	<b>89,174</b>	<b>97,043</b>	<b>10,000</b>	<b>14,247</b>
<i>Retained Earnings</i>	1,002,054	4,052	111,731	3,913	13,220	5,605	(11,190)
<b><i>Total Fund Equity</i></b>	<b>886,973</b>	<b>8,035</b>	<b>318,984</b>	<b>93,087</b>	<b>110,263</b>	<b>15,605</b>	<b>3,057</b>
<b><i>Total Liabilities and Fund Equity</i></b>	<b>\$ 1,210,165</b>	<b>8,262</b>	<b>321,491</b>	<b>503,953</b>	<b>512,512</b>	<b>15,605</b>	<b>94,725</b>

a-g See Notes to Appendix B

General Mortgage Revenue Bonds	General Housing Purpose Bonds	Governmental Purpose Bonds	State Capital Project Bonds <sup>c</sup>	Energy Programs <sup>d</sup>	-----Public Housing-----				Combined Totals
					Low Rent; Home Ownership; Section 8 New	Section 8 Vouchers & Certificates	Section 8 Wrangell Housing	Other <sup>e</sup>	
Restricted by Bond Covenants	Restricted By Bond Covenants	Restricted by Bond Covenants	Restricted by Bond Covenants	d	Federally Restricted & Restricted by Bond Covenants	Federally Restricted	Federally Restricted	e	
849	89	363	-	-	1,348	1,334	196	125	10,859
443,057	55,361	238,795	61,539	3,429	19,592	-	-	-	1,818,740
493,665	146,536	170,139	-	-	-	-	-	-	2,310,468
-	2,296	-	-	-	-	-	-	-	8,630
-	-	29,428	-	-	-	-	-	-	32,914
4,770	910	2,490	290	1	134	-	-	-	24,302
-	-	-	-	-	-	-	-	-	39,519
5,776	1,687	2,974	704	-	-	-	-	-	21,437
-	-	-	-	-	-	-	-	-	70,653
-	-	-	-	-	-	-	-	-	222
-	-	-	-	-	98,860	41	2,236	235	103,594
-	-	-	-	-	-	-	-	-	1,459
-	-	-	-	826	-	-	-	25	12,359
63	-	55	-	630	1,123	364	5	1,900	5,797
948,180	206,879	444,244	62,533	4,886	121,057	1,739	2,437	2,285	4,460,953
734,350	186,898	357,458	89,622	-	6,246	-	702	-	2,249,499
-	-	-	-	-	-	-	-	-	105,762
-	-	-	-	-	-	-	-	-	178,177
2,903	879	1,661	346	-	1,144	-	11	-	12,124
15,257	10,222	6,488	59	3,186	1,666	1,252	138	5,339	70,653
11,183	147	369	5	1,059	3,071	472	23	53	56,703
763,693	198,146	365,976	90,032	4,245	12,127	1,724	874	5,392	2,672,918
112,855	14,241	60,398	(34,905)	22,624	102,594	514	2,017	25	618,068
1,106	1,051	1,070	7,420	3,322	16,725	24	368	-	-
113,961	15,292	61,468	(27,485)	25,946	119,319	538	2,385	25	618,068
70,526	(6,559)	16,800	(14)	(25,305)	(10,389)	(523)	(822)	(3,132)	1,169,967
184,487	8,733	78,268	(27,499)	641	108,930	15	1,563	(3,107)	1,788,035
948,180	206,879	444,244	62,533	4,886	121,057	1,739	2,437	2,285	4,460,953

**Notes to APPENDIX B**

<sup>a</sup> The balance sheet presented in Appendix B is derived from AHFC’s June 30, 1999 audited financials and detailed accounting records.

<sup>b</sup> See Appendix A for fund/program descriptions.

<sup>c</sup> In 1998 the Legislature directed the Corporation to issue a maximum of \$224 million in capital project bonds to finance state projects. In 1999 the Corporation issued \$92,365,000 in capital project bonds, \$34,905,000 was disbursed to various agencies and municipalities, and \$5,655,000 in bonds redeemed. See Appendix E for list of state capital projects to be funded by AHFC Bonds.

<sup>d</sup> The Petroleum Violation Escrow Program (PVE) includes the activities funded from the State of Alaska’s share of settlement proceeds received as a result of various lawsuits between the federal government and oil producers. The Corporation holds these funds in trust, to be used for qualifying energy conservation activities under the U.S. Department of Energy’s oversight.

Energy programs consist of the following: See Appendix A for program description.

<i>Program</i>	<i>Restriction Type</i>
Low-Income Weatherization; LIHEAP; Enhanced Weatherization	Federally Restricted and Statutorily Restricted
State Energy Program (SEP)	Federally Restricted
State Energy Conservation Program (SECP)	Federally Restricted
BEES	Federally Restricted
Energy Resource and Information Center	Federally Restricted
Builder Education (Alaska Craftsman Home Program)	Statutorily Restricted
Rater Education (Home Energy Rating Program)	Statutorily Restricted

<sup>e</sup> Other Public Housing programs consist of the following: See Appendix A for program description.

<i>Program</i>	<i>Restriction Type</i>
HOME	Federally Restricted
SAFAH	Federally Restricted
Gateway Literacy	Federally Restricted
Drug Elimination Grant	Federally Restricted
Shelter Plus Care Program	Federally Restricted
HOPWA	Federally Restricted
Youth Sports Program	Federally Restricted
Family Investment Center Grant (FIC)	Federally Restricted
Service Coordination in Senior/Disabled Housing	Federally Restricted
Technical Assistance Provider Program	Federally Restricted
Rural Internet Connect for Homeless (RICH)	Federally Restricted

<sup>f</sup> Other Assets include loan related, federal program and other miscellaneous receivables, prepaid expenses, and maintenance inventory.

**Notes to APPENDIX B**

<sup>g</sup> Accrued Expenses and Other Liabilities include miscellaneous and accounts payable, loan collections payables, arbitrage bond payable, payables to the State, and accrued leave.

**APPENDIX C**

Alaska Housing Finance Corporation  
Investment Schedule – All Funds<sup>a</sup>  
*June 30, 1999 (In Thousands)*

<i>Fund/Program Type:<sup>b</sup></i>	General Account Revolving Fund	Home Ownership Fund	Housing Assistance Loan Fund	Tax Exempt First Time Homebuyer Bonds	Veterans Mortgage Program Bonds	Senior Housing Revolving Fund	Housing Development Fund
<i>Investment Policy Direction</i>	AHFC BOD	AHFC BOD	AHFC BOD	Bond Covenants	Bond Covenants	AHFC BOD	Bond Covenants
<b><u>Investments</u></b>							
Bank Investment Agreements	\$ -	-	-	14,879	1,889	-	-
U.S. Treasury Securities	75,347	-	-	100	-	-	5,179
Securities of U.S. Government Agencies and Corporations	185,644	103	5,379	4,199	3,826	-	750
Asset-backed Securities	124,129	-	-	-	-	-	-
Certificates of Deposit	17,230	-	-	-	-	10,080	-
Commercial Paper & Medium Term Notes	144,993	3,736	6,364	23,578	57,295	4,939	2,990
Investment Agreements	-	-	-	7,782	59,725	-	23,586
Collateral for Reverse Repurchase Agreements	178,840	-	-	-	-	-	-
Money Market Funds	30,641	1,482	743	940	354	165	80
<b><i>Total Investments</i></b>	<b>\$ 756,824</b>	<b>5,321</b>	<b>12,486</b>	<b>51,478</b>	<b>123,089</b>	<b>15,184</b>	<b>32,585</b>

a-d See Notes to Appendix C.

General Mortgage Revenue Bonds	General Housing Purpose Bonds	Governmental Purpose Bonds	State Capital Project Bonds	Energy Programs <sup>c</sup> AHFC BOD or Federal Guidelines	-----Public Housing-----				Combined Totals
					Low Rent; Home Ownership; Section 8 New	Section 8 Vouchers & Certificates	Section 8 Wrangell Housing	Other <sup>d</sup>	
Bond Covenants	Bond Covenants	Bond Covenants	Bond Covenants		Federal Guidelines	Federal Guidelines	Federal Guidelines	Federal Guidelines	
313,400	-	-	-	-	-	-	-	-	330,168
-	6,112	-	-	-	19,279	-	-	-	106,017
5,716	14,142	2,442	-	3,400	-	-	-	-	225,601
-	2	-	-	-	-	-	-	-	124,131
-	-	-	-	-	-	-	-	-	27,310
118,804	20,937	45,689	-	-	-	-	-	-	429,325
-	12,618	190,447	60,136	-	-	-	-	-	354,294
-	-	-	-	-	-	-	-	-	178,840
5,137	1,550	217	1,403	29	313	-	-	-	43,054
443,057	55,361	238,795	61,539	3,429	19,592	-	-	-	1,818,740

- <sup>a</sup> The investment schedule presented in Appendix C is derived from AHFC's June 30, 1999 audited financials and detailed accounting records.
- <sup>b</sup> See Appendix A for fund/program descriptions.
- <sup>c</sup> The Petroleum Violation Escrow Program (PVE) includes the activities funded from the State of Alaska's share of settlement proceeds received as a result of various lawsuits between the federal government and oil producers. The Corporation holds these funds in trust, to be used for qualifying energy conservation activities under the U.S. Department of Energy's oversight.

Energy programs consist of the following: See Appendix A for program description.

<i>Program</i>	<i>Restriction Type</i>
Low-Income Weatherization; LIHEAP; Enhanced Weatherization	Federally Restricted and Statutorily Restricted
State Energy Program (SEP)	Federally Restricted
State Energy Conservation Program (SECP)	Federally Restricted
BEES	Federally Restricted
Energy Resource and Information Center	Federally Restricted
Builder Education (Alaska Craftsman Home Program)	Statutorily Restricted
Rater Education (Home Energy Rating Program)	Statutorily Restricted

- <sup>d</sup> Other Public Housing programs consist of the following: See Appendix A for program description.

<i>Program</i>	<i>Restriction Type</i>
HOME	Federally Restricted
SAFAH	Federally Restricted
Gateway Literacy	Federally Restricted
Drug Elimination Grant	Federally Restricted
Shelter Plus Care Program	Federally Restricted
HOPWA	Federally Restricted
Youth Sports Program	Federally Restricted
Family Investment Center Grant (FIC)	Federally Restricted
Service Coordination in Senior/Disabled Housing	Federally Restricted
Technical Assistance Provider Program	Federally Restricted
Rural Internet Connect for Homeless (RICH)	Federally Restricted

**APPENDIX D**

Capital Budget Estimations for FY 01 Through FY 06

Programs/Projects	Funding Source	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Supplemental Housing Development Program	Corporate:	\$6,000.0	\$7,000.0	\$8,000.0	\$9,000.0	\$10,000.0	\$12,000.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Low Income Weatherization Program	Corporate:	\$4,000.0	\$5,000.0	\$6,000.0	\$7,000.0	\$8,000.0	\$10,000.0
	Federal:	\$1,400.0	\$1,400.0	\$1,400.0	\$1,400.0	\$1,400.0	\$1,400.0
Senior Citizens Housing Development Program	Corporate:	\$4,500.0	\$7,500.0	\$10,000.0	\$10,000.0	\$12,000.0	\$12,000.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Chugach View Renovation, Phase I & II Anchorage (Senior)	Corporate:	\$2,000.0	\$2,000.0	\$0.0	\$0.0	\$0.0	\$0.0
	Federal:	\$2,000.0	\$2,000.0	\$0.0	\$0.0	\$0.0	\$0.0
Eyak Manor Renovation - Cordova	Corporate:	\$1,600.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sea View Terrace Renovation - Ketchikan (Senior)	Corporate:	\$4,100.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Senior & Statewide Deferred Maintenance & Renovation	Corporate:	\$3,500.0	\$1,500.0	\$1,000.0	\$1,000.0	\$500.0	\$500.0
	Federal:	\$500.0	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0
HUD Capital Fund Program (CFP) formerly (CGP)	Corporate:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Federal:	\$3,500.0	\$3,500.0	\$3,500.0	\$3,500.0	\$3,500.0	\$3,500.0
Central Terrace/Fairmont, Phase III - VII	Corporate:	\$2,072.0	\$995.0	\$2,752.7	\$129.5	\$0.0	\$0.0
	Federal:	\$0.0	\$1,405.9	\$970.5	\$1,331.1	\$0.0	\$0.0
HUD Federal HOME Grant Program	Corporate:	\$750.0	\$750.0	\$750.0	\$750.0	\$750.0	\$750.0
	Federal:	\$3,053.0	\$3,106.0	\$3,159.0	\$3,212.0	\$3,265.0	\$3,318.0
Federal & Other Competitive Grants	Corporate:	\$1,250.0	\$1,250.0	\$1,250.0	\$1,250.0	\$1,250.0	\$1,250.0
	Federal:	\$1,500.0	\$3,000.0	\$3,000.0	\$3,000.0	\$3,000.0	\$3,000.0
Competitive Grants for Public Housing	Corporate:	\$250.0	\$250.0	\$250.0	\$250.0	\$250.0	\$250.0
	Federal:	\$750.0	\$750.0	\$750.0	\$750.0	\$750.0	\$750.0
Energy Efficiency Monitoring Research	Corporate:	\$450.0	\$500.0	\$750.0	\$1,000.0	\$1,000.0	\$1,500.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Builder & Rater Education Program	Corporate:	\$300.0	\$300.0	\$300.0	\$300.0	\$300.0	\$300.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Energy Program (SEP) Special Projects	Corporate:	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0
	Federal:	\$150.0	\$150.0	\$150.0	\$150.0	\$150.0	\$150.0
Homeless Assistance Program	Corporate:	\$800.0	\$800.0	\$800.0	\$800.0	\$800.0	\$800.0
	<sup>1</sup> MHTF:	\$200.0	\$200.0	\$200.0	\$200.0	\$200.0	\$200.0
Beneficiary & Special Needs Housing	Corporate:	\$1,700.0	\$2,000.0	\$2,100.0	\$2,200.0	\$2,300.0	\$2,400.0
	MHTF:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Housing Modification Program - Special Needs	Corporate:	\$250.0	\$250.0	\$250.0	\$250.0	\$250.0	\$250.0
	MHTF:	\$150.0	\$150.0	\$150.0	\$150.0	\$150.0	\$150.0
Sunset View Renovation (Senior)	Corporate:	\$0.0	\$2,679.0	\$0.0	\$0.0	\$0.0	\$0.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Pacific Terrace Replacement, Phase I & II - Kodiak	Corporate:	\$0.0	\$4,000.0	\$3,000.0	\$0.0	\$0.0	\$0.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Glacier View Renovation - Seward (Senior)	Corporate:	\$0.0	\$0.0	\$1,539.4	\$0.0	\$0.0	\$0.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Chugach Manor Renovation, Phase I & II - Anchorage (Senior)	Corporate:	\$0.0	\$0.0	\$3,000.0	\$3,000.0	\$0.0	\$0.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Geneva Woods Roof Repair Window Replacement - Juneau	Corporate:	\$0.0	\$0.0	\$0.0	\$675.0	\$0.0	\$0.0
	Federal:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Corporate Funded Capital Budget:</b>	Corporate:	\$33,552.0	\$36,804.0	\$41,772.1	\$37,634.5	\$37,430.0	\$42,030.0
<b>Total Federal Funded Capital Budget:</b>	Federal:	\$12,853.0	\$15,386.9	\$12,929.5	\$13,343.1	\$12,065.0	\$12,118.0
<b>Total MHTF Funded Capital Budget:</b>	MHTF:	\$350.0	\$350.0	\$350.0	\$350.0	\$350.0	\$350.0
<b>Total AHFC's Project Capital Budget:</b>		\$46,755.0	\$52,540.9	\$55,051.6	\$51,327.6	\$49,845.0	\$54,498.0
<b>AHFC Funding for Other State Projects</b>							
<i>Water/Sewer/Waste (DEC)/Pioneers' Home/Other</i>	Corporate:	\$33,448.0	\$25,196.0	\$20,227.9	\$24,365.5	\$24,570.0	\$29,970.0
<b>Transfer Type Funding</b>							
<i>UAA Student Housing Debt Service (FY 1999 - FY 2024)</i>	Corporate:	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0
<i>State Capital Project Bonds (FY 1999 - FY 2006)</i>	Corporate:	\$35,000.0	\$40,000.0	\$40,000.0	\$40,000.0	\$40,000.0	\$30,000.0
<b>Total AHFC Funding:</b>	Corporate:	\$103,000.0	\$103,000.0	\$103,000.0	\$103,000.0	\$103,000.0	\$103,000.0
<b>Total AHFC Funding Cap:</b>	Corporate:	\$103,000.0	\$103,000.0	\$103,000.0	\$103,000.0	\$103,000.0	\$103,000.0

Source of Information: AHFC, draft as of November 10, 1999.

<sup>1</sup>Mental Health Trust Fund

**APPENDIX E**

AHFC Capital Projects  
FY 96 - FY 00

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
HUD Comprehensive Grant Program	\$4,326,000 f	\$3,521,600 f	\$3,100,000 f	\$2,900,000 f	\$2,800,000 f
HUD Federal Home Grant Program	750,000 c 3,000,000 f	750,000 c 3,000,000 f	750,000 c 3,000,000 f	750,000 c 3,000,000 f	750,000 c 3,000,000 f
Public Housing Support	250,000 c				
Federal Competitive Grants - Public Housing	723,000 c 2,277,000 f	500,000 c 2,500,000 f	250,000 c 2,000,000 f	250,000 c 750,000 f	250,000 c 750,000 f
Federal & Other Competitive Grants	2,100,000 c 3,400,000 f	1,000,000 c 3,000,000 f	500,000 c 3,000,000 f	500,000 c 3,000,000 f	750,000 c 1,500,000 f
Low Income Weatherization Program	5,000,000 c 2,400,000 f	6,500,000 c 500,000 f	4,000,000 c 1,200,000 f	1,000,000 c 4,200,000 f	1,000,000 c 1,400,000 f
Energy Conservation Retrofit Program	440,000 c	450,000 c	450,000 c		
Home Energy Rebate Program	245,000 f				
Public Housing Energy Efficiency Program	1,000,000 c				
Supplemental Housing Development Program	10,000,000 c	7,000,000 c	6,000,000 c	4,000,000 c	3,868,000 c
Environmental Cleanup/Abatement Program	250,000 c	500,000 c	500,000 c	1,000,000 o	303,000 c
Emergency Housing Assistance	250,000 c				
Senior Citizens Housing Development Program	750,000 c	1,750,000 c	1,829,800 c	2,050,000 c	
Alaska Craftsman and Home Energy Rating Programs	600,000 o	600,000 o		300,000 c	
Beneficiary & Special Needs Housing Program	1,200,000 c	1,500,000 c			1,700,000 c
Pioneers' Homes Renovation, Repair & Modifications	326,000 c	2,589,300 c			
Riverbend Construction	4,500,000 f	3,284,300 c 6,900 f			
Golden Towers Renovation	2,700,000 c	6,093,500 c			
Cedar Park Construction	1,064,100 f				
Senior and Statewide Deferred Maintenance & Renovation	500,000 c	1,000,000 c 1,000,000 f	1,000,000 c 988,900 f	1,000,000 c 450,000 f	1,690,500 c 500,000 f
UA Student Housing Deferred Maintenance	22,500,000 c				
RPL 04-6-0004 Home Energy Rebate Program	635,000 o				
RPL 04-6-0018 Emergency Riverbend Revetment Repair	456,600 c 308,000 o				

(c) - corporate receipts  
(f) - federal receipts  
(o) - other receipts

## APPENDIX E

### AHFC Capital Projects

FY 96 - FY 00

Projects	FY 96	FY 97	FY 98	FY 99	FY 00
RPL 04-6-0042 Emergency Disaster Aid	1,407,400 c				
RPL 04-5-0048 Home Energy Loan Program	229,000 c				
DEC Housing Sanitation Program		15,116,000 c			
Homeless Assistance Program		250,000 c	250,000 c	250,000 c	250,000 c 200,000 o
Oil Overcharge Settlement (PVE)		600,000 o	600,000 o		
AHFC Telephone System Replacement		300,000 c			
Spruce Park Renovation - Fairbanks			7,000,000 c 350,000 f		
Central Terrace/Fairmount/Recreation Center			1,500,000 c	1,300,000 f	
AHFC Computer Mainframe Renovation			184,200 c		
AHFC Mainframe Software Upgrade				165,000 c 250,000 f	
Mountain View - Juneau				2,120,000 c	3,917,000 c
Parkview Manor - Anchorage				2,500,000 c 1,000,000 f	3,000,000 c
UAA Student Housing Debt Service				1,000,000 c	1,000,000 c
Talkeetna Senior Housing					278,000 c
Southall Manor Renovation					4,715,000 c
<b>Total AHFC Capital Projects - AHFC Corporate Receipts (c)</b>	<b>\$50,832,000</b>	<b>\$48,583,100</b>	<b>\$24,214,000</b>	<b>\$15,885,000</b>	<b>\$23,471,500</b>
<b>Total AHFC Capital Projects - Federal Receipts (f)</b>	<b>21,212,100</b>	<b>13,528,500</b>	<b>13,638,900</b>	<b>16,850,000</b>	<b>9,950,000</b>
<b>Total AHFC Capital Projects - Other Receipts (o)</b>	<b>1,543,000</b>	<b>1,200,000</b>	<b>600,000</b>	<b>1,000,000</b>	<b>200,000</b>
<b>Total AHFC Capital Projects - All Funding</b>	<b>\$73,587,100</b>	<b>\$63,311,600</b>	<b>\$38,452,900</b>	<b>\$33,735,000</b>	<b>\$33,621,500</b>
AHFC Cash Transfers to the State GF	\$70,000,000	\$50,000,000	\$70,000,000	\$24,019,900	\$0
Other State Agencies Capital Projects Funded by AHFC Receipts. See Appendix D	7,000,000	1,865,000	38,299,600	37,795,000	30,166,800
Other State Agency Programs Funded by AHFC Receipts				17,444,000	17,444,000
Debt Service for State Capital Project Bonds issued by AHFC				7,856,100	18,000,000
AHFC Cash Transfer to the Alaska Debt Retirement Fund					14,556,000
<b>Total AHFC Funds Capital</b>	<b>\$127,832,000</b>	<b>\$100,448,100</b>	<b>\$132,513,600</b>	<b>\$103,000,000</b>	<b>\$103,638,300</b>
<b>Total Funding Capital</b>	<b>\$150,587,100</b>	<b>\$115,176,600</b>	<b>\$146,752,500</b>	<b>\$103,406,000</b>	<b>\$96,344,300</b>

(c) - corporate receipts

(f) - federal receipts

(o) - other receipts

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Administration</i>					
Valdez Harborview Study		250,000			
Pioneers' Home Renovations, Repairs, & Maintenance			700,000		
Gold Rush Centennial License Plates, License Plates, & Manuals			89,000		
Special Care Units in Sitka & Palmer Pioneers' Home Dementia Units			52,500		
Juneau Pioneers' Home Special Care Units				20,000	
Anchorage Pioneers' Home Special Care Units				50,000	
Palmer Pioneers' Home Special Care Units				130,000	
Municipal Grant - MOA-Mountainview Community Recreation Center				230,000	
Municipal Grant - City of Nome - Purchase of a New Fire/Rescue Truck				150,000	

<i>Department of Commerce &amp; Economic Development</i>					
Alaska Visitor Statistics Program			75,000		

<i>Department of Community &amp; Regional Affairs</i>					
Southern Southeast Economic Revitalization Initiative			120,000		
Delta Junction Economic Recovery			175,000		

<i>Department of Education</i>					
Vocational Rehabilitation Home Modifications for Individuals with Disabilities			100,000	100,000	
Alaska Vocational Technical Center Roof Repairs			200,000		
Mount Edgecumbe High School Repairs, Renovations & Equipment			200,000		

<i>Department of Environmental Conservation</i>					
Village Safe Water Project Administration				1,441,026	1,515,350
Village Safe Water Grants Matched by Federal EPA					

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Environmental Conservation (continued)</i>					
City of Coffman Cove Water & Sewer			680,000		
City of Russian Mission Sewer Lagoon Expansion			175,000		
Rampart Village Council Washeteria Water Treatment Plant			364,500		
Tetline Village Council Piped Water & Pressure Sewer, Phase II & VI			925,000		
City of Anaktuvuk Pass Water & Sewer Project			1,000,000		
City of Alakanuk Piped Water Project			1,100,000		
City of Brevig Mission Water & Sewer Project			1,250,000		
City of Koyuk Water & Sewer Project			375,000		
City of Saint Mary's Sewer System Renovation, Phase II			450,000		
City of Saint Michael Piped Water & Sewer Project			1,120,000		
City of Stebbins Water & Sewer System			603,000		
Village of Chignik Lagoon Water & Sewer Project			750,000		
Shoup Street Service Area Piped Water & Sewer				590,000	
Badger Richardson Water Supply Design				500,000	
Glennallen Lagoon Third Cell				225,000	
Whittier Sewer System Improvements				425,000	
Gulkana Water Modernization Project				400,000	
Tanacross Sewer Improvements, Phase II				611,500	
Pilot Station Water & Sewage Treatment				600,000	
Kotzebue Waterline Improvements				800,000	
Kobuk Piped Water & Sewer, Phases II, III, IV				867,900	
Sheldon Point Water & Sewer System, Phase I				902,000	
Hooper Bay Piped Water & Sewer				625,000	
Brevig Mission Piped Water & Sewer				1,000,000	
Golovin Water Storage Tank				879,000	
Mekoryuk Flush Tank & Haul, Phase IV				547,700	
Akiachak Piped Water & Sewer				1,167,500	
Nunapitchuk Haul System & Lagoon				550,000	

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Environmental Conservation (continued)</i>					
Clinic Sanitation Facilities Improvements				250,000	
Anchor Point Water System Expansion Project					400,000
Bethel Water & Wastewater Improvements, Phase II					1,000,000
Chignik Water & Sewer System Improvements					560,000
Deering Water Treatment Plant with Washeteria					446,667
Ek Water & Sewer					456,333
Egegik Water & Sewer Improvements Projects, Phase II					412,000
Elim Water Source & Transmission Line					334,667
Napakiak Citywide Flush Tank, Haul & Washeteria Renovation					416,367
Napaskiak Sanitation & Facilities Improvements Project, Phase I					333,333
Noorvik River Drive Water & Sewer Extension					490,000
Nunapitchuk Water & Sanitation Improvements					316,667
Perryville Water Project					66,667
Pilot Point Septic Systems Rehabilitation, Well Water Treatment, & Landfill Relocation					450,000
Port Lions Water Dam Replacement					250,000
Quinhagak Sanitation Facilities Improvement Program					650,000
Sheldon Point Community Water & Sewer System, Phase I					437,167
Shoup Street Service Area Water & Sewer Improvements					621,667
Tanacross Water Facility Improvements					733,333
Tununak Flush Tank & Haul					271,667
Voznesenka Water System					566,667
Whittier Sewer System Improvements					356,000
Kongiganak Washeteria Construction, Phase IIB					433,333
Tatitlek Water Project					363,333
Village Safe Water Grants Matched by Federal RDA					
City of Koyukuk Solid Waste Project			90,000		
City of Marshall Heavy Equipment for Landfill			60,000		

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Environmental Conservation (continued)</i>					
Stevens Village Landfill Heavy Equipment			55,000		
Village of Evansville Solid Waste Landfill, Phase II			185,000		
City of Kotzebue Dump Closure, Baler, Balefill & Loan Repayment			950,000		
City of Wainwright Water & Sewer Project			440,000		
City of Kotlik Vacuum Sewer & Water Utilidor			221,000		
City of Mekoryuk Water & Sewer, Phase IV			750,000		
City of Sheldon Point Water Distribution Utilidors			90,000		
Akiak Native Community Water System, Phase III			405,500		
City of Chefnak Water & Sewer Improvement Project			280,000		
City of Goodnews Bay Sanitation Facilities			610,000		
City of Napakiak Flush Tank & Haul System & Washeteria Upgrade			425,000		
City of Quinhagak Washeteria, Phase III			275,000		
Tuntutuliak Village Water & Sewer Project			750,000		
Village of Atmaultluk Washeteria & Connecting Sewer System			221,000		
Coffman Cove Piped Water & Sewer				700,000	
Nikolaevsk School Connection & Project Completion				152,500	
Galena Landfill Construction & Equipment				250,000	
Birch Creek River Intake, Sewage Lagoon				462,500	
Marshall Piped Water & Sewer Extension				550,000	
Chevak Piped Water & Sewer				1,243,000	
Kotlik Piped Water & Sewer				780,000	
Nightmute Flush Tank & Haul				500,000	
Alakanuk Piped Water & Sewer				1,050,000	
Sheldon Point Water & Sewer System, Phase I				98,000	
Bethel Water & Sewer Improvements, Phase I				1,300,000	
Quinhagak Water & Sewer Improvement Project				612,500	
Goodnews Bay Piped Water & Sewer, Phase V				1,226,500	
Togiak Solid Waste Project				1,075,000	

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Environmental Conservation (continued)</i>					
Akiachak Water & Sewer Improvements					500,000
City of Anvik Water & Sewer Project					109,500
Brevig Mission Water & Sewer Project, Phase III					625,000
Chevak Water & Sewer Project Final Phase					850,000
Galena Water & Sewer Expansion					200,000
Metlakatla Indian Community Sewer System Upgrades					343,750
Port Graham Water Source Development, Treatment & Distribution System Upgrades					120,915
Savoonga Water & Sewer Project					590,750
Selawik Water & Sewer Project, Phase II & III					875,000
Tanana Sanitation Improvements, Phase II					500,000
Village Safe Water Grants with no Federal Match					
Denali Borough Landfill Project, Phase II				865,000	
Village Safe Water Feasibility Study Grants					
Whale Pass Fresh Water, Sewer & Solid Waste Study				37,500	
Ouzinkie Comprehensive Utility Master Plan				65,000	
Ninilchik Water & Sewer Demonstration Project & Study				65,800	
Upper Kalskag Morgan Senior High School Sewer Study				37,500	
Chuathbaluk Crow Village Sam School Sewer System Study				12,500	
Aniak Secondary & Vocational Education Facility Sewer Connection Study				32,500	
Rampart Engineering Study				75,000	
Aniak Sewer Extension Feasibility Study				37,500	
Alatna Feasibility Study				50,000	
Ambler Water & Sewer Master Plan				37,500	
Buckland Water & Sewer Study				50,000	
Kivalina Relocation Water & Sewer Study				110,500	
Kiana Water & Sewer Master Plan				37,500	
Nunapitchuk Housing Water & Sewer System Improvements Study				31,500	

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Environmental Conservation (continued)</i>					
Kwethluk Housing Water System Improvements Study				21,000	
Portage Creek Engineering Study				50,000	
Kasigluk Sanitation Facilities Master Plan				50,000	
Nondalton Water & Sewer Engineering Study				31,400	
Chignik Lake Water & Wastewater Upgrades				40,000	
Igiugig Sanitary Landfill Study				30,000	
Arctic Village Septage & Landfill Feasibility Study					16,667
City of Atka Sanitation Improvement Study					51,667
Atmaultluk Sanitation Facilities Master Plan					50,000
Chalkyitsik Water & Sewer Study					16,667
Chitina Master Sanitation Utility Plan					41,667
Chuathbaluk Master Utility Plan					41,667
Crooked Creek Master Plan					58,333
Eagle Village Planning & Feasibility Study for Community Sanitation Facilities					25,000
Evansville Sanitation Feasibility Study					28,333
Gambell Water Feasibility Study					166,667
Gulkana Village Master Plan					50,000
Healy Lake Water, Sewer & Solid Waste Master Plan					33,333
Ivanof Bay Septage & Landfill Study					36,367
Ketchikan Gateway Water & Sewer Services Feasibility Study					31,667
Kuspuk Crooked Creek School Sewer System Feasibility Study					25,000
Lowell Point Study & Pre-design of Water & Wastewater					25,000
Lower Kalskag Water & Sewer System Plan & Evaluation					50,000
McGrath Water & Sewer Master Plan					64,167
Naukati Sewer & Water Study					16,667
Newtok Sanitation Facilities Plan & Demonstation Project					91,667
Old Harbor Sanitation Improvements Feasibility Study					33,333

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Environmental Conservation (continued)</i>					
Old Minto Camp Sanitation Facilities Master Plan Survey					33,333
Ruby Feasibility Study & Preliminary Design of Water & Sewer System					50,000
St. Mary's Sewage Lagoon & Landfill Planning					50,667
Togiak Comp Study of Sewer Treatment Lagoon Upgrade					16,667
Kasigluk Akula School Sewer Disposal Feasibility Study					12,233
Kipnuk School Utility Master Plan					26,233
Statewide Regional Master Plans					231,365
Municipal Matching Grants Program					
Ketchikan 3rd Avenue Water Main Replacement & Extension				480,000	
Sitka Solid Waste Disposal Planning & Design				70,000	
Petersburg Scow Bay Water Project, Phase I (b)				803,600	
Craig Water System Facilities Planning & Design				52,500	
Soldotna Wastewater Treatment Plant Improvements Planning & Design				12,774	
Kenai Well House No. 4 with Main Line Tie-in				450,000	
Palmer Wastewater Treatment Lagoons				2,074,800	
Wasilla Treatment Plant Digester #2				420,000	
Cordova Wastewater Treatment Plant Planning & Design				98,000	
Cordova Water System Improvements, Phase II B				1,090,000	
Nome Utilidor Replacement, Phase III				900,000	
Dillingham Municipal Solid Waste Facilities				1,518,300	
Naknek Sewer Extension Planning & Design				70,000	
King Salmon Sewer Project, Phase III				1,034,700	
Unalaska Wastewater Treatment Plant Upgrade				1,541,000	
King Salmon Sewer Project, Phase II B					204,000
Cordova Mile 17 Landfill Construction					1,745,000
Craig Wastewater Collection Upgrade					618,000
Dillingham Landfill, Phase III					1,387,900

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Environmental Conservation (continued)</i>					
Haines FAA Road Water Tank Project					202,700
Homer East Trunk/Beluga Lift Station Upgrade					441,000
Kake Alpine Lake Water Line Construction, Phase IV					666,700
Ketchikan Wastewater Collection Analysis					140,000
King Cove Delta Creek Water Supply Project					200,000
Klawock Solid Waste Incinerator Design					135,000
Kodiak Monashka Bay W&S Design, Phase II					186,300
Talkeetna Water & Sewer System Analysis					51,000
Nome/NJUS-Utilidor Replacement, Phase IV					616,700
Nome/NJUS-Water & Sewer System Expansion					33,400
North Pole Water & Sewer System Analysis					42,000
Palmer Sewer Refurbish					455,000
Petersburg Scow Bay Water, Phase II					1,722,000
Sand Point Sanitary Landfill, Phase III					1,058,700
Seward Water Distribution System Analysis					24,800
Sitka Sewer Feasibility Study					60,000
Unalaska Wastewater Treatment Plant Upgrade					63,400
Wasilla Storm Water Treatment & Disposal System					1,264,300
Wasilla Wastewater Treatment Plant, Phase III A					300,000
Wrangell Wastewater Treatment Plant Analysis					12,900
Wrangell Zimovia Water & Sewer Extension, Phase IV					315,500

<i>Department of Health &amp; Social Services</i>					
Beneficiary & Special Needs Housing Program			1,200,000	1,200,000	250,000
Hope Cottages Intermediate Care Facilities			240,000		
Competitive Grants for Mental Health Trust Beneficiaries - Program Facility Modifications			150,000		
Johnson Youth Center Treatment Unit Construction			1,500,000		
Domiciliary Care Facilities Renovation & Construction -					

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Health &amp; Social Services (continued)</i>					
Fairbanks & Anchorage			600,000		
Ketchikan Juvenile Detention Facility Design, Engineering & Construction			184,500		
Kenai Youth Detention Facility Design & Engineering			232,500		
Palmer Juvenile Detention Facility Design & Engineering			355,000		
McLaughlin Youth Center Design & Engineering of Addition			675,000		
Fairbanks Youth Facility Design & Engineering of Addition & Renovation			287,000		
General Relief Assistance - RSA			500,000		

<i>Department of Military &amp; Veterans' Affairs</i>					
Fort Richardson Maintenance Shop, Maintenance, & Training Equipment Site			1,500,000		

<i>Department of Natural Resources</i>					
Completion of the State Land Status Geographic Information System			300,000		
Coalbed Methane Resources			400,000		
Oil & Gas Areawide Lease Database			270,000		
National Petroleum Reserve Technical Studies			400,000		
Recorder's Office Information System Programming			50,000		
Mount McKinley Meat Plant Renovations & Repairs			100,000		
Recorder's Office Replacement Micrographic Equipment				150,000	

<i>Department of Transportation &amp; Public Facilities</i>					
Bethel Seawall		1,615,000			
State Match for Federal Aid Airport Projects			4,350,000		
Unalaska Small Boat Harbor			500,000		
Emergency & Non-Routine Repairs to Roads & Aviation Buildings				500,000	
Corps of Engineers Program					

**APPENDIX F**

Other Agency Capital Projects Funded by AHFC Corporate Receipts

<b>Projects</b>	<b>FY 96</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<i>Department of Transportation &amp; Public Facilities (continued)</i>					
Program Formulation			100,000		
Kake Harbor Construction			400,000		
Larson Bay Harbor Construction			900,000		
Kodiak Harbor Construction			500,000		
Seward Harbor Expansion Feasibility			100,000		
Bethel Seawall			180,000		
Wrangell Harbor Feasibility			100,000		
Sand Point Harbor Feasibility			100,000		
<i>University of Alaska</i>					
UA Deferred Maintenance	7,000,000				
Small Business Development Programs			450,000		
University Statewide Museum				500,000	
<i>Municipal Capital Matching Grants</i>					
General Fund to Municipal Matching Grant Fund			5,000,000		
<i>Alaska State Legislature</i>					
Equipment Replacement			364,100		
<b>Total AHFC Funding to Other Agencies</b>	<b>\$7,000,000</b>	<b>\$1,865,000</b>	<b>\$38,299,600</b>	<b>\$37,795,000</b>	<b>\$30,166,800</b>

## APPENDIX G

### State Capital Projects Funded by AHFC Bonds

PROJECT DESCRIPTION	FUNDS ALLOCATED
<i>Department of Administration</i>	
Pioneers' Homes Health and Safety Repairs - Anchorage	627,300
Alaska Public Broadcasting Grants - KAKM equipment purchase grant	100,000
Municipal Grants, Municipality of Anchorage - Basher Road (LRSA)	70,000

<i>Department of Corrections</i>	
Deferred Maintenance, Repair, Renewal and Replacement	800,000

<i>Department of Education</i>	
AVTEC Food Services Building - Roof, Renovation and Upgrade	100,000
Craig City Schools - New Craig Secondary School	9,110,605
Petersburg City Schools - Middle/High School Roof Replacement	210,006
Wrangell City Schools - Civil Site Work: Drainage Upgrade	62,521
Wrangell City Schools - School Window Replacement	115,834
Annette Islands Schools - Districtwide Major Maintenance and Renovation	3,302,766
Annette Islands Schools - Middle/High School Asbestos Abatement Project	113,171
Chatham Schools - Angoon High School Major Maintenance Project	303,965
Chatham Schools - Tenakee Retaining Wall Replacement	240,952
Haines City Schools - High School Pool Roof Replacement	299,116
Hoonah City Schools - Accessibility Upgrades Project	63,709
Hoonah City Schools - Auto Shop Renovation	297,015
Hoonah City Schools - Roof Replacement Project	1,178,619
Kake City Schools - High School Major Maintenance	2,859,624
Kake City Schools - High School Roof Replacement	207,751
Klawock City Schools - Major Maintenance Project: Architectural, Electrical, Mechanical	1,984,604
Pelican City Schools - Major Maintenance Project: Roofs/Electrical/Misc.	586,221
Yakutat City Schools - Vocational Education Building Renovation	192,749
Denali Borough Schools - Tri-Valley School Code Upgrade and Rehabilitation	4,082,425
Chugach Schools - Districtwide Security and Handicapped Access Upgrades	47,279
Cordova City Schools - Junior/Senior High School Renovation	3,574,652
Delta/Greely Schools - Delta Re-Roof/Fire Alarm Replacement/Gym Floor Repair	1,261,958
Chugach Schools - Tatitlek Water Main Replacement	39,519
Chugach Schools - Whittier Drainage/Snow Remediation Project	133,467
Yukon-Koyukuk Schools - Districtwide Roof Replacement	1,040,938
Iditarod Area Schools - Grayling Gym Ceiling Replacement Project	40,670
Lower Kuskokwim Schools - District Water Treatment Subsurface	4,684,246
Nenana City Schools - Handicapped Access Repairs and Improvements	85,428
Nenana City Schools - Interior Lighting: Replace Fixtures & Install Suspended Ceiling	86,216
Iditarod Area Schools - Lime Village Oil Spill	388,679
Alaska Gateway Schools - Mentasta Fuel Storage Tank Project	543,109
Alaska Gateway Schools - Northway Soil Remediation Project	3,618,265
Alaska Gateway Schools - Northway Wastewater Treatment Project	156,708
Tanana City Schools - Replacement of Lighting Fixtures, Kitchen Equipment and Appliances	278,429
Galena City Schools - Roofing and Sprinkler Renovation	1,149,553
Nenana City Schools - Sprinkler System Renovation	134,633
Tanana City Schools - Vocational Education Roof Replacement	39,404
Northwest Arctic Borough Schools - Ambler High School Renovation Project	1,690,400
Northwest Arctic Borough Schools - Kiana High School Renovation Project	2,228,511
Northwest Arctic Borough Schools - Noorvik High School Renovation Project	2,319,598

## APPENDIX G

### State Capital Projects Funded by AHFC Bonds

PROJECT DESCRIPTION	FUNDS ALLOCATED
<i>Department of Education - continued</i>	
Bering Strait Schools - Shishmaref Plan Design to Consolidated, Renovate and Replace Roof, Phase I	390,649
Northwest Arctic Borough Schools - Shungnak Major Maintenance: Heating System/Siding	361,296
Lower Kuskokwim Schools - Bulk Fuel Storage Tank Repairs - 9 Sites	1,473,067
Lower Yukon Schools - Hooper Bay Major Maintenance	1,587,213
Nome City Schools - Nome-Beltz Facility Upgrades and Planning - K14 Facilities	5,269,564
Dillingham City Schools - K-12 Siding Project	224,315
Southwest Region Schools - Koliganek Repair of Foundation and Basement	627,373
Lake and Peninsula Schools - Districtwide Fuel Farm Upgrade and Fuel Spill Remediation	678,110
Lake and Peninsula Schools - Districtwide School Sprinkler Systems	1,363,500
Bristol Bay Borough Schools - Naknek Sprinkler System - Library/Computer Room Relocation/Remodel	1,791,585
Southwest Region Schools - Weather Protection Project for Four Buildings	616,984
Copper River - Kenny Lake Elementary School Replacement	4,071,274
Lower Yukon - Pilot Station K-12 Replacement	839,585
Northwest Arctic - Buckland School Remediation Project, Phase II	12,336,141
Lower Yukon - Kotlik K-12 Expansion	849,928
Bering Strait - Golovin School Upgrade and Addition	408,219
Bering Strait - Elim School Upgrade and Addition	458,209
Southwest Region - Replacement of Togiak School	880,011
Pribilof - Remodel and Expansion of Saint George School	240,871

<i>Department of Environmental Conservation</i>	
Municipal Matching Grants Program, Cordova Water System Improvements, Phase II B	1,090,000

<i>Department of Fish &amp; Game</i>	
Statewide Facilities Repair, Maintenance, and Replacement	400,000

<i>Department of Health &amp; Social Services</i>	
Americans with Disabilities Act Upgrades - Competitive Grants for Trust Beneficiary Facilities	100,000
Deferred Maintenance - Competitive Grants for Trust Beneficiary Program Facilities	200,000
Deferred Maintenance, Renewal, Replacement and Equipment	750,000
Kenai Health Center	1,705,000
Ketchikan Youth Facility	1,518,300
Matanuska-Susitna Detention and Support Facilities, Phase I	4,100,000
McLaughlin Heat and Ventilation Control System	450,000
McLaughlin Youth Center Detention Unit/Probation Offices	5,297,000

<i>Department of Military &amp; Veterans' Affairs</i>	
Army Guard Deferred Maintenance, Renewal & Replacement	150,000
Youth Corps Facility Repairs and Upgrades, Phase I	230,000
Juneau Armory Design and Construction	1,630,000
Nome Armory Design and Construction	1,994,500

<i>Department of Natural Resources</i>	
Fairbanks Facility Maintenance, Repair and Construction (ED 29-34)	200,000

**APPENDIX G**

State Capital Projects Funded by AHFC Bonds

PROJECT DESCRIPTION	FUNDS ALLOCATED
<i>Department of Public Safety</i>	
Statewide Academy Deferred Maintenance, Repair and Construction	1,200,000
<i>Department of Transportation &amp; Public Facilities</i>	
Americans with Disabilities Act Compliance Projects	4,000,000
Corps of Engineers Harbor Program: Kodiak Harbor	7,775,500
Corps of Engineers Harbor Program: Seward Harbor	3,134,200
Corps of Engineers Harbor Program: Homer Harbor	3,605,400
Corps of Engineers Harbor Program: Chignik Small Boat Harbor	3,313,000
Corps of Engineers Harbor Program: King Cove Harbor	2,237,500
Corps of Engineers Harbor Program: Saint George Harbor	225,000
Corps of Engineers Harbor Program: Unalaska Small Boat Harbor	500,000
Corps of Engineers Harbor Program: Sand Point Boat Harbor Expansion	2,137,000
Corps of Engineers Harbor Program: Saint Paul Harbor	4,044,600
Statewide Programs: Deferred Maintenance - Airports	900,000
Statewide Programs: Deferred Maintenance - Harbors	900,000
Statewide Programs: Facilities Deferred Maintenance and Critical Repairs	750,000
<i>University of Alaska</i>	
UAA-Deferred Maintenance/Code Compliance and Renovation	4,734,000
Anchorage Campus: Library Facility Planning, Design, Site Development and Initial Construction	9,530,000
UAF-Deferred Maintenance/Code Compliance and Renovation	36,901,800
Hutchison Career Center	1,600,000
Statewide Library Consortium Data Base	400,000
UAS-Deferred Maintenance/Code Compliance and Renovation	864,200
<i>Alaska Court System</i>	
Anchorage Court Facilities Code and Energy Conservation Upgrades	1,460,000
Palmer Courthouse Expansion	1,914,000
Statewide Court Facility Code and Energy Conservation Upgrades	850,000
<i>Alaska State Legislature</i>	
Capital School - Renovation to Office Space	1,925,000

**TOTAL FUNDS ALLOCATED \$199,634,509**

## APPENDIX H

### All New Bond Issuances Since 1995

Name	Date Issued	Amounts Issued		Grand Total
		GO Debt	Structured Debt <sup>1</sup>	
Collateralized Bonds, 1995 First Series (Veterans Mortgage Program)	August 1, 1995		30,000,000	
Governmental Purpose Bonds, 1995 Series A	October 15, 1995		335,000,000	
Mortgage Revenue Refunding Bonds, Series 1996B & Series 1996C	August 1, 1996		2,745,000	
Mortgage Revenue Bonds, 1996 Series A	August 15, 1996		159,870,603	
General Mortgage Revenue Bonds, 1997 Series A	March 1, 1997		434,910,874	
Collateralized Bonds, 1997 First Series (Veterans Mortgage Program)	October 1, 1997		100,000,000	
Housing Development Bonds, 1997 Series A, Series B, Series C	October 15, 1997	47,405,000		
Governmental Purpose Bonds, (University of Alaska ) 1997 Series A	November 1, 1997	33,000,000		
Mortgage Revenue Bonds, 1997 Series A-1, Series A-2	November 1, 1997		159,999,750	
Collateralized Bonds, 1998 Series (Veterans Mortgage Program)	June 1, 1998		60,000,000	
Mortgage Revenue Bonds, 1998 Series A-1, Series A-2	June 1, 1998		70,000,000	
State Capital Project Bonds, 1999 Series , Subseries A-1 & A-2	December 1, 1998	92,365,000		
General Mortgage Revenue Bonds, 1999 Series A	September 1, 1999		302,700,000	
Collateralized Bonds, 1999 First Series (Veterans Mortgage Program) Subseries A- 1 & Subseries A-2	October 1, 1999		110,000,000	
Mortgage Revenue Bonds, 1999 Series A-1 & Series A-2	October 15, 1999		200,000,000	
<b>Subtotal</b>		<b>\$ 172,770,000</b>	<b>\$ 1,965,226,227</b>	
<b>Preliminary Official Statements on bonds to be issued prior to year end:</b>				
State Capital Project Bonds, 1999 Series B	December 1, 1999	104,210,000		
Housing Development Bonds, 1999 Series A, Series B, Series C	December 1, 1999	58,255,000		
State Building Lease Bonds, 1999 Series	December 1, 1999	40,000,000		
<b>Total/Grand Total</b>		<b>\$ 375,235,000</b>	<b>\$ 1,965,226,227</b>	<b>\$ 2,340,461,227</b>
<b>% of Debt Types to Total Debt</b>		<b>16.03%</b>	<b>83.97%</b>	

<sup>1</sup> Structured debt is also general obligation debt of the corporation, for which its full faith and credit is pledged.

However, the primary security for these bonds is a combination of pledged revenues, mortgage loans, and other assets.

March 23, 2000

Pat Davidson, Legislative Auditor  
Legislative Audit Division  
PO Box 113300  
Juneau, Alaska 99811-3300

Dear Ms. Davidson:

This letter is the response from the management of the Alaska Housing Finance Corporation (AHFC) to the following "CONFIDENTIAL" preliminary audit report:

*The Department of Revenue, Alaska Housing Finance Corporation, Financial Analysis, February 23, 2000 (Control No. 04-4608-00).*

Generally responses to preliminary audits are focused on recommendations made by the audit team. While the preliminary report made no recommendations, we would appreciate an opportunity to provide response to the Auditors Comments, the Report Conclusions, and some additional comments.

All personnel at AHFC who worked on this report would like to express their regard and appreciation for the professional conduct of the Legislative Audit team.

### **Auditors Comments**

Legislative Audit makes the following comment:

*We recommend that AHFC management update the cash flow analysis of its unrestricted general account at the end of each fiscal year beginning with FY2000. The updates should be based on the audited financial statements of the fiscal year just ended. AHFC should provide copies of the cash flow analysis to the Office of the Governor, Division of Legislative Audit, and Division of Legislative Finance for review.*

This is a good recommendation. AHFC is required by state law to provide audited financial statements, an annual report, and a report of corporate assets to the Administration and the Legislature. In addition, a cash flow analysis can be provided.

## **Report Conclusions**

The report expresses concern regarding AHFC's ability to meet its current financial obligation to the state established in ch.129, SLA 1998 (the transfer series plan). These concerns are valid, and are being taken seriously.

Review and discussion of the preliminary audit by AHFC senior management has occurred. By administration of AHFC's business activities of making mortgage loans and fund management, the current series transfer plan can continue. An annual analysis of cash flow will assist toward managing and insuring these commitments are met while protecting the Corporation's strong credit and financial integrity.

To assist the Corporation in meeting these obligations, the following recommendations are presented for consideration:

1. The State should continue to recognize AHFC as a "going concern" within the current series transfer plan. Maintenance of the Corporation's facilities and its mission must be addressed annually as part of the state capital budget. As the source of funding for much of the State's maintenance and capital needs, it is imperative that AHFC be able to stand before the rating agencies and capital market participants and boldly and honestly inform them that AHFC does not have a deferred maintenance problem with its own facilities. Funding for maintenance and renovation is requested annually in the state capital budget as part of the agreement with the state for the series transfer plan.
2. The State and its residents should continue with efforts towards solving projected state revenue shortfalls. Concern by rating agencies and capital market participants about the state's "fiscal gap" is shared by consumers and investors in the state's economy. As both a capital market bond issuer and as a major participant in the housing market, AHFC's financial strength is directly linked to the financial health of the State of Alaska and its economy. While the "fiscal gap" problem has not been completely resolved, it is our humble recommendation that efforts amongst state residents and our elected officials should continue.
3. AHFC, through its management team and Board of Directors, should be allowed to administer its assets and loan programs in manner that meets the mission and financial obligations of the corporation. For many years this corporation has successfully provided housing programs. In return, the corporation is able to provide financial returns to the state's treasury, help stabilize the housing market, and insure that the basic need of housing is adequately provided for all state residents. Left to its own, the corporation is fully capable of continuing to accomplish all of these functions.

It is also important to note that the State of Alaska has not issued any general obligation debt under its own name since 1982. There now appears to be growing interest toward placing a general obligation issue up for voter referendum. The State,

including the Legislature, should be mindful that when the State endeavors to maintain its own credit ratings and sell its own bonds, capital market participants will scrutinize how the State has treated its own entities and investors that bought the bonds sold by those entities. AHFC, during this time, has successfully issued several billion dollars in taxable and tax-exempt debt.

Each of these actions would assist AHFC and the State toward meeting current and future financial obligations by alleviating credit agency and capital market concerns, preventing any deferment of ongoing maintenance needs or affordable housing development, and bolstering overall consumer and investor confidence in the state's economy.

AHFC is continually looking to improve its net income through its core business function of purchasing taxable and tax-exempt home mortgages and other loans. By working closely with the state's housing industry, we will continue to establish mortgage-purchasing programs that can enhance our income while providing reasonable affordability opportunities for Alaskan residents. To the extent this will require any changes to current statutes or additional authority, we will request consideration by the Governor and the Legislature through a review process by the AHFC Board of Directors<sup>1</sup>.

Our belief is that these efforts should be approached as business matters that require participation by the housing industry. Industry participation is fundamental for mortgage programs to successfully generate additional income, and it helps to insure that our programs assist toward moderating housing market swings – rather than encountering “boom or bust” cycles.

### **Additional Comments**

Legislative Audit suggests repealing AS 18.56.430 in order to eliminate the Home Ownership Fund (HOF). While repeal or modification of statute requires legislation, it should be emphasized that any transfer of any assets in the fund must be done at the direction of the Board of Directors of the Corporation.

AHFC staff would recommend for the Board of Directors to transfer the assets to the Corporation's unrestricted account after a review of all outstanding commitments under the program in order to confirm that such action would not be contrary to the provisions of those commitments. To the extent that any remaining assets would then become “available” would be determined by the Board of Directors based upon their review of the Corporation's ability to meet all of its financial obligations.

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<sup>1</sup> AHFC staff currently is advocating for changes to the Rural Mortgage Program that could expand loan opportunities for more communities and potential borrowers. This change will require legislation. A review by the AHFC Board of Directors of this proposal is scheduled for March 29, 2000.

Finally, the financial review completed by the Legislative Audit team should be commended for succinctly describing and illustrating large volumes of complex financial information. I want to thank you and the audit team for this opportunity to respond and comment. If additional information is necessary or if there are any questions, please do not hesitate to give us a call.

Sincerely,

Daniel R. Fauske, CEO/Executive Director  
Alaska Housing Finance Corporation

CC: Governor Tony Knowles  
AHFC Board of Directors