



# KENAI

City of Kenai | 210 Fidalgo Ave, Kenai, AK 99611-7794 | 907.283.7535 | [www.kenai.city](http://www.kenai.city)

March 9, 2022

The Honorable Governor Michael Dunleavy  
State of Alaska  
P.O. Box 110001  
Juneau, AK 99811-0001

Re: Support for Senate Bill No. 166 – General Obligation Bonds

Dear Governor Dunleavy,

The Kenai City Council strongly supports the passage of Senate Bill No. 166, providing for the issuance of \$325 million of general obligation bonds for the purpose of paying the cost of state infrastructure projects. This money will build Alaska's economy by putting Alaskans to work building bridges, ports, roads, and other important projects around the State. Specifically, for the City of Kenai, these bonds will help build the Kenai Bluff Stabilization Project by providing critical funds in the amount of \$6.5 million to help meet the local match requirements of the Federal funds that have already been allocated towards this project.

The total design and construction cost for the Kenai Bluff Stabilization Project has a preliminary cost estimate of approximately \$42 million; however, it is expected that the total cost will likely range from \$25 million to \$35 million. As the design proceeds, the Project's scope will be refined, and a more accurate cost estimate will be generated. The City is using a total cost of \$30 million for planning purposes while we attempt to secure the necessary funding for our required local match of 35%. The \$6.5 million in funding from this general obligation bond combined with funds already secured or being pursued by the City of Kenai, allows the City to meet its approximately \$10.5 million local match requirement and leverage over \$19.5 million in Federal dollars toward economic activity in our State. This provides an outstanding return on the investment of the State's money while contributing to a project that will have a significant positive impact, save critical infrastructure, and drive additional private capital investment in Old Town Kenai while preserving a significant asset that benefits the Kenai Peninsula and the State.

From a financial standpoint, the issuance of General Obligation bonds as proposed by Senate Bill No. 166 makes sense for the State. Neil Steininger of the Office of Management and Budget has offered that the State has \$1.3 billion in overall debt capacity, and the issuance of \$325,000,000 in General Obligation Bonds is clearly within that capacity. He also advised that the debt service in the out years would be approximately \$20,600,000 to \$20,700,000 annually, providing the State with an affordable option to finance capital needs by leveraging low-interest rates when the State's savings could earn considerably more.

Similarly, Deven Mitchell, State of Alaska Debt Manager of the Treasury Division stated that issuing bonds that qualify for tax exemption provides a significant advantage for the State. If the State invested available funds in similar securities that were taxable, the State would make more money than it would pay in interest expenses on the general obligation bonds.

Senate Bill No. 166 provides essential funding for the City to complete the Bluff Stabilization Project, a number one capital project priority of the City for almost 40 years. Additionally, the sale of general obligation bonds appears to be a wise financial decision for the State, representing one more step that the legislature can take to help fund vital infrastructure projects and secure Alaska's financial health and stability.

Thank you for your consideration.

Sincerely,

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Brian Gabriel, Mayor

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Jim Glendening, Vice Mayor

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Henry Knackstedt, Council Member

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Glenese Pettey, Council Member

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Teea Winger, Council Member

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James Baisden, Council Member

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Deborah Sounart, Council Member

cc:   The Honorable Senator Peter Micciche  
      The Honorable Representative Ben Carpenter  
      The Honorable Representative Ronald Gillham

