

Bond rating holds in 2 of 3 companies

From Staff and Wire Services

The North Slope Borough's bond rating, lowered by one of three major bonding companies two weeks ago, remains high in the other two major bonding companies, NSB Mayor Eugene Brower announced last week.

The Borough's bond rating affects its ability to sell long-term general bonds to finance construction and conduct other projects in the Borough.

Standard and Poor's announced last week that it has lowered the borough's general obligation bond debt rating from "A" to "BBB."

But Brower has announced that the other two of the big three bonding companies have kept a high rating for the borough.

Moody's Investors Services and Fitch Investors Service told Brower on July 7 that the borough will retain its ratings. Moody's will maintain their A rating for the borough bonds and Fitch will maintain its AA rating.

The borough's large amount of outstanding debt, combined with its increased pace of financing and uncertain outlook for future debt issuance, accounted for the change, the S&P bond rating agency said.

The action came amidst rising concern in the state government that the borough's bonded indebtedness has gotten out of hand. The borough's

total debt is nearly \$1 billion, or roughly the same as the entire rest of the state combined.

Although S&P noted the borough's financial operations and positions are strong now, its economy is based solely on oil-and-gas-related activities with few prospects for diversification.

"We are gratified both Moody's and Fitch have kept faith in the North Slope Borough, and the economic future of Alaska's Arctic," said Mayor Brower. "However, we want to regain our Standard and Poor A rating so as to make it easier to market our bonds to banks and other financial institutions.

"The Municipal bond market is being influenced by the Washington State power utility default, and the bond rating bureaus are being very cautious," Brower said, "but I have always had faith in the growth of the Arctic oil and gas industry. We need to share our faith in our future with Standard and Poor's and others who worry about the continued economic growth of Alaska.

"I think we can convince S & P to restore our A rating, and make our credit worthiness unanimous among the bond rating bureaus," Brower said. "Our bonds will be reviewed in six months. We will work

until then to tighten up our financial program, re-schedule some of our construction projects, and document the economic growth and dynamic future of the Arctic oil and gas industry. I am sure we can restore the confidence of Standard and Poor's, and reinforce Wall Street's confidence in Alaska's economic future.

The population of the borough is about 7,500 and the debt amounts to \$126,549 per person.

A statute introduced in the recently completed legislative session would limit new bond debt to no more than \$25,000 for each citizen, or no more

than 10 percent of the assessed valuation of the local government unit.

It also would provide that municipalities currently exceeding the limits could not issue new debt. Besides North Slope, city of Nenana exceeds the limits of measure.

Sponsor Rick Halford, Republican senator from Chugiak, expressed concern that if the borough ever defaulted on its bonds, the state would be stuck with the tab and a blot on its credit rating.

No action was taken on the bill (SB304), but it could be considered next January when the Legislature reconvenes.

The new rating applies to \$201.2 million bonds that mature from 1987 to 1994. Bonds maturing from 1995 to 2005 are to be insured by the American Municipal Bond Assurance Corp. They will be rated "AAA" upon receipt of the executed insurance policy.

Lowered to "BBB" was the rating on about \$449.2 million in previously issued and outstanding general obligation bonds, due from 1989 to 2006, and on \$200 million in bond anticipation notes, series 1983A. Due April 13, 1984, the latter bonds will remain outstanding following the refunding.