

City Would Not Allow Default of Port Bond Payments, Gantz Says

By CLARKE WARD
Daily News Staff Writer

The city of Anchorage would not allow the default on \$6.2 million of city port revenue bonds, acting City Manager Richard Gantz said today.

His statement was in comment on a Daily News story Tuesday that the Port of Anchorage might be unable to meet payments on \$406,212 in principal and interest early in 1964 due to lack of port revenue.

"THE PORT WILL not default on the bond payments," Gantz said. "The city would undoubtedly make up any deficit in port payments. But I do not necessarily anticipate any deficit."

The city would not allow its credit standing to be affected by allowing the port to default, Gantz pointed out.

"I am not distressed over the financial situation at the port," Gantz said concerning a report that lower than expected tonnage across the municipal dock left it in difficulties.

"I think the port is doing as well as can be expected for the length of time it has been in operation," he said. The dock opened for business April, 1961.

MOST PORTS DO NOT make

money during the first few years of operation, Gantz noted.

The "short range" solution to the port's lack of income is the scheduling of regular carrier service between Seattle and the Anchorage port, Gantz said. But he said he believed the long range solution lies in foreign trade.

In answer to the charge that the city was not taking action on the port's tideland prob-

lems, Gantz said timing of the action would be up to the city attorney's office. He is also the city attorney.

The city will have to go to court to settle the question of the port's jurisdiction over tidelands lying seaward of the Alaska Railroad reserve in the Ship Creek delta, Gantz said.

SOME OF THE PORT'S competitors, such as the Alago dock

and Anderson dock, are using tidelands claimed by the port, port officials say.

The state has transferred title to the lands to the city but the railroad and its parent, the U.S. Department of the Interior, claim prior right to tidelands off the reserve, Gantz said.

"We have been working with the ARR and the Interior Department to try to secure an admis-

sion that they had no right to these tidelands," Gantz explained.

"The solicitor for the Interior has refused to recognize as valid the state ownership of the tidelands opposite the railroad reserve."

EVENTUALLY, this must be settled in court, Gantz said. The timing and manner of bringing suit will be determined by the city attorney.

Gantz said he assumed that the state would wish to be a party in the suit.

Action has not been taken because of the work load being borne by the city attorney's office, Gantz said. Since Gantz became acting city manager, he said, very possibly the city would need experienced tideland legal counsel for the proposed suit, Gantz added.

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ANCHORAGE DAILY NEWS

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A Debt-Free Port in '98—But No Dough for New Gear

By CLARKE WARD
Daily News Staff Writer

At the end of 36 years, when the city port's revenue and general obligation bonds are paid off, the city is scheduled to own a debt-free port, but it will not have a cent put away for replacement of worn-out or obsolete equipment, the port trust agreement shows.

The trust agreement, between the city of Anchorage and the trustees for the bondholders, the Seattle-First National Bank, spells out in great detail how funds and revenues from the port are to be handled during the 36 years for the benefit of the bondholders.

Nowhere in the lengthy doc-

ument is there provision for depreciation of equipment.

A port official said the philosophy behind this omission is that the payments on the bonds are in effect depreciation disbursements.

By 1998, when the total in interest and principal on both types of bonds, amounting to \$19,088,647 is paid off, then the city can float another bond issue to finance replacements, expansion or modernization of the municipal port, the official pointed out.

The trust agreement does provide a reserve maintenance fund, for keeping the port in working order. But the money is set aside only when the con-

sulting engineers, Tippetts, Abbetts, McCarthy Stratton of New York, recommend repairs be made. No regular amount yearly is put away beforehand to replace, for instance, one of the \$207,000 gantry cranes on the dock.

The official claimed this lack of depreciation fund is an accepted accounting procedure in governmental operations. "In private business, the main purpose of depreciation reserves is tax relief," he maintained.

Yet the city's telephone and electrical utilities each maintain a depreciation fund based on expected life of equipment. If the port were showing enough profit, he thought per-

haps the consulting engineers could recommend use of funds for small improvements or expansion, the official said.

But at present, the possibility of large revenues is dim. The port tonnage is so far below estimates made in 1958 that the port may not be able to meet interest and principal payments early in 1964.

Furthermore the reserve maintenance fund is fifth out of seven funds through which any port revenues are strained before they can reach the port's piggy bank. As was noted, all the funds are designed to protect and assure payment of the bonds to the holders.

In order of priority, the se-

ries of funds fed by port revenues stacks up like this:

Revolving fund—a repository of not more than \$50,000 for payment of port operating expenses not conveniently paid out of the revenue fund.

Bond Sinking Fund—Amount to be kept on deposit is one ensuing year's principal and interest on the \$6.2 million in port revenue bonds. In 1963, this will amount to \$407,000.

Bond Amortization Fund — Starts in 1978 for payment of the \$4,885,000 in term bonds which are due in 1998.

Bond Reserve Fund—To be maintained at \$410,000 or the bond principal and interest re-

quirements for any ensuing fiscal year, whichever is the greater. Withdrawals are made only if there are not enough funds in the Bond Sinking Fund to meet payments.

Reserve Maintenance Fund—For amounts recommended by the consulting engineers for upkeep of the facility.

General Obligation Bond Fund—Receives half of any remaining revenue fund. The fund reimburses city for payments made on port general obligation bonds of \$2 million.

Bond Redemption Fund—Other half of the revenue fund to be used to redeem revenue bonds ahead of time.

If Port's to Pay Bond Obligations Must Alter Code

By CLARKE WARD
Daily News Staff Writer

If the city of Anchorage intends to pay any principal and interest on the city port's revenue bond obligations amounting in total to \$14,954,030 over the next 36 years, the council will have to amend the city code, an investigation shows.

City ordinance 1312, which provides for building of the \$8.2 million port and authorizes issuance of \$6.2 million in revenue bonds, also prohibits the use of the city's taxing power or its funds to pay off the bonds.

According to the city attorney's office, the ordinance has never been amended.

Aug. 2, Acting City Manager Richard O. Gantz said the city would not allow the port to default on its revenue bond payments. This came after a Daily News story revealed that officials were concerned that the port might not be able to meet the second installment on payment of \$460,212 early in 1964.

"The city would undoubtedly make up any deficit in port payments," Gantz said at that time.

The ordinance provides "that the principal and interest on the bonds . . . and all of the reserve, sinking fund and other payments provided for in this ordinance, will be paid solely from the revenues derived by the city from the operation of the port and terminal facilities and it will never be necessary or authorized to use the taxing power or any other funds of said city to pay the principal and interest. . . ."

"And the bonds to be issued . . . shall not constitute a lien upon any of the properties of said port . . . or upon any other property whatsoever of the city."

Under the heading, Security for Bonds, the ordinance states again: "The principal of and interest on the bonds and all other payments provided for in the trust agreement shall be payable solely from the revenues of the port and terminal facilities. . . ."

Further, in a copy of the port trust agreement between the city of Anchorage and the Seattle-First National Bank, trustees, a facsimile of the \$1,000 bonds later issued states the bonds are payable solely from the revenues derived from the port.

It adds: "The issue of bonds . . . does not constitute an indebtedness of the city within the meaning of any statutory or charter provision or limitation, and it is expressly agreed by the holders of this bond . . . that such holders shall never have the right to require or compel the exercise of the ad valorem taxing powers of said city, or taxation in any form for the payment of the principal and interest on this bond. . . ."

Thus, the levying of a tax to pay off the bonds, as has been suggested, also is prohibited unless the ordinance is amended.

Regarding the port's general obligation bonds of \$2 million, it was also planned to pay part of the service charges out of port revenues.

In its circular announcing the new port bond issue, the bond broker, Ira Haupt and Co. of New York, states, "Certain surplus revenues of the port . . . shall be credited . . . to service the general obligation port improvement bonds. Such surplus revenues are expected to be fully sufficient for this purpose."

Facts, Figures, Ball Games

THERE'S NO QUESTION that construction of the Port of Anchorage was a forward-looking step for this community, and we have every hope that, over the long run, it will prove fully justified.

But that doesn't alter the fact that, for the short run, the port is in some difficulty. The evidence was presented conclusively—and exclusively—in the Daily News Tuesday.

It showed that port revenues, present and anticipated, fall far short of meeting the obligations on the revenue bonds which become due in February of 1964.

In a news story today, Acting City Manager Richard Gantz points out that the city would not allow default of port revenue bonds, and adds that he is not distressed by the financial situation of the port.

Most ports fail to make money in their early years, he notes, and he believes the long range solution lies in foreign trade.

He is no doubt right on that. The anemic earnings of the port to date are hardly the fault of the city, the Port Commission, or its former director, Henry Roloff. All were aware of the problem and have been working hard to meet it.

But we're not sure the public at large realized the situation, and we think it wiser to face facts than stick one's head in the knik mudflats and pretend they don't exist.

THE NEW PORT MANAGER certainly will have to grapple with them. There will be

PLENTY OF PROBLEMS, TOO

for our new city manager, Robert H. Oldland, and we hope he'll be given time and quiet to familiarize himself with the municipal apparatus and local scene in his own way.

In order to do a sound managerial job, the first order of business is to get an objective fix on the community without a welter of conflicting suggestions and pressures.

ONE SUGGESTION we've already seen was that Mr. Oldland be presented with a compendium of kibitzers' views on how to run the city. But a city manager is not supposed to be a political weather vane, shifting with every breeze. He's a professional in the science of municipal government, and it's up to him to initiate and apply the measures suggested by his trained evaluation.

He'll get plenty of advice and reaction in due course—that's part of the ball game—but we also hope the bleachers will allow him a period of grace during batting practice.

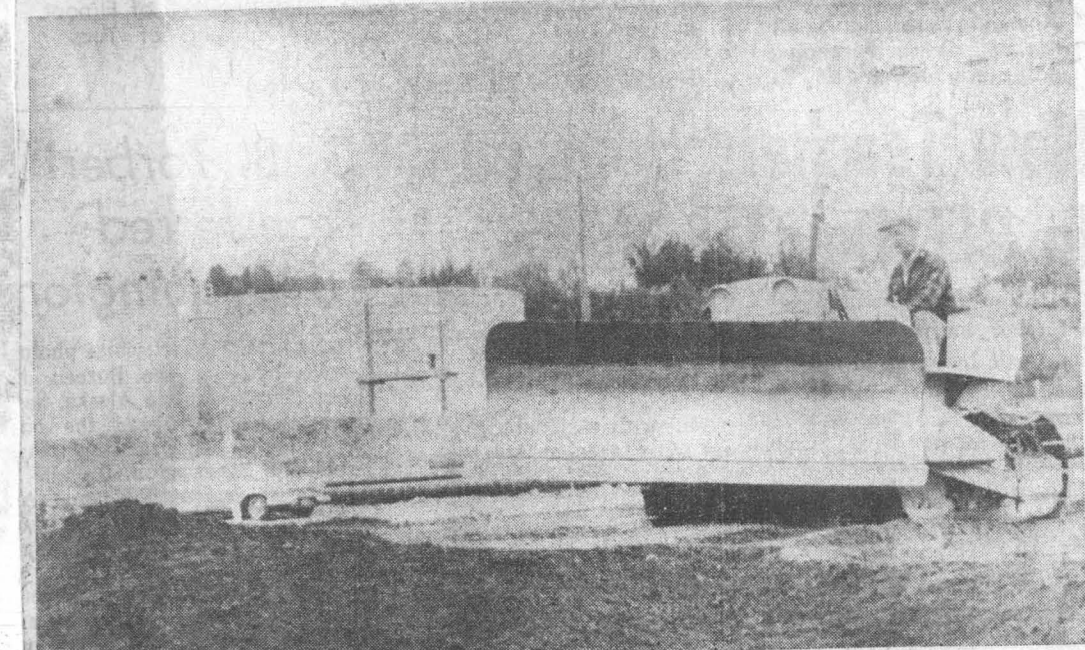
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Railroad Has Let Land City Wants for Port; Private Construction has Begun



LUMPING THE GUN? — A bulldozer prepares ground for a Standard Oil Co. garage on port area land which the city of Anchorage protests does not belong to the Alaska Railroad, lessor to Standard Oil. The ARR has applied for the land from the Bureau of

Land Management but has not yet obtained a release. But the ARR said it has immediate right of entry onto the land obtained from Washington, D.C. The city wants to add the land to its port terminal area.

(Daily News photo)

By CLARKE WARD
Daily News Staff Writer

The Alaska Railroad has already allowed private construction on 3.2 acres of land in the port area which the city of Anchorage wants to add to its port terminal; it was learned today.

HAROLD F. BRUE, ARR real estate and contract agent, said permission was given to Standard Oil Co. of California to build a parking garage on the plot adjacent to the port although the Bureau of Land Management has not yet released the land to the railroad.

The railroad made application for the land, being released by the military forces as unneeded, to the BLM Aug. 9, according to Acting City Manager Richard Gantz. The city has until Sept. 9 to protest the transfer to the railroad, he said.

After conferring with the City Council, the protest will be entered, Gantz said.

But Brue said the land originally belonged to the Alaska Engineering Commission, which built the railroad. The parcel was turned over to the military with the understanding that the ARR would get it back when unneeded, Brue said.

APPROVAL for immediate entry onto the land was obtained from John A. Carver Jr., assistant secretary of public land management in Washington, D.C., last June, Brue recounted.

Therefore, Standard Oil was given permission to start construction, he said.

The oil company is laying foundations for a garage to cost about \$50,000 on the property, oil officials said. Foundation contractor is Davis Construction Co. of Seattle.

800 ALASKAN COMMAND PERSONNEL SAIL TODAY

The 623-foot troopship, U.S.S. General W. A. Mann, which brought 382 military personnel and dependents to Alaska, will sail with the tide about 3 p.m. today for San Francisco. Aboard will be some 800 Alaskan Command personnel and their families.

The Mann grosses nearly 20,000 tons, and has a cruising speed of 19 knots. The skipper of the Military Sea Transportation vessel is Captain C. S. Hart of the U.S. Navy.

The ship was jockeyed for a perfect landing yesterday by tugboats during her second visit to the city dock. The first visit was in July of 1961.

Waiting on the concrete apron beneath huge cranes which swung the gargantuan place were General George Mundy, commander of the

Alaskan Command, and Major General Ned Moore, commander of the U.S. Army in Alaska.

They went aboard to greet General John Ryan, commander of the Sixth Army, and his wife and daughter. The Ryans plan to fly back to San Francisco tomorrow, Gen. Moore said.

Troops aboard the ship included a company of Army Engineers from Ft. Lewis, Wash., who will get special training at Ft. Greely, and 153 officers and men who came as replacements for Army personnel in Alaska.

Also aboard were 35 boys traveling as "shipmates" under the auspices of the Navy League. They toured the Anchorage area yesterday and will sail back south on the Mann today.

Port Angeles Man To Visit

The director of the Port Angeles, Wash., port will arrive in Anchorage tonight.

Jack F. Hogan, a candidate for the position of Anchorage port director, has been invited to the city to talk with city officials and the port commission.

Hogan, 48, will meet with City Manager Robert Oldland at 3 a.m. tomorrow.

Following a tour of the port facilities, Hogan is scheduled to meet with the port commission tomorrow afternoon. He will remain in Anchorage until Sunday.

Coast Guard Plans Waterfront Check

Coast Guard district headquarters in Juneau announced today that two Coast Guard representatives will visit Anchorage Aug. 25 and 26 and Seward on Aug. 31 to inspect waterfront facilities and receive application for Coast Guard port security cards.

They will return to Anchorage on Sept. 2 and remain through Sept. 4 inspecting facilities and taking applications.

The Coast Guard representatives may be reached through the Port of Anchorage when they are here and at the Army Dock in Seward during their stay there.

Gruening Seeks Land Transfer

Alaska Sen. Ernest Gruening has asked the Bureau of Land Management to hold a public hearing on disputed transfer of 3.2 acres of land in the Anchorage port area to the Alaska Railroad, City Attorney Richard O. Gantz revealed today.

The city is protesting transfer of the land which the city claims is needed for expansion of its municipal port, Gantz said.

The land has been relinquished to the BLM by the military forces since it is no longer needed. According to the railroad, which made application for the parcel Aug. 9, the land was originally part of the railroad reserve. It was transferred to the military with the understanding the ARR would regain title when the plot was no longer needed, the railroad said.

Stating he was speaking for the entire Congressional delegation, Gruening said a public hearing would "be of benefit" since a "serious protest" has been entered, Gantz recounted.

Gantz refused to comment on a report that the city has proposed to the ARR that the land be transferred to the city with the understanding that the present lessee, the Standard Oil Co. of Calif., be allowed to use the land.

The oil company is already constructing a garage on the plot.

Nitrates Cargo Due

The Japanese freighter Kazakawa Maru, carrying a cargo of 450 tons of ammonia nitrates, was scheduled to arrive at the Port of Anchorage about 4 p.m. today.

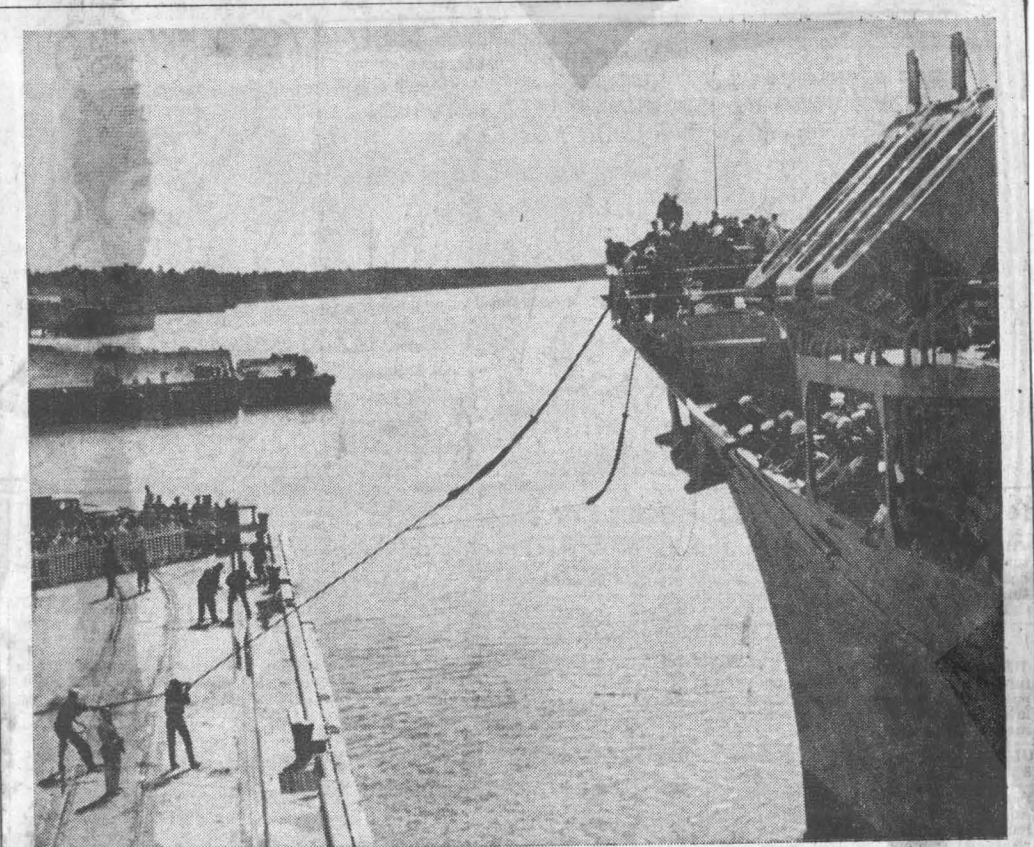
The ship may not dock until sometime tomorrow however, since a Foss barge is expected to arrive ahead of the freighter, according to Jim Cahill, port director.

Ammonia nitrates are used both as a fertilizer and as a low-grade explosive. Some 100 tons of the nitrates are for the Evans Jones Mine at Jonesville.

The Foss barge is carrying a cargo of 1,700 tons of drilling mud from oil well construction, 300 tons of machinery and 300,000 board feet of lumber for the Ketchikan Spruce Mills.

Cahill said the Foss Launch and Tug Co. has brought some 9,000 tons of cargo to the port this year and is the only major carrier emphasizing use of the port.

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TROOPSHIP DEBARKS

The USS W. A. Mann, largest vessel to tie up at the city dock in the port of Anchorage, steamed down Cook Inlet with the tide Friday after a one-day visit. Some 800 military personnel and their families are bound for San Francisco aboard the 20,000-ton ship.