

MEMORANDUM



DATE: June 7, 2023
TO: Assembly Finance Committee
FROM: Jeff Rogers, Finance Director
SUBJECT: Wildflower Court – Waiver of Required Rate Study

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The Finance Department has received from Wildflower Court a request to waive a rate study required by the bond covenants.

In brief, Wildflower Court violated a bond covenant in 2022 that requires it to have a debt service ratio of 1.15. Wildflower Court did not maintain that required debt service ratio, which puts them into technical default. Per the bond covenant, this technical default triggers the requirement of a rate study consultation. Such a rate study consultation is intended to help the borrower shore up business revenues to avoid an actual default in the future. The rate study consultation insulates the bondholders—as well as CBJ and the Alaska Municipal Bond Bank Authority (AMBBA)—from financial risk.

This is the second year in a row that Wildflower Court has violated the debt service ratio and has requested a waiver of the required rate study consultation. Both CBJ and AMBBA waived the requirement last year.

The Assembly has authorized Bartlett Regional Hospital to acquire the assets and business operations of Wildflower Court. As part of that acquisition, the entirety of this bond will be paid off, and the required rate study consultation would become moot.

I recommend that the Assembly do nothing with the current waiver request. If the bond is paid off when Bartlett acquires Wildflower Court, then no further action will be necessary. However, if the acquisition is not successful and the bond is not fully retired, then I recommend that the Assembly revisit this issue. In that event, I would recommend that the Assembly require Wildflower Court to engage in a rate study consultation to limit financial risk to CBJ.