

TO: Myron Dosch  
University of Alaska Controller

FROM: Michael Ciri   
UAS Vice Chancellor of Administrative Services

DATE: February 18, 2016

RE: Natural Science Lab Defeasance

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The purpose of the memo is to convey our intentions and to seek your assistance in reducing UAS debt service.

UAS seeks to move forward with the defeasance of the debt on the Natural Sciences Research Lab (NSRL). As we have discussed, UAS plans to leverage one-time funds combined with existing reserves associated with the debt service which UAS has built up over time.

Total debt service through 2029:	\$ 2,892,718.81
Current defeasance cost:	\$ 2,505,666.57
Existing NSRL debt service reserves:	\$ 504,727.88
FY16 UFB reallocation:	\$ 2,000,938.69

In evaluating this decision, three benefits were identified:

1. A defeasance now will save UA significant interest payments in the future. Based on current estimations, the savings calculated over the life of the debt would be: \$ 387,052.24
2. By leveraging one-time reallocation and existing reserves to pay off the debt, UAS will realize a permanent reduction in fixed operating costs of \$222,000. In the current budget climate, this savings will help UAS achieve a sustainable operating budget.
3. In the Board-approved UAS Master Plan, UAS explored removing the facility from the campus inventory – ideally through a sale. While UAS is not currently prepared to pursue a sale, any future sale or transfer will first require a complete defeasance of the existing debt service. By defeasing now, UAS will be able to respond to future opportunities.

Given these benefits, UAS would like to proceed with this defeasance as soon as practicable in order to realize the savings for FY17. I very much appreciate the system you have lent to this effort and hope to be able to count on your assistance bringing it to conclusion.